[C.S.L.D.C.]

Final True-up of ARR for FY 2016-17 & Provisional True-up of ARR for FY 2017-18

Submitted to

Chhattisgarh State Electricity Regulatory Commission

December 2018

Filed by

CHHATTISGARH STATE LOAD DESPATCH CENTRE
RAIPUR
(A Government of Chhattisgarh Undertaking)
Regd. off- Vidyut Sewa Bhawan, Dangania, Raipur – 492 013

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Ref: Dated: 31 December 2018

To,

The Secretary,
Chhattisgarh State Electricity Regulatory Commission,
Irrigation Colony, Shanti Nagar,
Raipur, Chhattisgarh - 492 001

Dear Sir,

Sub: **Submission of Petition on Final True-up of ARR for FY 2016-17 and Provisional True-up of ARR for FY 2017-18**

In exercise of its powers conferred under section 61 of the Electricity Act, 2003, the Hon'ble Commission has issued the CSERC (Terms and Conditions for determination of tariff according to Multi-Year Tariff principles and Methodology and Procedure for determination of Expected Revenue from Tariff and Charges) Regulations, 2015 for the MYT control period from FY 2016-17 to FY 2020-21.

In compliance, CSLDC is herewith submitting the petition for approval of final true-up of ARR for FY 2016-17 and provisional true-up of ARR for FY 2017-18 as per CSERC (Terms and Conditions for determination of tariff according to Multi-Year Tariff principles and Methodology and Procedure for determination of Expected revenue from Tariff and Charges) Regulations, 2015. The following documents are enclosed herewith for the kind perusal and approval by the Hon'ble Commission:

- Formal Petition, Formats and Affidavit verifying the petition along with the authorization

- Petition Fee of Rs. 5.0Lakh (Rupees Five Lakh) only in terms of Cheque no. 657292 Dated 24 December 2018 drawn on State Bank of India, Raipur Main Branch

We request the Hon’ble Commission to kindly admit the aforesaid petition and proceed further in the matter at the earliest. We would also request the Hon’ble Commission to kindly provide us an opportunity of personal hearing to further clarify/explain our submissions in the enclosed petition.

Thanking You,
Yours Faithfully,

For Chhattisgarh State Load Despatch Centre, Raipur
(Authorized Signatory)
Executive Engineer - CSLDC
Enclosed: As above

Table of Contents

List of Tables

BEFORE THE CHHATTISGARH STATE ELECTRICITY REGULATORY COMMISSION, RAIPUR

Filing No______________

Case No_______________

IN THE MATTER OF:	Filing of the Petition for the approval of CSLDC's Final True-up of ARR of FY 2016-17 and Provisional True-up of ARR for FY 2017-18 under Section 62 and 64 of the Electricity Act, 2003
	AND
IN THE MATTER OF:	Chhattisgarh State Load Despatch Centre (hereinafter referred to as '**CSLDC**' or '**the Petitioner**' or Applicant)

The Applicant respectfully submits as under: -

1. The Electricity Act, 2003 requires the state government to establish a State Load Dispatch Center (SLDC). In the state of Chhattisgarh, the Load Dispatch Centre (LDC) situated at Danganiya, Raipur has been designated as the State Load Dispatch Centre and presently "Chhattisgarh State Load Dispatch Centre" or "CSLDC" means the center established the proviso of sub section (2) of section 31 of the Act i.e. working under administrative control of CSPTCL. CSLDC started functioning since 1st Dec 2000 from 400 kV substations, Khedamara, Bhilai-24. CSLDC setup is now fully functional from Raipur w.e.f. 03rd Jan 2012.

2. The Petitioner submits that the Hon'ble Commission has issued the following regulations namely, CSERC (Terms and Conditions for determination of tariff according to Multi-Year Tariff principles and Methodology and Procedure for determination of Expected revenue from Tariff and Charges) Regulations, 2015 for the MYT control period from FY 2016-17 to FY 2020-21 (hereinafter referred to as "**MYT Regulations, 2015**").

3. The said regulations are applicable to power generating stations, transmission system, SLDC and distribution system where tariff for generation, transmission, SLDC, retail or wheeling is not determined under section 63 of the Electricity Act

2003 through transparent process of competitive bidding in accordance with the guidelines issued by the Central Government.

4. The Petitioner is, accordingly, filing this petition for approval of final true-up of ARR for FY 2016-17 and provisional true-up of ARR for FY 2017-18.

5. As per the MYT Regulations 2015, November 30th of the current year is the last date for filing of the true-up of the previous year before the Hon'ble Commission.

6. CSLDC, accordingly, submits that the present petition is filed within the above provisions of MYT Regulations, 2015.

Date: **Petitioner**

For Chhattisgarh State Load Despatch Centre, Raipur
(Authorized Signatory)
Executive Engineer - CSLDC

NOTES AND ABBREVATIONS

In this Petition:

- ✓ ***Third Control Period is defined as FY 2016-17, FY 2017-18, FY 2018-19, FY 2019-20 & FY 2020-21***
- ✓ ***Ensuing Year is defined as FY 2019-20***
- ✓ ***Current Year is defined as FY 2018-19***
- ✓ ***Previous Year is defined as FY 2017-18***
- ✓ ***All currency figures used in this Petition, unless specifically stated otherwise, are in Rs. Crores.***

Abbreviation	Full Description
A&G Expenses	Administrative & General Expenses
APFC	Automatic Power Factor Correcting System
APR	Annual Performance Review
ARR	Aggregate Revenue Requirement
ATE	Appellate Tribunal for Electricity
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
CGS	Central Generating Stations
CkT - KMs	Circuit Kilometres
Co-gen	Cogeneration Power Plant
CPI	Consumer Price Index
CPP	Captive Power Plant
CSEB	Chhattisgarh State Electricity Board
CSERC	Chhattisgarh State Electricity Regulatory Commission
CSLDC	Chhattisgarh State Load Despatch Centre
CSPDCL	Chhattisgarh State Power Distribution Company Limited
CSPGCL	Chhattisgarh State Power Generation Company Limited
CSPTCL	Chhattisgarh State Power Transmission Company Limited
CSPTdCL	Chhattisgarh State Power Trading Company Limited
EA - 2003	The Electricity Act 2003
EIR	Energy Injection Report

Abbreviation	Full Description
FY	Financial Year
GFA	Gross Fixed Assets
GoCG	Government of Chhattisgarh
GoI	Government of India
HR	Human Resource
HT	High Tension
HV	High Voltage
IDC	Interest During Construction
IPP	Independent Power Project
kV	Kilo Volt
LT	Low Tension
LV	Low Voltage
MoP	Ministry of Power, Government of India
MYT	Multi Year Tariff
MU	Million Units
NCE / NCES	Non-Conventional Energy Sources
O&M expenses	Operation and Maintenance Expenses
PGCIL	Power Grid Corporation India Limited
PLR	Prime lending rate
PMUs	Phasor Measurement Units
REC	Renewable Energy Certificates
R&M Expenses	Repair & Maintenance Expenses
ROE	Return on Equity
SEA	State Energy Accounts
SEB	State Electricity Board
SGS	State Generating Stations
S/s	Sub-Station
SLDC	State Load Despatch Centre
SLDC DF	SLDC Development Fund
SOC, MOC	System Operation Charges, Market Operation Charges
STOA	Short Term Open Access
STU	State Transmission Utility
TO	Tariff Order
WPI	Wholesale Price Index

Abbreviation	Full Description
WRPC	Western Region Power Committee
URTDSM	Unified Real Time Dynamic State Management

1: BACKGROUND

1.1 Chhattisgarh State Electricity Board (CSEB) was a part of the erstwhile Madhya Pradesh Electricity Board (MPEB) till 2000. It became a separate entity with the formation of the State of Chhattisgarh. The board functioned as unified entity till December 2008 when the State Government notified a transfer scheme for unbundling it. The transfer scheme resulted in the formation of five successor entities for undertaking the functions of the erstwhile board.

1.2 The Electricity Act, 2003 requires the state government to establish a State Load Despatch Center (SLDC). In the state of Chhattisgarh, the Load Despatch Centre (LDC) situated at Danganiya, Raipur has been designated as the State Load Dispatch Centre and presently "Chhattisgarh State Load Despatch Centre" or "CSLDC" means the center established under the proviso of sub section (2) of section 31 of the Act i.e. working under administrative control of CSPTCL. CSLDC started functioning since 1st Dec 2000 from 400 KV substations, Khedamara, Bhilai-24. The CSLDC setup is now fully functional from Raipur w.e.f. 03rd Jan 2012.

- *The State Load Dispatch Centre is the apex body to ensure integrated operation of the power system in a State. The State Load Dispatch Centre performs the following functions:*

- *Ensure optimum scheduling and dispatch of electricity within a State, in accordance with the contracts entered into with the licensees or the generating companies operating in that State;*

- *Monitor grid operations;*

- *Keep accounts of the quantity of electricity transmitted through the state grid;*

- *Exercise supervision and control over the intra-state transmission system; and*

- *Responsible for carrying out real time operations for grid control and dispatch of electricity within the State through secure and economic operation of the State grid in accordance with the Grid Standards and the State Grid Code.*

1.3 Further, with effect from 01.10.2016 (DOCO) the Backup SLDC of Chhattisgarh has started functioning at Khedamara, Bhilai-24, Chhattisgarh approved vide CSERC letter No. 03-Tariff/16/2013/1622 dated 05.12.2013.

1.4 The Hon'ble Commission by exercising its powers conferred under Section 61 and 62 read with Section 181(2) and Section 32 (3) of the Electricity Act 2003 has issued CSERC (Terms and Conditions for determination of tariff according to Multi-Year Tariff principles and Methodology and Procedure for determination of Expected revenue from Tariff and Charges) Regulations, 2015 for the MYT Control Period from FY 2016-17 to FY 2020-21.

1.5 It is submitted that the final true-up of ARR for FY 2016-17 and provisional true-up of ARR for FY 2017-18 are being submitted based on the audited accounts for FY 2016-17 and provisional accounts for FY 2017-18 respectively.

1.6 Further, the Hon'ble Commission in its MYT Regulations, 2015 has directed the licensees to file true-up of the previous year. The relevant clause of MYT Regulations 2015 are reproduced below; As per clause 10.2 & 10.3 –

"10.2 The STU/transmission licensee shall file application for truing up of the previous year and determination of revenue gap/surplus for the ensuing year, within the time limit specified in these Regulations. Provided that the generating company or STU/transmission licensee or distribution licensee or SLDC, as the case may be, shall submit to the Commission information in such form as may be prescribed by the Commission, together with the Audited Accounts duly certified by the Auditor, extracts of books of account and such other details as the Commission may require to assess the reasons for and extent of any variation in financial performance from the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges.

10.3 In case the audited accounts are not available, the provisional truing up shall be done on the basis of un-audited / provisional account and shall be subject to further final truing up, as soon as the audited accounts are available."

1.7 In accordance with the above, the final true-up of ARR for FY 2016-17 and provisional true-up of ARR for FY 2017-18 is being filed before the Hon'ble Commission.

2: CONTENTS OF THIS PETITION

2.1 This petition has in detail, the final true-up of ARR for FY 2016-17 and provisional true-up of ARR for FY 2017-18. The following section explains in detail the key elements of the ARR of the Petitioner.

2.2 Determination of Aggregate Revenue Requirement by validating the actual figures taken from accounts of the following costs, other income & returns:

i. Employee Cost

ii. Repairs & Maintenance Cost

iii. Administrative & General Expenses

iv. Contribution to Pension Fund

v. Interest on Loan

vi. Interest on Working Capital

vii. Depreciation

viii. Return on Equity

ix. Net Prior Period Expenses/(Credit)/Other Debits

x. Non-Tariff Income

3: REGULATORY REQUIREMENT OF FILING OF THIS TARIFF PETITION

Regulations

3.1 This petition is based on the following regulations notified by the Chhattisgarh State Electricity Regulatory Commission (CSERC):

I. ***CSERC (Terms and Conditions for determination of tariff according to Multi-Year Tariff principles and Methodology and Procedure for determination of Expected revenue from Tariff and Charges) Regulations, 2015 - Applicable for Control Period from FY 2016-17 to FY 2020-21;***

3.2 The MYT Regulations, 2015 have been referred to for final true-up of ARR for FY 2016-17 and provisional true-up of ARR for FY 2017-18.

Multi Year Tariff (MYT) Order and Provisional True-up Order for FY 2016-17

3.3 The Commission issued the last tariff order dated 26th March 2018 on provisional true-up of ARR for FY 2016-17 based on the provisional accounts for FY 2016-17. The final true-up of ARR for FY 2016-17 is being submitted by comparing the actual performance based on the audited accounts with the values as approved in this tariff order.

3.4 The Commission had issued the Multi Year Tariff (MYT) order for the 3rd MYT Control Period from FY 2016-17 to FY 2020-21 on 30th April 2016 and the provisional true-up of ARR for FY 2017-18 has been carried out by comparing actual performance with the values as approved in this tariff order;

3.5 There were certain instructions/advices/directions issued by the Commission in the above MYT Order dated 30th April 2016 and later in the true-up order for FY 2015-16 dated 31st March 2017 and provisional true-up order for FY 2016-17 dated 26th March 2018. CSLDC has made its best efforts to ensure compliance to these instructions/advices/directions issued by the Commission and has structured its current petition accordingly to capture the maximum information as desired by the Commission from time to time.

4: METHODOLODY ADOPTED IN FILING OF THIS PETITION (INCLUDING CONSTRAINTS)

Methodology

4.1 The Petitioner is submitting the final true-up of ARR for FY 2016-17 based on the audited accounts. It consists of details of actual expenditures made by CSLDC and details of revenue received leading to actual revenue gap incurred from April 2016 to March 2017. The final true-up of ARR for FY 2016-17 is being submitted in accordance with the provisions of the MYT Regulations 2015.

4.2 The provisional true-up of ARR for FY 2017-18 is being submitted based on the provisional accounts. It consists of details of actual expenditures made by CSLDC and details of revenue received leading to actual revenue gap incurred from April 2017 to March 2018. The Petitioner has proposed the provisional true-up of ARR for FY 2017-18 as per the provisions of the applicable rules and regulations. The same is being filed based on the provisional accounts and the data as provided by CSLDC. The same would be adjusted/revised based on the audited accounts, if available during the course of scrutiny of the petition or as and when available.

4.3 In accordance with the applicable regulations, expenses and income have been considered while carrying out the final true-up of ARR for FY 2016-17 and provisional true-up of ARR for FY 2017-18.

5: FINAL TRUE-UP OF ARR FOR FY 2016-17

Background

5.1 The Hon'ble Commission vide its order dated 30th April 2016 approved the Annual Revenue Requirement for the MYT control period from FY 2016-17 to FY 2020-21 in accordance with the MYT Regulations, 2015. The Commission issued the latest tariff order dated 26th March 2018 on provisional true-up of ARR for FY 2016-17 based on the provisional accounts for FY 2016-17.

5.2 The final true-up of ARR for FY 2016-17 is being filed in accordance with the MYT Regulations, 2015 and by comparing actual performance based on the audited accounts with that approved in the tariff order dated 26th March 2018.

Gross Fixed Assets (GFA)

5.3 CSLDC has considered the opening GFA for FY 2016-17 same as the closing GFA approved in the true-up order for FY 2015-16 dated 31st March 2017. It has considered GFA addition of Rs. 74 Lacs as the actual capitalisation in FY 2016-17. The GFA for FY 2016-17 as against approved earlier is as shown below.

Table 1: GFA for FY 2016-17 (Rs. Crores)

S. No	Particulars	FY 15-16	FY 16-17			
		True-up order dt. 31.03.17	MYT order dt. 30.04.16	Provisional True-up	TO dt. 26.03.18	Final True-up
A	**GROSS FIXED ASSETS (GFA)**					
1	Opening GFA	14.09	16.58	14.39	14.39	14.39
2	Add: Capitalisation during the Year	0.30	2.65	0.74	0.74	0.74
3	Closing GFA	14.39	19.23	15.13	15.13	15.13

5.4 The Hon'ble Commission is requested to approve GFA addition for FY 2016-17 as shown in the above table.

Means of Finance

5.5 As per Regulation 17 of the MYT Regulations, 2015 the normative debt: equity ratio of 70:30 has been considered for funding of the additional capitalisation for the year. It is noted that the additional capitalisation has not been funded by any grants and hence the ratio of 70:30 has been considered for normative funding of the additional capitalisation of Rs. 0.74 Crores for final true-up of ARR for FY 2016-17.

Depreciation

5.6 CSLDC would like to submit that it has calculated depreciation as per Regulation 24 of MYT Regulations, 2015. The Regulation states that:

"24.1 The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission:

Provided that the capital cost shall not include funds from grant or consumer contribution or deposit works received for funding of fixed asset as specified in Regulation 21.

24.2 The salvage value of the asset except for IT equipment's and software used for SLDC business shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset.

Provided that, the salvage value for IT equipment's and Software shall be considered as NIL and 100% value of the assets shall be considered depreciable.

24.3 Land other than the land held under lease and the land for reservoir in case of hydro generating station and the land for ash-bund for thermal power stations shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the asset.

24.4 Depreciation shall be calculated annually based on Straight Line Method and at rates as specified in Appendix-I to these regulations for the assets of the generating station, transmission system, distribution system and SLDC:

Provided that the remaining depreciable value as on 31st March of the year closing after a period of 15 years from date of commercial operation shall be spread over the balance useful life of the assets;

In case of the existing projects, the balance depreciable value as on 01.04.2016 shall be worked out by deducting the cumulative depreciation as admitted by the Commission up to 31.03.2016 from the gross depreciable value of the assets.

Provided that in those cases where the capital investment plan has been approved by the Commission and the depreciation rates as provided in these Regulations are insufficient for the repayment of loan, the rate of depreciation shall be decided by the Commission at the time of issuance of tariff order, subject to prudence check.

24.5 Till the separate SLDC Company is notified by the State Government, the depreciation shall be calculated as applicable for the STU under this Regulations;

Provided further the balance depreciable value as on the date of transfer shall be worked out by deducting the cumulative depreciation from the gross depreciable value of the assets appearing in the books of accounts of the SLDC for the SLDC as on the date of transfer.

24.6 Depreciation shall be chargeable from the first year of commercial operation. The depreciation shall be computed on the average asset base during the year:

Provided for the new generating station or unit, the depreciation shall be charged on pro rata basis during the year the asset has been declared under commercial operation. For subsequent years, the depreciation shall be computed on the average asset base during the year"

5.7 CSLDC would like to submit that its asset base comprises of SCADA system, computer terminals, equipment, building, etc. The asset base has been identified from the accounts of CSPTCL by the asset segregation committee and the same has been considered in its computations. As the asset class-wise segregation of the SLDC's asset base is not available, the weighted average depreciation rate as considered for CSPTCL for FY 2016-17 has been considered for CSLDC. The closing asset base of Rs. 14.39 Crores for true-up of FY 2015-16 as approved by the Hon'ble Commission in its tariff order dated 31st March 2017 has been considered as the opening GFA for final true-up of ARR for FY 2016-17.

5.8 Regulation 24.5 of MYT Regulations, 2015 states that till CSLDC is part of CSPTCL, the depreciation shall be calculated as applicable for CSPTCL. It is pertinent to note that the CSLDC is not operating as a separate company and therefore we have considered the depreciation as applicable to CSPTCL.

Table 2: Depreciation for FY 2016-17 (Rs. Crores)

Sr. No	Particulars	FY 15-16	FY 16-17			
		True-up order dt. 31.03.17	MYT order dt. 30.04.16	Provisional True-up	TO dt. 26.03.18	Final True-up

Sr. No	Particulars	FY 15-16	FY 16-17			
		True-up order dt. 31.03.17	MYT order dt. 30.04.16	Provisional True-up	TO dt. 26.03.18	Final True-up
1	Opening GFA	14.09	16.58	14.39	14.39	14.39
2	Add: Additional capitalization during the year	0.30	2.65*	0.74	0.74	0.74
3	GFA at the end of the year	14.39	19.23	15.13	15.13	15.13
4	Average GFA for the year	14.24	17.91	14.76	14.76	14.76
5	Depreciation Rate	5.25%	5.25%	5.25%	5.25%	5.26%
6	**Net Depreciation**	**0.75**	**0.94**	**0.78**	**0.78**	**0.78**

Note: * This excludes grant funded assets for purposes of calculating the depreciation

5.9 CSLDC hereby requests the Hon'ble Commission to approve depreciation of Rs. 0.78 Crores for final true-up of ARR for FY 2016-17 same as approved earlier in the tariff order dated 26th March 2018.

Interest on Loan

5.10 CSLDC would like to submit that it has computed Interest and Finance Charges as per Regulation 23 of the MYT Regulations, 2015. The Regulation states that:

23.1. The loans arrived at in the manner indicated in Regulation 17 shall be considered as gross normative loan for calculation of interest on loan.

23.2. The normative loan outstanding as on 01.04.2016 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.03.2016 from the gross normative loan.

23.3. The repayment for the year of the tariff period shall be deemed to be equal to the depreciation allowed for that year.

23.4. Notwithstanding any moratorium period availed by the generating company or the licensee, as the case may be the repayment of loan shall be considered from the first year of commercial operation of the project and shall be equal to the annual depreciation allowed.

23.5. The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each year applicable to the project;

Provided that if there is no actual loan for a particular year but normative loan is still outstanding, the last available weighted average rate of interest shall be considered:

Provided further that if the generating station or the licensee, as the case may be, does not have actual loan, then the weighted average rate of interest of the generating company or the licensee as a whole shall be considered:

Provided further, in case of new generating station or the licensee commencing its operation after the date of effectiveness of these Regulations, and which don't have actual loan portfolio, the rate of interest shall be considered on normative basis and shall be equal to the Base rate of State Bank of India plus 200 basis points as on the date on which the generating station or a unit thereof or the transmission system or the distribution licensee, as the case may be, is declared under commercial operation.

23.6. The interest on loan shall be calculated on the normative average loan of the year by applying the weighted average rate of interest.

23.7. The above interest computation shall exclude interest on loan amount, normative or otherwise, to the extent of capital cost funded by consumer contribution, grants or deposit works carried out by transmission licensee or distribution licensee or generating company, as the case may be.

23.8. The generating company or SLDC or the licensee, as the case may be, shall make every effort to re-finance the loan as long as it results in net savings on interest and in that event the costs associated with such re-financing shall be borne by the beneficiaries and the net savings shall be shared between the beneficiaries and the generating company or the STU or the transmission licensee, as the case may be, in the ratio of 2:1.

Provided in case of SLDC, this provision shall be applicable only to those intra-State entities who are availing long-term services of SLDC.

23.9. Provided that the beneficiary shall not withhold any payment on account of the interest claimed by the generating company or the licensee during the pendency of any dispute arising out of re-financing of loan.

23.10. The changes to the terms and conditions of the loans shall be reflected from the date of such re-financing.

23.11. In case of distribution licensee, the interest paid on security deposit (cash) to the consumers shall be allowed as a part of the Interest and Finance charges under these regulations.

5.11 It is pertinent to note that the CSLDC is not operating as a separate Company and therefore we have considered the actual loan as applicable to STU i.e. CSPTCL. The actual loan details as per the final accounts for FY 2016-17 for CSPTCL as a whole are as follows:

Table 3: Loan Details for FY 2016-17 (Rs. Crores)

Sr. No.	Particulars	Opening Loan	Addition	Repayment	Closing	Avg.	RoI	Interest
1	PFC	1171.67	-	126.08	1,045.59	1,108.63	10.96%	128.40
2	NABARD	129.18	-	6.93	122.25	125.71	11.08%	14.31
3	State Govt. Loan	15.69	-	-	15.69	15.69	8.90%	1.40
4	REC	73.14	-	-	73.14	73.14	11.05%	8.08
5	**Total**	1389.67		133.01	1,256.66	1,323.17	**10.95%**	152.19

Note: The interest calculation shown here is on the opening loan balance and 10.95% has been derived as the weighted average rate of interest on the actual loan portfolio at the beginning of the year.

5.12 CSLDC would like to submit that it has considered the approved closing normative loan balance for FY 2015-16 as per the true-up order dated 31st March 2017 as the opening normative loan balance for true-up of ARR for FY 2016-17. The debt component of 70% of the GFA addition during FY 2016-17 has been considered as the normative loan addition during the year. The allowable depreciation for the year as calculated above in Table 2 has been considered as the normative repayment for the year. The rate of interest has been computed in accordance with Regulation 23.5 i.e. as the weighted average rate of interest on the basis of the actual loan portfolio at the beginning of the year. The actual weighted average interest rate of 10.95% has been considered for computation of the interest on loan for FY 2016-17.

5.13 It is to be noted that normative debt: equity ratio of 70:30 has to be considered after reducing the amount of capitalisation funded by grants. It is noted that the additional capitalisation has not been funded by grants and same has accordingly been considered here for calculation of the interest on normative loan amount.

5.14 The calculation of the interest on loan for FY 2016-17 is as follows:

Table 4: Interest on Loan for FY 2016-17 (Rs. Crores)

S. No	Particulars	FY 15-16	FY 16-17			
		True-up order dt. 31.03.17	MYT order dt. 30.04.16	Provisional True-up	TO dt. 26.03.18	Final True-up
1	Total Opening Net Loan	4.85	5.72	4.34	4.34	4.34
2	Repayment during the period	0.75	0.94	0.78	0.78	0.78
3	Additional capitalization of borrowed loan during the year	0.24	1.86	0.52	0.52	0.52
4	Total Closing Net Loan	4.34	6.63	4.08	4.08	4.08
5	Average Loan during the year	4.60	6.18	4.21	4.21	4.21
6	Weighted Average Interest Rate	11.86%	12.20%	10.95%	10.95%	10.95%
7	**Interest Expense for the Period**	**0.54**	**0.75**	**0.46**	**0.46**	**0.46**

5.15 CSLDC hereby requests the Hon'ble Commission to approve Interest on Loan of Rs. 0.46 Crores for final true-up of ARR for FY 2016-17.

Return on Equity and Income Tax

5.16 The Petitioner submits that it has computed Return on Equity as per Regulation 22 of the MYT Regulations, 2015. The Regulation states that:

*22.1. **Generation, Transmission and SLDC:** Return on equity shall be computed in rupee terms on the equity base determined in accordance with Regulation 17. Return on equity shall be computed on pre-tax basis at the base rate of 15.50% to be grossed up as per Regulation 22.3 of these Regulations.*

22.3. The rate of return on equity for each year of the control period shall be computed by grossing up the base rate with the prevailing MAT rate of the base year: Provided that return on equity with respect to the actual tax rate applicable to the generating company or the transmission licensee or distribution licensee, as the case may be, in line with the provisions of the relevant Finance Acts of the respective year during the Control Period shall be trued up separately for each year of the Control Period. In case, no tax is payable during the financial year, the tax rate for the purpose of truing up shall be taken as nil.

Rate of return on equity shall be rounded off to three decimal points and be computed as per the formula given below:

Rate of pre-tax return on equity = Base rate / (1-t)

Where 't' is the applicable tax rate in accordance with regulation 22.3 of these regulations.

Provided that if there is a loss incurred by the generating company or the transmission licensee or distribution licensee or SLDC, as the case may be, in the previous year and based on the prudence check made by the Commission, the Minimum Alternate Tax may not be considered in such a case while determining the return on equity.

5.17 The closing permissible equity balance of FY 2015-16 (as approved in true-up order dated 31st March 2017) has been considered as the opening permissible equity balance for true-up of ARR for FY 2016-17.

5.18 Equity addition during FY 2016-17 has been considered as 30% of the capitalisation during the year.

5.19 Considering the above, CSLDC would like to submit that it has computed Return on Equity as per Regulation 22 of the MYT Regulations, 2015 using base rate of Return on Equity of 15.50% (without grossing up by MAT rate). It is noted that CSDLC has not paid any income tax during FY 2016-17 and accordingly NIL tax expense for the year has been considered.

Table 5: Return on Equity for FY 2016-17 (Rs. Crores)

Sr. No	Particulars	FY 15-16	FY 16-17			
		True-up order dt. 31.03.17	MYT order dt. 30.04.16	Provisional True-up	TO dt. 26.03.18	Final True-up
1	Permissible Equity in Opening GFA	4.62	5.37	4.68	4.68	4.68
2	Addition in permissible equity during the FY	0.06	0.80	0.22	0.22	0.22
3	Permissible Equity in Closing GFA	4.68	6.17	4.90	4.90	4.90
4	**Average Gross Permissible Equity during the year**	**4.65**	**5.77**	**4.79**	**4.79**	**4.79**
5	Rate of Return on Equity	15.50%	15.50%	15.50%	15.50%	15.50%
6	**Return on Equity**	**0.72**	**0.89**	**0.74**	**0.74**	**0.74**

5.20 CSLDC hereby requests the Hon'ble Commission to approve Return on Equity of Rs. 0.74 Crores for final true-up of ARR for FY 2016-17.

Operation and Maintenance (O&M) Expenses

5.21 O&M expenses include Employee expenses, Administrative & General (A&G) expenses and Repairs & Maintenance (R&M) expenses. As per provision 47.5 of the MYT Regulations 2015:

Employee Cost

(c) The employee cost, excluding pension fund contribution and impact of pay revision arrears for the base year i.e. FY 2015-16, shall be derived on the basis of the normalized average of the actual employee expenses excluding pension fund contribution and impact of pay revision arrears available in the accounts for the previous five (5) years immediately preceding the base year FY 2015-16, subject to prudence check by the Commission. Any other expense of nonrecurring nature shall also be excluded while determining normalized average for the previous five (5) years.

(d) The normalization shall be done by applying last five year average increase in Consumer Price Index (CPI) on year to year basis. The average of normalized net present value for FY 2010-11 to FY 2014-15, shall then be used to project base year value for FY 2015-16. The base year value so arrived, shall be escalated by the above inflation rate to estimate the employee expense (excluding impact of pension fund contribution and pay revision, if any) for each year of the control period.

At the time of true up, the employee costs shall be considered after taking into account the actual increase in CPI during the year instead of projected inflation for that period.

Provided further that impact of pay revision (including arrears) and pension fund contribution shall be allowed on actual during the true-up as per accounts, subject to prudence check and any other factor considered appropriate by the Commission.

A&G Expenses and R&M Expenses

(e) The administrative and general expenses and repair and maintenance expenses, for the base year i.e. FY 2015-16, shall be derived on the basis of the normalized average of the actual administrative and general expenses and repair and maintenance expenses, respectively available in the accounts for the previous five (5) years immediately preceding the base year FY 2015-16, subject to prudence check by the Commission. Any expense of non-recurring nature shall be excluded while determining normalized average for the previous five (5) years.

(f) The normalization shall be done by applying last five year average increase in Wholesale Price Index (WPI) on year to year basis. The average of normalized net present value for FY 2010-11 to FY 2014-15, shall then be used to project base year value for FY 2015-16. The base year value so arrived, shall be escalated by the above inflation rate to estimate the administrative and general expense and repair and maintenance expenses for each year of the control period.

At the time of true up, the administrative and general expenses and repair and maintenance expenses shall be considered after taking into account the actual inflation instead of projected inflation for that period.

(g) The additional O&M Expenses on account of new transmission lines/ substations commissioned after March 31, 2016 shall be allowed by the Commission subject to prudence check at the time of truing up exercise.

5.22 O&M expenses include employee expenses, administrative & general (A&G) expenses and repairs & maintenance (R&M) expenses. The Petitioner has considered the O&M expenses for FY 2016-17 based on the segmental notes to the audited accounts. The same is as shown in the table below:

Table 6: O&M Expenses for FY 2016-17 (Rs. Crores)

Sr. No	Particulars	FY 2016-17
		Audited
1	Gross Employee Expenses including interim wage relief amount	7.54
2	Gross A&G Expenses	1.13
3	Gross R&M Expenses	1.32
4	**Total O&M Expenses**	**9.99**

5.23 Further, provision of arrears to be paid to employees on account of wage revision due from 01st April 2014 to 31st March 2017 has been made in the audited accounts for FY 2016-17 as shown in the table below:

Table 7: Provision for Interim wage relief amount for FY 2016-17 (Rs. Crores)

Sr. No	Particulars	FY 2016-17
		Audited
1	Interim Wage Relief (CSPTCL+CSLDC)	22.93

5.24 The Petitioner would like to submit that this amount is being paid from FY 2017-18 onwards and requests the Commission to kindly consider the same as per actual in future years.

5.25 Further, the Petitioner wants to highlight the current employee strength at CSLDC. As on 31st March 2017, total sanctioned strength of different class of employees exclusive of CSLDC is 73 out of which 53 are currently working and balance 20 are envisaged to be filled in the coming FYs. The details are as below:

Table 8: Employee Strength at CSPTCL and CSLDC as on 31st March 2017 (Nos)

No. of Employees as on 31st March 2017				
Sr. No	**Particulars**	**Sanctioned**	**Working**	**Vacant**
CSPTCL				
1	Class I	131	105	26
2	Class II	235	159	76
3	Class III	1,448	720	728
4	Class IV	1,491	681	810
5	**Total**	**3,305**	**1,665**	**1,640**
SLDC				
1	Class I	20	14	6
2	Class II	24	19	5
3	Class III	21	17	4
4	Class IV	8	3	5
5	**Total**	**73**	**53**	**20**

No. of Employees as on 31st March 2017				
Sr. No	**Particulars**	**Sanctioned**	**Working**	**Vacant**
CSPTCL+SLDC				
1	Class I	151	119	32
2	Class II	259	178	81
3	Class III	1,469	737	732
4	Class IV	1,499	684	815
5	**Total**	**3,378**	**1,718**	**1,660**

5.26 Considering the vacant positions at CSLDC, employee expenses are bound to increase in the near future and it would be very difficult to manage the same at the same level as set by the Hon'ble Commission. Further, the Wage Revision Committee has recommended that the pay scale needs to be revised when the seventh central pay commission recommendations are available and implemented by GOI for their employees. The salary structure has been recommended to be aligned to Central Govt. Pay scale from the date from which Central Govt. revised the pay scale of their employees including merger of DA with salary. The Petitioner, accordingly, submits that the Hon'ble Commission may allow the same whenever the effect takes place.

5.27 The capitalisation of employee expenses has been considered as NIL as per the data for FY 2016-17. However, an abstract of employees who have qualified the Basic Level Certification Examination of System Operators and the Specialization Level Certification Examination conducted by NPTI, GOI is as shown below.

Table 9: No. of Engineers who have obtained training and qualified engineers at SLDC

Sr. No	Particulars/Exam	No of Engineers obtained Training	No of Qualified Engineers at present at SLDC
1	Basic Level Certification Examination of System Operators	25	19
2	Specialization Level Certification Examination	5	4
3	**Total**	**30**	**23**

Further, looking into the share proportions and nature of the work, the Petitioner requests the Hon'ble Commission to consider the employees as capital asset under Human Resource.

5.28 The reasons for the increase in employee expenses is as below:

i. The increase in number of employees on account of creation of the Backup SLDC at Khedamara, Bhilai-24, Chhattisgarh

ii. The arrears impact due to wage revision w.e.f. 01.04.2014.

5.29 The Petitioner would like to request the Hon'ble Commission to approve Rs. 7.54 Crores as employee expenses for FY 2016-17 including the interim wage relief amount actually paid to the employees based on the audited accounts for FY 2016-17.

5.30 The capitalisation of A&G and R&M expenses has been considered as NIL for FY 2016-17.

5.31 The comparison of O&M expenses vis-a-vis that approved earlier by the Commission is as below.

Table 10: O&M Expenses for FY 2016-17 (Rs. Crores)

Sr. No	Particulars	FY 15-16	FY 16-17			
		True-up order dt. 31.03.17	MYT order dt. 30.04.16	Provisional True-up	TO dt. 26.03.18	Final True-up
1	Employee Expenses	5.82	6.19	7.47	7.47	7.54
2	A&G Expenses	3.35	1.16	0.58	0.58	1.13
3	R&M Expenses	1.35	1.69	0.68	0.68	1.32
4	Provision for interim wage relief impact	0.47	0.31	-	-	-
5	**O&M Expenses**	**10.99**	**9.35**	**8.73**	**8.73**	**9.99**

5.32 CSLDC would like to request the Hon'ble Commission to approve actual O&M expenses for FY 2016-17 based on the audited accounts for FY 2016-17 as shown in the above table.

Sharing of gain and losses on account of O&M expenses

5.33 CSLDC would like to submit that the MYT Regulations 2015 allows incentive/disincentive for better/under performance in operational norms so that such efforts are appropriately recognized and promoted, thereby, ensuring improved efficiency on a sustainable basis.

5.34 Regulation 8 of MYT Regulations 2015 states that:

8. SPECIFIC TRAJECTORY FOR CERTAIN VARIABLES

Targets will be set by the Commission for the items that are "controllable". Besides, trajectory for specific variables may be stipulated by the Commission where the performance of the applicant is sought to be improved upon through incentives and disincentives.

5.35 Regulation 11.2 of the MYT Regulations 2015 mentions the ''Controllable factors'' as following:

11.2 For the purpose of these Regulations, the term "Controllable factors" shall comprise of the following:

.....

(d) Operation & Maintenance expenses.

...

5.36 In addition to the above, Regulation 13 of the MYT Regulations 2015 has also provision of allowing the incentive/disincentive to the utilities on account of improved/under performance in efficiency linked controllable items.

13. MECHANISM FOR SHARING OF GAINS OR LOSSES ON ACCOUNT OF CONTROLLABLE FACTORS

13.1 The mechanism for sharing of aggregate net gain on account of over achievement in reference to the target set in tariff order for efficiency linked controllable items other than energy losses computed in accordance to Regulation 71 shall be passed on to the beneficiary / consumer(s) and retained by the generating company or the licensee or SLDC, as the case may be, in the ratio of 50:50 or as may be specified in the Order of the Commission passed under these Regulations.

13.2 The mechanism for sharing of aggregate net loss on account of under achievement in reference to the target set in tariff order for efficiency linked controllable items shall be passed on to the beneficiary/consumer(s) and retained by the generating company or the licensee, as the case may be, in the ratio of 50:50 or as may be specified in the Order of the Commission passed under these Regulations.

5.37 As per amendment dated 16 June 2017 to the principal regulations, following proviso has been inserted in clause 13.1-

Provided further that employee cost shall not be factored in for sharing of gains or losses on account of operation & maintenance expenses,

5.38 Accordingly, the employee expenses for FY 2016-17 have been considered based on actual and not subject to sharing of gains or losses. The Petitioner, therefore, requests the Commission to approve Rs. 7.54 Crores as employee expenses (including interim wage relief amount) for FY 2016-17.

5.39 A&G and R&M expenses have been subject to sharing of gains/losses as per regulation 47.5 of the MYT Regulations 2015. The calculation of the normative A&G and R&M expenses for FY 2016-17 is as discussed below.

5.40 As per regulation 47.5, clause (f):

(f) The normalization shall be done by applying last five year average increase in Wholesale Price Index (WPI) on year to year basis. The average of normalized net present value for FY 2010-11 to FY 2014-15, shall then be used to project base year value for FY 2015-16. The base year value so arrived, shall be escalated by the above inflation rate to estimate the administrative and general expense and repair and maintenance expenses for each year of the control period.

At the time of true up, the administrative and general expenses and repair and maintenance expenses shall be considered after taking into account the actual inflation instead of projected inflation for that period.

5.41 The Commission's approach on arriving at the normative expenses for A&G and R&M expenses has been adopted. The base year i.e. FY 2015-16 O&M expenses have been considered as approved in the MYT order dated 30th April 2016. The normative A&G and R&M expenses for FY 2016-17 have been considered by applying escalation factor of 1.73% for A&G and R&M expenses. It is noted that the Commission has considered base A&G and R&M expenses for FY 2015-16 as Rs. 0.99 Crores and Rs. 1.44 Crores respectively in the tariff order dated 26th March 2018 instead of Rs. 1.08 Crores and Rs. 1.58 Crores respectively as approved in the MYT order dated 30th April 2016. The Commission is requested to correct the figures considered for base normative A&G and R&M expenses for FY 2015-16.

5.42 The normative A&G and R&M expenses for FY 2016-17 considered is as shown below.

Table 11: Normative A&G Expenses for FY 2016-17 (Rs. Crores)

Particulars	FY 2015-16	FY 2016-17
Normative A&G (net of capitalisation)	1.08	1.10

Table 12: Normative R&M Expenses for FY 2016-17 (Rs. Crores)

Particulars	FY 2015-16	FY 2016-17
Normative R&M (net of capitalisation)	1.58	1.61

5.43 The normative A&G and R&M expenditure so arrived at have been considered for the purpose of gain/loss calculation for FY 2016-17. The actual net A&G and R&M expenses are Rs. 1.13 Crores and Rs. 1.32 Crores (net of capitalisation) respectively for FY 2016-17. The same have been considered for sharing of gain/ (loss) for FY 2016-17 as shown in the table below.

Table 13: Sharing of gain/ (loss) on A&G and R&M expenses for FY 2016-17 (Rs. Crores)

Sr. No	Particulars	Normative Expense	Actual provisional	Gain/(Loss)
1	Net A&G expenses	1.10	1.13	(0.03)
2	Net R&M expenses	1.61	1.32	0.28
3	Total Gain/(Loss)			0.26

Sr. No	Particulars	Normative Expense	Actual provisional	Gain/(Loss)
4	**CSLDC share (1/2 of Total Gain/(Loss))**			**0.13**

5.44 The gain/(loss) of Rs. 0.13 Crores on account of actual expenditure in A&G and R&M expenses as compared to the normative A&G and R&M expenses has been considered as part of the true-up of ARR for FY 2016-17.

5.45 The Petitioner hereby requests the Hon'ble Commission to approve gain of Rs. 0.13 Crores on account of actual O&M expenses for final true-up of ARR for FY 2016-17.

Contribution to Pension and Gratuity (P&G)

5.46 As per MYT Regulations, 2015 Regulation 32:

PENSION FUND

For meeting up the past unfunded liabilities of erstwhile CSEB/State Power Companies employees appointed before 1.1.2004, a pension and gratuity trust has been created and funding to the same has been allowed in the past Tariff Orders of the Commission. The contribution to the fund shall be decided by the Commission on the basis of actuarial analysis, expected pension outflow for the State Power Companies and availability of fund with the Pension trust at the time of determination of MYT / ARR for each year of the control period. However, the actual outflow towards the pension payment shall not be allowed in the O&M expenses covered in these Regulations for the Control Period. The pension outflow shall be met by the Pension trust. The pension fund contribution so determined by the Commission shall be recoverable in the same manner as specified in relevant chapters.

Provided till the time SLDC is part of STU, SLDC's share out of the STU contribution shall be decided on pro-rata basis. For the purpose of ratio determination, the employee strength as on 1st April of the preceding year shall be considered.

5.47 The Hon'ble Commission in its MYT Tariff Order dated 30th April 2016 for the control period from FY 2016-17 to FY 2020-21 allowed contribution to Pension and Gratuity (P&G) fund of Rs. 1.21 Crores for FY 2016-17. CSLDC has considered the contribution to pension and gratuity of Rs. 1.21 Crores for true-up of ARR for FY 2016-17. The same is as provided in the table below:

Table 14: Terminal Benefits (Pension & Gratuity) for FY 2016-17 (Rs. Crores)

Sr. No	Particulars	FY 15-16	FY 16-17			
		True-up order dt. 31.03.17	MYT order dt. 30.04.16	Provisional True-up	TO dt. 26.03.18	Final True-up
1	CSLDC Share	0.88	1.21	1.21	1.21	1.21

5.48 CSLDC requests the Hon'ble Commission to approve Rs. 1.21 Crores as P&G contribution for true-up of ARR for FY 2016-17.

Interest on Working Capital

5.49 Regulation 25 of the MYT Regulations 2015 states that:

25.1. The working capital shall cover:

(f) In case of SLDC business:

i. Operation and maintenance expenses for one (1) month; plus

ii. Maintenance spares @ 40% of repair and maintenance expenses specified in Regulation 74.5; plus

iii. Receivables equivalent to one (1) month of system operation charges and market operation charges as approved by the Commission

5.50 Further, the MYT Regulations, 2015 states that:

25.2 At the time of True-up, the receivables for the computation of working capital requirement of the generating company, STU/transmission licensee, distribution licensee and SLDC will be determined equivalent to one (1) month of actual revenue billed.

25.4. Interest on working capital shall be allowed at a rate equal to the Base rate of State Bank of India as on 30th September of the financial year in which the Petition is filed plus 350 basis points. At the time of true up, the interest rate shall be adjusted as per the actual rate prevailing on 1st April of the financial year for which truing up exercise has been undertaken.

25.5. Interest on working capital shall be payable on normative basis notwithstanding that the generating company or the transmission licensee or the distribution licensee or SLDC has not taken loan for working capital from any outside agency."

5.51 The Petitioner would like to submit that it has considered one month of O&M expenses, maintenance spares at 40% of R&M expenses and receivables equivalent to one month of system operation charges and market operation charges for computing the working capital requirement for FY 2016-17.

5.52 The Petitioner has considered the interest rate of 12.80% (9.30% - SBI Base Rate on 01st April 2016 plus 350 basis points) for computing the Interest on Working Capital for final true-up of ARR for FY 2016-17.

Table 15: Interest on Working Capital for FY 2016-17 (Rs. Crores)

Sr. No	Particulars	FY 15-16	FY 16-17			
		True-up order dt. 31.03.17	MYT order dt. 30.04.16	Provisional True-up	TO dt. 26.03.18	Final True-up
1	O&M for One Month	0.64	0.78	0.73	0.70	0.83
2	Maintenance Spares – 40% of R&M Expenses	1.15	0.67	0.27	0.60	0.53
3	Receivables – 1 Month	1.02	1.03	0.97	1.05	1.05
4	Total WC requirement	2.81	2.48	1.97	2.35	2.41
5	Rate of Interest on WC	13.50%	13.20%	12.80%	12.80%	12.80%
6	**Net Interest on Working Capital**	**0.38**	**0.33**	**0.25**	**0.35**	**0.31**

5.53 The Petitioner FY hereby requests the Hon'ble Commission to approve IWC of Rs. 0.31 Crores for final true-up of ARR for 2016-17.

Non-Tariff Income

5.54 The Petitioner has claimed Non-Tariff Income for FY 2016-17 as per the audited accounts as follows:

Table 16: Non-Tariff Income for FY 2016-17 (Rs.)

Sr. No	Particulars	FY 15-16	FY 16-17			
		True-up order dt. 31.03.17	MYT order dt. 30.04.16	Provisional True-up	TO dt. 26.03.18	Final True-up
1	**CSLDC**	**1.12**	**1.05**	**1.18**	**1.12**	**1.13**

5.55 CSLDC hereby requests the Hon'ble Commission to approve NTI of Rs. 1.13 Crores for true-up of ARR for FY 2016-17.

Aggregate Revenue Requirement (CSLDC Annual Charges)

5.56 The total Aggregate Revenue Requirement of the Petitioner for final true- up of ARR for FY 2016-17 is as shown below:

Table 17: Aggregate Revenue Requirement for FY 2016-17 (Rs. Crores)

Sr. No	Particulars	FY 15-16	FY 16-17			
		True-up order dt. 31.03.17	MYT order dt. 30.04.16	Provisional True-up	TO dt. 26.03.18	Final True-up
1	Employee Expense	5.82	6.19	7.47	7.47	7.54
2	A&G Expenses	3.35	1.16	0.58	0.58	1.13
3	R&M Expenses	1.35	1.69	0.68	0.68	1.32
4	Provision for Interim Wage Relief Impact	0.47	0.31	-	-	-
5	Sharing of Gain/(Loss) for O&M Efficiency	(1.42)	0.00	0.68	0.61	0.13
6	Contribution to Pension & Gratuity Fund	0.88	1.21	1.21	1.21	1.21
7	Depreciation	0.75	0.94	0.78	0.78	0.78
8	Interest on Loan	0.54	0.75	0.46	0.46	0.46
9	Interest on working capital	0.38	0.33	0.25	0.30	0.31
10	Return on Equity	0.72	0.89	0.74	0.74	0.74
11	**Total**	**12.84**	**13.48**	**12.85**	**12.82**	**13.61**
12	Less: Non-Tariff Income	1.12	1.05	1.18	1.12	1.13
13	**Aggregate Revenue Requirement**	**11.72**	**12.41**	**11.67**	**11.70**	**12.49**

5.57 CSLDC hereby requests the Hon'ble Commission to approve Aggregate Revenue Requirement (Annual SLDC Charges) of Rs. 12.49 Crores for final true-up of ARR for FY 2016-17 as compared to Rs. 11.70 Crores approved earlier in the tariff order dated 26th March 2018.

Revenue from SLDC Charges

5.58 The revenue from SLDC charges for FY 2016-17 as per the audited accounts is as shown below:

Table 18: Revenue from SLDC Charges for FY 2016-17 (Rs. Crores)

Sr. No	Particulars	FY 16-17			
		MYT order dt. 30.04.16	Provisional True-up	TO dt. 26.03.18	Final True-up
1	**Revenue from SLDC Charges**	**12.41**	**12.41**	**12.64**	**12.61**

5.59 CSLDC hereby requests the Hon'ble Commission to approve Revenue from SLDC Charges of Rs.12.61 Crores as shown above.

Revenue Surplus/(Deficit)

5.60 The revenue surplus/(deficit) for FY 2016-17 is as follows:

Table 19: Revenue Surplus/ (Deficit) for FY 2016-17 (Rs. Crores)

Sr. No	Particulars	FY 16-17			
		MYT order dt. 30.04.16	Provisional True-up	TO dt. 26.03.18	Final True-up
1	Annual Revenue Requirement	12.41	11.67	11.70	12.49
2	Less: Revenue from SLDC Charges	12.41	12.41	12.64	12.61
3	**Standalone Revenue Surplus / (Deficit)**	**-**	**0.74**	**0.94**	**0.13**
4	Previous Gap	(0.54)	-	-	(0.54)
5	**Total Revenue Surplus/(Deficit)**	**(0.54)**	**0.74**	**0.94**	**(0.41)**

5.61 CSLDC hereby requests the Hon'ble Commission to approve standalone revenue surplus of Rs. 0.13 Crores as shown above for final true-up of ARR for FY 2016-17. The deficit for CSLDC including impact of APTEL Judgment and truing up for FY 2014-15 with carrying cost up to FY 2016-17, has been approved as Rs. 0.54 Crores. The cumulative revenue gap for CSLDC, therefore, works out to be Rs. 0.41 Crores which needs to be adjusted with carrying cost in the revenue requirement of CSPDCL for FY 2019-20.

5.62 It is to be noted that the Commission had approved revenue surplus of Rs. 0.94 Crores during provisional true-up of ARR for FY 2016-17, which along with the carrying cost was adjusted in the tariff for FY 2018-19. The differential revenue gap of Rs. (0.46 + 0.94) = Rs. 1.21 Crores along with carrying cost from mid-point of FY 2016-17 to mid-point of FY 2019-20 needs to be adjusted in the revenue requirement of CSPDCL for FY 2019-20.

6: PROVISIONAL TRUE-UP OF ARR FOR FY 2017-18

Background

6.1 The Hon'ble Commission vide its order dated 30th April 2016 approved the Annual Revenue Requirement for the MYT control period from FY 2016-17 to FY 2020-21 in accordance with the MYT Regulations, 2015.

6.2 The present provisional true-up of ARR for FY 2017-18 is being filed in accordance with the MYT Regulations, 2015 and by comparing the values for FY 2017-18 as approved in the MYT order dated 30th April 2016.

Gross Fixed Assets (GFA)

6.3 CSLDC has considered the closing GFA as considered in the true-up for FY 2016-17 based on the audited accounts as the opening GFA for FY 2017-18. It has considered GFA addition of Rs. 74 Lacs as the capitalisation for FY 2017-18. The GFA for FY 2017-18 as against approved in the MYT Order dated 30th April 2016 is as shown below.

Table 20: GFA for FY 2017-18 (Rs. Crores)

Sr. No	Particulars	FY 2016-17	FY 2017-18	
		Final True-up	MYT order dt. 30.04.2016	Provisional True-up
A	**GROSS FIXED ASSETS (GFA)**			
1	Opening GFA	14.39	19.23	15.13
2	Add: Capitalisation during the Year	0.74	2.45	0.74

Sr. No	Particulars	FY 2016-17	FY 2017-18	
		Final True-up	MYT order dt. 30.04.2016	Provisional True-up
3	Closing GFA	15.13	21.68	15.87

6.4 The Hon'ble Commission is requested to approve GFA addition for FY 2017-18 as shown in the above table.

Means of Finance

6.5 As per Regulation 17 of the MYT Regulations, 2015 the normative debt: equity ratio of 70:30 has been considered for funding of the additional capitalisation for the year. It is noted that the additional capitalisation has not been funded by any grants and hence the ratio of 70:30 has been considered for normative funding of the additional capitalisation of Rs. 0.74 Crores for provisional true-up of ARR for FY 2017-18.

Depreciation

6.6 CSLDC would like to submit that it has calculated depreciation as per Regulation 24 of MYT Regulations, 2015. The Regulation states that:

"24.1 The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission:

Provided that the capital cost shall not include funds from grant or consumer contribution or deposit works received for funding of fixed asset as specified in Regulation 21.

24.2 The salvage value of the asset except for IT equipment's and software used for SLDC business shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset.

Provided that, the salvage value for IT equipment's and Software shall be considered as NIL and 100% value of the assets shall be considered depreciable.

24.3 Land other than the land held under lease and the land for reservoir in case of hydro generating station and the land for ash-bund for thermal power stations shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the asset.

24.4 Depreciation shall be calculated annually based on Straight Line Method and at rates as specified in Appendix-I to these regulations for the assets of the generating station, transmission system, distribution system and SLDC:

Provided that the remaining depreciable value as on 31st March of the year closing after a period of 15 years from date of commercial operation shall be spread over the balance useful life of the assets;

In case of the existing projects, the balance depreciable value as on 01.04.2016 shall be worked out by deducting the cumulative depreciation as admitted by the Commission up to 31.03.2016 from the gross depreciable value of the assets.

Provided that in those cases where the capital investment plan has been approved by the Commission and the depreciation rates as provided in these Regulations are insufficient for the repayment of loan, the rate of depreciation shall be decided by the Commission at the time of issuance of tariff order, subject to prudence check.

24.5 Till the separate SLDC Company is notified by the State Government, the depreciation shall be calculated as applicable for the STU under this Regulations;

Provided further the balance depreciable value as on the date of transfer shall be worked out by deducting the cumulative depreciation from the gross depreciable value of the assets appearing in the books of accounts of the SLDC for the SLDC as on the date of transfer.

24.6 Depreciation shall be chargeable from the first year of commercial operation. The depreciation shall be computed on the average asset base during the year:

Provided for the new generating station or unit, the depreciation shall be charged on pro rata basis during the year the asset has been declared under commercial operation. For subsequent years, the depreciation shall be computed on the average asset base during the year"

6.7 CSLDC would like to submit that its asset base comprises of SCADA system, computer terminals, equipment, building, etc. The asset base has been identified from the accounts of CSPTCL by the asset segregation committee and the same has been considered in its computations. As the asset class-wise segregation of the SLDC's asset base is not available, the weighted average depreciation rate as considered for CSPTCL for FY 2017-18 has been considered for CSLDC. The closing asset base of Rs. 15.13 Crores as considered in the true-up for FY 2016-17 has been considered as the opening GFA for provisional true-up of ARR for FY 2017-18.

6.8 Regulation 24.5 of MYT Regulations, 2015 states that till CSLDC is part of CSPTCL, the depreciation shall be calculated as applicable for CSPTCL. It is pertinent to note that the CSLDC is not operating as a separate Company and therefore we have considered the depreciation as applicable to CSPTCL.

Table 21: Depreciation for FY 2017-18 (Rs. Crores)

Sr. No	Particulars	FY 2016-17	FY 2017-18	
		Final True-up	MYT order dt. 30.04.2016	Provisional True-up
1	Opening GFA	14.39	19.23	15.13
2	Add: Additional capitalization during the year	0.74	1.95	0.74
3	GFA at the end of the year	15.13	21.18	15.87
4	Average GFA for the year	14.76	20.21	15.50
5	Depreciation Rate	5.26%	5.25%	5.26%
6	**Net Depreciation**	**0.78**	**1.06**	**0.81**

Note: * This excludes grant funded assets for purposes of calculating the depreciation

6.9 CSLDC hereby requests the Hon'ble Commission to approve depreciation of Rs. 0.81 Crores for provisional true-up of ARR for FY 2017-18 as compared to Rs. 1.06 Crores approved earlier in the MYT order for the year.

Interest on Loan

6.10 CSLDC would like to submit that it has computed Interest and Finance Charges as per Regulation 23 of the MYT Regulations, 2015. The Regulation states that:

23.1. The loans arrived at in the manner indicated in Regulation 17 shall be considered as gross normative loan for calculation of interest on loan.

23.2. The normative loan outstanding as on 01.04.2016 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.03.2016 from the gross normative loan.

23.3. The repayment for the year of the tariff period shall be deemed to be equal to the depreciation allowed for that year.

23.4. Notwithstanding any moratorium period availed by the generating company or the licensee, as the case may be the repayment of loan shall be considered from the first year of commercial operation of the project and shall be equal to the annual depreciation allowed.

23.5. The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each year applicable to the project;

Provided that if there is no actual loan for a particular year but normative loan is still outstanding, the last available weighted average rate of interest shall be considered:

Provided further that if the generating station or the licensee, as the case may be, does not have actual loan, then the weighted average rate of interest of the generating company or the licensee as a whole shall be considered:

Provided further, in case of new generating station or the licensee commencing its operation after the date of effectiveness of these Regulations, and which don't have actual loan portfolio, the rate of interest shall be considered on normative basis and shall be equal to the Base rate of State Bank of India plus 200 basis points as on the date on which the generating station or a unit thereof or the transmission system or the distribution licensee, as the case may be, is declared under commercial operation.

23.6. The interest on loan shall be calculated on the normative average loan of the year by applying the weighted average rate of interest.

23.7. The above interest computation shall exclude interest on loan amount, normative or otherwise, to the extent of capital cost funded by consumer contribution, grants or deposit works carried out by transmission licensee or distribution licensee or generating company, as the case may be.

23.8. The generating company or SLDC or the licensee, as the case may be, shall make every effort to re-finance the loan as long as it results in net savings on interest and in that event the costs associated with such re-financing shall be borne by the beneficiaries and the net savings shall be shared between the beneficiaries and the generating company or the STU or the transmission licensee, as the case may be, in the ratio of 2:1.

Provided in case of SLDC, this provision shall be applicable only to those intra-State entities who are availing long-term services of SLDC.

23.9. Provided that the beneficiary shall not withhold any payment on account of the interest claimed by the generating company or the licensee during the pendency of any dispute arising out of re-financing of loan.

23.10. The changes to the terms and conditions of the loans shall be reflected from the date of such re-financing.

23.11. In case of distribution licensee, the interest paid on security deposit (cash) to the consumers shall be allowed as a part of the Interest and Finance charges under these regulations.

6.11 It is pertinent to note that the CSLDC is not operating as a separate Company and therefore we have considered the actual loan as applicable to STU i.e. CSPTCL. The actual loan details for FY 2017-18 for CSPTCL as a whole are as follows:

Table 22: Loan Details for FY 2017-18 (Rs. Crores)

Sr. No.	Particulars	Opening Loan	Addition	Repayment	Closing	Avg.	RoI	Interest
1	PFC	1,045.59	2.45	126.31	921.73	983.66	10.13%	105.91
2	NABARD	122.25	-	10.77	111.48	116.86	11.00%	13.45
3	State Govt. Loan	15.69	-	-	15.69	15.69	0.00%	-
4	REC	73.14	116.76	-	189.90	131.52	6.25%	4.57
5	**Total**	1,256.66	119.21	137.08	1,238.80	1,247.73	**9.86%**	123.93

Note: The interest calculation shown here is on the opening loan balance and 9.86% has been derived as the weighted average rate of interest on the actual loan portfolio at the beginning of the year.

6.12 CSLDC would like to submit that it has considered the closing normative loan balance for FY 2016-17 as the opening normative loan balance for provisional true-up of ARR for FY 2017-18. The debt component of 70% of the GFA addition during FY 2017-18 has been considered as the normative loan addition during the year. The depreciation for the year as calculated by the Petitioner has been considered as the normative repayment for the year. The rate of interest has been computed in accordance with Regulation 23.5 i.e. the weighted average rate of interest on the basis of the actual loan portfolio at the beginning of the year. The weighted average interest rate of 9.86% has been considered for computation of the interest on loan for FY 2017-18.

6.13 It is to be noted that normative debt: equity ratio of 70:30 has to be considered after reducing the amount of capitalisation funded by grants. The additional capitalisation has not been funded by grants and same has accordingly not been considered here for calculation of the interest on normative loan amount.

6.14 The calculation of the interest on loan for FY 2017-18 is as follows:

Table 23: Interest on Loan for FY 2017-18 (Rs. Crores)

Sr. No	Particulars	FY 2016-17	FY 2017-18	
		Final True-up	MYT order dt. 30.04.2016	Provisional True-up
1	Total Opening Net Loan	4.34	6.63	4.08
2	Repayment during the period	0.78	1.06	0.81
3	Additional capitalization of borrowed loan during the year	0.52	1.37	0.52
4	Total Closing Net Loan	4.08	6.94	3.78
5	Average Loan during the year	4.21	6.79	3.93
6	Weighted Average Interest Rate	10.95%	12.20%	9.86%
7	**Interest Expense for the Period**	**0.46**	**0.83**	**0.39**

6.15 CSLDC hereby requests the Hon'ble Commission to approve Interest on Loan of Rs. 0.39 Crores for provisional true-up of ARR for FY 2017-18 as compared to Rs. 0.83 Crores approved earlier in the MYT order dated 30th April 2016.

Return on Equity and Income Tax

6.16 The Petitioner submits that it has computed Return on Equity as per Regulation 22 of the MYT Regulations, 2015. The Regulation states that:

22.1. ***Generation, Transmission and SLDC:*** *Return on equity shall be computed in rupee terms on the equity base determined in accordance with Regulation 17. Return on equity shall be computed on pre-tax basis at the base rate of 15.50% to be grossed up as per Regulation 22.3 of these Regulations.*

22.3. The rate of return on equity for each year of the control period shall be computed by grossing up the base rate with the prevailing MAT rate of the base year: Provided that return on equity with respect to the actual tax rate applicable to the generating company or the transmission licensee or distribution licensee, as the case may be, in line with the provisions of the relevant Finance Acts of the respective year during the Control Period shall be trued up separately for each year of the Control Period. In case, no tax is payable during the financial year, the tax rate for the purpose of truing up shall be taken as nil.

Rate of return on equity shall be rounded off to three decimal points and be computed as per the formula given below:

Rate of pre-tax return on equity = Base rate / (1-t)

Where ,'t' is the applicable tax rate in accordance with regulation 22.3 of these regulations.

Provided that if there is a loss incurred by the generating company or the transmission licensee or distribution licensee or SLDC, as the case may be, in the previous year and based on the prudence check made by the Commission, the Minimum Alternate Tax may not be considered in such a case while determining the return on equity.

6.17 The closing permissible equity balance of FY 2016-17 (as submitted for true-up of FY 2016-17 based on final accounts) has been considered as the opening permissible equity balance for provisional true-up of ARR for FY 2017-18.

6.18 Equity addition during FY 2017-18 has been considered as 30% of the capitalisation during the year.

6.19 Considering the above, CSLDC would like to submit that it has computed Return on Equity as per Regulation 22 of the MYT Regulations, 2015 using base rate of Return on Equity of 15.50% (without grossing up by MAT rate). It is noted that CSDLC has not paid any income tax during FY 2017-18 and accordingly NIL tax expense for the year has been considered.

Table 24: Return on Equity for FY 2017-18 (Rs. Crores)

Sr. No	Particulars	FY 2016-17	FY 2017-18	
		Final True-up	MYT order dt. 30.04.2016	Provisional True-up
1	Permissible Equity in Opening GFA	4.68	6.17	4.90
2	Addition in permissible equity during the FY	0.22	0.58	0.22
3	Permissible Equity in Closing GFA	4.90	6.75	5.12
4	**Average Gross Permissible Equity during the year**	**4.79**	**6.46**	**5.01**
5	Rate of Return on Equity	15.50%	15.50%	15.50%
6	**Return on Equity**	**0.74**	**1.00**	**0.78**

6.20 CSLDC hereby requests the Hon'ble Commission to approve Return on Equity of Rs. 0.78 Crores for provisional true-up of ARR for FY 2017-18 as compared to Rs. 1.00 Crores approved earlier in the MYT order.

Operation and Maintenance (O&M) Expenses

6.21 O&M expenses include Employee expenses, Administrative & General (A&G) expenses and Repairs & Maintenance (R&M) expenses. As per provision 47.5 of the MYT Regulations 2015:

Employee Cost

(c) The employee cost, excluding pension fund contribution and impact of pay revision arrears for the base year i.e. FY 2015-16, shall be derived on the basis of the normalized average of the actual employee expenses excluding pension fund contribution and impact of pay revision arrears available in the accounts for the previous five (5) years immediately preceding the base year FY 2015-16, subject to prudence check by the Commission. Any other expense of nonrecurring nature shall also be excluded while determining normalized average for the previous five (5) years.

(d) The normalization shall be done by applying last five year average increase in Consumer Price Index (CPI) on year to year basis. The average of normalized net present value for FY 2010-11 to FY 2014-15, shall then be used to project base year value for FY 2015-16. The base year value so arrived, shall be escalated by the above inflation rate to estimate the employee expense (excluding impact of pension fund contribution and pay revision, if any) for each year of the control period.

At the time of true up, the employee costs shall be considered after taking into account the actual increase in CPI during the year instead of projected inflation for that period.

Provided further that impact of pay revision (including arrears) and pension fund contribution shall be allowed on actual during the true-up as per accounts, subject to prudence check and any other factor considered appropriate by the Commission.

A&G Expenses and R&M Expenses

(e) The administrative and general expenses and repair and maintenance expenses, for the base year i.e. FY 2015-16, shall be derived on the basis of the normalized average of the actual administrative and general expenses and repair and maintenance expenses, respectively available in the accounts for the previous five (5) years immediately preceding the base year FY 2015-16, subject to prudence check by the Commission. Any expense of non-recurring nature shall be excluded while determining normalized average for the previous five (5) years.

(f) The normalization shall be done by applying last five year average increase in Wholesale Price Index (WPI) on year to year basis. The average of normalized net present value for FY 2010-11 to FY 2014-15, shall then be used to project base year value for FY 2015-16. The base year value so arrived, shall be escalated by the above inflation rate to estimate the administrative and general expense and repair and maintenance expenses for each year of the control period.

At the time of true up, the administrative and general expenses and repair and maintenance expenses shall be considered after taking into account the actual inflation instead of projected inflation for that period.

(g) The additional O&M Expenses on account of new transmission lines/ substations commissioned after March 31, 2016 shall be allowed by the Commission subject to prudence check at the time of truing up exercise.

6.22 O&M expenses include employee expenses, administrative & general (A&G) expenses and repairs &maintenance (R&M) expenses. CSLDC hereby submits that separate accounts are not being prepared between CSPTCL and itself & the asset transfer scheme between SLDC and CSPTCL has not been notified. The Petitioner has considered the actual O&M expenses for FY 2017-18 based on data maintained by it. The same is as shown in the table below:

Table 25: O&M Expenses for FY 2017-18 (Rs. Crores)

Sr. No	Particulars	FY 2017-18
		Provisional
1	Gross Employee Expenses including interim wage relief amount	8.51
2	Gross A&G Expenses	1.67
3	Gross R&M Expenses	0.61
4	**Total O&M Expenses**	**10.78**

6.23 Further, the Petitioner wants to highlight the current employee strength at CSLDC. As on 31st March 2018, total sanctioned strength of different class of employees exclusive of CSLDC is 73 out of which 54 are currently working and balance 19 are envisaged to be filled in the coming FYs. The details are as below:

Table 26: Employee Strength at CSPTCL and CSLDC as on 31st March 2018 (Nos)

No. of Employees as on 31st March 2018				
Sr. No	Particulars	Sanctioned	Working	Vacant
CSPTCL				
1	Class I	131	108	23
2	Class II	235	147	89
3	Class III	1,448	691	757
4	Class IV	1,491	631	860
5	**Total**	**3,305**	**1,577**	**1,729**
CSLDC				
1	Class I	20	17	3
2	Class II	24	17	7
3	Class III	21	15	6

No. of Employees as on 31st March 2018				
Sr. No	**Particulars**	**Sanctioned**	**Working**	**Vacant**
4	Class IV	8	5	3
5	**Total**	**73**	**54**	**19**
CSPTCL + CSLDC				
1	Class I	151	125	26
2	Class II	259	164	96
3	Class III	1,469	706	763
4	Class IV	1,499	636	863
5	**Total**	**3,378**	**1,631**	**1,748**

6.24 Considering the vacant positions at CSLDC, employee expenses are bound to increase in the near future and it would be very difficult to manage the same at the same level as set by the Hon'ble Commission. Further, the Wage Revision Committee has recommended that the pay scale needs to be revised when the seventh central pay commission recommendations are available and implemented by GOI for their employees. The salary structure has been recommended to be aligned to Central Govt. Pay scale from the date from which Central Govt. revised the pay scale of their employees including merger of DA with salary. The Petitioner, accordingly, submits that the Hon'ble Commission may allow the same whenever the effect takes place.

6.25 The capitalisation of employee expenses has been considered as NIL for FY 2017-18. However, an abstract of employees who have qualified the Basic Level Certification Examination of System Operators and the Specialization Level Certification Examination conducted by NPTI, GOI is as shown below.

Table 27: No. of Engineers who have obtained training and qualified engineers at SLDC

Sr. No	Particulars/Exam	No of Engineers obtained Training	No. of Qualified Engineers at present at SLDC
1	Basic Level Certification Examination of System Operators	25	19
2	Specialization Level Certification Examination	5	4
3	**Total**	**30**	**23**

Further, looking into the share proportions and nature of the work, the Petitioner requests the Hon'ble Commission to consider the employees as capital asset under Human Resource.

6.26 The reason for the increase in employee expenses is as below:

- The arrears impact due to wage revision w.e.f. 01.04.2014.

6.27 The Petitioner would like to request the Hon'ble Commission to approve Rs. 8.51 Crores as employee expenses for FY 2017-18, including interim wage relief amount. The details of the employee expenses are attached as **Annexure** to this petition.

6.28 The capitalisation of A&G and R&M expenses has been considered as NIL for FY 2017-18.

6.29 The comparison of O&M expenses vis-a-vis that approved earlier by the Commission is as below.

Table 28: O&M Expenses for FY 2017-18 (Rs. Crores)

Sr. No	Particulars	FY 2016-17	FY 2017-18	
		Final True-up	MYT order dt. 30.04.2016	Provisional
1	Employee Expenses	7.54	6.75	8.51
2	A&G Expenses	1.13	1.23	1.67
3	R&M Expenses	1.32	1.80	0.61
4	Provision for interim wage relief impact	-	0.34	-
5	**O&M Expenses**	**9.99**	**10.12**	**10.78**

6.30 As can be seen from the above table, the actual O&M expenses are more than that approved by the Hon'ble Commission in the MYT order dated 30th April 2016 for FY 2017-18. CSLDC requests the Hon'ble Commission to approve actual O&M expenses for FY 2017-18 as shown in the above table.

Sharing of gain and losses on account of O&M expenses

6.31 CSLDC would like to submit that the MYT Regulations 2015 allows incentive/disincentive for better/under performance in operational norms so that such efforts are appropriately recognized and promoted, thereby, ensuring improved efficiency on a sustainable basis.

6.32 Regulation 8 of MYT Regulations 2015 states that:

8. SPECIFIC TRAJECTORY FOR CERTAIN VARIABLES

Targets will be set by the Commission for the items that are "controllable". Besides, trajectory for specific variables may be stipulated by the Commission where the performance of the applicant is sought to be improved upon through incentives and disincentives.

6.33 Regulation 11.2 of the MYT Regulations 2015 mentions the ''Controllable factors'' as following:

11.2 For the purpose of these Regulations, the term "Controllable factors" shall comprise of the following:

.....

(d) Operation & Maintenance expenses.

...

6.34 In addition to the above, Regulation 13 of the MYT Regulations 2015 has also provision of allowing the incentive/disincentive to the utilities on account of improved/under performance in efficiency linked controllable items.

13. MECHANISM FOR SHARING OF GAINS OR LOSSES ON ACCOUNT OF CONTROLLABLE FACTORS

13.1 The mechanism for sharing of aggregate net gain on account of over achievement in reference to the target set in tariff order for efficiency linked controllable items other than energy losses computed in accordance to Regulation 71 shall be passed on to the beneficiary / consumer(s) and retained by the generating company or the licensee or SLDC, as the case may be, in the ratio of 50:50 or as may be specified in the Order of the Commission passed under these Regulations.

13.2 The mechanism for sharing of aggregate net loss on account of under achievement in reference to the target set in tariff order for efficiency linked controllable items shall be passed on to the beneficiary/consumer(s) and retained by the generating company or the licensee, as the case may be, in the ratio of 50:50 or as may be specified in the Order of the Commission passed under these Regulations.

6.35 As per amendment dated 16 June 2017 to the principal regulations, following proviso has been inserted in clause 13.1-

Provided further that employee cost shall not be factored in for sharing of gains or losses on account of operation & maintenance expenses,

6.36 Accordingly, the employee expenses for FY 2017-18 have been considered based on actual and not subject to sharing of gains or losses. The Petitioner, therefore, requests the Commission to approve Rs. 8.51 Crores as employee expenses for FY 2017-18.

6.37 A&G and R&M expenses have been subject to sharing of gains/losses as per regulation 47.5 of the MYT Regulations 2015. The calculation of the normative A&G and R&M expenses for FY 2017-18 is as discussed below.

6.38 As per regulation 47.5, clause (f):

(f) The normalization shall be done by applying last five year average increase in Wholesale Price Index (WPI) on year to year basis. The average of normalized net present value for FY 2010-11 to FY 2014-15, shall then be used to project base year value for FY 2015-16. The base year value so arrived, shall be escalated by the above inflation rate to estimate the administrative and general expense and repair and maintenance expenses for each year of the control period.

At the time of true up, the administrative and general expenses and repair and maintenance expenses shall be considered after taking into account the actual inflation instead of projected inflation for that period.

6.39 The Commission's approach as per the tariff order dated 26th March 2018 on arriving at the normative expenses for A&G and R&M expenses has been adopted. The base year i.e. FY 2015-16 O&M expenses have been considered as approved in the MYT order dated 30th April 2016. The normative A&G and R&M expenses for FY 2016-17 have been considered as in the chapter on final true-up of ARR for FY 2016-17 by applying WPI escalation factor of 1.73%. It is noted that the Commission has considered base A&G and R&M expenses for FY 2015-16 as Rs. 0.99 Crores and Rs. 1.44 Crores respectively in the tariff order dated 26th March 2018 instead of Rs. 1.08 Crores and Rs. 1.58 Crores respectively as approved in the MYT order dated 30th April 2016. The Commission is requested to correct the figures considered for base normative A&G and R&M expenses for FY 2015-16.

6.40 The normative A&G and R&M expenses for FY 2017-18 have been arrived at by applying the WPI escalation factor of 2.92% (for FY 2017-18) over the normative A&G and R&M expenses for FY 2016-17. The normative A&G and R&M expenses for FY 2017-18 considered is as shown below.

Table 29: Normative A&G Expenses for FY 2017-18 (Rs. Crores)

Particulars	FY 2015-16	FY 2016-17	FY 2017-18
Normative A&G (net of capitalisation)	1.08	1.10	1.13

Table 30: Normative R&M Expenses for FY 2017-18 (Rs. Crores)

Particulars	FY 2015-16	FY 2016-17	FY 2017-18
Normative R&M (net of capitalisation)	1.58	1.61	1.65

6.41 The normative A&G and R&M expenditure so arrived at have been considered for the purpose of gain/loss calculation for FY 2017-18. The actual net A&G and R&M expenses are Rs. 1.67 Crores and Rs. 0.61 Crores (net of capitalisation) respectively for FY 2017-18. The same have been considered for sharing of gain/ (loss) for FY 2017-18 as shown in the table below.

Table 31: Sharing of gain/ (loss) on A&G and R&M expenses for FY 2017-18 (Rs. Crores)

Sr. No	Particulars	Normative Expense	Actual provisional	Gain/(Loss)
1	Net A&G expenses	1.13	1.67	(0.54)
2	Net R&M expenses	1.65	0.61	1.04
3	Total Gain/(Loss)			0.51
4	**CSLDC share (1/2 of Total Gain/(Loss))**			**0.25**

6.42 The gain/(loss) of Rs. 0.25 Crores on account of actual expenditure in A&G and R&M expenses as compared to the normative A&G and R&M expenses has been considered as part of the provisional true-up of ARR for FY 2017-18.

6.43 The Petitioner hereby requests the Hon'ble Commission to approve gain of Rs. 0.25 Crores on account of actual O&M expenses for provisional true-up of ARR for FY 2017-18.

6.44 In compliance to the order dated 03.07.2018 issued by CERC in the matter of Petition No 11/TT/2018 that includes "Item : Asset-1: SCADA/EMS systems for Main and backup SLDC of Chhattisgarh (CSPTCL)" in determining the tariff of it which shall be recovered by PGCIL in due course. Petitioner/ SLDC hereby appraised the matter before the competent authority to consider the same and allow funds for the payments, immediately when the invoices are received by them from PGCIL. Therefore, expenditure/provision of the same is to be considered while preparing ARR of SLDC for the FY-2018-2019. It is therefore requested to kindly allow the Normative R&M Expenses of Rs 1.92 Crores as per CSERC order dated 30.04.2016 in Petition No P. No. 04/2016(T) while determining the ARR of CSLDC for the Control Period FY 2016-17-FY 2020-21.

Contribution to Pension and Gratuity (P&G)

6.45 As per MYT Regulations, 2015 Regulation 32:

PENSION FUND

For meeting up the past unfunded liabilities of erstwhile CSEB/State Power Companies employees appointed before 1.1.2004, a pension and gratuity trust has been created and funding to the same has been allowed in the past Tariff Orders of the Commission. The contribution to the fund shall be decided by the Commission on the basis of actuarial analysis, expected pension outflow for the State Power Companies and availability of fund with the Pension trust at the time of determination of MYT / ARR for each year of the control period. However, the actual outflow towards the pension payment shall not be allowed in the O&M expenses covered in these Regulations for the Control Period. The pension outflow shall be met by the Pension trust. The pension fund contribution so determined by the Commission shall be recoverable in the same manner as specified in relevant chapters.

Provided till the time SLDC is part of STU, SLDC's share out of the STU contribution shall be decided on pro-rata basis. For the purpose of ratio determination, the employee strength as on 1st April of the preceding year shall be considered.

6.46 The Hon'ble Commission in its MYT Tariff Order dated 30th April 2016 for the control period from FY 2016-17 to FY 2020-21 allowed contribution to Pension and Gratuity (P&G) fund of Rs. 1.32 Crores for FY 2017-18. CSLDC has considered the contribution to pension and gratuity of Rs. 1.32 Crores for FY 2017-18. The same is as provided in the table below:

Table 32: Terminal Benefits (Pension & Gratuity) for FY 2017-18 (Rs. Crores)

Sr. No	Particulars	FY 2016-17	FY 2017-18	
		Final True-up	MYT order dt. 30.04.2016	Provisional True-up
1	CSLDC Share	1.21	1.32	1.32

6.47 CSLDC also craves leave for additional submission for review of Pension and Gratuity Trust provisions in the ARR as directed by the Hon'ble Commission vide its letter no. 13-Estt./CSERC/2018/1188 dated 13th July 2018.

Interest on Working Capital

6.48 Regulation 25 of the MYT Regulations 2015 states that:

25.1. The working capital shall cover:

(f) In case of SLDC business:

i. Operation and maintenance expenses for one (1) month; plus *ii. Maintenance spares @ 40% of repair and maintenance expenses* specified in Regulation 74.5; plus

iii. Receivables equivalent to one (1) month of system operation charges and market operation charges as approved by the Commission

6.49 Further, the MYT Regulations, 2015 states that:

25.2 At the time of True-up, the receivables for the computation of working capital requirement of the generating company, STU/transmission licensee, distribution licensee and SLDC will be determined equivalent to one (1) month of actual revenue billed.

25.4. Interest on working capital shall be allowed at a rate equal to the Base rate of State Bank of India as on 30th September of the financial year in which the Petition is filed plus 350 basis points. At the time of true up, the interest rate shall be adjusted as per the actual rate prevailing on 1st April of the financial year for which truing up exercise has been undertaken.

25.5. Interest on working capital shall be payable on normative basis notwithstanding that the generating company or the transmission licensee or the distribution licensee or SLDC has not taken loan for working capital from any outside agency."

6.50 The Petitioner would like to submit that it has considered one month of O&M expenses, maintenance spares at 40% of R&M expenses and receivables equivalent to one month of system operation charges and market operation charges for computing the working capital requirement for FY 2017-18.

6.51 The Petitioner has considered the interest rate of 12.60% (9.10% - SBI Base Rate on 01st April 2017 plus 350 basis points) for computing the Interest on Working Capital for provisional true-up of ARR for FY 2017-18.

Table 33: Interest on Working Capital for FY 2017-18 (Rs. Crores)

Sr. No	Particulars	FY 2016-17	FY 2017-18	
		Final True-up	MYT order dt. 30.04.2016	Provisional True-up
1	O&M for One Month	0.83	0.84	0.90
2	Maintenance Spares – 40% of R&M Expenses	0.53	0.72	0.24
3	Receivables – 1 Month	1.05	1.14	0.91
4	Total WC requirement	2.41	2.70	2.06
5	Rate of Interest on WC	12.80%	13.20%	12.60%

Sr. No	Particulars	FY 2016-17	FY 2017-18	
		Final True-up	MYT order dt. 30.04.2016	Provisional True-up
6	**Net Interest on Working Capital**	**0.31**	**0.36**	**0.26**

6.52 The Petitioner hereby requests the Hon'ble Commission to approve IWC of Rs. 0.26 Crores for provisional true-up of ARR for FY 2017-18.

Non-Tariff Income

6.53 The details of Non-Tariff Income for FY 2017-18 is as follows:

Table 34: Non-Tariff Income for FY 2017-18 (Rs.)

Month	Registration Fee	REC Fee	Service Tax	Bank Charges	Application	SLDC Charges	Total NTI
Apr.17	200,000.00	99,499.00	14,926.00		140,000.00	119,000.00	573,425.00
May.17		137,544.00	20,632.00		425,000.00	111,000.00	694,176.00
Jun.17		3,807.00	571.00	28.75	300,000.00	156,000.00	460,406.75
July.17	400,000.00	84,874.00	15,276.78	28.75	65,000.00	338,000.00	903,179.53
Aug.17	500,000.00	108,991.00	19,618.00		265,000.00	368,000.00	1,261,609.00
Sep.17	900,000.00	55,531.73	9,995.71		415,000.00	487,000.00	1,867,527.44
Oct.17		103,851.00	18,694.00		290,000.00	578,000.00	990,545.00
Nov.17	500,000.00				135,000.00	240,000.00	875,000.00
Dec.17		58,728.00	10,572.00		55,000.00	246,000.00	370,300.00
Jan.18		115,282.00	20,752.00		144,823.00	417,000.00	697,857.00
Feb.18	1,000,000.00	101,052.00	18,188.00		180,177.00	649,000.00	1,948,417.00
Mar.18	200,000.00	59,978.00	10,796	649.00	220,000.00	276,000.00	767,423.00
TOTAL	3,700,000.00	929,137.73	160,021.49	706.50	2,635,000.00	3,985,000.0	11,409,865.7

6.54 CSLDC hereby requests the Hon'ble Commission to approve NTI of Rs. 1.14 Crores as per details provided above for the provisional true-up of ARR for FY 2017-18.

Aggregate Revenue Requirement (CSLDC Annual Charges)

6.55 The total Aggregate Revenue Requirement of the Petitioner for provisional true-up of ARR for FY 2017-18 is as shown below:

Table 35: Aggregate Revenue Requirement for FY 2017-18 (Rs. Crores)

Sr. No	Particulars	FY 2016-17	FY 2017-18	
		Final True-up	MYT order dt. 30.04.2016	Provisional True-up
1	Employee Expense	7.54	6.75	8.51
2	A&G Expenses	1.13	1.23	1.67
3	R&M Expenses	1.32	1.80	0.61
4	Provision for Interim Wage Relief Impact	-	0.34	-
5	Sharing of Gain/(Loss) for O&M Efficiency	0.13	-	0.25
6	Contribution to Pension & Gratuity Fund	1.21	1.32	1.32
7	Depreciation	0.78	1.06	0.81
8	Interest on Loan	0.46	0.83	0.39
9	Interest on Working capital	0.31	0.36	0.26
10	Return on Equity	0.74	1.00	0.78
11	**Total**	**13.61**	**14.69**	**14.60**
12	Less: Non-Tariff Income	1.13	1.05	1.14
13	**Aggregate Revenue Requirement**	**12.49**	**13.64**	**13.45**

6.56 CSLDC hereby requests the Hon'ble Commission to approve Aggregate Revenue Requirement (Annual SLDC Charges) of Rs. 13.45 Crores for provisional true-up of ARR for FY 2017-18 as compared to Rs. 13.64 Crores approved earlier in the MYT order dated 30th April 2016 for FY 2017-18.

Revenue from SLDC Charges

6.57 The revenue from SLDC charges for FY 2017-18 is as shown below:

Table 36: Revenue from SLDC Charges for FY 2017-18 (Rs. Crores)

Sr. No	Particulars	FY 2017-18
		Provisional True-up
1	**Revenue from SLDC Charges**	**10.96**

6.58 CSLDC hereby request the Hon'ble Commission to approve Revenue from SLDC Charges of Rs. 10.96 Crores for FY 2017-18 as shown above.

Revenue Surplus/ (Deficit)

6.59 The revenue surplus/(deficit) for FY 2017-18 is as follows:

Table 37: Revenue Surplus / (Deficit) for FY 2017-18 (Rs. Crores)

Sr. No	Particulars	FY 2017-18
		Provisional True-up
1	Annual Revenue Requirement	13.45
2	Less: Revenue from SLDC Charges	10.96
3	**Standalone Revenue Surplus / (Deficit)**	**(2.50)**

6.60 CSLDC hereby submits the Hon'ble Commission to approve standalone revenue deficit of Rs. 2.50 Crores as shown above and the same should be passed through with holding cost in FY 2019-20. Accordingly, the deficit of Rs. 2.50 Crores for FY 2017-18 with carrying cost from mid-point of FY 2017-18 to mid-point of FY 2019-20 needs to be adjusted in the revenue requirement of CSPDCL for FY 2019-20. It is to be noted that the differential revenue gap arrived at during final true-up of ARR for FY 2016-17 along with carrying cost also needs to be adjusted in the revenue requirement of CSPDCL for FY 2019-20 (as discussed in the chapter on final true-up of ARR for FY 2016-17).

7: COMPLIANCE OF DIRECTIVES

7.1 It is noted that as per the latest tariff order for provisional true-up of ARR for FY 2016-17 dated 26th March 2018, no fresh directives were issued to the Petitioner. The Petitioner was directed to ensure compliance to the earlier directives. The compliance of directives is as below:

Directives issued vide Tariff Order Dated 31/03/2017

Sr. No	Subject matter	Action taken
1.	**State Energy Account:** CSLDC should continue to submit State Energy Account to the Commission on quarterly basis endorsing a copy to CSPDCL.	
2.	**Implementation of approved CIP:** CSLDC should submit quarterly report on the progress of implementation of approved CIP	CSLDC is complying with this directive and the quarterly report in this regard is being submitted to the Commission.

8: PRAYER

8.1 CSLDC requests the Hon'ble Commission to:

a) To invoke the power conferred to it under Section 62 of the Electricity Act, 2003, and to admit the petition seeking approval of final true-up of ARR for FY 2016-17 and provisional true-up of ARR for FY 2017-18

b) The Petitioner humbly requests the Hon'ble Commission to approve the final true-up of ARR for FY 2016-17 and provisional true-up of ARR for FY 2017-18 as submitted

c) The filing is being done based on the best available information and in case of any change, the Hon'ble Commission may permit the Petitioner to make further submissions, additions and alteration to this Petition as may be necessary

d) To allow taxes, FBT, Cess, etc. as pass through on actual basis

e) To condone any inadvertent omissions/errors/shortcomings and permit the Petitioner to add/change/modify/alter this filing and make further submissions as may be required at a future date

f) To allow the Petitioner to make alterations/additions in the filing of the said petition as and when the audited accounts are made available

g) To allow further submissions, addition and alteration to this petition as may be necessitating from time to time.

h) Treat the filing as complete in view of substantial compliance as also the specific requests for waivers with justification placed on record;

i) And pass such other and further orders as are deemed fit and proper in the facts and circumstances of the case in the interest of justice.

BY THE APPLICANT THROUGH

CSLDC