

## Replies to Deficiencies –

PSTCL Petition for approval of True-up of ARR for FY 2014-15, Review of ARR for FY 2016-17 and approval of ARR forecast and determination of Tariff for the Control Period from FY 2017-18 to FY 2019-20

### 1. Audit Report

- a) The Audited Annual Accounts for FY 2015-16 may be furnished for determination of Tariff for Control Period under MYT Regulations.

**PSTCL's Reply:**

The Annual Accounts for FY 2015-16 are yet to be finalized. PSTCL will submit the Audited Annual Accounts for FY 2015-16 once it is finalized and audited.

- b) Cost Audit Report for FY 2014-15 may also be furnished.

**PSTCL's Reply:**

The Cost Audit Report for FY 2014-15 is attached as **Annexure I** to this document.

### 2. Employee Cost

- a) Actual employee cost for FY 2014-15 is Rs. 355.62 Crore (Table 4) whereas PSTCL estimated employee cost of Rs. 468.90 Crore for FY 2016-17 (Table 34) and projected employee cost of Rs. 487.35 Crore, Rs. 511.81 Crore and Rs. 539.54 Crore for FY 2017-18, FY 2018-19 and FY 2019-20 (Table 61), respectively. Please justify hike in employee cost.

**PSTCL's Reply:**

The actual employee cost is Rs. 355.62 Crore for FY 2014-15 (Table 4) and Rs. 403.96 Crore for FY 2015-16 (Format C4).

For FY 2016-17, the PSTCL has projected the employee costs on the following basis:

- a) The actual employee cost for H1 of FY 2016-17 has been considered.
- b) The impact of payment of basic and grade pay for three (3) months from January 2017 to March 2017 against the proposed recruitment of 838 Nos. of employees has been considered.
- c) The impact of 6% hike in Dearness Allowance (DA) has been considered in H2 of FY 2016-17.
- d) An amount of Rs. 1.38 Crore towards final instalment of the arrears of DA for the period of April 1, 2014 to September 30, 2014 has been considered in H2 of FY 2016-17.

For projection of employee costs for the Control Period, as mentioned in Table 63 and 64 of the Petition, PSTCL has considered the following basis:

- a) The impact of proposed recruitment has been considered in Basic Pay for projection of employee costs for the Control Period. The proposed employee strength for the Control Period is submitted in

- Format C5.
- b) Annual increase of 3% considered in Basic Pay for the existing and new employees.
  - c) Since, the impact of increase in DA from 119% to 125% has already been considered in FY 2016-17, the DA of 125% has been considered for the Control Period. However, it is expected that DA will further increase from 125% during the Control Period and the impact of the same shall be considered at the time of APR.

PSTCL respectfully submits that it has not considered any abnormal increase in the Employee Costs for FY 2016-17 as well as during the Control Period, however, it has considered the legitimate expenses, which are payable by PSTCL to its employees as per statutory requirements.

Further, PSTCL has not considered the impact of Wage Revision of 6<sup>th</sup> Pay Commission during the Control Period. PSTCL craves leave to submit these expenses on actual basis, since these expenses are being allowed on actual basis as per PSERC MYT Regulations, 2014.

### 3. Repair and Maintenance

Actual Repair and Maintenance expenses for the FY 2014-15 are Rs. 37.15 Crore and the actual R&M expenses for first half (H1) of FY 2016-17 are Rs. 11.51 Crore. But PSTCL projected R&M expenses as Rs. 59.16 Crore for FY 2016-17. Keeping in view the actual R&M expenses, projection of Rs. 59.16 Crore for FY 2016-17 may be justified.

#### PSTCL's Reply:

PSTCL in its Petition had submitted the normative R&M expenses for FY 2016-17 in accordance with the methodology adopted by the Hon'ble Commission in Tariff Order for FY 2016-17. PSTCL also submitted that it shall consider the actual R&M Expenses at the time of true-up, since the actual expenses for FY 2016-17 are not available at this stage. Hence, in such case, the comparison of actual R&M expenses for FY 2014-15 and normative R&M expenses for FY 2016-17 would not be appropriate. The normative R&M expenses of Rs. 59.16 Crore for FY 2016-17 are comparable to the normative R&M expenses of Rs. 44.77 Crore for FY 2014-15 (Table 10 of the Petition). Also, PSTCL has not considered any deviation from the methodology adopted by the Hon'ble Commission in Tariff Order for FY 2016-17.

It may be noted that the normative R&M expenses for FY 2014-15 is computed as Rs. 44.77 Crore, however, the actual R&M expenses are Rs. 37.15 Crore, which is lower than normative. If the actual R&M expenses for FY 2016-17 is lower than the normative expenses as was the case for FY 2014-15, the same can be considered at the time of true-up.

### 4. A&G Expenses

- a) PSTCL claimed Rs. 30.19 (29.37+0.82) Crore the A&G Expenses for FY

2014-15 whereas it is Rs. 29.96 Crore as per Note 26 of Audited Annual Accounts for FY 2014-15. Explain the reasons for differences.

b) Actual A&G Expenses for first Half (H1) of FY 2016-17 are Rs. 8.90 crore. The projection for FY 2016-17 as Rs. 25.65 Crore may please be justified.

**PSTCL's Reply:**

a) PSTCL has considered the Lease Rentals of Rs. 0.23 Crore as mentioned in Note 23 of Audited Annual Accounts under A&G Expenses. Hence, A&G expenses submitted in the Petition are Rs. 30.19 Crore i.e., Rs. (29.96+0.23) Crore.

b) PSTCL in its Petition had submitted the normative A&G expenses for FY 2016-17 in accordance with the methodology adopted by the Hon'ble Commission in Tariff Order for FY 2016-17. PSTCL also submitted that it shall consider the actual A&G Expenses at the time of true-up, since the actual expenses for FY 2016-17 are not available at this stage. The normative A&G expenses of Rs. 25.65 Crore for FY 2016-17 are comparable to the normative A&G expenses of Rs. 20.33 Crore for FY 2014-15. (Table 12 of the Petition). Also, PSTCL has not considered any deviation from the methodology adopted by the Hon'ble Commission in Tariff Order for FY 2016-17.

It may also be noted that billing towards various contracts/POs/AMCs will be done only after the submission of bill from the respective Vendor and mostly during the last quarter of the financial year. Hence, it is expected that the A&G Expenses in H2 of FY 2016-17 would be higher than H1 of FY 2016-17. The proposed A&G expenses for FY 2016-17 are also lower than actual A&G Expenses of Rs. 30.20 Crore for FY 2014-15.

**5. Depreciation**

Depreciation for FY 2013-14 was Rs. 139.14 Crore which has been increase to Rs. 228.91 Crore in FY 2014-15. Sub-head wise detail of Assets and depreciation for FY 2014-15 and FY 2015-16 may be provided.

**PSTCL's Reply:**

The sub-head wise detail of assets and depreciation for FY 2014-15 and FY 2015-16 is attached as **Annexure II** to this document.

**6. Interest and Finance Charges**

Please specify the purpose of each loan on which Interest and Finance Charges as Rs. 350.03 Crore for FY 2014-15 and Rs. 408.68 Crore for FY 2016-17 are payable.

**PSTCL's Reply:**

PSTCL submits that during FY 2014-15, it has taken loan of Rs. 397.29 Crore from Rural Electrification Corporation Ltd. (REC), Rs. 43.51 Crore from NABARD, Rs. 60 Crore from State Bank of Patiala (SBOP) and Rs. 67.74 Crore

from Bank of India for funding of capital expenditure only. All other loans are the outstanding loans prior to FY 2014-15.

During FY 2016-17, PSTCL has proposed new loans for funding of capital expenditure only.

#### 7. Non-Tariff Income

Non-tariff income has been shown as Rs. 37.23 Crore and revenue from tariff has been shown as Rs. 895.66 Crore for FY 2014-15 and total revenue works out to Rs. 932.89 Crore whereas total revenue as per Audited Annual Account for FY 2014-15 is Rs. 971.93 Crore. Difference may be clarified.

Income from Open Access has been projected for second half of FY 2016-17 as Nil against the income of Open Access for first half of FY 2016-17 of Rs. 19.11 Crore. Please justify the projection of Open Access for FY 2016-17.

#### PSTCL's Reply:

PSTCL submits that the difference in the revenue submitted in the Petition (Rs. 932.89 Crore) and revenue as per Audited Annual Accounts (Rs. 971.93 Crore) is Rs. 39.05 Crore towards Un-recovered amount of Carrying Cost from Government of Punjab. PSTCL has not considered this revenue for computation of Revenue Gap for FY 2014-15. This aspect has been clarified in the Petition by PSTCL and PSTCL reiterates its submission made in the Petition as under:

The revenue of Rs. 39.05 Crore is shown against Un-recovered amount of carrying cost on Government of Punjab, which was recognized by the Hon'ble Commission in Tariff Order for FY 2014-15 and has not been allowed to be recovered from PSPCL. Hon'ble Commission in Tariff Order for FY 2014-15 has not considered the carrying cost while deciding the tariff for FY 2014-15. The relevant extract of the Order is shown as under:

*"6.14.3. ... Thus, the total carrying cost receivable by PSTCL works out to ₹42.48 crore out of which ₹3.43 (51.35-47.92) crore is payable by PSPCL and ₹39.05 (31.07+7.98) crore is payable by Government of Punjab."*

Further, the Petitioner in Review of ARR for FY 2014-15 has claimed the amount of Rs. 39.05 Crore. The Hon'ble Commission in tariff Order dated May 5, 2015 ruled as under:

*"3.14 Uncovered amount of Carrying Cost on GoP as per Tariff Order for FY 2014-15*

*PSTCL has submitted that the Commission in its T.O. for FY 2014-15 passed on carrying cost of ₹39.05 crore to the GoP due to delay in the finalization on the Opening Balance Sheet of PSTCL by the Government. PSTCL has argued that since this amount was not allowed to be recovered through tariff from PSPCL, the same may be allowed to be recovered. The issue has already been decided in para 6.14 of Tariff Order for FY 2014-15 of PSTCL. The matter may be taken by PSTCL with GoP."*

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In view of the above, the Petitioner submits that the amount of Rs. 39.05 Crore towards unrecovered amount of carrying cost from Government of Punjab has not been allowed as expenses in past tariff Orders, hence, the revenue against such expenses should not be considered while computing the revenue gap for FY 2014-15.

As regards the Non-tariff income from Open Access consumers towards transmission charges, PSTCL submits that it has considered the income of Rs. 19.11 Crore in H1 of FY 2016-17 based on actual values. However, it is difficult to project the income from such Open Access consumers during H2 of FY 2016-17 considering the changing scenario and availability of power during the State. Hence, PSTCL has not projected such income during H2 of FY 2016-17.

  
20/12/16  
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