

REPLY TO DEFECIENCIES

FINANCIAL

1. True-up for FY 2016-17:

(i) As per Regulation 12 of PSERC (Terms and Conditions for Determination of Generation, Transmission, Wheeling and Retail Supply Tariff) Regulations, 2014 (hereinafter referred to as MYT Regulations), the True up for FY 2016-17 has to be submitted with the APR for FY 2017-18. The same be submitted now along with the following:

a. The Audit Report of Statutory Auditor and the comments of Comptroller and Auditor General of India on Annual Accounts of FY 2016-17 as per the Companies Act.

b. Cost Audit Report and Compliance Report(s) for FY 2016-17 may also be furnished.

(ii) Further, delay in filing of True Up for FY 2016-17 may attract the decision of the Hon'ble APTEL dated 01.12.2015 in Appeal No. 146 of 2014, which holds that carrying cost on gap should not be allowed for non-submission of audited accounts.

PSTCL's Reply:

Finalization of annual accounts of FY 2016-17 was pending due to implementation of Ind. AS. Now the annual accounts have been finalized and the same is being put up before Board of Directors for approval. After approval of BOD Statutory auditor will give its report and C&AG audit will commence.

2. Revised Estimated for FY 2018-19:

PSTCL has filed the instant Petition for Annual Performance Review (APR) of FY 2017-18 (with proposed Net ARR of ₹1403.72 crore and Revised Estimates for FY 2018-19 (with proposed Net Revenue Requirement (NRR) of ₹1487.98 crore).

The Commission, in Tariff Order of PSTCL dated 23.10.2017, approved the Projections of FY 2017-18, FY 2018-19 and FY 2019-20 wherein NRR of ₹1234.87 crore, ₹1283.86 crore and ₹1337.15 crore for PSTCL.

Annual Performance Review (APR) to be carried out is governed by Regulation 11 of MYT Regulations. The scope of the Annual Performance Review is comparison of the performance of the Applicant with the approved forecast of ARR along with the performance targets specified by the Commission [Regulation 11(7) of MYT Regulations]. The Petition for Annual Performance Review is to include the details of actual capital expenditure, details of income tax paid and actual operational and cost data to enable the Commission to monitor the implementation of its order including comparison of actual performance with the approved forecasts (and reasons for deviations). Additionally, the Applicant has to submit Annual Statement of its performance of transmission business including a copy of its latest audited accounts. [Regulation 11(4) of MYT Regulations]. Projections of FY 2018-19 have

already been finalized in PSTCL's Tariff Order dated 23.10.2017 and there is no provision for revised projections. The petition may be re-examined/ amended accordingly.

PSTCL's Reply:

The Hon'ble Commission in Tariff Order dated October 23, 2017 has approved Aggregate Revenue Requirement the Control Period for FY 2017-18 to FY 2019-20 and Transmission tariff for FY 2017-18. The Hon'ble Commission has approved ARR for Control period on the basis of audited accounts for FY 2015-16 and provisional accounts for FY 2016-17.

PSTCL is of view that the ARR approved in Order dated October 23, 2017 has not attained finality. While approving the ARR for Control Period, capital investment plan was provisionally approved. Further, it is noted that Hon'ble Commission vide Order dated December 13, 2017 has approved the Capital Investment Plan for the Control Period for FY 2017-18 to FY 2019-20.

Further, as regards the Employee cost for the Control period, the Hon'ble Commission in para 5.5.5 of Order dated October 23, 2017 stated that it has considered actual amount of employee cost of FY 2015-16 from the Audited Annual Accounts of FY 2015-16 as base for deriving the allowable amount of employee cost for the Control Period, however, the employee cost of Control Period will be re-determined after the True up of FY 2016-17, based on the Audited Annual Accounts. Hence, the employee cost allowable for Control Period shall bound to be changed after True-up for FY 2016-17.

As per Regulation 11 and 63 of PSERC MYT Regulations, 2014, PSTCL has to file the Annual Performance Review for each year of the Control period. As per Regulation 11.6 of PSERC MYT Regulations, 2014, the Applicant has to submit the information for the purpose of calculating the expected tariff and expenditure along with information on financial and operational performance for the previous year(s). It is understood that the expected tariff and expenditure would be for FY 2018-19, for which the tariff is to be determined in the present Petition, not for ongoing FY of 2017-18.

Further, as per Regulation 11.8 of PSERC MYT Regulations, 2014, the Hon'ble Commission shall either approve the proposed modifications(s) with such charges. The modifications in ARR for FY 2017-18 would lead to change in ARR for FY 2018-19, because of changes in closing balances of Gross Fixed assets, loans and Other expenses.

In view of the above, it is humbly submitted that the ARR for FY 2017-18 and FY 2018-19 shall be revised in the present Petition and the impact of the same shall also be considered in transmission tariff for FY 2018-19.



The copy of audited accounts for FY 2015-16 has already been submitted to Hon'ble Commission while True Up and the provisional accounts for FY 2016-17 have also been submitted already to the Hon'ble Commission .

3. Capital expenditure:

PSTCL in the instant Petition has proposed capital expenditure of ₹385.50 crore against the Commission's approval of ₹338.29 crore for FY 2017-18 in PSTCL's Tariff Order. In this regard, relevant extract of Regulation 9 of MYT Regulations is reproduced below for reference:

"9.8. In the normal course, the Commission shall not revisit the approved capital investment plan during the control period. However, during the Annual Performance Review, the Commission shall monitor the year wise progress of the actual capital expenditure incurred by the Applicant vis-à-vis the approved capital expenditure.

9.9. In case the capital expenditure is required for emergency work which has not been approved in the capital investment plan, the respective Applicant shall submit an application (containing all relevant information along with reasons justifying emergency nature of the proposed work) seeking approval by the Commission..."

As required by Regulation 9, PSTCL has not filed any application for approval of additional capital expenditure and has directly sought a capital expenditure of ₹375.50 crore against approved capital expenditure of ₹328.29 crore. As per the provisions of Regulation 9, PSTCL was required to file an application for approval of additional capital expenditure with detailed submissions, citing specific reasons. The petition may be re-examined/ amended accordingly.

PSTCL's Reply:

PSTCL has filed the Petition for approval of Capital Investment Plan (Petition No. 44 of 2016) for the Control Period from FY 2017-18 to FY 2019-20 on May 30, 2016, in accordance with Regulation 9 and 10 of PSERC MYT Regulations, 2014. Further, Hon'ble Commission in Order dated October 23, 2017 has provisionally approved Capital Investment without indicating approval towards any specific scheme and stated that final Order shall be issued separately.

Further, it is noted that Hon'ble Commission vide Order dated December 13, 2017 has approved the Capital Investment Plan for the Control Period for FY 2017-18 to FY 2019-20. However, at time of filing of the Petition, final approval of scheme wise Capital Investment Plan was not available for PSTCL.

The PSTCL is analyzing the scheme wise approval accorded by the Hon'ble Commission. PSTCL will submit the application for approval of additional capital expenditure subsequently.

4. Depreciation:

As per MYT Regulations, Depreciation for generation and transmission assets shall be calculated annually as per straight line method over the useful life of the asset. Provided that the total depreciation during the life of the asset shall not

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exceed 90% of the original cost. Also, the remaining depreciable value as on 31st March of the year closing after a period of 12 years from date of commercial operation / put in use of the asset shall be spread over the balance useful life of the asset. Please provide the details of depreciation on assets in light of the aforesaid regulation incorporating the following:

- Details may be prepared head wise for all assets with further break up of each asset to account codes.
- For ease of understanding, the details may be provided as per format attached (Format-I)

PSTCL's Reply:

It is required by PSERC to enter the relevant figures of additions of fixed assets and corresponding depreciation for past 12 years starting from FY 2005-06 to FY 2017-18 in the format of depreciation table attached at Format – I for the FY 2017-18.

In this regard it is submitted that PSTCL was incorporated on 16.04.2010 after unbundling of erstwhile PSEB and opening balances were vested through transfer notification by Govt. of Punjab on 24.12.2012 and division wise balances as on 16.04.2010 were given by PSPCL at corporate level. Therefore balances of any account head including fixed assets and accumulated depreciation are not available as on 31.03.2005 at corporate level (as required in the above said format of PSERC).

As additions made after 16.04.2010 upto 31.03.2017 relating to fixed is available at corporate level and accumulated depreciation for the period 16.04.2010 to 31.03.2017 total as a whole (not separately on additions during this period) is available .

5. Long Term Loan:

In case of transmission business, long term loans for FY 2017-18 have been approved at ₹229.80 crore whereas in the petition it has been shown at ₹284.58 crore which is not consistent with the total Capital expenditure of ₹328.29 crore approved by the Commission. Reasons for the variation/deviation be given.

Furnish the scheme wise details of actual loan raised by the utility during FY 2017-18 along with loan agreements with lenders. The details should clearly depict the scheme wise opening loan balance, loan requirement and loan repayment for each year separately.

PSTCL's Reply:

As regards the funding of capital expenditure, the PSTCL has proposed the following approach:

- (a) PSERC MYT Regulations, 2014 specifies the normative debt:equity ratio of 70:30.
- (b) PSTCL is entitled to earn minimum profit equivalent to ROE every year. PSTCL will utilise the said profit being internal accruals as equity infusion for the capital expenditure during the Control Period. The PSTCL has considered

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the equity amount at 30% of the capital expenditure limited to the extent of Return of Equity considered for previous year.

(c) The remaining funding of capital works shall be carried out by taking loans from banks and/or financial institutions.

Since, capital expenditure has been revised to Rs. 375.50 Crore in the present Petition, the debt amount has been revised to Rs. 284.58 Crore on the basis of the above principle.

Further, the works being undertaken during FY 2017-18 include spill over works of previous years. The Loans for these works are already tied up in previous years, so there are no new fresh loan agreements entered during FY 2017-18 till date.

The actual loan details are attached as **Annexure I** to this document.

6. Miscellaneous:

While going through the expenditure incurred in the first half and to be incurred in the second half of FY 2017-18, it is revealed there is variation from the forecast approved by the Commission for FY 2017-18, in case of transmission and SLDC business. However, the reasons for the deviation have not been given in the petition filed by PSTCL. The same is required to be furnished by PSTCL.

PSTCL's Reply:

The reasons for deviation against each head as desired by Hon'ble Commission is as under:

Other Employee Cost:

Hon'ble Commission in Order dated October 23, 2017 has approved Other Employee cost of Rs. 141.29 Crore for FY 2017-18 on normative basis after taking into account the approved Other Employee cost for FY 2015-16. Regarding the Other Employee cost approved by Hon'ble Commission, PSTCL has found the following difficulties:

- a) For computing the normative employee cost, Hon'ble Commission has considered the approved other Employee costs for FY 2015-16 instead of actual Other Employee Cost. The approved Employee cost for FY 2015-16 is derived on the basis of actual cost of FY 2011-12 and applicable WPI and CPI Increase. The approach adopted is not prudent.
- (b) Employee Costs approved for FY 2017-18 as Rs. 437.33 Crore is lower than the provisional values for Employee costs for FY 2016-17. Hence, there is genuine difficulty regarding the Employee Costs.
- (c) The employee costs approved in MYT Order does not include the impact of addition of new employees in FY 2017-18 onwards.

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- (d) The employee costs approved in MYT Order does not include Interim Relief Paid to employees in FY 2017-18 onwards.

In view of the above, PSTCL has revised other Employee Cost for FY 2017-18 on the basis of proposed employee addition, increase in Basic, DA, IR and provisional expenses for FY 2016-17. The detailed reasoning has already been provided in the Annual Performance Review Petition.

Capital Expenditure and Capitalization:

The Hon'ble Commission has provisionally approved the Capital Investment Plan (Petition No. 44 of 2016) and final Order in this regard shall be issued separately. Further, it is noted that Hon'ble Commission vide Order dated December 13, 2017 has approved the Capital Investment Plan for the Control Period for FY 2017-18 to FY 2019-20. At the time of filing of the Petition, no final approval for Capital Investment Plan was available with PSTCL.

Depreciation

PSTCL in the present Petition has computed the depreciation after taking into account the closing GFA as per provisional accounts for FY 2016-17 as opening GFA for FY 2017-18 and; addition of GFA equivalent to revised capitalisation proposed for FY 2017-18. Further, the computation of depreciation rate of 5.24% has already been provided in the formats submitted along with the present Petition.

Interest on Long term loan

The interest on Long term loan has been revised based on revised debt amount considered and actual loan for first half for FY 2017-18.

For the purpose of the present Petition, PSTCL has considered the Opening loan as on April 1, 2017 based on the provisional accounts for FY 2016-17 and approach adopted by PSTCL in previous Tariff Petitions. PSTCL has objected the approach of the Hon'ble Commission for not considering the loan against the funding of capital expenditure in FY 2014-15 and FY 2015-16. The detailed reasoning has already been provided in the present Petition.

Interest on Working Capital

The Interest on working capital is being revised because of revision in O&M Expenses and Net ARR proposed for FY 2017-18.

Non-tariff Income

The non-tariff Income has been proposed based on Non-tariff income realised in provisional accounts for FY 2016-17 after excluding the non-recurring item of Rs. 28.48 Crore.

TECHNICAL

7. The figures submitted in Table 6 (page 13) be got validated from PSPCL/SLDC.

PSTCL's Reply:

The transmission losses submitted in Table 6 of the Petition has been validated by SLDC. The SLDC certificate for the actual Transmission Losses is attached as **Annexure II** to this document.

8. The transmission system availability is required to be validated from SLDC.

PSTCL's Reply:

The transmission system availability has been validated by SLDC. The SLDC certificate for the actual Transmission system availability is attached as **Annexure III** to this document.

9. In the format for transmission system capacity for FY 2018-19, the capacities of NRSE private projects (Sr. No. 4.4) has been taken into account while calculating the transmission capacity of PSTCL. The NRSE projects are generally connected with on 11/66 kV sub-stations, which is beyond the scope of PSTCL. As such, the transmission system capacity needs to be reviewed.

PSTCL's Reply:

PSTCL has considered the transmission system capacity for FY 2018-19 as submitted by PSPCL. The details of NRSE projected connected to 11/66 kV substations are not available at this stage. Hon'ble Commission may take an appropriate view in this regard.


Financial Advisor,
PSTCL, Patiala.

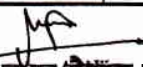
Annexure I

Scheme wise balance, of PSTCL

	Scheme No.	Name of Scheme	Balance as on 01.04.2017	Received (Projected)	Repaid (Projected)	Balance as on 31.03.2018 (Projected)
1	161240	P:SI 220KV Transmission	0.31	0	0.31	0.00
2	161241	P:SI 220KV Transmission	0.31	0	0.31	0.00
3	161264	P:SI 220KV Transmission	0.50	0	0.50	0.00
4	161282	P:SI 220KV Transmission	4.78	0	2.39	2.39
5	161373	P:SI 220KV Transmission	31.52	0	10.51	21.01
6	161414	P:SI 132KV Transmission	9.93	0	2.48	7.45
7	161415	P:SI 220KV Transmission	36.61	0	9.15	27.46
8	161416	P:SI 220KV Transmission	22.33	0	5.58	16.75
9	161423	P:SI 220KV Transmission	36.39	0	6.07	30.33
10	161424	P:SI 132KV Transmission	10.39	0	1.73	8.66
11	3128	400KV Talwandi Saboo Proj.	800.46	0.00	69.61	730.85
12	3279	132/220KV Transmission	48.45	2.43	4.24	46.64
13	3280	132/220KV Transmission	48.81	0.00	4.07	44.74
14	4356	400KV Rajpura Project	384.89	47.39	31.00	401.28
15	4357	220KV Goindwal Sahib	130.70	12.06	10.89	131.86
16	4439	P:SI 220KV Transmission	320.25	8.11	23.45	304.91
17	4568	P:SI 220KV Transmission	235.68	5.00	16.83	223.84
18	5363	Bulk transformer	12.07	5.00	1.34	15.73
19	5514	P:SI 220KV Transmission	52.89	0.00	3.78	49.12
20	6118	P:SI 220KV Transmission	77.29	0.00	5.52	71.77
21	6440	P:SI 220KV Transmission	55.56	0.00	3.70	51.85
22	6853	Centerized Lab P&M	14.98	0.00	1.50	13.48
23	7220	P:SI 220KV Transmission	156.47	0.00	10.43	146.04
24	7262	132/220KV Transmission	106.78	0.00	7.12	99.66
25	7517	132/220KV Transmission	38.34	0.00	2.56	35.78
26	7958	132/220KV Transmission	99.68	9.28	0	108.95
27	8361	132/220KV Transmission	118.64	35.99	0	154.63
28	8739	Bulk transformer	9.86	0.00	0	9.86
29	10191	132/220KV Transmission	10.36	10.00	0	20.36
30	10192	132/220KV Transmission	12.79	41.64	0	54.42
31	10194	132/220KV Transmission	39.52	20.04	0	59.56
REC 1 to 31	Total-A	Total REC	2927.53	196.93	235.07	2889.39
1	NABARD-X	132/220KV Transmission	61.07	1.88	1.31	61.64
2	NABARD-XV	132/220KV Transmission	57.36	1.59	1.23	57.73
3	NABARD-XVII	132/220KV Transmission	30.17	1.73	0.70	31.20
4	NABARD-XX	132/220KV Transmission	48.99	27.26	0	76.25
1 to 4	Total NIDA -B	NIDA	197.59	32.46	3.24	226.81
SBI	65220857212	SBI/MTL, 5 year	44.00	0	15.77	28.23
LIC	LIC/42,43	LIC	33.97	0	22.83	11.14
PSPCL	65166946057	PSPCL/LTL	495.57	0	0	495.57
PSPCL	PSPC PF Trust	GPF Liability	131.74	0	21.96	109.78
PSPCL	PO. No. 6052	11KV VCBs/ CE, TS	7.59	0	0	7.59
BOI	BOI-08	Term Loan, 8+2 Year	67.74	0	0	67.74
BOI	BOI-10	Term Loan, 8+2 Year	120.71	0	0	120.71
PFC	PFC-06398001	Long Term Loan, 3+7 Year	61.05	55.19	0	116.24
Total			4087.49	284.58	298.87	4073.20

Scheme wise balance, of SLDC

1	5513	47 no. RTU/ CE.SLDC	4.04	0.80	2.11	2.73
2	6893	ISBM/SLDC	2.66	6.20	0	8.86
		Total	6.70	7.00	2.11	11.59
G. Total			4094.20	291.58	300.98	4084.79


 ਲੇਖਾ ਅਫਸਰ/ਬੈਂਕਿੰਗ ਤੇ ਲੋਨ

PSTCL Transmission Losses from April, 2017 to September, 2017

FY 2017-2018

Month	MWH injected in PSTCL S/S (A)	Total Energy exchanged between PSTCL Substations and Distribution System (T-D) (B)	PSTCL Transmission Losses=A-B	PSTCL Transmission Losses (%age)
April, 2017	-3178327.86	-3072797.821	-105530.039	3.32
May, 2017	-4582304.186	-4448237.604	-134066.582	2.92
June, 2017	-4981670.652	-4851319.396	-130351.256	2.61
July, 17	-6603950.785	-6471100.035	-132850.7498	2.01
August, 2017	-6178638.744	-5966839.339	-211799.405	3.42
September, 2017	-5336483.757	-5127861.048	-208622.709	3.90
Total	-30861375.98	-29938155.24	-923220.7408	2.991

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CE/SLDC

Ablowal, Patiala

Transmission Availability from April 2017 to September 2017

Transmission Availability		
Sr. No.	Month	Availability
1	Apr-17	99.95
2	May-17	99.96
3	Jun-17	99.93
4	Jul-17	99.92
5	Aug-17	99.93
6	Sep-17	99.92
	Average	99.94%

Sandhu
CE/SLDC
Ablawal, Patiala