



**ORDER**

**OF THE**

**WEST BENGAL ELECTRICITY REGULATORY  
COMMISSION**

**IN CASE NO.: APR – 34 / 12 – 13**

**IN RE THE APPLICATION OF THE  
DURGAPUR PROJECTS LIMITED FOR  
ANNUAL PERFORMANCE REVIEW  
FOR THE FINANCIAL YEAR 2011 – 2012**

**DATE: 09.09.2013**



## 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 (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') submitted its application for the same on 26 February, 2013 for the financial year 2011 – 2012. It provided the requisite data / information in the specified proforma along with the copy of its audited annual accounts for the concerned year. The application was admitted by the Commission for processing and the same was numbered as APR-34/12-13.
- 1.2 The instant application of DPL is its first 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 2011 – 2012 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. It is, however, to clarify, at the out set, that the APR aims at examining the admissibility of fixed charges on different accounts and



ascertaining the amounts of appropriate adjustments in terms of the Commission's Tariff Regulations.

- 1.4 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. Element of gain sharing on account of achieving better operational norms, however, was not considered for DPL as nothing is found to be admissible while determining its Aggregate Revenue Requirement (in short 'ARR') for the year 2011 – 2012.
- 1.5 The APR for the year 2011 – 2012 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 2011 – 2012, vis-à-vis the actuals as per the audited accounts. The instant application of DPL for the year 2011 – 2012 is being viewed in the subsequent parts of this order.
- 1.6 The Commission has already ascertained the total amount of variable cost that could be allowed to DPL in the year 2011 – 2012 vide Commission's order dated 31.07.2013 in Case no. FPPCA – 62 / 12 – 13. The instant order is, therefore, exclusively for ascertaining the allowable total amount of fixed charges for the year 2011 – 2012. The matter is being taken up in the next chapters.
- 1.7 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 13.05.2013 in Bartaman, Ekdin, Economic Times 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



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2011 – 2012 of DPL and requested for submission of objections, comments etc., if any, on the application to the Commission by 12.06.2013 at the latest. Opportunities were also afforded to all to inspect the application and take copies thereof.

- 1.8 No comment, suggestion, objection on application for APR for the year 2011 – 2012 of DPL has been received during the stipulated time i.e., 12.06.2013.



## CHAPTER – 2 FIXED CHARGES

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2.1 The uncontrollable elements of fixed charges are those elements where variations of actual expenditure with the expenditure allowed by the Commission in the tariff order for the concerned year are caused by the factors beyond the control of the generating company or the licensee. The amounts of actual expenses / charges under such different heads of accounts are, therefore, to be considered on prudent check for carrying out positive or negative adjustments, as the case may be. 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:

### 2.2 **Project Cost of Unit VII:**

2.2.1 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.

2.2.2 Withholding of 5% of the provisional project cost as mentioned in paragraph 2.2.1 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 2011 – 2012, 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 2.2.1 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.
- 2.2.3 The total withheld amount as per paragraphs 2.2.1 and 2.2.2 above is Rs. 581.53 lakh comprising depreciation and return on equity for the year 2011 – 2012. 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 2.2.1 above will be adjusted with the reduction in project cost, if any, and corresponding impact on tariff will accordingly be adjusted in APR of future years.
- 2.3 Employee Cost:**
- 2.3.1 In the Tariff order for 2011-12 DPL was allowed a total amount of Rs. 6653.40 lakh towards employee cost including proportionate expenses of centrally maintained expenses viz. expenses of Service Department and Central Work Shop in respect of salaries, wages, bonus, contribution to PF etc. as well as staff



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welfare expenses. As against this amount, DPL has claimed the actual expenditure as per audited accounts for a total amount of Rs. 9477.48 lakh. The detailed head wise break-up is as under:

		<b>Rs. In Lakh</b>
<b>Sl. No.</b>	<b>Detailed heads of Accounts</b>	<b>Amount</b>
1	Salary & Wages	4923.77
2	Bonus & Ex-Gratia	3.03
3	Gratuity	510.21
4	P. F. Contribution	415.93
5	Leave Salary	353.86
6	LTC & Leave encashment	11.71
7	Pension Scheme	76.75
8	Other Welfare Expenses	40.66
	Total amount directly chargeable to Power Business	6335.92
9	Allocation of Centrally maintained expenses	
	(a) Service Department 3098.23	3141.56
	(b) Central Workshop 43.33	
	<b>Total</b>	<b>9477.48</b>

2.3.2 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.

2.3.3 The Commission, in the tariff order for 2011 – 2012, 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, 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.
- 2.3.4 In their application of APR for 2011 – 2012, DPL did not furnish all 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 that they have not yet been able to physically segregate the centrally maintained expenses from power plant business and the same is under process pending apportionment of the centrally maintained expenses to the power plant business under the head 'employee cost'. DPL has however submitted the details of the expenses for power plant and proportionate cost of centralized services as per format 1.17(h) of Annexure – I through additional information on 02.05.2013. It is seen from the submission made by DPL on 02.05.2013 that the number of employees both in regular services and contractual services for generating units are as per the Man/MW ratio stipulated in the Tariff Regulations. DPL is yet to justify / establish the basis of apportionment of cost of centralized services under the head 'employee cost' as claimed by them.
- 2.3.5 In view of above, the Commission decides to consider 50% of the claim of DPL on proportionate employee cost for centralized services to power business and admits the same i.e. Rs.1570.79 lakh (Rs. 1549.12 lakh for centralized service department and Rs 21.67 lakh for Central workshop).





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2.3.6 The Commission decides to admit the actual employee cost in power plant as per audited accounts together with directors' fees and expenses for Rs. 7.78 lakh i.e., for an overall amount of Rs. 6343.70 lakh (Rs. 6335.92 lakh + Rs. 7.78 lakh) being uncontrollable in nature in APR for 2011 – 2012. The Commission also admits a proportionate amount of Rs.1570.79 lakh towards centrally maintained expenses as determined in earlier paragraph. The function-wise allocation of the total amount so admitted i.e., Rs. 7914.49 lakh (Rs. 6343.70 lakh + Rs. 1570.79 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	4875.66	1153.76	6029.42
2	Distribution Function	1468.04	417.03	1885.07
	Total	6343.70	1570.79	7914.49

2.3.7 DPL is however directed to furnish relevant information and supporting documents regarding the basis of apportionment of the centrally maintained expenses in the APR for 2012-13 to establish their claim for such apportionment.

### 2.4 Water Charges:

2.4.1 DPL meets its processed water supply requirements for its generation 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 actual amount of Rs. 1204.04 lakh was charged to power plant unit as per audited annual accounts for 2011 – 2012 as against Rs. 3184.02 lakh considered in the tariff order for the concerned year. Out of Rs. 1204.04 lakh charged in the annual accounts for 2011 – 2012, Rs. 887.62 lakh is for generation function and Rs. 316.42 lakh for distribution function as mentioned by DPL in their APR application. The Commission considers the water charges for generation function only.

2.4.2 The water charges are categorized as uncontrollable. The Commission observed that during 2011 – 2012, 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 2011 – 2012
Units III to VII	4187.500	3184.02	1766.703	1343.34	887.62	887.62

2.4.3 The Commission decides to admit the actual expenses i.e., Rs. 887.62 lakh in the APR for 2011 – 2012 under generation function only, as the same is within the expenses to be allowed proportionate to actual generation.

## 2.5 Coal and Ash Handling Charges:

2.5.1 An amount of Rs. 1403.81 lakh was allowed in the tariff order for 2011 – 2012 towards coal and ash handling expenses. DPL claimed an amount of Rs. 989.00 lakh on this account i.e., the actual expenses as per the audited annual accounts of generating station.

2.5.2 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 2011 – 2012
Units III to VII	4187.500	1403.81	1766.703	592.27	989.00	592.27



2.5.3 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. 592.27 lakh. The admitted amount of Rs. 592.27 lakh is chargeable to generation function.

**2.6 Demurrage:**

2.6.1 No amount of demurrage charge was admitted by the Commission in the tariff order for 2011 – 2012. It was categorically mentioned in the aforesaid tariff order that DPL may approach the Commission for consideration of demurrage charge during APR for 2011 – 2012 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.

2.6.2 DPL, in their APR application for 2011 – 2012, has claimed Rs. 121.91 lakh towards demurrage charge incurred during the year as per audited annual accounts. In this regard, it is observed that during the previous year, i.e., 2010 – 2011, DPL has incurred an expenditure of Rs. 101.12 lakh which was admitted by the Commission in the APR 2010 – 2011 order. The expenditure on demurrage as per available figures are given in the following table:

Rs. in lakh		
Sl. No.	Year	Actual expenditure on demurrage
1	2006 – 2007	156.73
2	2007 – 2008	87.13
3	2008 – 2009	257.99
4	2009 – 2010	154.43
5	2010 – 2011	101.12
6	2011 – 2012	121.91



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2.6.3 During the year 2011 – 2012 the gross generation in DPL power station was 1766.703 MU as against the gross generation of 1602.424 MU during the year 2010 – 2011. Considering this aspect of increased generation, the Commission viewed that DPL has been able to control the expenditure on demurrage.

2.6.4 The Commission, thus, decides to admit the expenditure of Rs. 121.91 lakh on demurrage in APR 2011 – 2012 under generation function.

2.6.5 DPL is 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 2012-13 onwards.

**2.7 Interest on Capital Borrowings:**

2.7.1 As it reveals from the data submitted in Form – C of the instant application for APR 2011 – 2012, 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
1	PFCL					
	i) No. 50401001	69553.07	7133.65	-	62419.42	7401.97
	ii) No. 50403001	8891.53	-	-	8891.53	1234.74
	iii) No. 50404008	4071.69	2714.46	-	1357.23	205.25
2	Bonds allocated	207.28	207.28	-	-	20.66
3	Central Electricity Authority	1181.00	-	-	1181.00	3267.79
4.	Government of West Bengal	7873.57	-	264.00	8137.57	620.28
5.	STL from UBI	-	-	2300.00	2300.00	69.04
6.	STL from UBI	1360.00	1350.00	440.00	450.00	141.70
7.	STL from PFCL	-	-	5000.00	5000.00	438.13
	<b>Total</b>	<b>93138.14</b>	<b>11405.39</b>	<b>8004.00</b>	<b>89736.75</b>	<b>13399.56</b>



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2.7.2 The amount of interest charged in Profit & Loss Account of the power business is also found to be Rs. 13399.56 lakh (vide Note – 16 of Profit & Loss Account 2011 – 2012). However, the above amount of Rs. 13399.56 lakh is inclusive of the following amounts of interest charges:

i)	Backlog interest on loan of Rs. 1181.00 lakh from CEA under sl. No. 3	Rs. 3267.79 lakh
ii)	Interest amount of service department allocated to Power plant included in the amount under sl. No. 4	Rs. 192.41 lakh
iii)	Interest on STL from PFCL & UBI under sl. No. 5, 6 & 7	Rs. 648.87 lakh
	Total	Rs. 4109.07 lakh

2.7.3 DPL, in their submission, has highlighted the reason for providing the interest liability for Rs. 3267.79 lakh of the loan from CEA for Rs. 1181.00 lakh obtained long back which was not liquidated in time. This includes penal interest of Rs. 824.08 lakh, which was required to be claimed separately under Form 1.17 (j) of Annexure - I. However, the entire amount of Rs. 3267.79 lakh has been claimed by DPL in their APR application. In its APR order for 2010 – 2011, it was categorically mentioned that the Commission may consider the release of backlog interest of the loan from CEA or otherwise in future after proper verification and examination provided the same is accepted by DPL as a liability and incorporated in the audited annual accounts. While the later part has been fulfilled by DPL, the Commission is unable to verify and examine the admissibility of such liability in the present form from the submission of DPL and reserves its decision. DPL is directed to submit a detailed deliberation underlying the background of the case 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 responsibility in this regard in a specific manner and then prefer the claim having a valid support of the actions taken on the above



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- 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 may be made in the APR application for the year 2012 – 2013 for examination by the Commission before finalizing its fate.
- 2.7.4 It is observed from Note 16 and related worksheet on “audited financial statements for the year ended 31<sup>st</sup> March, 2012, power plant” that the interest amount for Rs. 620.28 lakh on loan from Government of West Bengal includes Rs. 192.41 lakh apportioned out of the total amount of chargeable interest in respect of service department. Such interest amount of Rs. 192.41 lakh constitutes 93.61% of the total amount charged to the profit and loss account of the service department for the year 2011 – 2012. In absence of proper clarification of principles and modalities of apportioning such high amount of interest of other department, the Commission decides not to admit the same.
- 2.7.5 The interest on working capital loan from PFCL and UBI are being dealt separately.
- 2.7.6 The Commission, thus, admits the interest of Rs. 9290.49 lakh (Rs. 13399.56 lakh – 4109.07 lakh) in the APR for the year 2011 – 2012. 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	7896.91
2	Distribution Function	1393.58
	<b>Total</b>	<b>9290.49</b>

#### Interest on Working Capital:

- 2.7.7 An amount of Rs. 629.96 lakh on this head was considered in the tariff order for 2011 – 2012. 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 also comes to 13.50%.

2.7.8 In terms of regulations 5.6.5.1 of the Tariff Regulations, as amended 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 Fuel Cost Adjustment or Monthly Variable Cost Adjustment for the year 2011 – 2012. The followings are the calculation in this regard.

Sl. No.	Particulars	Amount in Rs. in lakh	Amount in Rs. in lakh
1	Annual Fixed charges now arrived excluding interest on working capital		50213.41
2	Fuel and Power Purchase Cost now arrived		37964.87
	Sub Total (1+2)		88178.28
	Less:		
3	Depreciation	6780.12	
4	Advance against depreciation	3275.27	
5	Return on Equity	12361.54	
6	Provision for Bad Debt	26.44	
7	Reserve for Unforeseen Exigencies	513.81	
	Sub Total (3 to 7)		22957.18
8	Allowable Fixed Charges for computation of working capital		65221.10
9	Normative requirement of Working Capital (10% of 8)		6522.11
10	Security Deposit at the beginning of the year		507.50
11	Requirement of Working Capital (9-10)		6014.61
12	Normative Interest @ 11.75% on 11		706.72
13	Actual interest for working capital		648.87
14	Interest on working capital allowed (lower of 12 & 13)		648.87

2.7.9 In the tariff order 2011 – 2012, 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



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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. 648.87 lakh towards interest on working capital during the year 2011 – 2012 as already indicated in paragraphs 2.7.1 and 2.7.2 whereas the interest allowable on normative basis is derived at Rs. 710.44 lakh. The Commission, thus, admits an amount of Rs. 648.87 lakh in APR for 2011 – 2012 under the head.

2.7.10 The amount of Rs. 648.87 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	537.71
2	Distribution Function	111.16
	<b>Total</b>	<b>648.87</b>

### 2.8 Interest on Consumers' Security Deposit:

2.8.1 An amount of Rs. 26.38 lakh was allowed to DPL towards interest payable to consumers on their security deposits. The actual amount of interest charges on such deposits came to, as per note 18 to the audited accounts, Rs. 33.35 lakh. The same amount is admitted on APR for 2011 – 2012 and that pertains to distribution function.

### 2.9 Finance Charges:

2.9.1 The actual amount of finance charges incurred by DPL during 2011 – 2012 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	790.61
2	Bank charges	4.39
	<b>Total</b>	<b>795.00</b>





2.9.2 This is as against Rs. 979.29 lakh allowed in the tariff order for 2011 – 2012. 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. 790.61 lakh is, therefore, charged to generation function. Bank charges of Rs. 4.39 lakh are in regard to distribution function. The total of Rs. 795.00 lakh is admitted by the Commission in APR for 2011 – 2012.

## 2.10 Depreciation:

2.10.1 The amounts of depreciation considered in the tariff actually become chargeable to accounts for the year 2011 – 2012 and the amounts admitted by the Commission considering 5% reduction of provisional project cost of unit VII on the ground as explained in paragraph 2.2 are as follows:

### Rs. In Lakh

Particulars	Amount as per Tariff Order 2011 – 2012	Actual amount chargeable to accounts 2011 – 2012	Amount admitted by the Commission for APR 2011 – 2012
Generation			
Units III – VI	893.56	1686.73	1686.73
Unit – VII	4494.04	4206.20	3995.89
Sub-total Generation	5387.60	5892.93	5682.62
Distribution	1481.49	1097.50	1097.50
<b>Total</b>	<b>6869.09</b>	<b>6990.43</b>	<b>6780.12</b>

## 2.11 Advance Against Depreciation:

2.11.1 DPL claimed an amount of Rs. 3064.96 lakh towards advance against depreciation as against Rs. 3542.36 lakh allowed in the ARR for the year 2011 – 2012. 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



2.7.1 above, the total amount of loans repaid by DPL during 2011 – 2012 was Rs. 11405.39 lakh. However, such amount of repayment of loan includes Rs. 1350.00 lakh towards short term loan obtained by DPL for meeting working capital needs and the same is not considered while determining the amount required under advance against depreciation. Thus, the amount of repayment of loan arrives at Rs. 10055.39 lakh (Rs. 11405.39 lakh – Rs. 1350.00 lakh).

2.11.2 The above amount of Rs. 10055.39 lakh is much more than the amount of depreciation for Rs. 6780.12 lakh admitted by the Commission in paragraph 2.10.1. As such, an amount of Rs. 3275.27 lakh (Rs. 10055.39 lakh – Rs. 6780.12 lakh) towards advance against depreciation is found allowable and the same is admitted by the Commission. The amount relates to generation function.

#### 2.12 **Intangible Assets Written Off:**

2.12.1 Neither any amount was allowed in the ARR for 2011 – 2012 towards write off for intangible assets, nor was any amount found charged in the audited accounts. Thus, no amount is admitted in APR for 2011 – 2012 under the head.

#### 2.13 **Bad Debts:**

2.13.1 No amount was considered by the Commission under the head in the tariff order for 2011 – 2012. It was, however, categorically mentioned in its above tariff order that the Commission may consider the same at the time of APR of the respective year after the amounts of bad and doubtful debts have actually been written off from the books of accounts after following usual procedure.

2.13.2 DPL has claimed an amount of Rs. 266.44 lakh under the head in the APR for 2011 – 2012 application. On scrutiny of the audited annual accounts 2011 – 2012 under note 18, it is observed that out of above Rs. 266.44 lakh, an amount of Rs. 26.44 lakh has actually been written off as bad debts and the remaining amount of Rs. 240.00 lakh pertains to provisioning in the said annual accounts. Such



mere provisioning of bad and doubtful debts is not allowable in terms of regulation 5.10.1 of the Tariff Regulations. The regulation provides for allowing the bad and doubtful debts as actually been written off from the books of accounts subject to a ceiling of 0.5% of the actual gross sales revenue which is Rs. 61426.03 lakh at the end of the year. The amount of bad debt @ 0.5% on that amount of Rs. 61426.03 lakh comes to Rs. 307.13 lakh. The Commission, thus, admits an amount of Rs. 26.44 lakh as bad debts for the year 2011 – 2012, which is chargeable to distribution function.

**2.14 Income Tax:**

2.14.1 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 the year 2011 – 2012. DPL, therefore, did not provide for any amount in this regard in its audited annual accounts 2011 – 2012. DPL has, however, claimed an amount of Rs. 1522.20 lakh in their application under form E(B) which has not been considered by the Commission in the APR for 2011 – 2012.

2.14.2 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.

**2.15 Reserve for Unforeseen Exigencies:**

2.15.1 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:



**Order on APR of DPL for the year 2011-12**

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 17.12.2012 in Case No. TP-49/11-12	503.88
	<b>Total</b>	<b>2228.82</b>

2.15.2 During 2011 – 2012, DPL was allowed an amount of Rs. 503.88 lakh as above towards reserve for unforeseen exigencies computed @ 0.25% of the value of projected gross fixed assets at the beginning of the year 2011 – 2012 under the provisions of the Tariff Regulations. The actual gross value of fixed assets as on 1 April, 2011, as per the audited accounts 2011 – 2012, vide note – 5(a) thereto stood at Rs. 205524.80 lakh. The allowable reserve for unforeseen exigencies, thus, arrived at Rs. 513.81 lakh being 0.25% of above amount of Rs. 205524.80 lakh and the Commission admits the same. The amount is allocated in the ratio of gross fixed assets for Rs. 173015.91 lakh and Rs. 32508.89 lakh as on 01.04.2011 for generation and distribution function respectively as under:

Sl. No.	Particulars	Amount admitted by the Commission (Rs. in Lakh)
1.	Generation	432.54
2.	Distribution	81.27
	<b>Total</b>	<b>513.81</b>

2.15.3 Thus, DPL should maintain an amount of Rs. 2238.75 lakh [Rs. 2228.82 lakh + (Rs. 513.81 lakh – Rs. 503.88 lakh)] under the head reserve for unforeseen exigencies upto the year 2011 – 2012 excluding interest accrued thereon. In this regard, the following observations are made by the Commission:



- i) As per Note 2(ii) of the financial statements for the year ended 31<sup>st</sup> March, 2012 and comments of the C&AG of India on the above accounts, DPL did not maintain an amount of Rs. 504.00 lakh for the year 2011 – 2012 under the fund in terms of regulation 5.11 of the Tariff Regulations. The actual amount under the fund stands at Rs. 1755.72 lakh only as on 31.03.2012 let alone the amount of accrued interest accumulated from time to time.
- ii) As per Note 10(a) of the financial statements for the year ended 31<sup>st</sup> March, 2012, the investment under reserve for unforeseen exigencies stands at Rs. 2000.00 lakh as on 31<sup>st</sup> March, 2012 whereas the amount for previous year i.e., on 31<sup>st</sup> March, 2011 was at Rs. 2115.00 lakh. The reason for reduction in the amount of investment compared to previous year is not clear to the Commission. A clarification in this regard is called for. DPL is directed to submit their clarification in this regard in the APR application for 2012 – 2013. If DPL fails to submit any clarification and also if, the Commission is not satisfied with their clarification, an amount of Rs. 1027.62 lakh being the double the amount admitted in this APR under the head reserve for unforeseen exigencies will be deducted from ROE in the APR for 2012 – 2013.
- 2.15.4 DPL is directed to provide and maintain the amount of Rs. 513.81 lakh admitted in the APR for 2011 – 2012 along with amounts admitted so far in APR for 2006 – 2007, 2007 – 2008, 2008 – 2009, 2009 – 2010 and 2010 – 2011 in this reserve so that the total amount under the funds stands at Rs. 2238.75 lakh excluding the amounts of interest accrued on the investment of the fund from time to time. A separate disclosure of its investment shall be made in its audited accounts. An audited certificate to the effect that the entire amount admitted and accumulated under this head till date has been invested in the manner as per regulation 5.24.1 showing therein year-wise details of such investment along with the investment of the interest accrued so far which may be submitted along with the claim of



reserve for unforeseen exigencies henceforth. In terms of regulation 5.11.2 of the Tariff Regulations, for failure to comply with the provisions of regulation 5.11.1 and 5.24.1, double the amount allowed under the head reserve for unforeseen exigencies in any tariff order of a year shall be withheld from the re-determined ARR during APR for any year and such amount shall be put into the fund of unforeseen exigencies or passed on to the consumer through order of any APR. Failure to comply with the direction, an amount equivalent to the short fall amount may be deducted from the ROE of DPL in the APR for the concerned year. DPL shall mention in their audited accounts the investment made by them from the reserves and from the surplus generated out of ROE separately.

2.15.5 In terms of regulation 5.24.1 of the Tariff Regulations, the sum appropriated to the reserve for unforeseen exigencies shall be invested separately in the manner as specified therein. The interest accrued from such investment shall be reinvested under the same reserve and shall be maintained separately under separate head of accounts. For failure to comply with the provisions of regulation 5.11.1 and 5.24.1, double the amount allowed under the head reserve for unforeseen exigencies in any tariff order of a year shall be withheld from the re-determined ARR during APR for any year and such amount shall be put into the fund of unforeseen exigencies or passed on to the consumers through order of any APR.

**2.16 Returns on Equity:**

2.16.1 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.

2.16.2 Out of total equity base of Rs. 70538.91 lakh for generation function, Rs. 34282.91 lakh relates to equity base of units II to VI and Rs. 36256.00 lakh to that of unit VII. Unit II of DPL was decommissioned on 01.04.2011 and was



inoperative entirely during 2011 – 2012. The value of equity for the remaining units III to VI for the purpose of return as stated in regulation 5.6.1.7 read with regulation 5.6.1.5, shall be determined considering the value of equity of the inoperative unit derived in terms of the formula laid down under regulation 5.6.1.6(a) as under:

$$E_{\text{unit}} = \frac{E_{\text{tot}} \times \{ IO_{\text{unit}} \times (0.9085)^{A_{\text{unit}}} \}}{\sum \{ IC_{\text{unit}} \times (0.9085)^{A_{\text{unit}}} \}}$$

Where,

$E_{\text{unit}}$  = Deemed Equity of inoperative unit under consideration.

$E_{\text{tot}}$  = Actual Equity against the concerned generating station.

$A_{\text{unit}}$  = Age difference of the latest unit and the concerned inoperative unit in completed years.

$IO_{\text{unit}}$  = Installed capacity of the inoperative unit under consideration.

$IC_{\text{unit}n}$  = Installed capacity of the  $n^{\text{th}}$  unit of the station.

$A_{\text{unit}n}$  = Age difference of the latest unit and  $n^{\text{th}}$  unit in completed year.

2.16.3 The units II, III, IV, V & VI were commissioned during the years 1960, 1964, 1964, 1966 and 1987 respectively.

Deemed equity for unit II ( $E_{\text{unit}}$ ) =

$$\begin{aligned} & \frac{\text{Rs. } 34282.91 \text{ lakh} \times \{ 30 \times (0.9085)^{27} \}}{[30 \times (0.9085)^{27} + 77 \times (0.9085)^{23} + 77 \times (0.9085)^{23} + 77 \times (0.9085)^{21} + 110 \times (0.9085)^0]} \\ & = \frac{\text{Rs. } 34282.91 \text{ lakh} \times 2.2485}{139.4556} \\ & = \text{Rs. } 552.76 \text{ lakh} \end{aligned}$$

Therefore, the revised equity base of the remaining units III to VI of DPL is arrived at Rs. 33730.15 lakh (Rs. 34282.91 lakh - Rs. 552.76 lakh).



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2.16.4 As it transpired from the submission of APR application and the annual audited accounts of DPL there has been no fresh equity infusion by the Government of West Bengal in power business during 2011 – 2012. 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 118 of Volume – II as well as Form 1.20(a) of Annexure – I of the submission that the net addition to the value of fixed assets in operation during 2011 – 2012 was Rs. 2034.97 lakh comprising Rs. 938.00 lakh relating to Unit VII under generation function and Rs. 1096.97 lakh for distribution function.

2.16.5 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	70538.91	18517.77	89056.68
2	Admissible equity base at the beginning of the year	63063.16	15936.92	79000.08
3	Actual addition to / withdrawal of equity base during the year vide paragraph 2.16.3	(552.76)	0.00	(552.76)
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	938.00	1096.97	2034.97
6	Normative addition to equity base (30% of 5)	281.40	329.09	610.49
7	Addition to equity base considered for the year (lower of 3 and 6)	(552.76)	0.00	(552.76)
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	62786.78	15936.92	78723.70
10	Rate of Return	15.50%	16.50%	
11	Return on Equity in APR for the year 2011 – 2012	9731.95	2629.59	12361.54

2.16.6 The Commission thus admits Rs. 12361.54 lakh in the APR for 2011 – 2012 under the head return of equity out of which Rs. 9731.95 lakh is for generation function and Rs. 2629.59 lakh is for distribution function.





2.16.7 It is observed from the Balance Sheet of the power plant unit of DPL, as submitted with the APR application for the year 2011 – 2012 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 2010 – 2011 and 2011 – 2012 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.

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

2.17.1 In the Tariff Regulations, the Commission categorized Rates and Taxes as an uncontrollable item. DPL has claimed Rs. 2.93 lakh under the head Rates and Taxes with a breakup of Rs. 1.57 lakh for generation function and Rs. 1.36 lakh for distribution function in their APR application for 2011 – 2012.

2.17.2 As per note – 18 of audited accounts of DPL power plant for 2011 – 2012, the expenditure on rates and taxes was Rs. 2.93 lakh and the same is admitted by the Commission in the APR for 2011 – 2012. Out of the admitted amount of Rs. 2.93 lakh, an amount of Rs. 1.57 lakh is for generation function and Rs. 1.36 lakh is for distribution function.



## 2.18 Insurance Premium:

2.18.1 In the tariff order for the year 2011 – 2012, an amount of Rs. 98.46 lakh was considered by the Commission under the head insurance. DPL in their APR application 2011 – 2012 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 2011 – 2012 totaling to Rs. 75.86 lakh has been admitted by the Commission. The expenditure is allocated to the generation function.

## 2.19 Operation & Maintenance Expenses:

2.19.1 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. 8233.09 lakh was allowed to DPL in ARR in this regard for the year 2011 – 2012. with following break up:

Sl. No.	Particulars	Amount allowed in ARR 2011-2012 (Rs. in Lakh)
1	Generation	6091.96
2	Distribution	2141.13
	Total	8233.09

2.19.2 As per DPL's submission in Form E(B) to Annexure – I, 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, rates & taxes, legal charge, auditing



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fees and insurance charges came to Rs. 9747.80 lakh during 2011 – 2012. Such expenses have been categorised as controllable and, as such, any excess / savings in total expenses are to be in the account of the licensee.

2.19.3 O&M expenses of generation for Rs. 6091.96 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. 6091.96 lakh in the APR for 2011-12.

2.19.4 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. 1782.07 lakh under the head of R&M in distribution in the ARR for the year 2011 – 2012. 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. 1091.29 lakh which is lower than the expenses as allowed in the tariff order. The Commission, thus, considers Rs. 1091.29 lakh under the head R&M for distribution and admits Rs. 1450.35 lakh on account of (O&M) expenses for distribution system in APR 2011 – 2012 as under:

Operation and Maintenance Expenses for Distribution System (Rs in Lakh)	
Particulars	Expenses admitted in APR 2011 – 2012
Other Administrative & General Expenses	321.20
Legal & Professional Charges	37.18
Audit Fees	0.68
R & M including Consumables	1091.29
<b>Total O&amp;M Expenses</b>	<b>1450.35</b>



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2.19.5 The admitted amount in the APR for 2011 – 2012 under the head O&M expenses, thus, arrives at Rs. 7542.31 lakh as per table below:

Operation and Maintenance Expenses (Rs. in Lakh)	
Particulars	Expenses admitted in APR 2011 – 2012
Generation	6091.96
Distribution	1450.35
<b>Total O&amp;M Expenses</b>	<b>7542.31</b>

**2.20 Income from other Sources / Non-Tariff income:**

2.20.1 The incomes from other non-tariff sources, as per audited accounts are found as under:

Sl. No.	Particulars	Actual amount (Rs. in Lakh)
1	Rental of meters etc.	70.53
2	Sale and repair of meters & apparatus	2.18
3	Income from investments and bank balances	6.22
4	Surcharge for late payments	126.15
5	Income from consumers job	0.00
6	Sale of Steam	219.96
7	Wheeling charges	28.02
8	Profit on sale of assets.	55.51
9	Others	184.55
	<b>Total</b>	<b>693.12</b>

2.20.2 As the earning from sale of steam was a considerable amount, DPL was directed in the tariff order 2011 – 2012 to furnish the names of the agencies involved and the rates of such sale of steam in the APR application 2011 – 2012. 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 2012 – 2013.

2.20.3 The income from sale of steam amounting to Rs. 219.96 lakh is considered under generation function and the rest of the income of Rs. 473.16 lakh is attributed to distribution function. The Commission admits total income from other



sources / non-tariff sources as Rs. 693.12 lakh, the actual income submitted by DPL.

**2.21 Admissibility of Capacity Charges based on Availability:**

2.21.1 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.

2.21.2 Unit I and Unit II of DPL were decommissioned w.e.f. 01.04.2010 and 01.04.2011 respectively. Considering the facts that units III to VII were in operation, the PAF during 2011 – 2012 was 79% on normative basis. From the data submitted in Form 1.1(a), the actual weighted average PAF in respect of DPL during 2011 – 2012 was arrived at 50.43%. The Commission now decides to deduct capacity charges to the extent of shortfall in PAF achieved by DPL during 2011 – 2012.

2.21.3 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 Gross Fixed Charges for generating station at normative PAF level after adjustment of Non-tariff income etc. (as per Annexure – 2A)	Rs. in Lakh	<b>41928.26</b>
2	Less: Cost admitted under the head ‘coal and ash handling’ (Para 2.5.3)	Rs. in Lakh	592.27
3	Less: Cost admitted under the head ‘Water charges’ (para 2.4.3)	Rs. in Lakh	887.62
4	Net fixed charges : (1)-(2)-(3)	Rs. in Lakh	40448.37
5	Normative PAF	%	79%
6	PAF Achieved	%	50.43%
7	Amount of Capacity Charges deductible for shortfall in PAF [(4)-{(4)x50.43/79}]	Rs. in Lakh	14627.97



2.21.4 Unit VII of DPL was shut down on 30.05.2010 and was re-commissioned on 29.08.2011. This reveals that the Unit VII remained inoperative at a stretch for 150 days during 2011 – 2012 before it was re-commissioned on 29.08.2011. In terms of regulation 5.25.1 of Tariff Regulations, in case any asset of the generating station remained inoperative for more than 3 (three) months at a stretch due to break down or force majeure events resulting in shortfall in achieving target availability for that generating station, then except employees' cost, interest on borrowed capital, depreciation and advance against depreciation, if any, the other fixed costs will be allowed to be recovered proportionately to the actual availability achieved against normative availability.

2.21.5 DPL is, however, entitled to recover certain capacity charges in terms of regulation 5.25.1 of the Tariff Regulations. The following are the amount of fixed charges in respect of unit VII of DPL under generation function allowable in full in terms of the above regulation as per the submission of DPL in their APR application for 2011 – 2012.

Sl. No.	Particulars	Amount in Rs. lakh
1	Employee cost	1349.57
2	Interest on borrowed capital	7401.97
3	Depreciation	3995.89
4	Advance against depreciation	3137.76

2.21.6 The deductible amount of capacity charge pertaining to unit VII included in the deductible amount of Rs. 14627.97 lakh due to shortfall in PAF and to be retained by DPL as per regulation 5.25.1 of the Tariff Regulations are as under:



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Rs. in Lakh

Particulars	Amount of admitted expenditure for Unit VII for 2011 – 2012	Amount of Capacity charge allowable on actual PAF for Unit VII	Amount of Capacity Charge deductible for Unit VII for shortfall in PAF than target PAF
	A	B (Ax50.43/79)	C (A – B)
Employees cost	1349.57	861.50	488.07
Interest on Capital loan	7401.97	4725.08	2676.89
Depreciation	3995.89	2550.80	1445.09
Advance against Depreciation	3137.76	2003.00	1134.76
Total	15885.19	10140.38	5744.81

2.21.7 The amount of deductible capacity charge of Rs. 14627.97 lakh for short fall in PAF as computed in table under paragraph 2.21.3 is to be reduced by Rs. 5744.81 lakh. Thus, a net amount of Rs. 8883.16 lakh (Rs. 14627.97 lakh – Rs. 5744.81 lakh) is to be deducted from the fixed charges for generation function on account of short falls in PAF in the APR for 2011 – 2012.

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

2.22.1 DPL earned an amount of Rs. 1941.41 lakh from the Unscheduled Interchange (UI) of power during 2011 – 2012. DPL in their APR application has prayed for retaining the entire earnings of Rs.1941.41lakh from UI charges.

2.22.2 The Commission disallowed Rs 1007.28 lakh on account of excess power purchase cost in the FPPCA [Order dated 31.07.2013 in Case No. FPPCA-62/12-13]. The return on equity (ROE) admitted to DPL for the year 2011-12 is Rs 12361.54 lakh as stated in paragraph 2.16.5 of this chapter. Thus the excess power purchase cost disallowed is less than the ROE admitted for the year. So, in terms of clause (ii) of regulation 5.17.3 of the Tariff Regulations the entire amount of UI receivables is to be considered for sharing between consumers and the licensees.

2.22.3 It is seen from the paragraph 2.21.7 above that a considerable amount of Rs. 8883.16 lakh is to be deducted from the admitted fixed charges of generation



function of DPL due to non-achievement of target plant availability as well as inoperativeness of Unit VII for 150 days during the year 2011 – 2012. The Commission thus decides that the entire earnings of Rs. 1941.41 lakh on account of UI during 2011 – 2012 to be retained by DPL in the APR for 2011 – 2012.

## 2.23 Fixed Charges as Admitted:

2.23.1 Based on the foregoing analyses, the amounts of net fixed charges allowable under different heads in respect of DPL have been shown in Annexure 2A. As shown in the referred annexure, the gross amount of fixed charges (less other income) for DPL for the year 2011 – 2012 comes to Rs. 50169.16 lakh.

2.23.2 The net amount of fixed charges for DPL for the year 2011 – 2012 has been derived after deducting Rs. 8883.16 lakh as specified in paragraphs 2.21.7 above from the gross fixed charges of Rs. 50169.16 lakh and the same comes to Rs. 41286.00 lakh. This has been shown in annexure – 2A with allocation to generating and distribution functions as Rs. 33045.10 lakh and Rs. 8240.90 lakh respectively.

## 2.24 Re-determined Fixed Charges:

2.24.1 The amount of admitted fixed charge in APR for 2011 – 2012 for DPL, as shown in Annexure – 2A, requires to be adjusted with the recoverable amounts determined on APR for the year 2009 – 2010 and considered in the tariff for 2011 – 2012. Such recoverable amount, vide paragraph 3.5 of Commission's order dated 24.08.2012 in Case No. APR-18/10-11 was Rs. 23790.51 lakh and was allocated to generation and distribution functions as Rs. 20865.81 lakh and Rs. 2924.70 lakh respectively.





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2.24.2 The amount of re-determined fixed charges for DPL for the year 2011 – 2012, after carrying out the adjustments in regard to recoverable amount in APR for 2009 – 2010 come as under:

Particulars	Amount in Rs. in Lakh		
	Generation	Distribution	Total
Net Fixed charges of 2011 – 2012 admitted for recovery in APR for 2011 – 2012	33045.10	8240.90	41286.00
Add: Fixed charges relating to 2009 – 2010 as appeared in the Tariff Order for 2011 - 2012	20865.81	2924.70	23790.51
Re-determined fixed charges	53910.91	11165.60	65076.51



## Annexure – 2A

Sl. No.	HEAD OF FIXED CHARGES	AS ADMITTED IN APR FOR 2011 - 2012		
		GENERATION	DISTRIBUTION	TOTAL
1	Employee Cost (including centrally maintained employee expenses)	6029.42	1885.07	7914.49
2	Water Charges	887.62	0.00	887.62
3	Coal & Ash Handling Expenses	592.27	0.00	592.27
4	Operation & Maintenance Expenses	6091.96	1450.35	7542.31
5	Rates & Taxes	1.57	1.36	2.93
6	Insurance Premium	75.86	0.00	75.86
7	Interest on Capital Borrowings	7896.91	1393.58	9290.49
8	Finance Charges	790.61	4.39	795.00
9	Interest on Consumers' Security Deposit	0.00	33.35	33.35
10	Interest on Working Capital	537.71	111.16	648.87
11	Bad Debts	0.00	26.44	26.44
12	Depreciation	5682.62	1097.50	6780.12
13	Advance Against Depreciation	3275.27	0.00	3275.27
14	Reserve for unforeseen Exigencies	432.54	81.27	513.81
15	Intangible Assets Written Off	0.00	0.00	0.00
16	Demurrage	121.91	0.00	121.91
17	Income Tax	0.00	0.00	0.00
18	Returns	9731.95	2629.59	12361.54
19	<b>Gross Fixed Charges relating to 2011 - 2012 (1 to 18)</b>	<b>42148.22</b>	<b>8714.06</b>	<b>50862.28</b>
20	<b>Less: Adjustments on account of other Income:</b>			
	Other Non-Tariff Income	219.96	473.16	693.12
	Net receipt of UI Charges	0.00	0.00	0.00
	<b>Total (20)</b>	<b>219.96</b>	<b>473.16</b>	693.12
21	<b>Gross Fixed Charge after adjustment of Other Income for 2011 - 2012 [(19)-(20)]</b>	<b>41928.26</b>	<b>8240.90</b>	<b>50169.16</b>
22	<b>Less: Deduction due to shortfall in PAF</b>	8883.16	0.00	8883.16
23	<b>Net Fixed Charges admitted [(21)-(22)]</b>	<b>33045.10</b>	<b>8240.90</b>	<b>41286.00</b>



## CHAPTER – 3 AMOUNT ADJUSTABLE ON ANNUAL PERFORMANCE REVIEW

- 3.1 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 2011 – 2012 for generation and distribution functions of DPL came as under:

Particulars	Amount (Rs. in Lakh)
Generation	53910.91
Distribution	11165.60
<b>Total</b>	<b>65076.51</b>

- 3.2 In its order dated 31.07.2013 in case no. FPPCA – 62 / 12 – 13, the Commission also re-determined the fuel and power purchase cost allowable to DPL totaling to Rs. 38565.23 lakh. The cost centre wise break-up of this total amount of Rs. 38565.23 lakh is as follows:

Particulars	Generation	Distribution	Total
Admitted fuel cost for own generation station	29099.90	0.00	29099.90
Admitted Power Purchase Cost	0.00	9465.33	9465.33
Total Fuel and Power Purchase cost	29099.90	9465.33	38565.23

- 3.3 As it comes out from above, DPL's total realizable sales revenue from its consumers and WBSEDCL during the year 2011 – 2012 are as follows:

	Amount (Rs. in Lakh)
Fuel and Power Purchase Cost	38565.23
Fixed Charges	65076.51
<b>Total</b>	<b>103641.74</b>



- 3.4 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 2011 – 2012 vide order dated 31<sup>st</sup> July, 2013 in Case No. FPPCA – 62 / 12 – 13, DPL could not achieve any gains and the same is treated as nil.
- 3.5 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 2011 - 2012	82129.66
2	Add: Inter-plant transfer of Energy as per Note 11(a) to annual accounts 2011 - 2012	1108.41
	Total	83238.07
3	Less: 50% of net claim submitted by DPL on account of APR for 2009-2010 and 2010 – 2011, provided in the Accounts of 2011 – 2012 (Refer Note 11(a) to annual accounts 2011 - 2012)	16000.00
4	Less: Amount on account of MVCA for April 2011 to Nov. 2011 provided in the accounts but not claimed as per Note 11(a) to annual accounts 2011 - 2012	5000.00
5	Less: Proportionate amount recovered from the consumers in 60 monthly instalments of Rs. 4060.09 lakh towards FPPCA for the financial years 2004 – 2005 and 2005 – 2006.	812.04
	Sales revenue realized during 2011 – 2012 pertaining to this year	61426.03



Order on APR of DPL for the year 2011-12

- 3.6 Based on the analyses as done in the foregoing paragraphs, the amount adjustable on the instant case of APR for the year 2011 – 2012 works out as under:

Sl. No.	Particulars	Total (Rs. in Lakh)
1	Variable cost admitted in FPPCA for 2011 - 2012	38565.23
2	Fixed cost in APR for 2011 – 2012	65076.51
3	Total sales revenue realizable in 2011 - 2012	103641.74
4	Actual Sales Revenue recovered for 2011 – 2012 (refer para 3.5)	61426.03
5	<b>Net amount (+) recoverable / (-) refundable [5 = (3-4)]</b>	<b>42215.71</b>

- 3.7 In terms of regulation 2.6.6 of the Tariff Regulations, the entire recoverable amount of Rs. 42215.71 lakh or a part thereof shall be adjusted with the amount of Aggregate Revenue Requirement for the year 2013 – 2014 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 2013 – 2014 or any ensuing year or in a separate order.
- 3.8 DPL is to take a note of this order.

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

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

**DATED: 09.09.2013**