



**ORDER  
OF THE  
WEST BENGAL ELECTRICITY REGULATORY COMMISSION**

**IN CASE NO: APR – 30 / 12 – 13**

**IN RE THE APPLICATION OF CESC LIMITED FOR  
ANNUAL PERFORMANCE REVIEW FOR THE  
FINANCIAL YEAR 2011-12.**

**DATE: 05.09.2013**



## CHAPTER – 1 INTRODUCTION

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- 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 (in short 'MYT') 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 now to be done in the manner as specified in the Tariff Regulations. CESC Limited submitted their application of APR for the year 2011 – 2012 on 29<sup>th</sup> November, 2012. It provided the requisite data / information in the specified proforma. A copy of its annual report and audited annual accounts for the concerned year was also submitted by CESC Limited along with the application. The application was admitted by the Commission for processing and the same was numbered as APR-30/12-13.
- 1.2 The instant application of CESC Limited is their first application for the APR of the third control period. The adjustments, as may arise out of the review of the instant application for 2011 – 2012 will be considered for giving effect while determining the amount of revenue recoverable through tariff order of any ensuing year or through separate order as specified in regulation 2.6.6 of the Tariff Regulations.
- 1.3 CESC Limited has submitted their application for Annual Performance Review for 2011-12 in terms of the provisions contained in the Tariff Regulations. The instant application needs to be dealt with as per provisions of the Tariff Regulations.



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- 1.4 The Commission has taken careful note of the representations made by CESC Limited. The relevant issues will be addressed and views will be taken accordingly while examining the admissibility of expenses under different heads of accounts. The APR is to cover the annual fixed charges allowed to the licensee, incentives and the effect of gain sharing as per Schedule – 10 and Schedule – 9B to the Tariff Regulations. APR for the year 2011 – 2012 is the review of the different factor elements of fixed charges, categorised as controllable and uncontrollable, allowed to CESC Limited through the ARR for the year 2011 – 2012, vis-à-vis the actuals as per the audited accounts. The analyses of the Commission and taking views thereon will be with reference to the audited data. The instant application of CESC Limited for the year 2011 – 2012 is being viewed in the subsequent parts of this order.
- 1.5 In terms of regulation 2.6.12 of the Tariff Regulations, the gist of the application of APR of CESC Limited for the year 2011 – 2012 was published simultaneously in Anandabazar Patrika, The Telegraph, Sanmarg, Bartaman, Sangbad Pratidin, Ganashakti, Ei Samay and Times of India on 25<sup>th</sup> April, 2013. The application of APR for 2011 – 2012 was also posted in the website of CESC Limited. The publication invited the attention of all interested parties, stakeholders and the members of the public to the application for APR for the year 2011 – 2012 of CESC Limited and requested for submission of suggestions and objections, if any, on the application to the Commission. The extended last date of submission of suggestions and objections was 27<sup>th</sup> May, 2013. Opportunities were also afforded to all to inspect the application and take copies thereof.
- 1.6 Two Objectors viz. All Bengal Electricity Consumers' Association (ABECA) and Sri Utpal Kumar submitted comments, suggestions, objections on application for APR for the year 2011 – 2012 of CESC Limited within the stipulated period of time, i.e., within 27<sup>th</sup> May, 2013. The said objections and suggestions on the application in question, have been dealt with in Chapter – 2.



## CHAPTER – 2 OBJECTIONS

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- 2.1. The persons from whom objections, comments etc. on the APR application of CESC Limited for 2011-12 have been received within 27.05.2013 i.e. the due date, are mentioned in paragraph 1.7 of Chapter 1. The main points of these objections, comments etc. are summarized in subsequent paragraphs. The Commission's observations on some of the objections, comments etc. are also recorded in this Chapter.
- 2.2. The objections and suggestions submitted by ABECA are divided in two parts while in the first part some general issues have been raised by ABECA and in the second part they have submitted point wise objections and suggestions which are recorded below.
- 2.2.1 In Paragraph 1 and 2 of their submission ABECA has stated that as per clause 2.6.1 of the Tariff Regulations a comparative statement showing the different elements of fixed cost as approved in the tariff order of the concerned year as well as the actual audited figure against such element shall be given by the licensee and as per clause 2.6.9 of Tariff Regulations the scope of Annual Performance Review shall be the comparison of the actual performance of the licensee with approved projection as given in the Tariff Order of the first ensuing year of the control period. It is stated by them that the APR application of CESC Limited for 2011-12 does not comply with the above requirement. It is also stated that CESC Limited has submitted their claim after two years which violated the basic object and provision of Section 56(2) of the Electricity Act, 2003 (hereinafter referred to as 'Act') and proposed to reject the APR application of CESC Limited of 2011-12. In this context the Commission feels that CESC Limited has submitted the APR application for 2011-12 following the provisions made in Regulation 2.6.9 of the Tariff Regulations within the period stipulated in the Tariff Regulations. Regarding the provision of sub-section (2) of Section 56 of the Act as referred by ABECA, it is stated that the referred sub-section is related



to disconnection of supply in default of payment or due against any bill raised on him by the licensee and is not relevant in the matter of submission of APR application.

- 2.2.2 In paragraph 3 of their submission ABECA has stated that though Section 61( C) of the Electricity Act, 2003 mandated the factors which would encourage competition efficiency, economical use of resources, good performance and optimum investment but it appears from the Tariff Regulations that the Commission fixed the norms in favour of licensee allowing lower PLF percentage than the actual performance of the licensee and the national standard of PLF percentage for which the licensee claims incentive in APR and the Commission allows the same. As a result consumers are to pay more in the form of tariff and the process goes against the interest of the consumers. ABECA has also opposed this type of APR and suggest to change norms and to follow the provisions laid down in Section 61(c) of the Act. In this context it is stated that the norms are stipulated in the Tariff Regulations which are framed after inviting suggestions and objections from the public and stake holders. There is no scope to review the norms in the process of APR for any year.
- 2.2.3 In paragraph 4 of their submission ABECA has stated that in order to bring the transparency in functioning of the Commission as per Section 86(3) in the tariff determination and APR of the licensee, public hearing is essential. It is also stated that most of the Regulatory Commissions in India do take recourse public hearing. Hon'ble Appellate Tribunal for Electricity (in short 'APTEL') also upheld this view in their order dated 4.4.2011 in IA 62 of 2011 in Appeal No. 173 of 2010 in case of Hooghly Chamber of Commerce and Another Vs. WBERC. But WBERC has not yet resumed the public hearing and they hope that WBERC will resume public hearing from now on. Regarding public hearing issues during tariff determination and APR, Commission's views were given in the earlier orders. However, it is further reiterated that in regulation 2.4 of the Tariff Regulations it is



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clearly spelt out that suggestions and objections shall always mean as submitted in written form only and it has also been clearly spelt out that hearing on invitation of suggestions and objections shall be always in a manner and at a stage which is only specifically provided in the Act and the Regulations made thereunder. Accordingly, any application for APR can be dealt with through invitation of objections and suggestions. Thus the prayer of ABECA for hearing is not maintainable. Regarding the comments of ABECA on Hon'ble APTEL's order dated 04.04.2011 it is to be noted that such order was in relation to tariff determination of 2010 – 2011 of WBSEDCL and is thus not applicable for CESC Limited. Moreover, in such order Appellate Tribunal has never directed to hold hearing at any stage.

- 2.2.4 In paragraph 5 of their submission ABECA has stated that the Tariff Order for 2011-12 was passed on 06.03.2012 with the date of effect from 1.4.2011. The gist of APR application of CESC Limited for 2011-12 was published in the daily newspapers in April 2013 and the order on the same will also be effective from 1.4.2011. Thus it will result in huge unnecessary burden on all categories of consumers for which consumers are not responsible. ABECA has also suggested that the Tariff should be determined each year and actual should be adjusted in the subsequent year immediately after finalization of the audited data of expenditure & income. In this context it is stated that the APR is the review of performance of the licensee on the basis of their audited expenditure under the head of different controllable and uncontrollable items. The adjustable amount after truing up of the admitted expenditure during the year with the revenue recovered through tariff during that year, may either be recoverable or refundable. Such adjustable amount may either be adjusted in the ARR of any ensuing year(s) or shall be adjusted through a separate order as may be decided by the Commission.



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- 2.2.5 In paragraph 6 of their submission, ABECA has contended that while CESC Limited has stated that its net fixed cost for the year comprises employee costs, coal and ash handling charges, other administration and general charges, insurance, rent, rates and taxes, legal charges, finance charges etc., these items mostly do not belong to the category of fixed cost. But ABECA has not stated with reasons which item is not belonging to fixed charge.
- 2.2.6 ABECA has also submitted their comment regarding coal price and coal allocation to CESC Limited. ABECA has also furnished figures of generation, coal requirement, heat value, average price of coal for the generating stations of CESC Limited. With those submissions regarding fuel cost, ABECA has stated that the Commission in 2011 – 2012 tariff order for CESC Limited had allowed much more amount of coal price per ton to CESC Limited according to price list of Coal India Limited w.e.f. 27.02.2011. In this context the Commission views that cost of fuel is not an item of fixed cost and thus the comments of ABECA on fuel related issue are not dealt with in this order of APR but such fuel cost has been duly dealt in the FPPCA order in case no. FPPCA-59/12-13 as per Tariff Regulations.
- 2.2.7 In paragraphs 7, 8 and 9 of their submission, ABECA has contended that employee cost is a predetermined and well known cost and cannot be changed abruptly. Legal expenses also cannot be imposed on the consumers as in most cases, the legal expenses arise due to the fault of CESC Limited for which consumers are not responsible and cannot be realized through APR. It has also given some figures to establish that APR claim of CESC Limited for 2011-12 is 44.16% of the allowed aggregate revenue requirement for 2011-12 and is, therefore, unjustified, unrealistic and absurd. The claim of CESC Limited has been opposed by ABECA.



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- 2.2.8 ABECA has stated that in the tariff order for 2011 – 2012 CESC Limited was allowed Rs.46941 lakh towards employee costs, whereas its actual expense is Rs.46895 lakh which signifies the reduced cost and claimed for refund of the differential amount.
- 2.2.9 On coal and ash handling charges, ABECA has shown through figures that the charges have gone down for three generating stations but has gone up for Titagarh generating station. ABECA has objected to such increase and has desired reduction of the same.
- 2.2.10 ABECA has commented upon increase in year-end equity position. On return of equity it has claimed that the same cannot be allowed to be more than 14%. It has stated that special allocation is not permitted under the Electricity Act, 2003. Increase in depreciation has been objected by ABECA.
- 2.2.11 ABECA has contended through facts and figures that fuel cost, variable cost and lease rental have come down from the earlier projection and the same should be refunded to the consumers. Improved standard of performance is in the interests of the consumers and has rejected the incentive claim of the licensee. ABECA has alleged that by fixing lower PLF norms in the Tariff Regulations by the Commission CESC Limited has got the opportunity of claiming incentive on improved standard of performance. In this context, Commission views that the norms are stipulated in the Tariff Regulations which are framed after inviting suggestions and objections from the public and stakeholders. There is no scope to review the norm in the process of APR for any year. ABECA has claimed that all India standard norm of PLF is more than 90% without referring the source of such information. Thus the Commission does not rely on such claim.
- 2.2.12 ABECA has also stated that the claim of CESC in the APR is not tenable as it is seen from the audited accounts of the Company that the profit for the year of an amount of Rs. 554.31 lakh is transferred to surplus whereas their claim in APR is Rs. 2186.76 crore. In this context, the Commission viewed that the APR claim is





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- the expenditure under different heads of fixed cost. Return on equity as per provision of the Tariff Regulations is a part of the total fixed cost as claimed in the APR. Thus the objection of ABECA has no merit.
- 2.2.13 ABECA has also recorded that bad debts and depreciation are higher in the audited accounts vis-à-vis the figures allowed by the Commission and should be rejected.
- 2.3. An objection to the APR petition of CESC Limited has been submitted by one Utpal Kumar.
- 2.3.1 Shri Kumar has drawn attention to the tenets of the Electricity Act, 2003 whereby competition, efficiency, economic use of resources, good performance and optimum investments should be encouraged as well as safeguarding of consumers' interest together with recovery of cost of electricity should be looked into in a reasonable manner. He has further commented that the operator's costs should be recovered. The operator should also earn a reasonable profit on investment. In this context, he has contended that the norms stated by the Commission should be efficient, relatable to past performance, capable of achievement and should progressively reflect increase in efficiency. Proven and continued inefficiency must be controlled and penalized. Shri Kumar has contended that evaluation of performance and performance bonus has been based on historically worse performance. The issue is related to the norms as specified in the Tariff Regulations which are being framed after due previous publications along with consideration of objections and suggestions at that stage, thus such issue cannot be dealt under this order of APR.
- 2.3.2 Shri. Kumar has quoted the Tariff Policy to state that after full depreciation of assets, benefits of reduced tariff should remain available to the consumers and that there is no need for any advance against depreciation. Commission's view in this regard is that though the tariff policy speaks of no need of any advance



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- against depreciation, the Commission feels its necessity and thus makes a provision in the Tariff Regulations which has been framed only after considering different aspects and the views of all stakeholders. The purpose of such provision is only limited to meet the need of loan repayment of any asset created for generation or transmission or distribution purpose. Thus, the above view is not being accepted as the Tariff Regulations have specific provision on such issue.
- 2.3.3 He has further contended that normal depreciation recovery by a licensee is sufficient to cover actual term loan repayment. He has also contended that net increase in long term borrowings were nominal. Further, while advance against depreciation increased by Rs.51.77 crore, there was no corresponding debit in profit and loss account for the said amount. In this context, it is to mention that the Commission observes from Note 23(c) to the annual accounts that the earning from sale of electricity has been determined after giving appropriate due effect on account of advance against depreciation (AAD) along with other adjustments. Thus the effect of debit corresponding to AAD has been made by CESC Limited in their audited account. He has also drawn attention to the fact that current liability was created out of term loan. At the same time, new term loans were raised. He has shown figures of cash and bank balance maintained by CESC Limited and has stated that he fails to understand the need of emergency fund, short term borrowings and non-payment of term loan, if due. He has also submitted that the consumers continue to pay all interests paid by CESC Limited as a company. He has further submitted that only Rs.151.96 crore of loan maturity is exhibited in the Annual Accounts of the Company and this amount is sufficiently covered by depreciation. In this context the Commission is of the view that all such issues are dealt with in this order as per the Tariff Regulations after due prudent check.



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- 2.3.4 Shri Kumar has also contended that without revaluation of reserve and yearly capex addition which resulted into nothing, generating assets of CESC Limited have fully been depreciated. In this context, the Commission's view is that the depreciation is to be considered in the APR as per provisions of the Tariff Regulations.
- 2.3.5 On PLF, Shri Kumar has submitted that CESC Limited's operating performance was much better in 2008-09. There was deterioration thereafter. While downtrend was arrested in 2011-12, the performance fell far short of 100.53% PLF achieved in 2008-09. Further, generation rose by only 15% whereas capacity rose by 25% in 2010-12. He has also drawn attention to a mismatch between generation figures of New Cossipore Generating Station as exhibited in a report and as certified by the auditors. Power purchase cost may also be readjusted to reflect actual cost. In this context it is stated that the generation figure of 363 MU in respect of New Cossipore generating station as referred by Sri Kumar is the figure incorporated in the Directors' Report whereas the figure 246 MU is as per the audited data. The Commission considered the sent out generation in respect of all the generating stations including New Cossipore generating station as per the audited data and as per provisions in the Tariff Regulations for determination of fuel cost of CESC Limited in the FPPCA order for 2011 – 2012 in case no. FPPCA-59/12-13..
- 2.3.6 Shri Kumar further contends that wholesale price index is used by the Government of India as well as Reserve Bank of India as the reference index for determining any inflationary trend. For evaluation of cost of coal, consumer price index is not relevant. Price of coal is not normative. Rise in tariff on account of hike in coal cost is relative in terms of absolute hike in cost of coal. He has further contended that the normative kcal per kWh applicable to CESC Limited is obnoxious and is required to be corrected in terms of actual heat rate achieved. The issue is not related to fixed cost, thus such issue is not being dealt with in



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this order of the APR, but this fuel cost part is duly taken care of as per the Tariff Regulations while disposing of the FPPCA order.

- 2.3.7 Shri Kumar has further stated that the New Cossipore generating station is no longer viable and is required to be closed. The unit, being bad for environment as well as being economically unviable, should be shut down. There is sufficient power available through Power Exchange. West Bengal is still a power surplus State. In this context, the Commission views that through power exchange as a short term requirement an incidental shortfall can be mitigated but in case of a long term plan sustainable generation from own resource or a long term PPA is required. However, CESC Limited was directed in the tariff order for 2011 – 2012 to come up with their proposal for phasing out of the New Cossipore generating station after 2013 – 2014 considering its vintage, high fuel cost, requirement of high grade coal, etc. and also the peak power availability and network capability along with their APR petition for 2011 – 2012. Accordingly, CESC Limited in compliance with the above direction has made their submission along with their APR petition for 2011 – 2012. The Commission will give their views and necessary directions in this regard in the future tariff order of CESC Limited.
- 2.3.8 Shri Kumar has also contended that tariff comparison of CESC Limited with the tariff prevailing in Delhi and Mumbai is not justifiable. In the United States of America, average tariff is Rs.5.50 paise per kWh, serving 4-5 times larger geography and paying the market price of fuel. TD / ATC Loss for CESC Limited from 2008 to 2012 has been furnished by Shri Kumar. The issue of TD loss is related to norms specified under Tariff Regulations which are being framed after considering all objections and suggestions, thus such issue cannot be considered under this order. Moreover, tariff of any licensee depends on different parameter depending on specific characterization of consumer mix, geographical position and other different aspects. While disposing of the APR order, the



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Commission deals with such matters on the basis of the Tariff Regulations which have captured all such needs.

2.3.9 On Income Tax, Shri Kumar has contended that CESC Limited paid only Rs.125.85 crore whereas it should have paid Rs.390.01 crore on its annual profits. CESC Limited thus saved Rs.264.16 crore, which, as contended by Shri Kumar, could be due to difference in rate of depreciation in IT and Electricity Act. While CESC Limited has claimed Rs.125.046 crore as Income Tax, the tax saving of Rs.264.16 crore made by CESC Limited should be recovered in favour of consumers. The benefits of depreciation belong to the consumer. Once the benefits are exhausted, the consumer will have to pay higher tax. They would be deprived of their statutory benefit of lower incidence of income tax. Moreover, Shri Kumar has also stated that CESC Limited has made annual profits beyond normative profits. This extra profit has arisen out of so called better performance and savings from the expenses as allowed under ARR. Moreover, advance against depreciation has been recovered. Shri Kumar has requested that recovery of consumer share of savings is essential. He has also requested for recovery of income tax saved by CESC Limited at the cost of the consumer and notification of reasonable, reliable and relative norm of operative performance items. In this context, the Commission views that the actual taxes paid under Income Tax Act are considered in the APR on the basis of audited annual accounts.

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.



## CHAPTER – 3 FIXED CHARGES

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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 located under 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 CESC Limited is being taken up hereunder one by one.

### 3.2 **Employee Cost:**

3.2.1 CESC Limited, in their ARR for 2011 – 2012, was allowed a total amount of Rs. 46941 lakh towards own employees cost which includes salaries, wages, other allowances, bonus, contribution to PF and other funds as well as staff welfare expenses. This amount is exclusive of the amount of Rs. 3039 lakh allowed in the tariff in respect of contracted manpower in regular establishment in its generating station.

3.2.2 As regards employees cost of contracted manpower, CESC Limited in its APR application, has claimed the amount of Rs. 3039 lakh as allowed in the tariff order. In their submission CESC Limited has tried to justify that it has kept its claims at par within the amount allowed in the tariff order though actual payments made were higher. Employees cost shown for its distribution function represented the same on own employees. The employees cost of contractors' personnel for distribution had been included in the cost of repairs and



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- maintenance since the contractors were engaged to provide job specific services as per rate schedule and were accordingly paid for. An estimated number of 3500 employees were engaged to carry out such jobs. Now, it has been observed from the submission of CESC Limited that the total permitted employee number (including contractors' employee) in its generating stations relating to the existing installed capacity in operation, in terms of Schedule 9A of Tariff Regulations, comes to 3291 against which actual number of own employees as on 31.03.2012 was 2130. The number of contracted manpower in regular establishment has not been submitted separately in the APR application by CESC Limited. However, the number of contracted manpower furnished by CESC Limited in their MYT petition for the years 2011-2012 to 2013-2014 is 1163 for the year 2011 – 2012. CESC Limited has submitted that manpower including contractor's employees in regular establishment are within the Man/MW norms in terms of Tariff Regulations. The same is found to be 3293 as against 3291 above allowable as per Tariff Regulations.
- 3.2.3 In the tariff order 2011 – 2012, CESC Limited was directed to submit employees cost for contracted manpower in regular establishment in the application for APR with audited figures. This requirement has also been specified in regulation 5.9.3 read with regulation 5.9.6 of the Tariff Regulations. It was also directed to furnish such information in distribution system separately. CESC Limited is yet to comply with the direction. However, in their MYT petition for the period 2011 – 2012 to 2013 – 2014, CESC Limited submitted the average cost of contracted employees under regular establishment as Rs. 3.49 lakh per employee per annum during the year 2011 – 2012. Considering the same, the employees cost of contracted manpower in regular establishment works out to Rs. 4059 lakh for 1163 numbers of employees which is nevertheless higher than the amount of claim (Rs. 3039 lakh). The Commission is of the opinion that for assessment of the allowable employees cost of contracted manpower in its generating stations, CESC Limited ought to have submitted a statement of the expenses incurred under the head



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duly audited by the statutory auditor irrespective of whether the amount is higher or lower of the amount of claim both for generation and distribution functions.

3.2.4 The total amount of expenses incurred on this uncontrollable head of account was Rs. 46895 lakh in respect of own employees. As per note 26 of the notes to annual report and accounts 2011 – 2012 the amount of employees benefit expenses is found as Rs. 47096 lakh. The amount is net of an amount of Rs. 5469 lakh capitalized. Understandably, lower claim of own employee cost than the total employee cost incurred has been due to relocation of employee expenses to businesses elsewhere other than generation and distribution functions. CESC Limited confirmed that the company does not pay any production incentive or performance incentive which is linked with the operational performance of any generating station / distribution / trading activity. Certain portion of remuneration agreed through wage settlement arrangement is paid to ensure individual attendance, adherence to job norms, etc. and is embedded in employee cost. The cost center-wise breakup of the amount allowed through tariff for the year 2011 – 2012 and the amount of actual expenditure as per the submission of CESC Limited after allocating the corporate head office overhead are found as under:

**Rs. in Lakh**

Particulars	Actual		
	Own Employees	Employees on contract in regular establishment	Total
<b>(A) Generation Function</b>			
Budge Budge	2841	1697	4538
Titagarh	3526	539	4065
Southern	2428	0	2428
New Cossipore	2437	803	3240
<b>Total (A)</b>	<b>11232</b>	<b>3039</b>	<b>14271</b>
<b>(B) Distribution Function</b>	<b>35663</b>	<b>0</b>	<b>35663</b>
<b>Total (A+B)</b>	<b>46895</b>	<b>3039</b>	<b>49934</b>





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3.2.5 CESC Limited has claimed the actual amount of expenditure for Rs. 49934 lakh (Rs. 46895 lakh + Rs. 3039 lakh) towards employee cost including that of contracted manpower for Rs. 3039 lakh. In their application of APR 2011 – 2012, CESC Limited has indicated that statutory charges in employee's benefits as required under AS-15 including increase in ceiling limit of gratuity and higher compensation through DA contributed significantly to the higher employee cost. CESC Limited has neither quantified such individual amounts nor submitted any audited figures in this respect. CESC Limited is directed to henceforth submit with more details the figures separately for own employee cost with statutory liability under AS-15 and employee cost of contracted manpower under regular establishment duly certified by the statutory auditor both under generation and distribution function separately. CESC Limited has confirmed in the Appendix of the APR application for 2011 – 2012 that expenses pertaining to its licensed business, as permitted under the relevant regulations, have only been claimed. However, CESC Limited is directed to submit such confirmation in every APR application.

3.2.6 However, after careful consideration of facts brought out in the preceding paragraphs and of the facts that Man/MW norms have been more or less adhered to as per Tariff Regulations and that employee cost is uncontrollable in nature, the Commission admits the amount of Rs. 49934 lakh including contracted manpower in APR for 2011 – 2012 with the above cost centre wise break-up.

### 3.3 Coal and Ash Handling Charges:

3.3.1 Although the coal and ash handling charges are categorized as uncontrollable but mostly variable with the quantum 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 under:



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Rs. in Lakh

Generating Station	Target Generation (MU)	Exp. as per tariff order	Actual Generation (MU)	Expenses Proportionate to Actual Generation	Actual Expenses	Expenses admitted in APR for 2011-12
Budge Budge	5600	392	5940	416	222	222
Titagarh	1805	771	1716	733	841	733
Southern	1025	188	1036	190	99	99
New Cossipore	438	63	246	35	53	35
Total	8868	-	8938	-	1215	1089

3.3.2 It may be seen from the above table that proportionate expenditures in reference to target generation vis-à-vis actual generation are more in Budge Budge and Southern generating stations and less in Titagarh and New Cossipore generating stations when compared with actual coal and ash handling charges. The Commission decides to admit the proportionate expenditure with reference to actual quantum of generation, but restricted to the actual expenditure where actual expenditure is less as in all such generating stations referred to above. For Titagarh and New Cossipore generating stations, the Commission admits the expenses proportionate to actual generation rather than actual expenses irrespective of that in the tariff order on the ground that the actual generation is much less than the target generation. The amount of admitted expenditure in APR for the year 2011 – 2012 comes to Rs. 1089 lakh.

3.3.3 In spite of direction in the APR 2010 - 2011 to henceforth identify the amount of coal and ash handling charges separately in the audited accounts or have the same certified by the auditors, CESC Limited has not furnished the same. It is once more directed to comply with the above direction failing which 10% of the allowable amount under the head will be deducted from the gross fixed charges in the APR for 2012 – 2013.



### 3.4 Water Charges:

3.4.1 The expenditure towards water cess is uncontrollable and is related to the quantum of water to be used in the generating stations.

3.4.2 The actual amount of total expenditure incurred by CESC Limited under this uncontrollable head of accounts was found Rs. 244 lakh as against Rs. 288 lakh allowed in the tariff for the concerned year.

3.4.3 It is seen from the station wise break-up of the expenditure submitted by CESC Limited that in case of Budge Budge generation station, the actual expenditure on this score exceeded the expenditure allowed in the ARR for 2011 – 2012. The Commission has, however, viewed the claim of CESC Limited with reference to the target set for generation and actual generation of each generating station. The position in this regard is as follows:

Generating Station	Target Generation (MU)	Exp. as per tariff order (Rs./lakh)	Actual Generation (MU)	Expenses Proportionate to Actual Generation (Rs./lakh)	Actual Expenses (Rs./lakh)	Expenses admitted in APR for 2011-12 (Rs. / lakh)
Budge Budge	5600	9	5940	10	10	10
Titagarh	1805	174	1716	165	149	149
Southern	1025	75	1036	76	65	65
New Cossipore	438	30	246	17	20	17
Total	8868	-	8938	-	244	241

3.4.4 It may be seen from the above table that proportionate expenditure in reference to target generation vis-à-vis actual generation is same in case of Budge Budge generating station, less in case of New Cossipore generating station and more in case of other generating stations when compared with the actual expenditure.

3.4.5 The Commission decides to admit this actual expenditure for all generating stations excepting New Cossipore generating station. The amount of admitted expenditure in APR for 2011 – 2012 is thus Rs. 241 lakh.



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3.4.6 CESC Limited is directed to henceforth identify the amount of water charges separately in the audited accounts or have the same certified by the auditors.

**3.5 Lease Rental:**

3.5.1 CESC Limited used to procure certain assets in the past under leasing for various tenures generally extending upto 8 years or so on competitive basis. The Commission admitted an amount of Rs. 1200 lakh out of which Rs. 89 lakh was for Titagarh generating station and Rs. 1111 lakh was for distribution function in the tariff order for 2011 – 2012 under the head 'Lease Rental' towards rental on certain equipments taken on lease. Actual amount of such rental as per the audited accounts came to Rs. 1066 lakh. The function-wise break-up of the actual amount was found as under:

Particulars	Actual amount (Rs. in lakh)
Generation Function	
Titagarh	83
Total	83
Distribution Function	983
Total	1066

3.5.2 The total amount of actual expenditure of Rs. 1066 lakh towards lease charges out of which Rs. 83 lakh for Titagarh generating station and Rs. 983 lakh for distribution is admitted under this head in the APR for 2011 - 2012.

**3.6 Rent:**

3.6.1 An amount of Rs. 4 lakh was allowed in tariff order under the head rent for Southern generating station under generation function. The expenditure on rent for assets under distribution function was however considered under the operation and maintenance head. As per submission of CESC Limited and as per audited annual accounts, actual expenditure on rent is Rs. 586 lakh out of which, Rs. 4 lakh is for Southern generating station.



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3.6.2 The Commission in terms of regulation 5.7.1 of the Tariff Regulations considers to admit the actual expenditure of Rs. 4 lakh on rent for Southern generating station under generation function. The expenditure on rent for distribution and selling function are dealt separately under operation and maintenance head.

**3.7 Rates & Taxes (Other than on Income & Profit):**

3.7.1 An amount of Rs. 409 lakh and Rs. 204 lakh aggregating to Rs. 613 lakh was considered towards Rates & Taxes (Other than on Income & Profit) in the tariff order for the year 2011 – 2012 for generation function and distribution function respectively. In the Tariff Regulations, the Commission recognized such expenditures as separate item and categorized the same as uncontrollable. As such, the actual amount of Rs. 576 lakh as claimed by CESC Limited in the APR application for the year 2011 – 2012 under the head 'Rates & Taxes' is being admitted in the APR for 2011 – 2012 with the following cost centre-wise allocation:

<b>Particulars</b>	<b>Amount (Rs. in Lakh)</b>
<b>(A) Generation Function</b>	
Budge Budge	256
Titagarh	103
Southern	15
New Cossipore	12
<b>Total (A)</b>	<b>386</b>
<b>(B) Distribution Function</b>	190
<b>Total (A+B)</b>	<b>576</b>

**3.8 Insurance Premium:**

3.8.1 An amount of Rs. 441 lakh for generation function and Rs. 247 lakh for distribution function aggregating to Rs. 688 lakh was considered towards insurance premium in the tariff order for the year 2011 – 2012.



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3.8.2 In terms of regulation 5.23.1 of the Tariff Regulations, the insurance premium paid after selection of insurance company through a transparent process shall be considered subject to prudent check and as per table 2.5.5-1, it is categorized as uncontrollable and, therefore, the actual expenditure totaling to Rs. 686 lakh has been admitted with the following cost centre-wise allocation:

<b>Particulars</b>	<b>Amount (Rs. in Lakh)</b>
<b>(A) Generation Function</b>	
Budge Budge	344
Titagarh	73
Southern	43
New Cossipore	11
<b>Total (A)</b>	<b>471</b>
<b>(B) Distribution Function</b>	215
<b>Total (A+B)</b>	<b>686</b>

**3.9 Operation & Maintenance Expenses:**

3.9.1 Operation & Maintenance (O&M) expenses viz. Repairs and Maintenance including cost of consumables, legal and professional charges, audit fees, administrative and general expenses are categorized as controllable in terms of the Tariff Regulations.

3.9.2 O&M expenses for generating stations, which are the same as was considered in the tariff order as per norm specified in Schedule 9A of the Tariff Regulations, being controllable are admitted in APR 2011 – 2012 as follows:

**Rs. in Lakh**

<b>Generating station</b>	<b>Amount admitted in APR for 2011-12</b>
Budge Budge	7793
Titagarh	2899
Southern	1655
New Cossipore	1560
<b>Total</b>	<b>13907</b>



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- 3.9.3 O&M expenses for distribution function as considered in the APR order are presented below.
- 3.9.4 It is evident from note 29 of the notes to accounts of CESC Limited's audited accounts that actual aggregate expenditure under repairs and consumption of stores and spares of CESC Limited as a whole comes to Rs. 46389 lakh against Rs. 36672 lakh allowed as O&M expenses in the tariff order for 2011 – 2012. The Commission, therefore, decides to admit the expenses of repairs and maintenance including consumable stores for its distribution function as was allowed in the tariff order as a controllable item.
- 3.9.5 Expenses on other heads viz. legal and professional charges, audit fees, other administrative and general expenses, and rent as admitted for distribution functions in the tariff order are also admitted in the APR for 2011 – 2012 under the head operation and maintenance expenses for distribution function as a controllable item.
- 3.9.6 Based on the above analysis, and O&M expenditure being controllable in nature, the amount admitted in APR for 2011 – 2012 for distribution function is as below:

**Rs. in Lakh**

<b>Sl. No.</b>	<b>Particulars</b>	<b>Amount admitted in APR under O&amp;M Head</b>
1	Repairs & Maintenance	12902
2	Legal & Professional Charges	551
3	Audit Fees	56
4	Administrative & General expenses	8624
5	Rent for distribution function	632
6	Total	22765



### 3.10 Interest:

The Commission allowed Rs 24488 lakh towards interest on borrowed capital in the tariff order for 2011 – 2012. The amount was exclusive of the portion of such interest and charges required to be capitalized on completion of routine capital works-in-progress. This amount also excludes an amount of Rs 121 lakh towards interest disallowed by the Commission on account of capital cost-over-run for the first two units of Budge Budge generating station. CESC Limited claimed an amount of Rs. 32956 lakh on account of interest in their application for APR for 2011 – 2012 with the breakup as under:

Sl. No.	Particulars	Amount (Rs. in Lakh)
<b>A. Interest on Capital Borrowings:</b>		
1	Gross amount of interest on capital borrowings (vide detailed computations submitted in Form – C)	26725
2	Less: Amount capitalized	2124
3	Less: Amount disallowed due to capital cost-over-run of Budge Budge Plant	121
	<b>Total amount of interest claimed towards capital borrowings (1-2-3)</b>	<b>24480</b>
	<b>B. Interest claimed on normative borrowings in terms of Tariff Regulations</b>	<b>379</b>
	<b>C. Interest on Working Capital</b>	<b>4665</b>
	<b>D. Interest on temporary accommodation</b>	<b>3432</b>
	<b>Total (A+B+C+D)</b>	<b>32956</b>

#### 3.10.1 Interest on Capital Borrowings:

- 3.10.1.1 It has been observed from note 27 of the notes to accounts of the audited annual accounts that actual amount of interest chargeable to revenue accounts for the year 2011 – 2012 came to Rs. 29514 lakh and after due adjustment for capitalization of Rs. 2124 lakh the net amount of interest charges arrived at Rs. 27390 lakh (Rs. 29514 lakh – Rs. 2124 lakh). Now, after reducing Rs. 121 lakh being portion of interest on disallowed capital cost over-run of first two units of Budge Budge generating station the total amount of interest paid comes to Rs. 27269 lakh. This amount of Rs. 27269 lakh includes actual interest of Rs. 2789 lakh paid by CESC Limited on short term loan to meet the immediate





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requirement arises out of substantial amount of unrealized arrears and claimed under the head 'Temporary Accommodation'. The amount of interest on capital borrowing charged on revenue accounts are as under:

	<b>Rs. in Lakh</b>
Total amount of interest allowable as above	27269
Less: Total amount of actual interest on short term loan paid on revenue account under temporary accommodation.	2789
Total amount of interest towards capital borrowing	24480

3.10.1.2 The above amount of Rs. 2789 lakh together with Rs. 26725 lakh towards interest on capital borrowing aggregating to Rs. 29514 lakh has been reflected as interest expenses in note 27 of the notes to accounts for 2011 – 2012.

3.10.1.3 Since the interest on short term loan under temporary accommodation is taken up separately in the following paragraph, the Commission now admits the amount of interest on capital borrowings i.e., Rs. 24480 lakh on actual basis, as arrived in the preceding paragraph.

**3.10.2 Interest on Normative Debt:**

3.10.2.1 In addition to interest on actual amounts of capital borrowings, CESC Limited claimed for interest on normative debt amounting to Rs. 379 lakh as per Form 1.20(b). On scrutiny it is found that CESC Limited raised more debt during the year than it was required to draw as per normative debt equity ratio pertaining to that year and on cumulative basis.

3.10.2.2 However, in addition to interest on actual amount of capital borrowings, CESC Limited is entitled for interest on notional borrowings (normative debt) which has been settled during 2011 – 2012. Opening balance of the normative debt at the beginning of the year was Rs. 3006 lakh. Repayment of normative debt taken place during 2011 – 2012 is Rs. 180 lakh and normative debt accumulated at the



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end of the year is Rs. 2826 lakh. The average balance of normative loan during the year thus comes to Rs. 2916 lakh [(Rs. 3006 lakh + Rs. 2826 lakh)/2]. It also transpires from the submission of CESC Limited that weighted average rate of interest is around 13%. However, as per Form-C of the submission, it is observed that the weighted average rate of interest calculates to 10.63% relating to additional debt during the year. Based on above, the Commission decides to allow interest on average balance of normative debt i.e., Rs. 2916 lakh in APR for 2011 – 2012 which comes to Rs. 310 lakh.

3.10.2.3 Considering the above, the interest in aggregate allowable in APR for 2011 – 2012 comes to Rs. 24790 lakh [Rs. 24480 lakh (as admitted in paragraph 3.10.1.3) + Rs. 310 lakh]. The cost center wise allocation of the total amount so admitted and as considered in the tariff order for the concerned year is as follows:

**Rs. in Lakh**

<b>Particulars</b>	<b>As admitted in APR for 2011 – 2012</b>
<b>Generation Function</b>	
Budge Budge	10305
Titagarh	392
Southern	313
New Cossipore	26
<b>Distribution Function</b>	13754
<b>Total</b>	<b>24790</b>

**3.10.3 Interest on working capital:**

3.10.3.1 No amount on this head was considered in the tariff order for 2011 – 2012. As per their submission in Form 1.17(b), CESC Limited claimed separately an amount of Rs 4665 lakh as interest on normative basis on working capital



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considering rate of interest as 11.75% as applicable Prime Lending Rate (PLR) as on 01.04.2010.

3.10.3.2 It has been observed that CESC Limited did not make any payment towards interest on working capital vide their submission in Form 1.17(b) of Annexure – I. As such, no amount is allowable in APR 2011 – 2012 towards interest on working capital in terms of regulation 5.6.5.2 of the Tariff Regulations.

#### 3.10.4 Interest on Temporary Accommodation:

3.10.4.1 No amount on this head was considered in the tariff order for 2011 – 2012. As per their submission in Form 1.17(a), CESC Limited claimed separately an amount of Rs. 3432 lakh as interest on temporary accommodation. CESC Limited in their submission highlighted the necessity for availing the funds by way of temporary accommodation, as the revised tariff for the year 2011 – 2012 was implemented towards the end of the financial year, giving rise to a substantial amount of Rs. 46530 lakh unrealized in the hands of the company. To recover such deficit due to unrealized arrears, the amount of temporary financial accommodation taken by CESC Limited is Rs. 43276 lakh. Accordingly, interest on such temporary accommodation has been incurred and prayed for considering the mid-year SBI PLR of 14.75% as on 30.09.2011 on average balance.

3.10.4.2 In terms of regulation 5.6.5.4 of the Tariff Regulations, the Commission may allow, if considered necessary, interest on temporary financial accommodation taken by a generating company / licensee from any source to a reasonable extent due to unrealized arrears from the consumers / beneficiaries.

3.10.4.3 As per Form – C submitted with the APR application, it has been observed that an amount of Rs. 2789 lakh was paid towards interest on short term loan for Rs. 43276 lakh on revenue accounts during the year 2011 – 2012. CESC Limited did not specify the source of the loan, date of drawal, the rate of interest, amount of



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repayment during the year, if any, and other details paid in this respect, as required under Form-C in order to ascertain the amount of interest allowable. However, as has been found under note 27 of the notes to accounts of the audited annual accounts for 2011 – 2012, the interest expenses of Rs. 29514 lakh includes an amount of Rs. 2789 lakh. The Commission, thus, considers the actual interest paid by CESC Limited and admits an amount of Rs. 2789 lakh towards interest on short term loan in temporary accommodation in APR for 2011 – 2012. The amount is allocated in the following cost-centre wise allocation as proposed by CESC Limited.

<b>Rs. in Lakh</b>		
<b>Sl. No.</b>	<b>Generating Station</b>	<b>Amount admitted in APR under Temporary Accommodation Head</b>
1	Budge Budge	938
2	Titagarh	416
3	Southern	230
4	New Cossipore	169
5	Distribution	1036
	Total	2789

#### 3.10.5 Interest on Consumers' Security Deposits:

3.10.5.1 The total amount of interest paid to the consumers on their security deposits was found to be Rs. 6460 lakh as against an amount of Rs. 6494 lakh allowed in the tariff order for the concerned year. The total amount of such security deposit was Rs. 105090 lakh at the end of the year.

3.10.5.2 It had been confirmed by CESC Limited that the entire amount of interest payment had appropriately been settled in terms of the Commission's concerned Regulations. CESC Limited also submitted a certificate in this regard from its auditors. The amount of Rs. 6460 lakh is, therefore, admitted in the APR for 2011 – 2012. The amount is chargeable to distribution function.



**3.10.6 Other Finance Charges:**

3.10.6.1 The amount of other finance charges claimed by CESC Limited during the year came to Rs. 771 lakh as against Rs. 804 lakh allowed in the tariff for the year 2011 – 2012 with the following breakup:

Sl. No.	Particulars	Amount as claimed by CESC Ltd (Rs. in Lakh)
1	Bank Charges	416
2	Processing Fees / Management Fees, etc.	192
3	Charge for Advance against Electricity Bills, etc.	9
4	Cash collection charges	147
5	Others	7
	<b>Total</b>	<b>771</b>

3.10.6.2 In terms of regulation 5.6.4.2 of the Tariff Regulations, financing charges consist of front-end fees, bank charges, commitment charges, guarantee fees etc. However, as per note 27 of the notes to accounts of the audited annual accounts for 2011 – 2012, the chargeable amount under the head other borrowing cost is Rs. 491 lakh and the same is admitted in the APR for 2011 – 2012. CESC Limited may furnish the detail of the finance charges so claimed with auditor's certificate in the APR application for 2012 – 2013 and the Commission will consider the same in the APR for 2012 – 2013. The cost centre-wise allocation of Rs. 491 lakh are as follows

**Rs. in Lakh**

Particulars	As admitted in APR for 2011 - 2012
<b>Generation Function</b>	
Budge Budge	147
Titagarh	71
Southern	35
New Cossipore	35
<b>Distribution Function</b>	203
<b>Total</b>	<b>491</b>



**3.11 Bad Debts:**

3.11.1 In terms of regulation 5.10.1 of the Tariff Regulations, the Commission is to allow such amount of bad debts as actually had been written off in the latest available audited accounts, subject to a ceiling of 0.5% of the annual gross sale revenue during the year. An amount of Rs. 2553 lakh was allowed in the tariff order 2011 – 2012 towards provision for bad debts. The amount of sales revenue for the year was Rs. 497965 lakh. The actual amount written off in the books of accounts towards bad debt was Rs. 2569 lakh as against the ceiling of Rs. 2490 lakh which is being 0.5% of the sales revenue earned. The amount of Rs. 2490 lakh is admitted in APR for 2011 – 2012 and this exclusively relates to distribution function.

**3.12 Depreciation:**

3.12.1 The total amount of depreciation as charged in the books of accounts was Rs. 28948 lakh including an amount of Rs. 750 lakh being the depreciation against trademark which is to be excluded. An amount of Rs. 147 lakh out of the total depreciation is on assets created by utilizing the proceeds from sale of old assets. The chargeable amount of depreciation for determination of tariff, therefore, comes to Rs. 28051 lakh (Rs. 28948 lakh – Rs. 750 lakh – Rs. 147 lakh) as against an amount of Rs. 27888 lakh allowed in the tariff. The increase in the amount of allowable depreciation by an amount of Rs. 163 lakh was mainly due to addition of fixed assets with original cost for Rs. 63775 lakh. CESC Limited in its application for APR 2011 – 2012 has explained that under certain heads the actual expenditure are higher than the estimates for the reasons stated hereinafter.

3.12.2 In view of high growth of peak power requirement and to improve network reliability, CESC Limited incurred considerable capital expenditure towards strengthening of distribution network. In order to supply quality power to the



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consumers as well as to provide safety to the working personnel and faster restoration of supply in case of outages, CESC Limited is making all efforts, including making large investments, specially for installation of transformers, switchgears and associated network reorganization jobs. At the same time, the expenditures under certain heads were lower than the estimate to contain the overall capital expenditure within the reasonable limit. It was also submitted that in a few cases due to non-availability of suitable plots of land, clearances, etc. and also to meet exigencies, there has been some modification in the implementation plan including phasing thereof.

3.12.3 As the capitalization programme vis-à-vis amount of depreciation cannot be precisely determined at tariff order stage, the Commission, thus, stipulated in the tariff order that the amount of depreciation found chargeable as per audited books of accounts, shall be considered for carrying out necessary adjustment in APR for the concerned year.

3.12.4 Thus, in terms of the Tariff Regulations, the Commission admits the amount of Rs. 28051 lakh towards depreciation in the APR for the year 2011 – 2012.

3.12.5 The cost center-wise breakups of the amount admitted are as follows:

**Rs. in Lakh**

<b>Particulars</b>	<b>As admitted in APR for 2011 - 2012</b>
<b>Generation Function</b>	
Budge Budge	12137
Titagarh	399
Southern	242
New Cossipore	96
<b>Distribution Function</b>	15177
<b>Total</b>	<b>28051</b>



**3.13 Advance against Depreciation:**

3.13.1 To facilitate the repayment of loans, an amount of Rs. 8661 lakh was allowed to CESC Limited in the tariff order for 2011 – 2012 in terms of regulation 5.6.3.1 read with regulation 5.5.2 of the Tariff Regulations. As is seen from the submission, CESC Limited's entitlement for having such advance against depreciation based on the actual amount of loan repayments made and the actual amount of depreciation admitted during the year is as under:

**Rs. in Lakh**

Sl. No.	Particulars	Amount
(a)	Repayment of Loan	37392
	Less: Principal amount attributable to disallowed loans for Budge Budge Power Plant	842
	<b>Total allowable repayment of loan during the year</b>	<b>36550</b>
(b)	1/10 <sup>th</sup> of original loan amount netting of disallowed loans of Budge Budge Unit	41337
(c)	Maximum permissible amount of loan repayment restricted to 1/10 <sup>th</sup> of original loan amount	36550
(d)	Depreciation admitted in APR for 2011 – 2012	28051
(e)	Allowable advance against depreciation (a - d)	8499

3.13.2 The cost center-wise break-up of the amounts of advance against depreciation considered in the tariff and now admitted in the APR for 2011 – 2012 is found as under:

**Rs. in Lakh**

Particulars	As admitted in APR for 2011 – 2012
<b>Generation Function</b>	
Budge Budge	3677
Titagarh	121
Southern	74
New Cossipore	28
<b>Distribution Function</b>	<b>4599</b>
<b>Total</b>	<b>8499</b>





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3.13.3 In terms of proviso to the regulation 5.5.2 of the Tariff Regulations, it is reiterated that upon repayment of the entire loan amount, the original cost of fixed assets shall be reduced by the aggregate accumulated depreciation and advance against depreciation availed by CESC Limited and the resulting depreciable value shall be spread over the balance useful life of the fixed asset.

**3.14 Return on Equity:**

3.14.1 Based on the inputs below, the actual average equity base for the year 2011 – 2012 is to be computed:

3.14.1.1 Actual addition to the equity base during 2011 – 2012 arrived at as below:

	<b>Rs. in Lakh</b>
Profit for the year	55431
Write off of Misc. expenditure	72
One time sale amount of assets invested in creation of new asset in terms of regulation 5.15.1(iv)	426
<b>Total</b>	<b>55929</b>
Less:	
Dividend including tax	5788
Unforeseen Exigencies Reserve	2810
<b>Total</b>	<b>8598</b>
<b>Actual Addition to equity base during 2011 – 2012</b>	<b>47331</b>

3.14.1.2 Addition to the original cost of fixed assets during the year 2011 – 2012 (as per movement of fixed assets in Form No. 1.18 of APR application for 2011 – 2012):



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	Rs. in Lakh
Addition to fixed assets	63775
Less: Normal retirement of assets	1692
Less: Capital contribution	7001
<b>Net addition to fixed asset</b>	<b>55082</b>

3.14.1.3 In terms of regulation 5.15.1(iv) of the Tariff Regulations, CESC Limited invested proceeds of one time sale of asset to the tune of Rs. 426 lakh in creation of new assets in the electricity business of the company for which no depreciation has been claimed. This amount of Rs. 426 lakh is included in actual addition to equity base of Rs. 47331 lakh for 2011 – 2012 and addition to fixed assets of Rs. 55082 lakh. Return on such equity shall be admissible to the CESC Limited.

3.14.2 Equity base for allowing returns to the licensees at the specified rate is an uncontrollable factor in terms of the Tariff Regulations. CESC Limited was allowed return on the projected average equity base of Rs. 250459 lakh comprising generation function (amounting to Rs. 116068 lakh) and distribution function (amounting to Rs. 134391 lakh) @ 15.5% and 16.5% respectively on generation and distribution functions and that came to Rs. 17990 lakh for generation function and Rs. 22174 lakh for distribution function aggregating to Rs. 40164 lakh. The average equity base for the purpose of computation of return on equity during the year 2011 – 2012 came to Rs. 249413 lakh as per the computation shown hereunder:

Sl. No.	Particulars	Amount (Rs. in Lakh)
1	Actual equity base at the beginning of the year	305949
2	Admissible equity base at the beginning of the year 2011 – 2012	241002
3	Actual addition to equity base during the year (refer para 3.14.1.1)	47331
4	Actual equity base at the end of the year (1+3)	353280
5	Net Addition to the original cost of fixed assets during the year (refer para 3.14.1.2)	55082
6	Less: Asset created in terms of regulation 5.15.1(iv) of the Tariff Regulations	426
7	Net addition to the original cost of fixed assets during the year other than assets	54656



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	created in terms of regulation 5.15.1 (iv) of the Tariff Regulations (5-6)	
8	Normative addition to equity base (30% of 7)	16397
9	Addition to equity base considered for the year (lower of 4 and 8)	16397
10	Add: Asset created in terms of regulation 5.15.1 (iv) of the Tariff Regulations	426
11	Addition in equity base during the year for the purpose of computation of return as per the Tariff Regulations. (9+10)	16823
12	Admissible equity base at the closing of the year 2011 – 2012 (2+11)	257825
13	Average admissible equity base for allowing returns (2+12)/2	249413

3.14.3 In terms of regulation 5.6.1.1 return on equity for generating company and transmission licensee shall be computed on the equity capital at the applicable rate provided by Central Electricity Regulatory Commission and in terms of regulation 5.6.1.2, the said rate will be one percent higher and will be related to distribution assets only. In terms of Central Electricity Regulatory Commission (Term and Conditions of Tariff) Regulations, 2009, the rate of return on equity for generation and transmission activity is 15.5%.

3.14.4 Allocation of equity base between generation function and distribution function based on ratio of the gross cost of fixed assets at the beginning of the year and addition during the year as submitted by CESC Limited and the amount admitted is shown below:

**Rs. in Lakh**

Particulars	Opening equity base of 2011-12	Addition to equity base during 2011-12	Closing equity base of 2011-12	Average equity base of 2011-12	Return on equity (in percent)	Return admitted in APR for 2011-12
Generation	115456	1261	116717	116086	15.5	17993
Distribution	125546	15562	141108	133327	16.5	21999
<b>Total</b>	<b>241002</b>	<b>16823</b>	<b>257825</b>	<b>249413</b>		<b>39992</b>

3.14.5 The cost center-wise breakups of the amount of return considered in tariff and now admitted are as under:



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Rs. in Lakh

Particulars	As admitted in APR for 2011 – 2012
<b>Generation Function</b>	
Budge Budge	15445
Titagarh	1216
Southern	1110
New Cossipore	222
<b>Distribution Function</b>	21999
<b>Total</b>	<b>39992</b>

3.15 **Write-off of Intangible Assets:**

3.15.1 The amount of Rs. 72 lakh was allowed towards write-off of intangible assets in the tariff for 2011 – 2012. The actual expenditure during the year 2011 – 2012 on the same score being Rs. 72 lakh is admitted in APR for 2011 - 2012. The cost center-wise allocation is stated below:

(Rs. in Lakh)

Particulars	Amount Admitted in APR for 2011-12
<b>Generation Function</b>	
Budge Budge	32
Titagarh	1
Southern	0
<b>Distribution Function</b>	39
<b>Total</b>	<b>72</b>

3.16 **Reserve for Unforeseen Exigencies:**

3.16.1 In terms of regulation 5.11 of the Tariff Regulations, an amount of Rs. 2137 lakh was allowed to CESC Limited in the tariff order for 2011 – 2012 towards reserve for unforeseen exigencies computing @ 0.25% on the projected gross value of fixed assets at the beginning of the year 2011 - 2012. The actual amount of such reserve created by CESC Limited at the same rate on the actual gross block of fixed assets as on 1 April, 2011 was Rs. 8157 lakh and amount appropriated out of profit during 2011 – 2012 is Rs. 2810 lakh. The amount of such reserve had



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separately been invested along with the amount of Rs. 673 lakh of interest accrued to such investments in accordance with the relevant regulation of the Tariff Regulations of this Commission. As per audited accounts of 2011 – 2012, CESC Limited has a closing balance of Rs. 10967 lakh (Rs. 8157 lakh + Rs. 2810 lakh) in this fund. CESC Limited submitted the necessary audit certificates in this regard.

3.16.2 The actual gross value of fixed assets at the beginning of the year 2011 – 2012 is Rs. 854651 lakh. The admitted amount in APR for 2011 – 2012 is computed @ 0.25% on the gross value of opening fixed assets and the amount comes to Rs. 2137 lakh. Since CESC Limited has already made investment to this extent in this fund, Rs. 2137 lakh is admitted in APR for 2011 – 2012.

3.16.3 The Cost centre-wise break-up of the amounts of such reserve considered in the tariff order and now admitted are as under:

<b>Rs. in Lakh</b>	
Particulars	As admitted in APR for 2011 – 2012
<b>Generation Function</b>	
Budge Budge	860
Titagarh	64
Southern	61
New Cossipore	13
<b>Distribution Function</b>	1139
<b>Total</b>	<b>2137</b>

**3.17 Taxes as per Income Tax Act:**

3.17.1 A total amount of Rs. 13031 lakh was provided in the tariff for the year 2011 – 2012 towards taxes payable under the provisions of Income Tax Act. The actual amount of taxes paid by CESC Limited for the assessment year 2011 – 2012 (previous year 2010 – 2011) came to Rs. 12505 lakh.

3.17.2 As certified by the auditors, the payments were net of recoverable sum as per Revised Return of income dated 31 March, 2012 for the financial year 2010 –



**Order on APR of CESC Limited for the year 2011-12**

2011 (Assessment year 2011 – 2012). The Commission admits the amount actually paid.

3.17.3 The cost centre-wise allocation of the amounts of income tax admitted in APR 2011 – 2012 is as under:

**Rs. in Lakh**

Particulars	As admitted in APR for 2011 – 2012
<b>Generation Function</b>	
Budge Budge	4830
Titagarh	380
Southern	347
New Cossipore	69
<b>Distribution Function</b>	6879
<b>Total</b>	<b>12505</b>

**3.18 Performance Incentive:**

3.18.1 Schedule 10 to the Tariff Regulations provides for allowing incentives to generating companies and the licensees, as the case may be, for their improved performances. Since ARR for the concerned year was determined on prospective basis, no amounts towards such incentives were provided therein. Now that the actual performances of CESC Limited on different criteria came out from submissions, it is found eligible for incentives on following three factors:

- (i) For generation higher than annual norms;
- (ii) For Oil consumption less than the norms;
- (iii) For gross station heat rate better than the norms;

3.18.2 CESC Limited provided detailed computations separately for each of the above three factors, following the methodologies and rates as specified in paragraphs 1, 3 and 4 of the schedule 10 to the Tariff Regulations in respect of above three factors. The calculations in this regard are presented in following table:



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(i) Incentive for generation higher than annual norms:

CESC Limited has achieved generation at Budge Budge, Titagarh and Southern generating stations higher than the generation as per annual norms of PLF for the year 2011 – 2012. The computation of incentive is given below:

Sl. No.	Factors	Unit	Budge Budge	Titagarh	Southern
1	Sent out generation	MU	5450	1572	940
2	Normative sent out generation	MU	4796	1535	863
3	Additional Units (1-2)	MU	654	37	77
4	Units sold along with permissible losses to persons other than consumers and WBSEDCL	MU	129	0	0
5	Additional Units net off above (3-4)	MU	525	37	77
6	PLF achieved	%	90.16	81.38	87.40
7	Normative PLF	%	80.00	80.00	80.00
8	Additional PLF (6-7)	%	10.2	1.4	7.4
9	Applicable category		A	D	C
10	Applicable rate	Paise/kWh	20	31	32
11	Amount eligible (5x10/10)	Rs. in Lakh	1049	115	247

(ii) Incentive for less oil consumption than the norms:

CESC Limited has consumed less oil than the normative value at Budge Budge, Titagarh and Southern generating stations during the year 2011 – 2012. Paragraph 3.2.2 of the order dated 31.07.2013 of the Commission in case no. FPPCA-59/12-13 may be referred to. The computation of incentive for less oil consumption than the norms are given below:

Sl. No.	Factors	Unit	Budge Budge	Titagarh	Southern
1	Gross generation for sales to consumers & WBSEDCL (As per Annexure – 2A of FPPCA order dated 31.07.2013)	MU	5846.931	1727.831	1033.347
2	Applicable Rate	Paise/Unit	0.30	0.40	0.40
3	Amount eligible (1x2/10)	Rs. in Lakh	175	69	41



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(iii) Incentive for better gross station heat rate than norms:

CESC Limited has achieved better gross station heat rate to attain incentive at Budge Budge generating station only during the year 2011 – 2012. Paragraph 1.4 of the Order dated 31.07.2013 of the Commission in case no. FPPCA-59/12-13 may be referred to. The computation of incentive for better station heat rate than the norms are given below:

Sl. No.	Factors	Unit	Budge Budge
1	Applicable Rate	Paise/Unit	0.25
2	Gross generation for sales to consumers & WBSEDCL (As per Annexure – 2A of FPPCA order dated 31.07.2013)	MU	5846.931
3	Amount eligible (1x2/10)	Rs. in Lakh	146

3.18.3 The total amount of incentives thus arrive as under:

Sl. No.	Factors	Budge Budge	Titagarh	Southern	Total
1	Incentive for higher generation than norms	1049	115	247	1411
2	Savings in oil consumption	175	69	41	285
3	Better station heat rate	146	0	0	146
	<b>Total</b>	1370	184	288	1842

3.19 **Cost of Outsourcing:**

3.19.1 In terms of regulation 5.22 of the Tariff Regulations, as amended, the licensee or generating company shall furnish activity wise separately in Form 1.17(k) the outsourcing expenditure. They shall also have to specifically state the head of accounts under which such expenditure was previously booked. If any outsourcing is introduced as new activity then they shall have to mention it clearly. Cost of outsourcing shall be considered for ARR determination prospectively subject to prudent check by the Commission. CESC Limited had projected Rs. 785 lakh in their tariff application for 2011 – 2012 towards call





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centre charges with a view to provide quality service to consumers by specialized agencies, which was allowed by the Commission in the tariff order for 2011 – 2012. The expenditure being controllable in nature, CESC Limited in their application for APR 2011 – 2012 has claimed Rs. 728 lakh as actual audited expenditure submitted in form 1.17(k) duly filled in and explained that the amount was incurred towards consumers' call handling mainly with regard to faults/pilferage reporting. It is also stated that this state-of-the-art call centre has been established and apart from dealing with consumers' complaints on supply interruptions, it is also equipped to handle pilferage complaints as well. The Commission is of the view that the steps were taken in the right direction and decides to admit the entire actual expenditure of Rs. 728 lakh on this score in the APR for 2011 – 2012.

### 3.20 Income from Non-Tariff Sources:

3.20.1 A total amount of Rs. 7363 lakh was considered towards the estimated earnings of CESC Limited from other non-tariff sources. In actual, such total income related to the core business came to Rs. 7261 lakh as per audited annual report and accounts 2011 – 2012 read with submissions in Form 1.26 to Annex – 1 of the application with the following accounts head-wise breakup:

Sl. No.	Particulars	Amount (Rs. in Lakh)
1	Rental of meters and other apparatus hired out	4060
2	Sale and repair of lamp and other apparatus	138
3	Transfer / service connection fees	0
4	Income from investments and bank balances	649
5	Surcharge for late payments	75
6	Other general receipts arising from and ancilliary or incidental to the business of electricity	2339
7	<b>Net income from non-tariff sources</b>	<b>7261</b>



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3.20.2 The Commission admits Rs. 7261 lakh as income from non-tariff sources in APR for 2011 – 2012.

3.20.3 The function and cost center-wise allocation of such incomes from non-tariff sources are as under:

**Rs. in Lakh**

Particulars	As considered in the Tariff Order	As admitted in APR for 2011 – 2012
<b>Generation Function</b>		
Budge Budge	852	1194
Titagarh	67	94
Southern	61	86
New Cossipore	12	17
<b>Distribution Function</b>	6371	5870
<b>Total</b>	<b>7363</b>	<b>7261</b>

**3.21 Income from Unscheduled Interchange (UI) of Power:**

3.21.1 CESC Limited earned an amount of Rs. 219 lakh during the year from the unscheduled interchange charges. In terms of regulation 5.17.3 of the Tariff Regulations, CESC Limited being a distribution licensee is to share the amount of net income from U.I. charges with its consumers. The extent of such sharing shall be as decided by the Commission. The Commission decides that CESC Limited share the entire amount of UI charge with its consumers, including WBSEDCL.

**3.22 Benefits to be passed on to Consumers & West Bengal State Electricity Distribution Company Limited (WBSEDCL):**

3.22.1 The admissible gross amount of fixed charges are also to be reduced by the amount of gains derived by CESC Limited from the sale of power to the persons other than the consumers and WBSEDCL, from other business and by providing auxiliary services. The details of such benefits provided by CESC Limited in its application for APR for 2011 – 2012 are as under:



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**Rs. in Lakh**

Sl. No.	Sources	Revenue Received	Related Cost	Gains derived	Share to Consumers & WBSEDCL
1	2	3	4	5 (3-4)	6
1	Sale of power to persons other than to consumers and WBSEDCL	3603	2480	1123	674 (60%)
2	Auxiliary services	272	70	202	81 (40%)
3	Other business	306	328	(-) 22	0

3.22.2 Since the attributable cost for providing auxiliary services, i.e., Rs 70 lakh had been included in the gross amount of admitted fixed charges, the same is also to be deducted under distribution function. The cost related to other business had not been claimed by CESC Limited in their gross fixed charge.

3.22.3 However, the cost related to sale of electricity to persons other than consumers and WBSEDCL is the fuel cost only. In the order of Fuel and Power Purchase Cost Adjustment (in short 'FPPCA') of CESC Limited for 2011 – 2012 as per Annexure – 2A, the admissible fuel cost to the extent of sale to consumer and WBSEDCL was allowed. Therefore, the related fuel cost of sale of electricity to persons other than consumer and WBSEDCL need not be considered here. However, income from sale of power to person/s other than consumer and WBSEDCL and benefit to be passed on to the consumers and WBSEDCL in this regard is ascertained as per following table:

Sl. No.	Factors	Amount (Rs. in Lakh)	
		Budge Budge	Total
1	Revenue earning from sale of power to persons other than consumer and WBSEDCL (as per audited certificate)	3603	3603
2	Less: Fuel cost related to matching sent out energy of 129.003 MU at an applicable rate of admissible fuel cost for energy sent out in respect of Budge Budge generating station as per Annexure – 2A of FPPCA order for CESC Limited for the year 2011 – 2012 [Rs. 102268.18 lakh x 129.003 MU/5326.707 MU]	2480	2480
3	Net Income (1-2)	1123	1123
4	Benefits to be passed on to consumers in terms of regulation 5.15.2(iv) – 60% of net income (3)	674	674



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3.22.4 In terms of regulation 5.15.2 (iv) of the Tariff Regulations, the Commission decides to pass 60% of such benefits from sale of power to the persons other than consumers of CESC Limited and licensees to those consumers and licensees for the year 2011 – 2012.

3.22.5 Summing up the analysis and findings in preceding sub-paragraphs, the benefits passed on to the consumers and other licensees allocated to the generating stations and distribution system are as below:

**Rs. in Lakh**

Particulars	Other Aux. Service	Sale to persons other than Consumer & Licensee	Total
Generation Function			
Budge Budge	-	674	674
Distribution Function	81	-	81
Total	81	674	755

**3.23 Admissibility of recovery of full Capacity Charges as per provisions of regulation 6.4.2 of the Tariff Regulations:**

3.25.1 In terms of regulation 6.4.2 of the Tariff Regulations, from the third control period, the recovery of capacity charge for all the generating station of the licensee and generating company shall be against the normative availability. However, since all the generating stations of CESC Limited have achieved availability more than the targeted availability, CESC Limited is entitled to recover full capacity charges during 2011 – 2012.

**3.24 Fixed Charges as admitted:**

3.26.1 Based on the foregoing analyses, the total amount of fixed charges allowable separately for each of the generating stations and distribution functions of CESC Limited have been shown in Annexure 3A. As may be seen there-from, the allowable fixed charges come as under:



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Sl. No.	Particulars	Amount (Rs. in Lakh)
		As admitted on APR for 2011 - 2012
1	<b>Generation Function</b>	
	Budge Budge	61036
	Titagarh	11255
	Southern	6923
	New Cossipore	5516
2	<b>Distribution Function</b>	128079
	<b>Total</b>	<b>212809</b>



## Annexure – 3A

Sl. No.	Head of Accounts	As admitted in APR (Amount in Rs. in lakh)					
		Budge	Titagarh	Southern	New Cossipore	Distribution & Selling Activity	Total
1	Employee Cost	4538.00	4065.00	2428.00	3240.00	35663.00	49934.00
2	Water Charges/Cess	10.00	149.00	65.00	17.00	0.00	241.00
3	Coal & Ash Handling Charges	222.00	733.00	99.00	35.00	0.00	1089.00
4	Operation & Maintenance Expenses	7793.00	2899.00	1655.00	1560.00	22765.00	36672.00
5	Rent	0.00	0.00	4.00	0.00	0.00	4.00
6	Rates & Taxes	256.00	103.00	15.00	12.00	190.00	576.00
7	Insurance	344.00	73.00	43.00	11.00	215.00	686.00
8	Lease Rental	0.00	83.00	0.00	0.00	983.00	1066.00
9	Cost of Outsourcing	0.00	0.00	0.00	0.00	728.00	728.00
10	Interest on Capital Borrowings	10305.00	392.00	313.00	26.00	13754.00	24790.00
11	Interest on Working Capital	0.00	0.00	0.00	0.00	0.00	0.00
12	Interest on Temporary Accommodation	938.00	416.00	230.00	169.00	1036.00	2789.00
13	Interest on Consumer's Security Deposit	0.00	0.00	0.00	0.00	6460.00	6460.00
14	Foreign Exchange Rate Variations (FERV)	0.00	0.00	0.00	0.00	0.00	0.00
15	Other Finance Charges	147.00	71.00	35.00	35.00	203.00	491.00
16	Bad Debt	0.00	0.00	0.00	0.00	2490.00	2490.00
17	Depreciation	12137.00	399.00	242.00	96.00	15177.00	28051.00
18	Advance against Depreciation	3677.00	121.00	74.00	28.00	4599.00	8499.00
19	Written off Intangible Assets	32.00	1.00	0.00	0.00	39.00	72.00
20	Returns	15445.00	1216.00	1110.00	222.00	21999.00	39992.00
21	Reserve for Unforeseen Exigencies	860.00	64.00	61.00	13.00	1139.00	2137.00
22	Income Tax	4830.00	380.00	347.00	69.00	6879.00	12505.00
23	Performance Incentive	1370.00	184.00	288.00	0.00	0.00	1842.00
24	<b>Gross Fixed Charges ( 1 to 23)</b>	<b>62904.00</b>	<b>11349.00</b>	<b>7009.00</b>	<b>5533.00</b>	<b>134319.00</b>	<b>221114.00</b>
25	Less: Income from Non-Tariff Sources	1194.00	94.00	86.00	17.00	5870.00	7261.00
26	Less: Income from UI Charge	0.00	0.00	0.00	0.00	219.00	219.00
27	Less: Expenses attributable to other auxiliary services	0.00	0.00	0.00	0.00	70.00	70.00
28	Less: Expenses for other business	0.00	0.00	0.00	0.00	0.00	0.00
29	Less: Benefit passed on to consumers and WBSEDCL	674.00	0.00	0.00	0.00	81.00	755.00
30	<b>Total (24 to 39)</b>	<b>1868.00</b>	<b>94.00</b>	<b>86.00</b>	<b>17.00</b>	<b>6240.00</b>	<b>8305.00</b>
31	<b>Net Fixed Charge for the year 2011 - 2012 (24-30)</b>	<b>61036.00</b>	<b>11255.00</b>	<b>6923.00</b>	<b>5516.00</b>	<b>128079.00</b>	<b>212809.00</b>



## CHAPTER – 4 AMOUNT ADJUSTABLE ON ANNUAL PERFORMANCE REVIEW

- 4.1 As shown at the concluding paragraph of the previous chapter, the allowable fixed charges separately for each of the generating stations of CESC Limited as well as for its distribution functions including retail selling activities come as under:

Particulars	Amount (Rs. in Lakh)
<b>Generation Function</b>	
Budge Budge	61036
Titagarh	11255
Southern	6923
New Cossipore	5516
<b>Distribution Function</b>	
<b>Total</b>	<b>128079</b>
	<b>212809</b>

- 4.2 In its order dated 31.07.2013 in case No. FPPCA-59/12-13, the Commission also determined the fuel and power purchase cost allowable to CESC Limited totaling to Rs. 261928.84 lakh, after meeting the amounts relating to shares of various gains attributable to its consumers and WBSEDCL in terms of the Tariff Regulations vide paragraph 4.4 and paragraph 4.5 of the aforesaid order. The cost centre wise breakup of this total amount of Rs. 261928.84 lakh is as follows:

**Rs. in Lakh**

Particulars	Generating Stations				Distribution
	Budge Budge	Titagarh	Southern	New Cossipore	
Admitted Fuel Cost excluding gain on improved distribution loss as per Order dated 31.07.2013 in Case No. FPPCA-59/12-13.	100574.72	49602.40	27423.21	19052.58	0.00
Admitted Power Purchase Cost including gain on improved distribution loss	0.00	0.00	0.00	0.00	65275.93
<b>Total Fuel and Power Purchase Cost including gain on improved distribution loss</b>	100574.72	49602.40	27423.21	19052.58	65275.93



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- 4.3 It comes out from the enumerations as shown above, CESC Limited's total realizable sales revenue from its consumers and WBSEDCL during the year 2011 – 2012 comes as follows:

	<b>Rs. in Lakh</b>
Fuel & Power Purchase Cost	261928.84
Fixed Charges	212809.00
<b>Total:</b>	<b>474737.84</b>

- 4.4 **Gains through Better Performance in Distribution Loss than the Norms:**

4.4.1 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 3.5 of the Fuel and Power Purchase Cost Adjustment (FPPCA) order of CESC Limited for the year 2011 – 2012 vide order dated 31.07.2013 in Case No. FPPCA-59/12-13, CESC Limited saved 272.870 MU for better performance in distribution loss than the norms and they have been allowed to retain the benefit for such savings amounting to Rs. 7488.92 lakh during FPPC determination for 2011 – 2012.

4.4.2 In terms of paragraph 4.3 above, the total admitted variable and fixed cost excluding gain in improved distribution loss in APR for 2011 – 2012 of CESC Limited for sale of energy to consumers and WBSEDCL comes to Rs. 474737.84 lakh for 8317.519 MU of energy @ 570.768 paise / kWh. Units saved through reduction of distribution loss in 2011 – 2012 is 272.870 MU and therefore CESC Limited is allowed to retain the revenue earned i.e., Rs. 15574.55 lakh subject to adjustment of gain sharing accruing to them amounting to Rs. 7488.92 lakh through the FPPCA order referred above. The net adjustment with the actual





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revenue realized from such savings in sale of energy to own consumers and WBSEDCL comes to Rs. 8085.63 lakh (Rs. 15574.55 – Rs. 7488.92 lakh).

- 4.5 The Commission is now to see how much sales revenue had been earned by CESC Limited by way of sale of power to the consumers and WBSEDCL with reference to its audited accounts. The figure comes as under:

Sl. No.	Particulars	Amount (Rs. in Lakh)
1	Earnings from sale of electricity (Net of the amount of Advance Depreciation) as per Note 23(a) of Notes on audited accounts of CESC Limited	460498
2	Add: Advance against depreciation (As per note 23(c) of Notes on Accounts under Note 13)	5177
3	Add: Adjustment effects of previous orders	35893
4	<b>Gross earnings from sale of energy</b>	<b>501568</b>
5	Less: Earnings from sale of energy to persons other than own consumers and WBSEDCL	3603
	<b>Actual revenue realized from sale of Energy to own consumers and WBSEDCL</b>	<b>497965</b>

- 4.6 In terms of paragraph 4.4.2 above, Rs. 8085.63 lakh is to be adjusted against actual revenue realized from sale of energy for 2011 – 2012 amounting to Rs. 497965.00 lakh. Accordingly, the actual revenue realized by CESC Limited from sale of energy to own consumers and WBSEDCL comes to Rs. 489879.37 lakh (Rs. 497965.00 lakh – Rs. 8085.63 lakh) and the same is allocated to different generating stations and distribution function as below:

<b>Rs. in Lakh</b>	
<b>Particulars</b>	<b>Amount</b>
<b>Generation Function</b>	
Budge Budge	166719.53
Titagarh	62782.90
Southern	35431.74
New Cossipore	25348.18
<b>Distribution Function</b>	
	199597.02
<b>Total</b>	<b>489879.37</b>



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- 4.7 In the tariff order for 2011 – 2012 an amount of Rs. 18516.45 lakh as realizable in the APR for 2009 – 2010 and an amount of Rs. 12580.35 lakh as refundable in APR for 2007 - 2008 were adjusted in the ARR for 2011 – 2012, which are also required to be adjusted in determining the net recoverable amount. Thus the recoverable amount for the year 2011 – 2012 comes at Rs. 480673.94 lakh (Rs. 474737.84 lakh + Rs. 18516.45 lakh – Rs. 12580.35 lakh).
- 4.8 As it comes out from the findings in paragraph 4.1, 4.2, 4.6 and 4.7 above, CESC Limited is to refund an amount of Rs. 9205.43 lakh (Rs. 480673.94 Lakh – Rs. 489879.37 Lakh) with cost centre-wise breakup as given below:

**Rs. in Lakh**

Particulars	Amount Recovered from sale of power	Fuel & Power Purchase Cost	Fixed Charges	Recovery (+)/Refund (-) of fixed charge on account of APR for 2007-2008	Recovery (+)/Refund (-) of fixed charge on account of APR for 2009-2010	Total Recoverable	Balance recoverable
1	2	3	4	5	6	7 (3+4-5+6)	8 [7-2]
<b>Generation Function</b>							
Budge Budge	166719.53	100574.72	61036.00	(-) 3689.27	5355.93	163277.38	-3442.15
Titagarh	62782.90	49602.40	11255.00	(-) 1000.99	1945.47	61801.88	-981.02
Southern	35431.74	27423.21	6923.00	(-) 134.31	1091.99	35303.89	-127.85
New Cossipore	25348.18	19052.58	5516.00	(+) 448.74	898.21	25915.53	567.35
<b>Distribution Function</b>							
	199597.02	65275.93	128079.00	(-) 8204.52	9224.85	194375.26	-5221.76
<b>Total</b>	<b>489879.37</b>	<b>261928.84</b>	<b>212809.00</b>	<b>(-) 12580.35</b>	<b>18516.45</b>	<b>480673.94</b>	<b>-9205.43</b>

- 4.9 In the order dated 19.03.2013 in case no. APR-25/11-12, the Commission decided to adjust the entire recoverable amount of Rs. 21126.80 lakh on account of APR of CESC Limited for the year 2010 – 2011 or part thereof with the Aggregate Revenue Requirement for 2012 – 2013 or that for any other ensuing year or through a separate order as may be decided by the Commission. The Commission now decide to adjust Rs. 9205.43 lakh refundable on account of APR for the year 2011 – 2012 from the amount of Rs. 21126.80 lakh recoverable on account of APR for the year 2010 – 2011 and therefore no amount is either



**Order on APR of CESC Limited for the year 2011-12**

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refundable or recoverable on account of APR for the year 2011 – 2012 in this order.

- 4.10 After adjustment of Rs. 9205.43 lakh from the net recoverable amount of Rs. 21126.80 lakh on account of APR for 2010 – 2011, the entire balance amount of Rs. 11921.37 lakh (Rs. 21126.80 lakh – Rs. 9205.43 lakh) or part thereof is required to be adjusted with the amount of ARR of CESC Limited for the year 2013 – 2014 or that for any other ensuing year or through a separate order on account of APR for 2010 – 2011. The decision of the Commission in this regard will be given in the tariff order of CESC Limited for the year 2013 – 2014 or that for any other ensuing year or in a separate order.
- 4.11 CESC Limited is directed to provide actual audited figure for each head of expenditure whether controllable or uncontrollable properly allocating between generation and distribution functions in their APR petition for the ensuing years and to comply with the directions given in different chapters in this order.. CESC Limited may, however, submit reconciliation statement for each head of expenses necessitating any adjustment separately.
- 4.12 CESC Limited is to take a note of this order.

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

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

**DATED: 05.09.2013**