PUNJAB STATE ELECTRICITY REGULATORY COMMISSION
SCO 220-221, SECTOR 34-A, CHANDIGARH

To

The Financial Advisor,
Punjab State Transmission Corp. Ltd,
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Fax 0175-2206523

No. PSERC/Tariff/T/
Dated

Subject: - Petition for Annual Revenue Requirement and Determination of Tariff filed by PSTCL for FY 2013-14.

On initial scrutiny of the subject cited Petition filed by you with the Commission on 29.11.2012, some deficiencies, as listed below, have been observed. The information/comments on these deficiencies be submitted to the Commission within 7 days. The petition will be taken on record after receipt of satisfactory reply to these deficiencies:

Transmission Business

GENERAL

1. The Audited Accounts for the years 2010-11 and 2011-12 which have since become due to be submitted to the Commission have not been furnished to the Commission. In para 2.1.2 it has been submitted that audited accounts for FY 2010-11 and FY 2011-12 are under process and will be finalized upon notification of opening balance sheet as on 16-4-2010 by the State Govt. It has also been requested that truing up of aforementioned years may be kept pending till finalization of the audited account. The audited accounts may be furnished at the earliest. Also the basis of opening balances as on 01-04-2012 and 01-04-2013 may be intimated.

CAPITAL EXPENDITURE

2. Details of actual expenses incurred by the utility under various heads/sub heads of accounts upto Nov. 2012 may be filed under capital expenses head. Scheme-wise actual capital expenses incurred upto the end of Nov. 2012 may also be furnished).

As per the note under Table-12, it is stated the Capital expenditure required for IT initiatives has been included in the investment plan of PSTCL (Ref. para 7.1.19). The Capital Expenditure for the IT initiatives (Ref Table-12) has not been shown in the investment plan of PSTCL (Ref. Annexure-1, Capital; Expenditure Scheme).

(i) Talwandi Sabo Thermal Power Project:

In para 7.1.8 it has been intimated that payment of Rs. 122 crore has been released upto 9-11-2012. The fund requirement for H2 of 2012-13 has been depicted as Rs. 180 crore and Rs. 377 crore for FY 2013-14. Please supply supporting documents/basis of assessing the requirement of funds for H2 of FY 2012-13 and for FY 2013-14.

(ii) Rajpura Thermal Power Plant:

PSTCL has claimed fund requirement of Rs. 197 crore for FY 2012-13 and Rs. 161 for FY 2013-14. As per financial progress given in para 7.1.12 expenditure of Rs. 60 crore was incurred during FY 2011-12. Besides this, further expenditure of Rs. 120 crore stands incurred during the year 2012-13. Total expenditure for the current year has been estimated at Rs. 197 crore. In this regard, detailed justification for the expenditure already incurred may be supplied. The benefit derived from the CAPEX may also be intimated specifying the quantum of energy transmitted on the 400 KV lines so far erected. The basis of estimation of the fund requirement for FY 2012-13 and FY 2013-14 may please be supplied to the Commission.

3. Basis of estimation/projection of capital expenditure for FY 2012-13 and for FY 2013-14 may be supplied to the Commission.

4. **(A) EMPLOYEE COST:**

Para 8.3.1 indicates that out of 797 employees likely to be recruited in the year 2012-13, only 241 posts have been filled upto Sept. 2012. Expenditure of 556 new employees is estimated for the H2 of FY 2012-13. In the light of the above please furnish details of actual number of employees recruited upto Nov. 2012.

- The norms of employees have been given for 400 KV, 220 KV & 132 KV sub-stations in tables 17 & 18 of the ARR (Refer para 8.3.3.). In the Table 19, page 39 number of additional employees i.e. 555 have been proposed to be added for 1768 ckt-km. PSTCL have not indicated norms for additional employees required per ckt-km line-length-addition whereas additional employees required for new sub-stations are as per norms as given in Table 17 and Table 18. Needful needs to be done now.

- Also, as recruitment process will be over by 31-12-2012, actual recruitment till that date may be intimated to the Commission by 1st week of Jan, 2013.

5. Para 8.3.4 states that non-core activities have been outsourced and expenditure has been considered as part of A&G expenses. The following information may be supplied:

   (i) Activities for which outsourcing has been done.

   (ii) Details of expenses relating to outsourcing for FY 2012-13 and FY 2013-14.

   (iii) Sub-heads of A&G expenses to which outsourcing expenses have been debited.

6. The following information may be supplied: (Refer Para 8.3.9)
   - Basis of 10% increase in DA for FY 2013-14.
   - Basis of increase in other allowances.

7. Basis/Work-sheet of estimation/projections of salary arrears for FY 2012-13 and 2013-14 may be supplied (Refer Para 8.3.17):

8. Basis of estimation of employee cost towards new installations and dates on which new sub-stations have been commissioned/are likely to be commissioned may be furnished. Details of additions in line length for 400 kV, 220 kV and 132 kV may also be supplied.

9. Detailed break-up of 'Any Other Expenses' may be supplied (Refer Table 20)

10. Detailed break-up of terminal benefits may be supplied.
    - From the data supplied in paras 8.3.1 & 8.3.2 (Page 34) and 8.3.4 (Page 33) it appears that 294 employees retired during H1 (2012-13) and 144 persons are likely to retire during H2 (2012-13) as per para 8.3.6. The expenses on account of terminal benefits during H1 (2012-13) has been shown as Rs.13.76 crore whereas the same has been estimated at Rs.20 .46 crore for H2 (2012-13).The

increase in H2 may be justified considering the fact of lesser no. of retirements during the second half year.

- The expenditure incurred on HRA, Fixed Medical and Other Allowances during H1 (2012-13) is Rs. 7.89 crore which is 19.62% of basic pay whereas it has been estimated for H2 (2012-13) at Rs. 14.26 crore which works out to 32.26% of basic pay. The reasons for estimating these expenses at higher rate may be justified.
- As per Sr. No. 6 (10) Transfer of personnel of the GoP Notification No.1/9/08-EB(PR)/196 dated 16.4.2010 called the Punjab Power Sector Reforms Transfer Scheme 2010, all obligations in respect of pension, gratuity, leave encashment and other retirement benefits including provident fund, superannuation/gratuity to the employees, who have retired from the services of the Board before the effective date of transfer, shall be discharged by Powercom. In Table-20 of the ARR retiral benefits have been depicted as Rs. 73.94 (34.21+39.73) crore for FY 2012-13 and Rs. 77.29 (27.30+49.99) crore for FY 2013-14. In view of the decision contained in the Transfer Scheme, the expenditure may be justified.
- In Table -20 total employee cost of Rs. 232.49 crore and Rs. 273.22 crore has been shown for FY 2012-13 and FY 2013-14 respectively. Besides this, employee cost of Rs. 23.45 crore and Rs. 28.99 crore has also been depicted in Table -19 for FY 2012-13 and FY 2013-14 respectively on account of expenses towards new installations (new employees). It may please be clarified whether or not the employee cost in respect of new installations/employees stands included in the employee cost claimed in Table -20 ibid.

11. **R&M expenses:**

Actual expenditure for H1 (2012-13) has been shown as Rs. 10.19 crore. However, total expenditure for FY 2012-13 has been estimated as Rs. 69.38 crore. Basis of these estimation and reasons for showing 5 times increase in H2 (2012-13) may be supplied.

R&M for asset addition is allowed for true up and not for projection year as per Regulations. Basis of making the claim for FY 2013-14 may be given.

12. **A&G expenses:** The following information may be supplied:

(Refer Para 8.5.9)

- Expenses for security staff may be given with date of recruitment of such staff.
- A perusal of table 25 shows that actual A&G expenses for H1 (2012-13) are Rs. 7.50 crore. Against this, more than three times increase has been made in estimation of expenditure for H2 (2012-13). Please explain. Also almost one and half times increase has been shown in projections for FY 2013-14. Please justify.

13. **Depreciation:**

The following information may be supplied:

- Dates of assets added/capitalized during FY 2012-13 upto Nov. 2012.
- Dates on which assets are likely to be added during the period Dec, 2012 to March, 2013.
- Basis of opening balances of GFA in the absence of audited accounts for FY 2010-11 and FY 2011-12 and in the light of the fact that opening balances as on 16-4-2010 have not been notified by the Govt. of Punjab.

14. **Interest and Finance charges:**

- The opening balance of loans as per Tariff Order is Rs. 1716.05 crore but the opening balances in format F-21/table-30 is shown as Rs. 1623.23 crore. The difference may be reconciled.
- Complete details of source-wise/loan-wise details viz rate of interest, actual interest paid/payable etc. on borrowings (loan portfolio) for FY 2012-13 and FY 2013-14 may be supplied to the Commission.

15. **Return on Equity (RoE)**

The Commission has allowed RoE at 15.5% as per directions of APTEL. However, Table-31 shows a claim of 22.95% on this account. Please explain.

16. **Non Tariff Income:** Basis of projection of Non Tariff Income at Rs. 5.76 crore and Rs. 2.66 crore for FY 2012-13 and 2013-14 may be submitted.

17. **Sr. No. 12 of Table -34** shows revenue from Tariff and Open Access charges of Rs. 833.31 crore and Rs. 1207.41 crore. Break-up of OA charges and revenue from Tariff may be filed separately.

SLDC Business

18. **Employee Cost**

A perusal of Employee Cost in Table-35 shows that estimation of headwise expenses for H2 (2012-13) is more than twice the amount of actual expenditure incurred during H1 (2012-13). Basis of projection of such increase in expenditure may be given. Basis of projections for such expenses for FY 2013-14 may also be supplied.

19. **R&M Expenses**

- Additional R&M expenses of Rs. 5.04 crore have been claimed for asset addition of Rs. 18.40 crore during the FY 2013-14. This claim being based on projections, the date of capitalization of the asset cannot be mentioned. Hence, R&M expenses for asset addition are to be allowed for six months only. Therefore, the R&M expenses claim be revised to Rs. 2.52 crore in place of Rs. 5.04 crore.
- Basis of increased estimation during H2 (2012-13) under the head Plant & Machinery may be supplied.
- Basis of claim of R&M on asset addition during the year may be filed.
- Basis of preparation of R&M expenses for FY 2013-14 may be intimated.

20. **A&G Expenses**

- Basis of estimation of A&G Expenses/projections for H2 (2012-13) at Rs.1.64 crore against actual expenses of Rs.0.11 crore incurred during H1 (2012-13).
- Basis of estimation of A&G Expenses/projections for asset addition during FY 2012-13 and FY 2013-14 may be filed.

21. **ULDC charges**

- ULDC charges for H1(2012-13) are Rs.4.69 crore. Basis for estimation of ULDC charges of Rs.12.61 crore for H2 (2012-13) & projections of such charges at Rs.31.40 crore for FY 2013-14 may be submitted.

22. **Capital Expenditure**

- Actual Capex upto 30th November, 2012 may be submitted to the Commission.
- Also the basis of Capex Projections for FY 2012-13 & FY 2013-14 may be supplied.

23. **Depreciation**

- Under Table 47 Depreciation rates for various items has been taken as per CERC tariff regulations, 2009. However, depreciation rates for RTUs which is a major component of the capital expenditure i.e. Rs. 12.50 crore out of Rs. 18.40 crore has not been indicated. As per CERC regulations, 2009, the depreciation rate for plant and machinery is 5.28% whereas for IT equipment depreciation rate is 15%. The useful life of RTUs is not more than 10 years.
- Opening Balance of assets as on 1.4.2012 & 1.4.2013 may be intimated.
- Addition of Assets, if any, in terms of date of capitalization/COD may also be intimated.

24. Non Tariff Income

- It has been intimated that Non Tariff Income (Income from OA Consumers) cannot be estimated as it is an infirm source of revenue. In this regard, details of revenue earned during the same period last year may be intimated.
- Details of Reactive energy charges (Ref. Para 17.3) may be submitted.

25. Transmission System Capacity

i) The Transmission Capacity connected to the transmission system should be the sum of net generating capacities (not gross). The generating capacities taken in Table 4 of ARR are the gross generating capacities. Submit net generating capacities of the generating stations for determining the transmission system capacity.

(ii) Project-wise brake up of capacities (gross and net) of Central Sector, BBMB and new projects be submitted.

(iii) The dates of Commission of new projects also needs to be submitted.

(iv) The costs being shared by J&K and HP for the capacities allocated to them, have not been indicated. These costs need to be deducted from the total ARR.

26. Compliance to Directives of the Commission

Tariff Order for FY 2011-12

- It has been submitted that the lists of loading condition of transmission lines and sub-stations, are attached as per Annexure-I & II. But the same has not been found enclosed (Refer Sr. No.3, P-85).
- It has been submitted that the copy of the report on earth resistance of 220/132 KV Grid Sub-station is attached as Annexure-III. However, the same has not been found enclosed (Refer Sr. No. 7, P-87).

New Directives issued in Tariff Order for FY 2012-13

- It has been submitted that the action regarding formation of Coordination Committee of both companies has been initiated and office order in this regard will be issued shortly. The latest position in this regard be intimated (Ref Sr. No. 1, P-87).

Secretary