

**Before the**  
**MAHARASHTRA ELECTRICITY REGULATORY COMMISSION**  
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**CASE No. 167 of 2017**

**In the matter of**  
**Petition of Jaigad Power Transco Ltd. for Truing-up of ARR for FY 2015-16 and**  
**FY 2016-17, Provisional Truing-up of ARR for FY 2017-18 and revised ARR for FY**  
**2018-19 to FY 2019-20**

**Coram**

**Shri Anand B. Kulkarni, Chairperson**

**Shri I. M. Bohari, Member**

**Shri Mukesh Khullar, Member**

**ORDER**

**Date: 12 September, 2018**

M/s Jaigad Power Transco Limited (JPTL), JSW Centre, Bandra Kurla Complex, Bandra (East), Mumbai, has filed a Petition on 29 November, 2017 for Truing-up of ARR for FY 2015-16 and FY 2016-17, Provisional Truing-up of ARR for FY 2017-18 and revised ARR for FY 2018-19 and FY 2019-20.

The Petition has been submitted in accordance with the MERC (Multi Year Tariff) Regulations 2011 (“MYT Regulations, 2011”), for Truing-up of ARR for FY 2015-16 and in accordance with MERC (Multi Year Tariff) Regulations 2015 (“MYT Regulations, 2015”) for Truing-up of ARR for FY 2016-17, Provisional Truing-up of ARR for FY 2017-18 and revised ARR for FY 2018-19 and FY 2019-20.

The Commission, in exercise of the powers vested in it under Sections 61 and 62 of the Electricity Act, 2003 and all other powers enabling it in this behalf, and after taking into consideration all the submissions made by JPTL, and in the public consultation process, and all other relevant material, has approved the Truing-up of ARR for FY 2015-16 and FY 2016-17, Provisional Truing-up of ARR for FY 2017-18 and revised ARR for FY 2018-19 and FY 2019-20 in this Order.

## TABLE OF CONTENTS

<b>1</b>	<b>INTRODUCTION.....</b>	<b>10</b>
1.1	Background.....	10
1.2	MYT Regulations .....	10
1.3	Petition and Prayers of JPTL .....	11
1.4	Admission of Petition and Public Consultation process .....	11
1.5	Organisation of the Order .....	12
<b>2</b>	<b>Impact of Disallowed Capitalization of Asset.....</b>	<b>13</b>
<b>3</b>	<b>TRUING-UP OF ARR FOR ARR FOR FY 2015-16 .....</b>	<b>19</b>
3.1	Background.....	19
3.2	Operation and Maintenance Expenses .....	19
3.3	Sharing of gains/ losses on variation in O&M Expenses.....	20
3.4	Capital Expenditure and Capitalisation.....	21
3.5	Depreciation.....	22
3.6	Interest on Long Term Loans.....	23
3.7	Interest on Working Capital.....	25
3.8	Sharing of gains/ losses on variation in IoWC expenses .....	26
3.9	Return on Equity.....	27
3.10	Contribution to Contingency Reserves .....	28
3.11	Income Tax .....	29
3.12	Non-Tariff Income .....	32
3.13	Incentive on Transmission System Availability .....	33
3.14	Summary of True-up, including Sharing of Gains and Losses, for FY 2015-16.....	35
3.15	Revenue Gap, including Carrying/ (Holding) Cost, for FY 2015-16 .....	37
<b>4</b>	<b>TRUING-UP OF ARR FOR ARR FOR FY 2016-17 .....</b>	<b>39</b>
4.1	Background.....	39
4.2	Operation & Maintenance expenses .....	39
4.3	Sharing of gains/ losses on variation in O&M Expenses.....	40
4.4	Capital Expenditure and Capitalisation.....	41

4.5	De-capitalization of Assets .....	42
4.6	Depreciation.....	43
4.7	Interest on Long Term Loans.....	44
4.8	Interest on Working Capital.....	46
4.9	Sharing of gains/ losses on variation in IoWC expenses .....	48
4.10	Return on Equity .....	50
4.11	Contribution to Contingency Reserves .....	51
4.12	Income Tax .....	52
4.13	Non-Tariff Income .....	55
4.14	Incentive on Transmission System Availability .....	56
4.15	Summary of True-up, including Sharing of Gains and Losses, for FY 2016-17 .....	58
4.16	Revenue Gap for FY 2016-17.....	60
<b>5</b>	<b>PROVISIONAL TRUING-UP OF ARR FOR ARR FOR FY 2017-18 .....</b>	<b>62</b>
5.1	Background.....	62
5.2	Operation and Maintenance expenses.....	62
5.3	Capital Expenditure and Capitalisation.....	63
5.4	Depreciation.....	65
5.5	Refinancing of Loan .....	66
5.6	Interest on Long Term Loans.....	69
5.7	Interest on Working Capital.....	71
5.8	Return on Equity.....	73
5.9	Contribution to Contingency Reserves .....	74
5.10	Income Tax .....	75
5.11	Non-Tariff Income .....	76
5.12	Summary of provisional Truing-up of ARR for FY 2017-18 .....	77
5.13	Revenue Gap/Surplus of provisional Truing-up of ARR for FY 2017-18.....	78
<b>6</b>	<b>REVISED ESTIAMTES OF ARR FOR FY 2018-19 and FY 2019-20 .....</b>	<b>80</b>
6.1	Background.....	80
6.2	Operation and Maintenance Expenses .....	80
6.3	Capital Expenditure and Capitalisation.....	81
6.4	Depreciation.....	82
6.5	Interest on Long Term Loans.....	83

6.6	Interest on Working Capital.....	85
6.7	Return on Equity.....	86
6.8	Contribution to Contingency Reserves.....	87
6.9	Income Tax.....	88
6.10	Non-Tariff Income.....	89
6.11	Carrying Cost/ (Holding Cost).....	90
6.12	Aggregate Revenue Requirement for FY 2018-19 and FY 2019-20.....	92
<b>7</b>	<b>RECOVERY OF TRANSMISSION CHARGES.....</b>	<b>94</b>
<b>8</b>	<b>APPLICABILITY OF THE ORDER.....</b>	<b>94</b>
	<b>APPENDIX – I.....</b>	<b>95</b>
	<b>APPENDIX – II.....</b>	<b>95</b>

**LIST OF TABLES**

Table 1: Transmission System of JPTL .....	10
Table 2: Impact of amount adjusted in ARR due to de-capitalization, as submitted by JPTL (Rs. Crore) .....	14
Table 3: Final Trued-up Depreciation (Rs. Crore).....	16
Table 4: Revised Depreciation (Rs. Crore).....	16
Table 5: Final Trued-up Interest on Loan (Rs. Crore) .....	16
Table 6: Revised Interest on Loan (Rs. Crore) .....	17
Table 7: Final Trued-up Return on Equity (Rs. Crore).....	17
Table 8: Revised Return on Equity (Rs. Crore).....	17
Table 9: Final Trued-up Aggregate Revenue Requirement (Rs. Crore) .....	18
Table 10: Revised Aggregate Revenue Requirement (Rs. Crore) .....	18
Table 11: Additional Recovery of Aggregate Revenue Requirement approved by the Commission (Rs. Crore).....	18
Table 12: O&M Expenses for FY 2015-16, as submitted by JPTL (Rs. Crore).....	19
Table 13: Normative Operation and Maintenance Expenses for FY 2015-16 (Rs. Crore).....	20
Table 14: O&M Expenses for FY 2015-16 approved by Commission (Rs. Crore).....	20
Table 15: Sharing of gains/ losses on O&M Expenses for FY 2015-16, as submitted by JPTL (Rs. Crore).....	21
Table 16: Sharing of gains/ losses on O&M expenses for FY 2015-16 approved by Commission (Rs. Crore).....	21
Table 17: Actual Capitalisation claimed by JPTL in FY 2015-16 (Rs. Lakhs).....	22
Table 18: Depreciation Expenses for FY 2015-16, as submitted by JPTL (Rs. Crore).....	22
Table 19: Depreciation Expenses for FY 2015-16 approved by Commission (Rs. Crore).....	23
Table 20: Interest on Long Term Loans for FY 2015-16, as submitted by JPTL (Rs. Crore).....	24
Table 21: Interest on Long Term Loans for FY 2015-16 approved by Commission (Rs. Crore).....	25
Table 22: Interest on Working Capital for FY 2015-16, as submitted by JPTL (Rs. Crore).....	25
Table 23: Interest on Working Capital for FY 2015-16 approved by Commission (Rs. Crore).....	26
Table 24: Sharing of gains/ losses on IoWC expenses for FY 2015-16 as submitted by JPTL (Rs. Crore) .....	27
Table 25: Return on Equity for FY 2015-16, as submitted by JPTL (Rs. Crore) .....	27
Table 26: Return on Equity for FY 2015-16 approved by Commission (Rs. Crore).....	28
Table 27: Contribution towards Contingency Reserves for FY 2015-16, as submitted by JPTL (Rs. Crore).....	28
Table 28: Contribution to Contingency Reserves for FY 2015-16 approved by Commission (Rs. Crore).....	29
Table 29: Income Tax payable after reduction of efficiency gains, Income from Other Business and Incentive as submitted by JPTL (Rs. Crore).....	30
Table 30: Income Tax for FY 2015-16, as submitted by JPTL (Rs. Crore).....	30

Table 31: Income Tax payable after reduction of efficiency gains, Income from investment made through own funds and Incentive (Rs. Crore) .....	31
Table 32: Income Tax for FY 2015-16 approved by Commission (Rs. Crore) .....	31
Table 33: Non-Tariff Income for FY 2015-16, as submitted by JPTL (Rs. Crore) .....	32
Table 34: Details of Investment of Contingency Reserve contributions, as submitted by JPTL.....	33
Table 35: Non-Tariff Income for FY 2015-16 approved by the Commission (Rs. Crore) .....	33
Table 36: Incentive on Transmission System Availability for FY 2015-16, as submitted by JPTL.....	34
Table 37: Incentive on Transmission Availability for FY 2015-16 approved by Commission .....	35
Table 38: Summary of True-up for FY 2015-16, as submitted by JPTL (Rs. Crore) .....	35
Table 39: Summary of ARR Truing-up of ARR for FY 2015-16, including sharing of gains/(losses), approved by Commission (Rs. Crore) .....	36
Table 40: Revenue Gap for FY 2015-16, as submitted by JPTL (Rs. Crore) .....	37
Table 41: Revenue Gap/ (Surplus) for FY 2015-16 approved by Commission (Rs. Crore) .....	38
Table 42: O&M Expenses for FY 2016-17, as submitted by JPTL (Rs. Crore) .....	39
Table 43: Normative Operation and Maintenance Expenses for FY 2016-17 approved by Commission (Rs. Crore) .....	40
Table 44: O&M Expenses for FY 2016-17 approved by Commission (Rs. Crore) .....	40
Table 45: Sharing of gains/ losses on O&M Expenses for FY 2016-17, as submitted by JPTL (Rs. Crore) .....	41
Table 46: Sharing of gains/ losses on O&M expenses for FY 2016-17 approved by Commission (Rs. Crore) .....	41
Table 47: Actual Capitalisation for FY 2016-17 (Rs. Lakhs) .....	41
Table 48: Depreciation Expenses for FY 2016-17, as submitted by JPTL (Rs. Crore) .....	43
Table 49: Depreciation expenses for FY 2016-17 approved by Commission (Rs. Crore) .....	44
Table 50: Interest on Long Term Loans for FY 2016-17, as submitted by JPTL (Rs. Crore) .....	45
Table 51: Interest on Long Term Loans for FY 2016-17 approved by Commission (Rs. Crore) .....	46
Table 52: Interest on Working Capital for FY 2016-17, as submitted by JPTL (Rs. Crore) .....	46
Table 53: Interest on Working Capital for FY 2016-17 approved by Commission (Rs. Crore) .....	47
Table 54: Sharing of gains/ losses on IoWC expenses for FY 2016-17 as submitted by JPTL (Rs. Crore) .....	49
Table 55: Sharing of gains/ loss on IoWC for FY 2016-17 approved by Commission (Rs. Crore) ....	50
Table 56: Return on Equity for FY 2016-17, as submitted by JPTL (Rs. Crore) .....	50
Table 57: Return on Equity for FY 2016-17 approved by Commission (Rs. Crore) .....	51
Table 58: Contribution towards Contingency Reserves for FY 2016-17, as submitted by JPTL (Rs. Crore) .....	51
Table 59: Contribution to Contingency Reserves for FY 2016-17 approved by Commission (Rs. Crore) .....	52
Table 60: Net Income Tax calculation for FY 2016-17, as submitted by JPTL (Rs. Crore) .....	53
Table 61: Income Tax for FY 2016-17, as submitted by JPTL (Rs. Crore) .....	53

Table 62: Income Tax payable after reduction of efficiency gains, Income from investment made through own funds, Delay Payment Surcharge and Incentive (Rs. Crore).....	55
Table 63: Income Tax for FY 2016-17 approved by Commission (Rs. Crore) .....	55
Table 64: Non-Tariff Income for FY 2016-17, as submitted by JPTL (Rs. Crore) .....	56
Table 65: Non-Tariff Income for FY 2016-17 approved by Commission (Rs. Crore).....	56
Table 66: Incentive on Transmission System Availability for FY 2016-17, as submitted by JPTL.....	57
Table 67: Incentive on Transmission Availability for FY 2016-17 approved by Commission .....	57
Table 68: Summary of Truing-up of ARR for FY 2016-17, as submitted by JPTL (Rs. Crore) .....	58
Table 69: Summary of Truing-up of ARR for FY 2016-17 approved by Commission (Rs. Crore).....	59
Table 70: Revenue Gap for FY 2016-17, as submitted by JPTL (Rs. Crore) .....	60
Table 71: Revenue Gap/ (Surplus) for FY 2016-17 approved by Commission (Rs. Crore).....	61
Table 72: O&M Expenses for FY 2017-18, as submitted by JPTL (Rs. Crore).....	62
Table 73: Normative Operation and Maintenance Expenses for FY 2017-18 approved by Commission (Rs. Crore).....	63
Table 74: Revised cost of the Building as submitted by JPTL .....	63
Table 75: Capitalisation during FY 2017-18 as submitted by JPTL (Rs. Lakhs) .....	64
Table 76: Capitalisation during FY 2017-18 as approved by the Commission (Rs. Lakhs).....	65
Table 77: Depreciation Expenses for FY 2017-18, as submitted by JPTL (Rs. Crore).....	65
Table 78: Depreciation expenses for FY 2017-18 approved by Commission (Rs. Crore) .....	66
Table 79: Finance Charges for refinancing of the loan as submitted by JPTL (Rs.) .....	67
Table 80: Saving of interest on loan due to refinancing, as submitted by JPTL (Rs. Crore).....	67
Table 81: Cost-Benefit Analysis of Refinancing of Loan (Rs. Crore).....	69
Table 82: Interest on Long Term Loans for FY 2017-18, as submitted by JPTL (Rs. Crore) .....	70
Table 83: Interest on Long Term Loans for FY 2017-18 approved by Commission (Rs. Crore).....	71
Table 84: Interest on Working Capital for FY 2017-18, as submitted by JPTL (Rs. Crore) .....	71
Table 85: Interest on Working Capital for FY 2017-18 approved by Commission (Rs. Crore).....	73
Table 86: Return on Equity for FY 2017-18, as submitted by JPTL (Rs. Crore) .....	73
Table 87: Return on Equity for FY 2017-18 approved by Commission (Rs. Crore).....	74
Table 88: Contribution towards Contingency Reserves for FY 2017-18, as submitted by JPTL (Rs. Crore).....	74
Table 89: Contribution to Contingency Reserves for FY 2017-18 approved by Commission (Rs. Crore) .....	75
Table 90: Income Tax for FY 2017-18, as submitted by JPTL (Rs. Crore).....	75
Table 91: Income Tax for FY 2017-18 approved by Commission (Rs. Crore) .....	76
Table 92: Non-Tariff Income for FY 2017-18, as submitted by JPTL (Rs. Crore) .....	76
Table 93: Non-Tariff Income for FY 2017-18 approved by Commission (Rs. Crore).....	76
Table 94: Summary of provisional Truing-up of ARR for FY 2017-18, as submitted by JPTL (Rs. Crore) .....	77

Table 95: Summary of provisional Truing-up of ARR for FY 2017-18 approved by Commission (Rs. Crore).....	78
Table 96: Revenue Gap/Surplus of provisional Truing-up of ARR for FY 2017-18, as submitted by JPTL (Rs. Crore).....	79
Table 97: Revenue Gap/ (Surplus) for FY 2017-18 approved by Commission (Rs. Crore).....	79
Table 98: O&M Expenses submitted by JPTL for FY 2018-19 and FY 2019-20 (Rs. Crore) .....	80
Table 99: O&M Expenses for FY 2018-19 and FY 2019-20 approved by Commission.....	81
Table 100: Capital Expenditure & Capitalization for FY 2018-19 and FY 2019-20 (Rs. Crore).....	81
Table 101: Depreciation for FY 2018-19 and FY 2019-20, as submitted by JPTL (Rs. Crore).....	82
Table 102: Depreciation for FY 2018-19 and FY 2019-20 approved by Commission (Rs. Crore).....	83
Table 103: Interest on Debt for FY 2018-19 and FY 2019-20 (Rs. Crores).....	83
Table 104: Interest on Long Term Loans for FY 2018-19 and FY 2019-20 approved by Commission (Rs. Crore).....	84
Table 105: Interest on Working Capital for FY 2018-19 and FY 2019-20, as submitted by JPTL (Rs. Crore).....	85
Table 106: Interest on Working Capital for FY 2018-19 and FY 2019-20 approved by Commission (Rs. Crore).....	86
Table 107: Return on Equity for FY 2018-19 and FY 2019-20, as submitted by JPTL (Rs. Crore) ....	86
Table 108: Return on Equity for FY 2018-19 and FY 2019-20 approved by Commission (Rs. Crore) .....	87
Table 109: Contribution to Contingency Reserves for FY 2018-19 and FY 2019-20, as submitted by JPTL (Rs. Crore).....	88
Table 110: Contribution to Contingency Reserves for FY 2018-19 and FY 2019-20 approved by Commission (Rs. Crore).....	88
Table 111: Income Tax for FY 2018-19 and FY 2019-20, as submitted by JPTL (Rs. Crore) .....	88
Table 112: Income Tax for FY 2018-19 and FY 2019-20, as approved by Commission (Rs. Crore) .....	89
Table 113: Income from investments in Contingency Reserves, as submitted by JPTL (Rs. Crore) ...	89
Table 114: Non-Tariff Income for FY 2018-19 and FY 2019-20, as submitted by JPTL (Rs. Crore) ..	90
Table 115: Non-Tariff Income for FY 2018-19 and FY 2019-20, as approved by Commission (Rs. Crore).....	90
Table 116: Carrying Cost claimed on Past Gap, as submitted by JPTL (Rs. Crore) .....	90
Table 117: Carrying/ (Holding) Cost for Past Revenue Gap/ (Surplus) approved by the Commission (Rs. Crore).....	92
Table 118: Aggregate Revenue Requirement for FY 2018-19 and FY 2019-20, as submitted by JPTL (Rs. Crore) .....	92
Table 119: ARR for FY 2018-19 and FY 2019-20 approved by Commission (Rs. Crore).....	93



**LIST OF ABBREVIATIONS**

ARR	Aggregate Revenue Requirement
ATE	Appellate Tribunal for Electricity
Commission/MERC	Maharashtra Electricity Regulatory Commission
CSR	Corporate Social Responsibility
EA, 2003	Electricity Act, 2003
FY	Financial Year
GFA	Gross Fixed Assets
InSTS	Intra-State Transmission System
IoWC	Interest on Working Capital
JPTL	Jaigad Power Transco Limited
km	Kilometre
kV	Kilo Volt
MSETCL	Maharashtra State Electricity Transmission Company Limited
MTR	Mid Term Review
MYT	Multi Year Tariff
O&M	Operation and Maintenance
R&M	Repair and Maintenance
RoE	Return on Equity
SBAR	State Bank Advance Rate
SBI	State Bank of India
TSU	Transmission System User
TTSC	Total Transmission System Cost

## 1 INTRODUCTION

### 1.1 Background

1.1.1 JPTL is a Joint Venture Company between JSW Energy Limited (JSWEL) and Maharashtra State Electricity Transmission Company Limited (MSETCL), set up for developing, operating and maintaining a Transmission System consisting of two Transmission Lines along with associated equipment and terminal Bays at MSETCL's New Koyna and Karad Sub-stations.

**Table 1: Transmission System of JPTL**

Name of the Line	Line length (Revised) and Capacity	District	Interface Point
Jaigad-New Koyna Transmission Line	55 km – 400 kV Double Circuit (Quad) Transmission Line	Ratnagiri, Maharashtra	MSETCL Sub-station, New Koyna
Jaigad-Karad Transmission Line	110 km – 400 kV Double Circuit (Quad) Transmission Line	Ratnagiri /Satara, Maharashtra	MSETCL Sub-station, Karad

1.1.2 The Commission had granted a Transmission Licence to JPTL (No. 1 of 2009) on 8 February, 2009 for this Transmission System for 25 years.

1.1.3 In the JPTL (Case No. 12 of 2016) MYT Order dated 27, June, 2016, the Commission undertook the Truing-up of ARR for FY 2014-15, provisional Truing-up of ARR for FY 2015-16 and ARR for the 3<sup>rd</sup> Control Period from FY 2016-17 to FY 2019-20.

1.1.4 JPTL has filed this Petition for approval of Truing-up of ARR for FY 2015-16 and FY 2016-17, provisional Truing-up of ARR for FY 2017-18 and revised ARR for FY 2018-19 and FY 2019-20.

1.1.5 In the present Order, the Commission has undertaken the Truing-up of ARR for FY 2015-16 in accordance with the MYT Regulations, 2011, and Truing-up of ARR for FY 2016-17, Provisional Truing-up of ARR for FY 2017-18 and revised ARR for FY 2018-19 and FY 2019-20 in accordance with the MYT Regulations, 2015.

### 1.2 MYT Regulations

1.2.1 The MYT Regulations, 2011 notified on 4 February, 2011, were applicable for the 2<sup>nd</sup> Control Period of FY 2011-12 to FY 2015-16 and were amended vide notifications dated 21 October, 2011, 17 February, 2014 and 08 May, 2014.

1.2.2 Subsequently, the Commission notified the MYT Regulations, 2015 on 8 December, 2015 which were amended vide notification dated 29 November,

2017. These Regulations are applicable for the 3<sup>rd</sup> Control Period FY 2016-17 to FY 2019-20.

### **1.3 Petition and Prayers of JPTL**

1.3.1 Regulation 5.1(b) of the MYT Regulations, 2015 requires the MYT Petition to be filed by 30 November, 2017.

1.3.2 JPTL submitted the present Petition on 29 November, 2017. On 8 December, 2017, the Commission conveyed the preliminary data gaps. A discussion with JPTL was held on 12 December, 2017 to discuss the data gaps. JPTL submitted its response to the data gaps on 13 December, 2017. The list of persons who attended the discussion is at **Appendix - I**.

1.3.3 Additional information was sought from JPTL on 18 December, 2017 and 21 December, 2017. Subsequently, JPTL submitted a revised Petition on 27 December, 2017 incorporating all the data gap replies.

1.3.4 JPTL's main prayers in the revised Petition are as follows: -

- a. Admit the Petition for Truing up of Aggregate Revenue Requirement for FY 2015-16 & FY 2016-17, Provisional True Up for FY 2017-18 and revised Annual Revenue Requirement for FY 2018-19 & FY 2019-20.*
- b. Approve the True-up of ARR of JPTL including carrying cost and incentive for higher Transmission availability for FY 2015-16 & FY 2016-17.*
- c. Approve the Provisional True Up for FY 2017-18 as presented in this Petition.*
- d. Approve revised estimates/ projections of ARR for FY 2018-19 & FY 2019-20 as presented in this Petition.*
- e. Direct the STU to devise a mechanism for recovery of said amount of DPC & the accrued interest from the distribution licensee and accordingly arrange for payment of said amount to JPTL.*
- f. JPTL humbly requests the Hon'ble Commission to not pass any orders in the matter regarding treatment in the ARR of Delayed Payment Charges & the interest accrued on it till the final disposal of JPTL's appeal in Supreme Court in the said matter. In case the same is adjusted in ARR, the same is prayed to be adjusted in the year of recovery.*

### **1.4 Admission of Petition and Public Consultation process**

1.4.1 The Commission admitted the Petition on 1 January, 2018 and directed JPTL to publish a Public Notice in accordance with Section 64 of the Electricity Act, 2003 in the prescribed abridged form and manner. The Commission also directed JPTL to reply expeditiously to all the suggestions and comments received.

- 1.4.2 JPTL issued a Public Notice inviting comments/suggestions from the public on its Petition. The notice was published in two English language newspapers, viz. Times of India and Indian Express, and two Marathi language newspapers viz. Loksatta and Maharashtra Times on 5 January, 2018. The copies of the Petition and its summary were made available for inspection/purchase at JPTL's offices and website (<http://www.jsw.in/energy/power-transmission>). The Public Notice and executive summary of the Petition were also made available on the websites of the Commission ([www.mercindia.org.in](http://www.mercindia.org.in), [www.merc.gov.in](http://www.merc.gov.in)) in a downloadable format.
- 1.4.3 The Commission did not receive any written suggestions or objections on the Petition. The Public Hearing was held on 23 July, 2018 in the Commission's office. No oral suggestions or objections were raised during the Hearing. The list of persons who attended the Public Hearing is at **Appendix - II**.
- 1.4.4 The Commission has ensured that the due process contemplated under law to ensure transparency and public participation was followed and adequate opportunity was given to all to express their views.

## 1.5 Organisation of the Order

1.5.1 This Order is organised in the following eight Sections:

- **Section 1** provides a brief of the regulatory process undertaken by the Commission.
- **Section 2** deals with the Impact of Disallowed Capitalization of Asset.
- **Section 3** deals with the Truing-up of ARR for ARR for FY 2015-16.
- **Section 4** deals with the Truing-up of ARR for ARR for FY 2016-17.
- **Section 5** deals with the Provisional Truing-up of ARR for ARR for FY 2017-18.
- **Section 6** deals with the Revised Estimates of ARR for FY 2018-19 and FY 2019-20.
- **Section 7** deals with the Recovery of Transmission Charges
- **Section 8** deals with the Applicability of the Order.

## **2 Impact of Disallowed Capitalization of Asset**

### ***JPTL's Submission***

- 2.1.1 JPTL submitted that MSETCL has provided total terminal bay cost of Rs. 24.31 Crore vide letter no. 8491 and accordingly JPTL has capitalised assets in their books of accounts. MSETCL has included Rs. 6.6378 Crore towards supervision charges however JPTL has not paid same amount to MSETCL as PMC & construction supervision work has been awarded to M/s Power Links Transmission Limited.
- 2.1.2 JPTL vide letter dated 18 June, 2012 communicated this concern to MSETCL and vide letter dated 21 November, 2016, MSETCL has agreed for not to include supervision cost in total cost. MSETCL submitted revised cost of Rs. 19.29 Crore vide letter dated 19 January, 2017.
- 2.1.3 Based on the above, the revised bay cost and supervision cost towards the construction of 400 KV line bays at New Koyna and Karad Substation worked out to Rs. 19.29 Crore against Rs. 24.36 Crore capitalized earlier.
- 2.1.4 Accordingly, JPTL has claimed reduction of GFA of Rs. 5.07 Crore in FY 2016-17 and relevant adjustment has been carried out in Depreciation, Loan and Return on Equity.
- 2.1.5 As mater was under dispute, JPTL has not paid the money to MSETCL and invested the same in Call Market at specified rate of return. JPTL agrees to withdraw the costs related to such unreleased fund such as depreciation, interest on loan and RoE and the same has been adjusted in the ARR of FY 2016-17 as shown in table below.

**Table 2: Impact of amount adjusted in ARR due to de-capitalization, as submitted by JPTL (Rs. Crore)**

Particulars	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	Total
Date of CoD	12/2/2011	4/1/2012	4/1/2013	4/1/2014	4/1/2015	4/1/2016	
Date of De-capitalised	3/31/2012	3/31/2013	3/31/2014	3/31/2015	3/31/2016	11/21/2016	
No. of Days	121	365	365	365	366	235	
Amount to be capitalised	5.07						5.07
<b>Depreciation</b>							
Depreciation rate	2.57%	5.28%	5.28%	5.28%	5.28%	5.28%	
Impact of depreciation	0.04	0.27	0.27	0.27	0.27	0.17	1.29
<b>Income from Equity invested in Money Market</b>							
Surplus Equity due to final adjustment	1.27	1.27	1.27	1.27	1.27	1.27	
Rate of Return on Market	8.22%	8.09%	8.28%	7.97%	6.98%	6.25%	
Return on Surplus Equity	0.03	0.10	0.10	0.10	0.09	0.05	0.48
<b>Income from Debt invested in Money Market</b>							
Opening Balance	-	3.76	3.49	3.22	2.96	2.69	
Addition	3.80						
Less: Repayemt	0.04	0.27	0.27	0.27	0.27	0.17	
Less: Reduced from debt due to decapitalisatoin						2.52	
Closing Balance	3.76	3.49	3.22	2.96	2.69	-	
Rate of Return on Market	8.22%	8.09%	8.28%	7.97%	6.98%	6.25%	
Return on Surplus Debt	0.05	0.29	0.28	0.25	0.20	0.05	1.12
<b>Total amount to be adjusted in ARR</b>	0.08	0.37	0.37	0.37	0.36	0.22	2.89

2.1.6 JPTL has passed on Rs. 2.89 Crore in lieu of past recoveries made by JPTL from FY 2010-11 to FY 2015-16 and also reduced GFA by Rs. 5.07 Crore during FY 2016-17.

### ***Commission's Analysis and Ruling***

2.1.7 The Commission has noted the submission of JPTL regarding decapitalization of the excess capitalization booked for terminal bays. JPTL had considered the cost of Terminal bays as Rs. 24.31 Crore as against actual cost of Rs. 19.29 Crore due to addition of supervision charges payable to MSETCL. However, based on the discussions between JPTL and MSETCL in this regards, it was decided that the amount of Rs. 5.07 Crore was no longer payable to MSETCL by JPTL against supervision charges. The Commission observed that MSETCL has waived off Rs 5.07 Crore only towards supervision charges pertaining to material supply cost out of Rs. 6.64 Crore raised earlier. Accordingly, the over capitalisation done by JPTL was amounting to Rs. 5.07 Crores.

2.1.8 By capitalizing higher capital cost and not paying the same to MSETCL, JPTL has recovered higher revenue from ARR on account of this notional capitalization. JPTL has also submitted that it has invested Rs 5.07 Crore in Call Market and earned returns on the same. The returns were also not shared with the beneficiaries through non-tariff income which is part of the ARR. Accordingly, it will be important to recover the amount pertaining to this over recovery and passing this to the beneficiaries through the ARR for FY 2018-19.

2.1.9 The Commission has examined the methodology submitted by JPTL for passing on the impact of de-capitalization of asset and related past recoveries to the beneficiaries in FY 2016-17. The methodology adopted by JPTL is summarised below:

**Depreciation:** Year wise depreciation relating to the de-capitalized amount of Rs. 5.07 Crore is calculated with depreciation rates approved by the Commission in respective Truing-up Orders;

**Interest on Loan:** Year wise interest on loan relating to the loan portion of the de-capitalized amount which works out to Rs. 3.80 Crore is calculated considering the rate of return earned from Call Markets as the rate of interest in place of the rate of interest approved by the Commission in respective Truing-up Orders;

**Return on Equity:** Year wise return on equity relating to the equity portion of the de-capitalized amount which works out to Rs. 1.27 Crore is calculated considering the rate of return earned from Call Markets as the rate of return on equity in place of the rate of return on equity approved by the Commission in respective Truing-up Orders;

2.1.10 From the above, it is evident that JPTL has not worked out the impact of the de-capitalization using the parameters approved by the Commission during the Truing-up process and hence the actual over recovery by JPTL over the past years is not passed on to the beneficiaries. It is also observed that JPTL has not considered any holding cost against the over recoveries of the past. In view of the same, the Commission has adopted a different method to pass on the impact of de-capitalization to the beneficiaries.

2.1.11 ARR is recoverable only on amount of asset put to use and not on notional amount of asset. Considering the same, the Commission reduced the cost pertaining to two terminal bays on the pro-rata basis and has re-worked ARR from FY 2010-11 onwards. The ARR approved based on final truing-up and re-worked ARR are compared to work out additional recovery by JPTL which is to be passed on through the ARR for FY 2018-19. The methodology adopted for component wise re-working of approved ARR is discussed in subsequent paras.

2.1.12 Capitalization of terminal bays is approved in FY 2010-11 and FY 2011-12 and accordingly, the capitalisation approved for FY 2010-11 and FY 2011-12 has been reduced by Rs. 2.26 Crore and Rs. 2.81 Crore respectively in ratio of capitalized cost for terminal bays. Debt: Equity ratio for the reduction is considered 75:25 which was approved by the Commission at the time of finalisation of the Project Capital Cost.

2.1.13 **Depreciation:** Gross fixed assets are reduced by Rs. 2.26 Crore and Rs. 2.81 Crore for FY 2010-11 and FY 2011-12 respectively and accordingly revised depreciation is worked out. Working of final Trued-up depreciation and revised depreciation is shown below:

**Table 3: Final Trued-up Depreciation (Rs. Crore)**

Particulars	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Opening GFA	-	179.60	550.23	554.21	555.69
GFA added during the year	179.60	370.63	3.98	1.48	0.01
Closing GFA	179.60	550.23	554.21	555.69	555.70
No. of days of operation	268	366	365	365	365
Depreciation rate	2.57%	2.57%	5.28%	5.28%	5.28%
Depreciation	3.39	7.77	29.16	29.30	29.34
Loan Payment	6.74				
AAD	3.35				
<b>Depreciation including AAD</b>	<b>6.74</b>	<b>7.77</b>	<b>29.16</b>	<b>29.30</b>	<b>29.34</b>

**Table 4: Revised Depreciation (Rs. Crore)**

Particulars	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Opening GFA	-	177.34	545.16	549.14	550.62
GFA added during the year	177.34	367.82	3.98	1.48	0.01
Closing GFA	177.34	545.16	549.14	550.62	550.63
No. of days of operation	268	366	365	365	365
Depreciation rate	2.57%	2.57%	5.28%	5.28%	5.28%
Depreciation	3.35	7.69	28.89	29.04	29.07
Loan Payment	6.65	-	-	-	-
AAD	3.30	-	-	-	-
<b>Depreciation including AAD</b>	<b>6.65</b>	<b>7.69</b>	<b>28.89</b>	<b>29.04</b>	<b>29.07</b>

2.1.14 **Interest on Loan:** Normative loans approved by the Commission are reduced by Rs. 1.69 Crore and Rs. 2.11 Crore for FY 2010-11 and FY 2011-12 respectively and accordingly revised interest on loan is worked out. Working of final Trued-up interest on loan and revised interest on loan is shown below:

**Table 5: Final Trued-up Interest on Loan (Rs. Crore)**

Particulars	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Opening Loan	-	127.96	398.32	371.71	343.36
Addition during the Year	134.70	277.97	2.54	0.96	0.01
Repayment during the Year	6.74	7.61	29.16	29.30	29.34
Closing Loan	127.96	398.32	371.71	343.36	314.03
No. of days of operation	268	366	365	365	365
<b>Interest</b>	<b>11.96</b>	<b>30.19</b>	<b>48.12</b>	<b>40.04</b>	<b>37.80</b>
Interest rate	12.40%	15.43%	12.50%	11.20%	11.50%



**Table 6: Revised Interest on Loan (Rs. Crore)**

Particulars	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Opening Loan	-	126.36	394.61	368.26	340.18
Addition during the Year	133.01	275.87	2.54	0.96	0.01
Repayment during the Year	6.65	7.61	28.89	29.04	29.07
Closing Loan	126.36	394.61	368.26	340.18	311.12
No. of days of operation	268	366	365	365	365
<b>Interest</b>	<b>11.81</b>	<b>29.91</b>	<b>47.68</b>	<b>39.67</b>	<b>37.45</b>
Interest rate	12.40%	15.45%	12.50%	11.20%	11.50%

2.1.15 **Return on Equity:** The Equity is reduced by Rs. 0.56 Crore and Rs. 0.70 Crore for FY 2010-11 and FY 2011-12 respectively and accordingly revised RoE is worked out. Working of final Trued-up RoE and revised RoE is shown below:

**Table 7: Final Trued-up Return on Equity (Rs. Crore)**

Particulars	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Opening Equity	-	44.90	137.56	139.00	139.52
Addition during the Year	44.90	92.66	1.44	0.52	0.00
Closing Equity	44.90	137.56	139.00	139.52	139.52
No. of days of operation	268	366	365	365	365
Rate of Return	14%	14%	15.5%	15.5%	15.5%
<b>Return on equity</b>	<b>4.62</b>	<b>10.57</b>	<b>21.43</b>	<b>21.58</b>	<b>21.63</b>

**Table 8: Revised Return on Equity (Rs. Crore)**

Particulars	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Opening Equity	-	44.34	136.29	137.73	138.25
Addition during the Year	44.34	91.96	1.44	0.52	0.00
Closing Equity	44.34	136.29	137.73	138.25	138.25
No. of days of operation	268	366	365	365	365
Rate of Return	14%	14%	15.5%	15.5%	15.5%
<b>Return on equity</b>	<b>4.56</b>	<b>10.46</b>	<b>21.24</b>	<b>21.39</b>	<b>21.43</b>

2.1.16 The approved Income tax during the final Truing up process has also been revised as tax paid on additional return on equity recovered due to higher capitalisation. Other than above major components, interest on working capital, incentives etc. are also reworked to pass on the impact of de-capitalization to the beneficiaries.

2.1.17 Approved ARR based on final Truing-up and re-worked ARR are shown below:

**Table 9: Final Trued-up Aggregate Revenue Requirement (Rs. Crore)**

Sr. No.	Particulars	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
1	Operation & Maintenance Expenses	3.86	3.20	5.31	5.09	5.23
2	Depreciation	6.74	7.77	29.16	29.30	29.34
3	Interest on Long-term Loan	11.96	30.19	48.12	40.04	37.79
4	Interest on Working Capital	0.50	1.31	2.18	2.04	1.95
5	Contribution to Contingency Reserves	0.45	1.38	1.39	1.39	1.39
6	Income Tax Expense	-	10.71	0.87	6.21	5.61
7	<b>Total Revenue Expenditure</b>	<b>23.51</b>	<b>54.56</b>	<b>87.02</b>	<b>84.07</b>	<b>81.30</b>
8	Return on Equity Capital	4.62	10.57	21.43	21.58	21.63
9	<b>Gross Aggregate Revenue Requirement</b>	<b>28.12</b>	<b>65.13</b>	<b>108.45</b>	<b>105.65</b>	<b>102.93</b>
10	Less: Non-Tariff Income	-	0.06	0.02	0.02	0.32
11	Add: Incentive	0.50	0.07	0.48	1.24	1.73
12	<b>Net Aggregate Revenue Requirement</b>	<b>28.63</b>	<b>65.14</b>	<b>108.91</b>	<b>106.87</b>	<b>104.34</b>
13	Add: Losses on Write off	-	-	2.78	2.91	
14	Add: Other debits	-	-	0.13	0.04	
15	<b>Total Aggregate Revenue Requirement</b>	<b>28.63</b>	<b>65.14</b>	<b>111.82</b>	<b>109.82</b>	<b>104.34</b>

**Table 10: Revised Aggregate Revenue Requirement (Rs. Crore)**

Sr. No.	Particulars	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
1	Operation & Maintenance Expenses	3.86	3.20	5.31	5.09	5.23
2	Depreciation	6.65	7.69	28.89	29.04	29.07
3	Interest on Long-term Loan	11.81	29.91	47.68	39.67	37.45
4	Interest on Working Capital	0.50	1.30	2.18	2.04	1.95
5	Contribution to Contingency Reserves	0.45	1.38	1.39	1.39	1.39
6	Income Tax Expense	-	10.71	0.84	6.17	5.57
7	<b>Total Revenue Expenditure</b>	<b>23.27</b>	<b>54.19</b>	<b>86.28</b>	<b>83.40</b>	<b>80.65</b>
8	Return on Equity Capital	4.56	10.46	21.24	21.39	21.43
9	<b>Gross Aggregate Revenue Requirement</b>	<b>27.83</b>	<b>64.65</b>	<b>107.52</b>	<b>104.79</b>	<b>102.08</b>
10	Less: Non-Tariff Income	-	0.06	0.02	0.02	0.32
11	Add: Incentive	0.50	0.07	0.48	1.23	1.72
12	<b>Net Aggregate Revenue Requirement</b>	<b>28.32</b>	<b>64.66</b>	<b>107.98</b>	<b>106.00</b>	<b>103.48</b>
13	Add: Losses on Write off	-	-	2.78	2.91	
14	Add: Other debits	-	-	0.13	0.04	
15	<b>Total Aggregate Revenue Requirement</b>	<b>28.32</b>	<b>64.66</b>	<b>110.88</b>	<b>108.95</b>	<b>103.48</b>

2.1.18 Based on the above, additional ARR recovered by JPTL is worked out as under:

**Table 11: Additional Recovery of Aggregate Revenue Requirement approved by the Commission (Rs. Crore)**

Particulars	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Trued-up Aggregate Revenue Requirement	28.63	65.14	111.82	109.82	104.34
Revised Aggregate Revenue Requirement	28.32	64.66	110.88	108.95	103.48
<b>Additional Recovery done by JPTL</b>	<b>0.30</b>	<b>0.48</b>	<b>0.94</b>	<b>0.87</b>	<b>0.86</b>

2.1.19 Due to higher capitalization of asset, additional recovery of Rs. 3.45 Crore done by JPTL will be adjusted in FY 2018-19 along with holding cost.

### 3 TRUING-UP OF ARR FOR ARR FOR FY 2015-16

#### 3.1 Background

3.1.1 JPTL has sought Truing-up of ARR for ARR for FY 2015-16 based on the actual expenditure and revenue as per the Audited Accounts for FY 2015-16 and in accordance with the provisions of the MYT Regulations, 2011. JPTL also submitted reasons for variation in the actual expenses for FY 2015-16 , as compared to the expenses approved in the Multi Year Tariff (MYT) Order dated 27 June, 2016 in Case No. 12 of 2016.

3.1.2 The detailed analysis underlying the Commission’s approval of Truing-up of ARR for FY 2015-16 is set out below.

#### 3.2 Operation and Maintenance Expenses

##### *JPTL’s Submission*

3.2.1 MYT Regulations, 2011 are applicable for tariff determination of transmission licensee for the period up to March 31, 2016.

3.2.2 As per the Regulation 61.7 of the MYT Regulations, 2011, the O&M norms for each year of control period from FY 2012-13 to FY 2015-16 for “New Transmission Licensee” in the State are linked to the norms specified for MSETCL and the same are applicable for calculating the O&M norms for JPTL. Accordingly, the Commission approved net O&M expenses of Rs. 6.86 Crores for FY 2015-16 based on norms stipulated under MYT Regulations, 2011.

3.2.3 The actual Operation and Maintenance (O&M) expenses for FY 2015-16 are lower at Rs. 3.34 Crore as against Rs. 6.86 Crore approved in the MYT Order. The efforts employed by JPTL in managing its O&M expenses and the overall reduction in Repairs and Maintenance (R&M) expenses towards Lines and Bays is the main reason for reduction in overall O&M expenses as compared to the norms.

3.2.4 JPTL has sought approval of the O&M expenses as per the norms specified in the MYT Regulations, 2011, and sharing of gains in accordance with the Regulations. The following O&M expenses for 2015-16 are presented:

**Table 12: O&M Expenses for FY 2015-16, as submitted by JPTL (Rs. Crore)**

Particulars	Normative	Actual
O&M Expenses for line	2.18	2.98
O&M Expenses for terminal bays	4.68	0.36
<b>Total O&amp;M Expenses</b>	<b>6.86</b>	<b>3.34</b>

### **Commission's Analysis and Ruling**

- 3.2.5 There is no increase in Ckt. Km. of the Transmission Lines and the number of Bays and they remain same as approved in the MYT Order.
- 3.2.6 The Commission computed the normative O&M expenses for FY 2015-16 by applying the O&M norms prescribed in the MYT Regulations, 2011 over the actual numbers of Bays and the actual length of Lines as shown below:

**Table 13: Normative Operation and Maintenance Expenses for FY 2015-16 (Rs. Crore)**

Particulars	Unit	Normative O&M
<b>Transmission Lines</b>		
Length of Line (A)	ckt. Km	330.00
Norms as per Regulations (B)	Rs. lakh/ ckt. Km	0.66
<b>Cost (C = A * B)</b>	<b>Rs. Crore</b>	<b>2.18</b>
<b>Bays</b>		
No of bays (D)	No.	4.00
Norms as per Regulations (E)	Rs. lakh/ bay	117.11
<b>Cost (F = D * E)</b>	<b>Rs. Crore</b>	<b>4.68</b>
<b>Total O&amp;M expenses (G = C + F)</b>	<b>Rs. Crore</b>	<b>6.86</b>

- 3.2.7 Further, for the purpose of computing the sharing of efficiency gains / (losses) on account of the O&M expenses, the Commission has approved the actual O&M expenses of Rs. 3.34 Crore for FY 2015-16 as claimed by JPTL based on scrutiny of O&M cost as provided in audited Annual Accounts.
- 3.2.8 The actual and normative O&M expenses as approved by the Commission for computing efficiency gains/losses are as under:

**Table 14: O&M Expenses for FY 2015-16 approved by Commission (Rs. Crore)**

Particulars	MYT Order	Approved in this Order	
		Actual	Normative
O&M Expenses	6.86	3.34	6.86

- 3.2.9 **The Commission approves actual O&M Expenses of Rs. 3.34 Crore and normative O&M expenses of Rs. 6.86 Crore on Truing-up of ARR for FY 2015-16.**

### **3.3 Sharing of gains/ losses on variation in O&M Expenses**

#### **JPTL's Submission**

3.3.1 The sharing of efficiency gains/(losses) on account of controllable factors is governed by the provisions of Regulation 14 of the MYT Regulations, 2011.

3.3.2 The actual O&M expenses are significantly less than the normative expenses due to various efficiency measures implemented by JPTL for optimising and managing the O&M expenses. O&M expenses are controllable in nature, and hence sharing of efficiency gains/ losses considered by JPTL is as shown below:

**Table 15: Sharing of gains/ losses on O&M Expenses for FY 2015-16, as submitted by JPTL (Rs. Crore)**

Particulars	MYT Order	Actual	Entitlement as per Regulations / Order	Variation	2/3 <sup>rd</sup> of efficiency gain retained by JPTL	Net entitlement after sharing of gains/ losses
O&M Expense	6.86	3.34	6.86	3.52	2.35	5.69

#### *Commission's Analysis and Ruling*

3.3.3 After considering the submissions made, the Commission is of the view that the stated variation in O&M expense of JPTL is controllable in nature. Accordingly, the difference between the actual O&M expenses approved by the Commission in this Order and the normative entitlement of JPTL shall be shared with the beneficiaries in line with the provisions of Regulation 14 of the MYT Regulations, 2011.

3.3.4 Accordingly, the Commission has approved the net entitlement after sharing of gains as shown in the following Table:

**Table 16: Sharing of gains/ losses on O&M expenses for FY 2015-16 approved by Commission (Rs. Crore)**

Particulars	MYT Order	Actual (A)	Entitlement as per Regulations/ Order (B)	Gain/ (Loss) (B-A)	Efficiency Gain/ (Loss) shared with TSUs	Net Entitlement of JPTL
O&M Expense	6.86	3.34	6.86	3.52	1.17	5.69

**3.3.5 The Commission approves the net entitlement for O&M Expenses of Rs. 5.69 Crore on Truing-up of ARR for FY 2015-16 after sharing of gains/ losses.**

### **3.4 Capital Expenditure and Capitalisation**

#### *JPTL's Submission*

3.4.1 The Commission had provisionally approved capitalisation of Rs. 0.13 Crore pertaining to laptops, heavy duty rack, aluminium ladder, UPVC porta cabin, etc. for FY 2015-16 in its MYT Order.

3.4.2 JPTL has actually capitalised assets of Rs. 0.09 Crore pertaining to towards nominal items like laptops, heavy duty rack, aluminium ladder, UPVC porta cabin etc. in FY 2015-16. The Commission may approve the Gross Fixed Assets (GFA) addition based on the actual capitalisation done by JPTL as shown below.

**Table 17: Actual Capitalisation claimed by JPTL in FY 2015-16 (Rs. Lakhs)**

Sr. No.	Particulars	Amount
1.	UPVC Porta Cabin	0.73
2.	Heavy Duty Rack	4.85
3.	Aluminium Ladder	0.27
4.	Heavy Duty Storage	2.70
5.	Laptop	0.40
6.	<b>Total</b>	<b>8.95</b>

### *Commission's Analysis and Ruling*

3.4.3 The Commission has examined the submissions of JPTL regarding capitalisation of assets of Rs. 0.09 Crore and has considered the same for purpose of approval.

3.4.4 **The Commission approves Capitalisation of Rs. 0.09 Crore for FY 2015-16.**

### **3.5 Depreciation**

#### *JPTL's Submission*

3.5.1 Depreciation has been computed considering the addition of assets during the FY 2015-16 and based on the applicable depreciation rates as per the MYT Regulations, 2011. The depreciation has been computed taking the actual dates of addition of assets during the financial year and is shown in the following Table:

**Table 18: Depreciation Expenses for FY 2015-16, as submitted by JPTL (Rs. Crore)**

Particulars	MTR Order	JPTL Petition
<b>Opening GFA</b>	<b>555.70</b>	<b>555.70</b>
Addition of Gross Fixed Asset	0.13	0.09
Retirement of GFA	0.00	0.00
<b>Closing GFA</b>	<b>555.83</b>	<b>555.79</b>
<b>Depreciation</b>	<b>29.36</b>	<b>29.35</b>
Average Depreciation Rate		5.28%

### *Commission's Analysis and Ruling*

- 3.5.2 The Depreciation claimed by JPTL is same as the actual Depreciation shown in the Audited Annual Accounts. It has been computed using the Straight Line Method and the rates prescribed in Part B of Schedule II of the Companies Act, 2013. It is seen that Plant and Machinery forms the largest chunk of assets in the Balance Sheet of JPTL, and the Depreciation rate in the MYT Regulations, 2011 is the same as Part B of Schedule II. Accordingly, the computation of Depreciation will not be impacted as far as the assets under the Plant and Machinery head are concerned.
- 3.5.3 However, there will be change in opening GFA considered by JPTL and approved by the Commission due to reason as discussed in Section 2 of this Order. The Commission has considered opening GFA for FY 2015-16 of Rs. 550.63 Crore and hence the Commission has recomputed the Depreciation allowable for these classes of assets applying the Depreciation rates specified in the MYT Regulations, 2011.
- 3.5.4 Accordingly, the Commission has computed and approved the Depreciation for FY 2015-16 as shown below:

**Table 19: Depreciation Expenses for FY 2015-16 approved by Commission (Rs. Crore)**

Particulars	MYT Order	MTR Petition	Approved in this Order
Opening Gross Fixed Assets	555.70	555.70	550.63
Addition of Gross Fixed Assets	0.13	0.09	0.09
Asset Retirement	-	-	-
Closing Gross Fixed Assets	555.83	555.79	550.72
Depreciation Rate		5.28%	5.28%
<b>Depreciation</b>	<b>29.35</b>	<b>29.35</b>	<b>29.08</b>

- 3.5.5 **The Commission approves the Depreciation of Rs. 29.08 Crore on Truing-up of ARR for FY 2015-16, in accordance with Regulation 31 of the MYT Regulations, 2011.**

### 3.6 Interest on Long Term Loans

#### *JPTL's Submission*

- 3.6.1 The Commission has approved a debt equity ratio of 75:25 during the in-principle approval of project cost of the transmission system for JPTL. However, now a Debt-Equity ratio of 70:30 has been considered for additional capital expenditure undertaken by JPTL in line with Regulation 33.1 of the MYT Regulations, 2011.
- 3.6.2 The repayment for FY 2015-16 has been considered as equal to the Depreciation for that year as stipulated in Regulation 33.3.

- 3.6.3 JPTL has submitted documentary evidence for weighted average interest @ 11.50% on loan capital for FY 2015-16.
- 3.6.4 JPTL has also incurred financial charges such as bank charges, commitment charges, annual processing charges etc. which are claimed as part of Interest and Finance charges.
- 3.6.5 Based on the above, the interest and finance charges as claimed by JPTL are outlined in the Table below:

**Table 20: Interest on Long Term Loans for FY 2015-16, as submitted by JPTL (Rs. Crore)**

Particulars	MYT Order	JPTL Petition
<b>Opening balance of Debt</b>	<b>313.96</b>	<b>313.96</b>
Addition	0.09	0.06
Repayment	29.36	29.35
Retirement	0.00	0.00
<b>Closing Debt</b>	<b>284.69</b>	<b>284.68</b>
Interest Rate (%)	11.50%	11.50%
<b>Interest on the Debt Capital operation</b>	<b>34.42</b>	<b>34.42</b>
Finance Charges		0.08
<b>Total Interest and Finance Charges</b>	<b>34.42</b>	<b>34.51</b>

### ***Commission's Analysis and Ruling***

- 3.6.6 There will be change in opening normative loan considered by JPTL and approved by the Commission due to reason as discussed in Section 2 of this Order. Accordingly, the Commission has considered opening normative loan for FY 2015-16 of Rs. 311.11 Crore
- 3.6.7 The Commission has approved the capitalisation pertaining to laptops, heavy duty racks, aluminium ladder and UPVC porta cabin etc. and considered that 70% of the same is financed through debt. The repayment of loan is considered as equal to the Depreciation approved for FY 2015-16 in the present Order, in line with the provisions of MYT Regulations, 2011.
- 3.6.8 The Commission had sought the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of the year along with supporting documents through Data Gap-1. JPTL submitted that the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of the year was 11.50% and also submitted the supporting documents to substantiate the same. The same rate has been considered by the Commission for approval of the interest on long term loans for FY 2015-16 as given below.



**Table 21: Interest on Long Term Loans for FY 2015-16 approved by Commission (Rs. Crore)**

Particulars	MYT Order	MTR Petition	Approved in this Order
Opening Balance	313.96	313.96	311.11
Additions	0.09	0.06	0.06
Repayments	29.35	29.35	29.08
Less: Reduction in loan due to retirement of assets	-	-	-
Closing Balance	284.69	284.68	282.09
Interest rate approved	11.50%	11.50%	11.50%
<b>Interest expenses</b>	<b>34.42</b>	<b>34.42</b>	<b>34.11</b>
Finance Charges	-	0.08	0.08
<b>Total Interest &amp; Finance charges</b>	<b>34.42</b>	<b>34.51</b>	<b>34.19</b>

3.6.9 The Commission approves the Interest on Long Term Loans of Rs. 34.19 Crore on Truing-up of ARR for FY 2015-16 as against Rs. 34.51 Crore claimed by JPTL.

### 3.7 Interest on Working Capital

#### *JPTL's Submission*

3.7.1 The Interest on Working Capital (IoWC) has been computed as per Regulation 35.2 (b) of the MYT Regulations, 2011. Interest rate of 14.75% i.e., the State Bank of India (SBI) Prime Lending Rate (PLR) as on the date of filing the Petition has been considered. The IoWC for FY 2015-16 is given in the following Table:

**Table 22: Interest on Working Capital for FY 2015-16, as submitted by JPTL (Rs. Crore)**

Particulars	MYT Order	Actual
O&M Expenses	0.57	0.28
Stores, Materials & Supplies	0.46	0.46
Expected Revenue from Transmission Tariff	10.65	18.77
<b>Total Working Capital</b>	<b>11.68</b>	<b>19.52</b>
Rate of Interest on Working Capital	14.75%	14.75%
<b>Interest on Working Capital</b>	<b>1.72</b>	<b>2.88</b>

#### *Commission's Analysis and Ruling*

3.7.2 The Commission has computed the Interest on Working Capital in line with Regulation 35.2 of the MYT Regulations, 2011.

- 3.7.3 The Commission has considered 1 month of normative O&M expenditure, 1% of GFA as spares and 1.5 months of the actual InSTS revenue for FY 2015-16 for calculation of the Working Capital requirement.
- 3.7.4 The Regulations stipulate that the rate of IoWC be considered on normative basis and as equal to the SBI Advance Rate (SBAR) on the date on which application for determination of Tariff is made.
- 3.7.5 The Commission has considered the interest rate of 14.75% p.a. for the normative IoWC as per the Regulations, and approved the IoWC quantum for FY 2015-16 as shown in the following Table:

**Table 23: Interest on Working Capital for FY 2015-16 approved by Commission (Rs. Crore)**

Particulars	MYT Order	MTR Petition	Approved in this Order
<b>Computation of working capital</b>			
One-twelfth of the amount of Operations and Maintenance Expenses	0.57	0.28	0.57
One-twelfth of the sum of the book value of stores, materials and supplies	0.46	0.46	0.46
One and a half months of the expected revenue from transmission charges at the prevailing Tariffs	10.65	18.77	15.20
<b>Total Working Capital</b>	<b>11.68</b>	<b>19.52</b>	<b>16.23</b>
Rate of Interest (% p.a.)	14.75%	14.75%	14.75%
<b>Interest on Working Capital</b>	<b>1.72</b>	<b>2.88</b>	<b>2.39</b>

- 3.7.6 **The Commission approves normative Interest on Working Capital of Rs. 2.39 Crore, in accordance with Regulation 35.2 of the MYT Regulations, 2011.**

### **3.8 Sharing of gains/ losses on variation in IoWC expenses**

#### ***JPTL's Submission***

- 3.8.1 The sharing of efficiency gains/(losses) on account of controllable factors is governed by the provisions of Regulation 14 of the MYT Regulations, 2015.
- 3.8.2 JPTL has also claimed the sharing of loss in the interest on working capital which has been increased due to increase in revenue receivable entitled by JPTL due to past recoveries which was recoverable as revenue in FY 2015-16 and the Regulations state that while computing the Working capital requirement, it is necessary to calculate the expected revenue from transmission charges. The expected revenue includes the past gap as approved by the Commission in its past orders and is not restricted to ARR of FY 2015-16 only.

3.8.3 JPTL has proposed the sharing of efficiency gains/ losses as shown below:

**Table 24: Sharing of gains/ losses on IoWC expenses for FY 2015-16 as submitted by JPTL (Rs. Crore)**

Particulars	MYT Order	Actual	Entitlement as per Regulations/ Order	Variation	2/3 <sup>rd</sup> of efficiency loss retained by JPTL	Net entitlement after sharing of gains/ losses
IoWC	1.72	2.88	1.72	-1.16	-0.77	2.11

### ***Commission's Analysis and Ruling***

3.8.4 The Commission has allowed normative IoWC based on normative O&M expenses, Spares and actual revenue received through InSTS Order in line with the MYT Regulations, 2011.

3.8.5 There is nil actual IoWC (as per Audited Annual Accounts) for JPTL in FY 2015-16. Further, the method proposed by JPTL for sharing of efficiency gains / (losses) is not in line with the provisions of the MYT Regulations, 2011.

3.8.6 Considering the above and in line with the stand taken by the Commission in its MYT Order, the Commission does not approve sharing of efficiency gains/ losses for IoWC for FY 2015-16.

### **3.9 Return on Equity**

#### ***JPTL's Submission***

3.9.1 Return on Equity is calculated as per the regulated rate of return of 15.5 % on the average of opening and closing balance of equity capital for the financial year based on Regulation 32 of MYT Regulation, 2011.

3.9.2 Further, equity addition equivalent to 30% of additional capital expenditure capitalised during the year has been considered, as per Regulation 33.1 of MYT Regulations, 2011.

3.9.3 The Return on Equity submitted by JPTL for purpose of approval is given in the table below:

**Table 25: Return on Equity for FY 2015-16, as submitted by JPTL (Rs. Crore)**

Particulars	MYT Order	Actual
Opening Equity	139.52	139.52
Additions to equity towards capital investments	0.04	0.03
Retirement	0.00	0.00

Particulars	MYT Order	Actual
Closing balance of Equity	139.56	139.55
<b>ROE @ 15.5 % on the average balance</b>	<b>21.63</b>	<b>21.63</b>

### ***Commission's Analysis and Ruling***

3.9.4 On account of reasons already discussed in Section 2 of the Order, there will be change in opening normative equity considered by JPTL and approved by the Commission. Accordingly, the Commission has considered opening equity of Rs. 138.25 Crore same as closing equity of FY 2014-15.

3.9.5 The Commission has considered RoE at the rate of 15.5% of the equity, in accordance with the MYT Regulations, 2011. The RoE approved by the Commission is shown in the following Table:

**Table 26: Return on Equity for FY 2015-16 approved by Commission (Rs. Crore)**

Particulars	MYT Order	MTR Petition	Approved in this Order
Regulatory Equity at the Beginning of the Year	139.52	139.52	138.25
Equity portion of the capitalisation during the Year	0.04	0.03	0.03
Reduction in Equity Capital on account of Retirement/ Replacement of assets	-	-	-
Regulatory Equity at the End of the Year	139.56	139.55	138.28
ROE rate	15.50%	15.50%	15.50%
<b>Return on Regulatory Equity</b>	<b>21.63</b>	<b>21.63</b>	<b>21.43</b>

3.9.6 **The Commission approves the Return on Equity of Rs. 21.43 Crore on Truing-up of ARR for FY 2015-16.**

### **3.10 Contribution to Contingency Reserves**

#### ***JPTL's Submission***

3.10.1 The MYT Order approved Contingency Reserve contribution of 0.25% of the original cost of fixed assets. Accordingly, JPTL had invested the contribution to Contingency Reserves of 0.25% of the GFA in accordance with the MYT Regulations, 2011 as shown below:

**Table 27: Contribution towards Contingency Reserves for FY 2015-16, as submitted by JPTL (Rs. Crore)**

Particulars	MYT Order	Actual
GFA	555.70	555.70
<b>Contribution to Contingency Reserves</b>	<b>1.39</b>	<b>1.39</b>

### ***Commission's Analysis and Ruling***

3.10.2 The Commission has verified that the accumulated Contingency Reserves of JPTL do not exceed 5% of the original cost of fixed assets as stipulated in the MYT Regulations, 2011. JPTL has also submitted documentary evidence showing that this amount has been invested in the approved class of securities.

3.10.3 The provision of the MYT Regulations, 2011 pertaining to contribution to Contingency Reserves states as follows:

*“36.1 Where the Transmission Licensee or Distribution Licensee has made an appropriation to the Contingency Reserve, a sum not less than 0.25 per cent and not more than 0.5 per cent of the original cost of fixed assets shall be allowed annually towards such appropriation in the calculation of aggregate revenue requirement:...”*

3.10.4 Accordingly, the Commission verified that the actual contribution to Contingency Reserves during the year, as per the Audited Annual Accounts, was within the range of 0.25% - 0.50% of the approved opening GFA of FY 2015-16.

3.10.5 After confirming the adherence with the Regulations, 2011, the Commission has considered the contribution to Contingency Reserves during the year as per the Audited Annual Accounts for FY 2015-16, and approved it as in the Table below.

**Table 28: Contribution to Contingency Reserves for FY 2015-16 approved by Commission (Rs. Crore)**

<b>Particulars</b>	<b>MYT Order</b>	<b>MTR Petition</b>	<b>Approved in this Order</b>
Contribution to Contingency reserves	1.39	1.39	1.39

**3.10.6 The Commission approves contribution to Contingency Reserves of Rs. 1.39 Crore on Truing-up of ARR for FY 2015-16 in accordance with Regulation 36 of MYT Regulations, 2011.**

### **3.11 Income Tax**

#### ***JPTL's Submission***

3.11.1 Income Tax of Rs. 13.93 Crore in FY 2015-16 has been computed considering the current Minimum Alternate Tax (MAT) rate of 21.35%. The deviation in the Income Tax is mainly due to True-up for FY 2012-13 and FY 2013-14 along with carrying costs. Documentary proof in support of the same has been provided as Annexure-4 to the Petition.

3.11.2 However, as Regulation 34.1 of the Regulations states that no income tax shall be considered on incentive earned by Transmission licensee, it is submitted that the incentive claimed in ARR for FY 2015-16 is post finalisation of the audited accounts and hence the income tax was not payable on the same. Accordingly, the same is not reduced from the Profit.

3.11.3 JPTL has also submitted that while computing income tax as per Regulations, income tax on other income which is earned by the Licensee but not reduced from ARR is also not to be considered. However, JPTL submits that due to de-capitalisation of the assets, JPTL has considered the Opportunity cost on surplus fund and has reduced ARR to that extent. Therefore, JPTL submits that they are entitled to claim income tax on the surplus fund adjusted in ARR and hence the same is adjusted.

3.11.4 Based on the above, computation of the net tax payable after reducing gains, Income from Other Business from the taxable income and adding the Return on surplus fund, the computation of income tax is provided as below:

**Table 29: Income Tax payable after reduction of efficiency gains, Income from Other Business and Incentive as submitted by JPTL (Rs. Crore)**

Particular	FY 2015-16	
	Actual	(excluding gains & incentive)
<b>Profit Before Tax</b>	<b>65.25</b>	<b>65.25</b>
<b>Minus:</b>		
Income from Surplus fund		0.36
Income from other business		2.51
Gain/(loss)		1.58
<b>Book Profit</b>	<b>65.25</b>	<b>61.51</b>
Tax payable on book profit	13.93	13.13
Interest on tax		
<b>Net Tax</b>	<b>13.93</b>	<b>13.13</b>
<b>Income Tax Rate</b>	<b>21.35%</b>	<b>21.35%</b>

3.11.5 Considering the above, the Commission may approve the Income Tax on actual basis.

**Table 30: Income Tax for FY 2015-16, as submitted by JPTL (Rs. Crore)**

Particulars	MYT Order	Actual
Income Tax	13.40	13.13

### ***Commission's Analysis and Ruling***

3.11.6 The MYT Regulations, 2011 stipulate that Income Tax on account of efficiency gains, Income from Other Business and incentive shall not be a pass through:

*“34.1 The Commission, in its MYT Order, shall provisionally approve Income Tax payable for each year of the Control Period, if any, based on the actual income tax paid on permissible return as allowed by the Commission relating to the electricity business regulated by the Commission, as per latest Audited Accounts available for the applicant, subject to prudence check:*

*Provided that no Income Tax shall be considered on the amount of efficiency gains and incentive earned by the Generating Companies, Transmission Licensees and Distribution Licensees.”*

3.11.7 Further, as regards to the submission of JPTL in the matter of passing on the impact of the decapitalisation of the assets, the Commission has elaborated on its approach on this matter in Section 2 of this Order.

3.11.8 Based on the above, computation of the net tax payable after reducing gains, Income from investment made through own funds and incentive from the taxable income is as under:

**Table 31: Income Tax payable after reduction of efficiency gains, Income from investment made through own funds and Incentive (Rs. Crore)**

Particular	FY 2015-16	
	Actual	Approved in this Order
<b>Profit Before Tax</b>	<b>65.25</b>	<b>65.25</b>
<b>Less:</b>		
Incentive		1.31
Income from investment made through own funds		2.51
Gain		2.35
<b>Book Profit</b>	<b>65.25</b>	<b>59.08</b>
Tax payable on book profit	13.93	12.61
Interest on tax		
<b>Net Tax</b>	<b>13.93</b>	<b>12.61</b>
<b>Income Tax Rate</b>	<b>21.35%</b>	<b>21.35%</b>

3.11.9 The Income Tax approved by the Commission is shown in the Table below:

**Table 32: Income Tax for FY 2015-16 approved by Commission (Rs. Crore)**

Particulars	MYT Order	MTR Petition	Approved in this Order
Income Tax	13.40	13.13	12.61

**3.11.10 The Commission approves the Income Tax liability of Rs. 12.61 Crore on Truing-up of ARR for FY 2015-16 after deducting the amount of efficiency gains on O&M Expenses, Income from investment made through own funds and the incentive on higher Transmission System Availability from the computation of Income Tax.**

### **3.12 Non-Tariff Income**

#### ***JPTL's Submission***

3.12.1 The Non-Tariff Income has been submitted as per Regulation 36.1 of MYT Regulations, 2011 which specifies that, out of the revenue recovered, the amount accumulated against the contribution to Contingency Reserves should be invested in securities authorized under Indian Trust Act, 1882 within six months of the close of the financial year, which shall be treated as Non-Tariff Income.

3.12.2 The non- tariff income includes income from investments made by JPTL. However, it is submitted that the Delay Payment charges of Rs. 16.73 Crore has not been claimed by JPTL in determination of ARR for FY 2015-16 as the matter is sub-judice and is pending with the Supreme Court.

3.12.3 An amount of Rs. 0.47 Crore as interest income from investment in government recognised instruments for contingency reserve is considered as Non-Tariff Income. Further, an amount of Rs. 2.51 crores which is on account of gain on sale of current investments. i.e. Mutual Funds which have been funded from internal accruals, and is therefore not considered in the Non-Tariff Income. Based on the approved contribution to Contingency Reserves for the respective years and weighted average interest rate for investments, JPTL has calculated the Non-Tariff Income for FY 2015-16, as given below:

**Table 33: Non-Tariff Income for FY 2015-16, as submitted by JPTL (Rs. Crore)**

<b>Particulars</b>	<b>MYT Order</b>	<b>Actual</b>
Non-Tariff Income	20.66	0.47

#### ***Commission's Analysis and Ruling***

3.12.4 The Commission has verified the details of Non-Tariff Income from the Audited Accounts for FY 2015-16.

3.12.5 JPTL has submitted details of the investment of contribution to Contingency Reserves along with the quantum and period of such investments as an Annexure-3 to its Petition as shown in the Table below:



**Table 34: Details of Investment of Contingency Reserve contributions, as submitted by JPTL**

Investment Amount (Rs.)	Date of Investment	Rate
1,50,00,000	29/10/2014	8.33% GOI 09/07/2026
3,40,00,000	06/08/2014	8.28% GOI 21/09/2027
2,75,00,000	29/09/2015	8.28% GOI 15/02/2032
1,40,00,000	25/09/2017	9.23% GS 2043 23/12/2043

3.12.6 An amount of Rs. 2.51 Crore is shown as gain on sale of current investments in the Audited Annual Accounts. JPTL clarified that this income is on account of Mutual Funds which have been funded from internal accruals, and is not to be considered as a part of Non-Tariff Income.

3.12.7 In MYT Order, the State Transmission Utility (STU) provided, details of the DPC due to each Transmission Licensee from it as on 31 March, 2016. DPC of Rs. 20.22 Crore yet is to be recovered by JPTL from TSUs, i.e. mainly Distribution Licensees. Though the issue related to treatment of DPC is pending before the Hon'ble Supreme Court, there is no stay to the Commission's Order. Hence, in line with the stand taken in the MYT Order, the Commission has considered this amount as Non-Tariff Income to be recovered in FY 2015-16 over and above the interest income on investment of the contribution to Contingency Reserves. Any Order by the Hon'ble Supreme Court in the matter of the DPC will be implemented appropriately by the Commission as and when it is issued.

3.12.8 Considering the foregoing, the Non-Tariff Income approved by the Commission is as given below:

**Table 35: Non-Tariff Income for FY 2015-16 approved by the Commission (Rs. Crore)**

Particulars	MYT Order	MTR Petition	Approved in this Order
Non-Tariff Income	20.66	0.47	20.69

3.12.9 **The Commission approves the actual Non-Tariff Income of Rs. 20.69 Crore on Truing-up of ARR for FY 2015-16.**

### 3.13 Incentive on Transmission System Availability

#### *JPTL's Submission*

3.13.1 JPTL has submitted that the incentive has been claimed based on the provisions of Regulation 60 of the MYT Regulation, 2011.

3.13.2 The Commission in the last tariff order dated 27 June 2016 in Case No. 12 of 2016 has calculated incentive after deducting income tax from the approved ARR.

3.13.3 Incentive is calculated on the Annual Transmission Charges which also includes the income tax paid by the licensee and allowed by the Commission for the recovery of the same from the Transmission System Users. Therefore, in line with the Regulations, JPTL is claiming incentive on the total Annual transmission charges including income tax but excluding any efficiency gains/loss.

3.13.4 Actual Availability of 99.78% has been achieved by JPTL for its Transmission System in FY 2015-16. The incentive is worked out on the basis of actual Availability at Rs. 1.91 Crore for FY 2015-16 as follows:

**Table 36: Incentive on Transmission System Availability for FY 2015-16, as submitted by JPTL**

<b>Particulars</b>	<b>FY 2015-16</b>
Annual Transmission Charges (Rs. Crore)	107.32
Target Availability (%)	98%
Actual Availability Achieved (%)	99.78%
Upper cap for Incentive Availability (%)	99.75%
<b>Incentive (Rs. Crore)</b>	<b>1.92</b>

#### ***Commission's Analysis and Ruling***

3.13.5 The Commission has analyzed the submission of JPTL and verified the System Availability based on the certification by the Maharashtra State Load Despatch Centre (MSLDC). The MYT Regulations, 2011 provide for incentive on achieving Transmission Availability above 98%. As per Regulations 54.10 and 60, the Annual Transmission Charge comprises of the ARR excluding Income Tax.

3.13.6 Accordingly, the Commission has computed the incentive for Transmission System in accordance with the Regulations and considering the approved ARR. The Commission has not considered Income Tax as part of the ARR for the computation of incentive. The incentive approved by the Commission is as shown in the following Table:

**Table 37: Incentive on Transmission Availability for FY 2015-16 approved by Commission**

Particulars	FY2015-16
Annual Transmission Charges (Rs. Crore)	73.48
Target Availability (%)	98.00%
Actual Availability Achieved (%)	99.78%
Upper Cap for Incentive Availability	99.75%
<b>Incentive (Rs. Crore)</b>	<b>1.31</b>

3.13.7 The Commission approves Incentive on Transmission Availability of Rs. 1.31 Crore, in accordance with Regulation 60.2 of the MYT Regulations, 2011.

**3.14 Summary of True-up, including Sharing of Gains and Losses, for FY 2015-16**  
*JPTL's Submission*

3.14.1 The summary of the ARR as submitted by JPTL for FY 2015-16 is given in the following Table:

**Table 38: Summary of True-up for FY 2015-16, as submitted by JPTL (Rs. Crore)**

Particulars	Approved	Actual	Net Entitlement after sharing of gains/(losses)
O&M Expenses	6.86	3.34	5.69
Depreciation	29.35	29.35	29.35
Interest on Long-term Loan Capital	34.42	34.51	34.51
Interest on Working Capital	1.72	2.88	2.11
Contribution to Contingency Reserves	1.39	1.39	1.39
Income Tax	13.40	13.13	13.13
<b>Total Revenue Expenditure</b>	<b>87.14</b>	<b>84.59</b>	<b>86.17</b>
Return on Equity Capital	21.63	21.63	21.63
<b>Aggregate Revenue Requirement</b>	<b>108.78</b>	<b>106.22</b>	<b>107.80</b>
Less: Non-Tariff Income	20.66	0.47	0.47
Add: Incentive	0.00	1.92	1.92
<b>Net Aggregate Revenue Requirement</b>	<b>88.12</b>	<b>107.66</b>	<b>109.24</b>
Add: Gap/ (Surplus) for FY 2012-13 including carrying cost	14.74	14.74	14.74
Add: Gap/ (Surplus) for FY 2013-14 including carrying cost	9.93	9.93	9.93
Add: Gap/ (Surplus) for FY 2014-15 including carrying cost	2.63	2.63	2.63
Add: Past period Recovery for 2 months of FY 2010-11 & FY 2011-12	14.46	14.46	14.46
Add: Carrying Cost/ (Holding Cost) for	-0.80	-0.80	-0.80

Particulars	Approved	Actual	Net Entitlement after sharing of gains/(losses)
contingency reserves			
<b>Total Annual Revenue Requirement including past gaps</b>	<b>129.08</b>	<b>148.62</b>	<b>150.20</b>

### *Commission's Analysis and Ruling*

3.14.2 Based on the foregoing analysis, the summary of the net ARR, after considering the sharing of efficiency gains approved by the Commission for FY 2015-16, is given in the following Table:

**Table 39: Summary of ARR Truing-up of ARR for FY 2015-16, including sharing of gains/(losses), approved by Commission (Rs. Crore)**

Particulars	MYT Order	Actual submitted in MTR Petition	Net Entitlement after sharing of Gains/ (Losses) in MTR Petition	Approved in this Order
Operation & Maintenance Expenses	6.86	3.34	5.69	5.69
Depreciation	29.35	29.35	29.35	29.08
Interest on Long-term Loan	34.42	34.51	34.51	34.19
Interest on Working Capital	1.72	2.88	2.11	2.39
Contribution to Contingency Reserves	1.39	1.39	1.39	1.39
Income Tax Expense	13.40	13.13	13.13	12.61
<b>Total Revenue Expenditure</b>	<b>87.14</b>	<b>84.59</b>	<b>86.17</b>	<b>85.35</b>
Return on Equity Capital	21.63	21.63	21.63	21.43
<b>Aggregate Revenue Requirement</b>	<b>108.77</b>	<b>106.22</b>	<b>107.80</b>	<b>106.78</b>
Less: Non-Tariff Income	20.66	0.47	0.47	20.69
Add: Availability Incentive	0.00	1.92	1.92	1.31
<b>Aggregate Revenue Requirement from Transmission Tariff</b>	<b>88.12</b>	<b>107.66</b>	<b>109.24</b>	<b>87.40</b>
Add: Gap/ (Surplus) for FY 2012-13 including carrying cost	14.74	14.74	14.74	14.74
Add: Gap/ (Surplus) for FY 2013-14 including carrying cost	9.93	9.93	9.93	9.93
Revenue gap/ (surplus) including carrying/ (holding) cost for FY 2014-15	2.63	2.63	2.63	2.63
Add: Past period Recovery for 2 months of FY 2010-11 & FY 2011-12	14.46	14.46	14.46	14.46
Add: Carrying Cost / (Holding Cost) for contingency reserves	(0.80)	(0.80)	(0.80)	(0.80)
<b>Total Annual Revenue Requirement including past gaps</b>	<b>129.08</b>	<b>148.62</b>	<b>150.20</b>	<b>128.36</b>

3.14.3 The detailed analysis underlying the Commission's approval of individual ARR elements on truing up of FY 2015-16 is already set out above, however, the variation in the ARR sought by the JPTL and that approved by the Commission in

this Order is mainly on account of the inclusion of DPC as part of the Non-Tariff Income by the Commission in line with the stand taken in its Order in Case No. 12 of 2016 and reduction in GFA due to de-capitalization of asset which has impacted the approval of depreciation, interest on long term loans and return on equity.

**3.14.4 Accordingly, the Commission approves the Aggregate Revenue Requirement of Rs. 128.36 Crore on Truing-up of ARR for FY 2015-16, as against Rs. 150.20 Crore claimed by JPTL.**

**3.15 Revenue Gap, including Carrying/ (Holding) Cost, for FY 2015-16**

***JPTL's Submission***

3.15.1 For FY 2015–16, the ARR (Revenue) recovered through transmission tariff is Rs. 121.58 Crore based on the Transmission Tariff of Intra-State Transmission System approved by Commission vide Order No. 123 of 2014 (applicable for April 2015 to May 2015) and Order No. 57 of 2015 (applicable for June 2015 to March 2016). The revenue in line with the tariff order is submitted in line with the Data gaps raised by the Commission vide email dated 18 December 2017. Earlier the revenue submitted was in line with accounts which follow the principle of accrual basis of accounting. However, in line with the gap approved for past year and the ARR for FY 2015-16, JPTL is entitled to recover total revenue of Rs. 150.20 crores which includes the revenue gap of FY 2010–11, FY 2011–12, FY 2012–13 and FY 2013–14 including the carrying cost and net of holding cost of Rs. 0.80 Crores.

3.15.2 The Revenue Gap along with carrying/ (holding) cost for FY 2015-16 included in the ARR of FY 2016-17 to be recovered by JPTL through the InSTS Tariff Order is given in the following Table:

**Table 40: Revenue Gap for FY 2015-16, as submitted by JPTL (Rs. Crore)**

<b>Sr. No.</b>	<b>Particulars</b>	<b>JPTL Petition</b>
1	Net ARR as petitioned	150.20
2	ARR recovered through Transmission Tariff	121.58
3	Revenue Gap	28.62
<b>4</b>	<b>Carrying cost as calculated above</b>	<b>7.68</b>

***Commission's Analysis and Ruling***

3.15.3 Based on the analysis in the above paragraphs, the summary of the Revenue Gap / (surplus) approved by the Commission for FY 2015-16 for recovery through the ARR for FY 2018-19 is given in the following Table:

**Table 41: Revenue Gap/ (Surplus) for FY 2015-16 approved by Commission (Rs. Crore)**

<b>Sr. No.</b>	<b>Particulars</b>	<b>MTR Petition</b>	<b>Approved in this Order</b>
1	Total ARR	150.20	128.36
2	ARR recovered through Transmission Tariff	121.58	121.58
<b>3</b>	<b>Revenue Gap/ (Surplus)</b>	<b>28.62</b>	<b>6.78</b>

3.15.4 The Commission approves the Revenue Gap of Rs. 6.78 Crore for recovery in FY 2018-19 along with the ARR approved for the year and other past period Gap / (surplus) approved in the present Order.

## 4 TRUING-UP OF ARR FOR ARR FOR FY 2016-17

### 4.1 Background

4.1.1 JPTL has sought Truing-up of ARR for ARR for FY 2016-17 based on the actual expenditure and revenue as per the Audited Accounts for FY 2016-17 and in accordance with the provisions of the MYT Regulations, 2015. JPTL also submitted reasons for variation in the actual expenses for FY 2016-17, as compared to the expenses approved in the Multi Year Tariff (MYT) Order dated 27 June, 2016 in Case No. 12 of 2016.

4.1.2 The analysis underlying the Commission's true-up for FY 2016-17 is set out below.

### 4.2 Operation & Maintenance expenses

#### *JPTL's Submission*

4.2.1 The O&M expenses for FY 2016-17 were approved by the Commission at Rs. 4.35 Crore based on the norms in the MYT Regulations, 2015. JPTL submitted that actual O&M expenses for FY 2016-17 are Rs. 4.14 Crore which is lower than norms specified in the MYT Regulations, 2015 on account of various efforts employed by JPTL in managing and optimising the O&M expenses.

4.2.2 The comparison of O&M expenses approved by the Commission and the actual O&M expenses are shown below:

**Table 42: O&M Expenses for FY 2016-17, as submitted by JPTL (Rs. Crore)**

Particulars	As per norms	Actual
Employee expense	1.39	1.03
Administrative and General expense		1.05
Repairs and Maintenance expense		1.72
<b>O&amp;M expenses for lines</b>		<b>3.81</b>
O&M expenses for terminal bays as per the contract with MSETCL	2.97	0.33
<b>Total O&amp;M expenses</b>	<b>4.35</b>	<b>4.14</b>

#### *Commission's Analysis and Ruling*

4.2.3 There is no increase in Ckt. Km. of Transmission Lines and in the number of Bays as compared to those approved in the MYT Order.

4.2.4 Accordingly, the Commission has computed the normative O&M expenses considering the actual numbers of Bays and the actual length of Lines as under:

**Table 43: Normative Operation and Maintenance Expenses for FY 2016-17 approved by Commission (Rs. Crore)**

Particulars	Unit	Normative O&M
<b>Transmission Lines</b>		
Length of Line (A)	ckt. Km	330.00
Norms as per Regulations (B)	Rs. lakh/ ckt. Km	0.42
<b>Cost (C = A * B)</b>	<b>Rs. Crore</b>	<b>1.39</b>
<b>Bays</b>		
No of bays (D)	No.	4.00
Norms as per Regulations (E )	Rs. lakh/ bay	74.13
<b>Cost (F = D * E)</b>	<b>Rs. Crore</b>	<b>2.97</b>
<b>Total O&amp;M expenses (G = C + F)</b>	<b>Rs. Crore</b>	<b>4.35</b>

4.2.5 The Commission notes that the actual O&M expenses incurred by JPTL are lower than the normative O&M expenses. The Commission approves the actual O&M expenses of Rs. 4.13 Crores for the FY 2016-17 for the purpose of computing the efficiency gains / (losses). The actual and normative O&M expenses as approved by the Commission for computing efficiency gains/ (losses) are as under:

**Table 44: O&M Expenses for FY 2016-17 approved by Commission (Rs. Crore)**

Particulars	MYT Order	Approved in this Order	
		Actual	Normative
O&M Expenses	4.35	4.13	4.35

4.2.6 **The Commission approves actual O&M expenses of Rs. 4.13 Crore and normative O&M Expenses of Rs. 4.35 Crore on Truing-up of ARR for FY 2016-17.**

### 4.3 Sharing of gains/ losses on variation in O&M Expenses

#### *JPTL's Submission*

4.3.1 The actual O&M expenses are less than the normative expenses due to various efforts employed by JPTL in managing and optimizing the O&M expenses. O&M expenses are controllable in nature and hence sharing of efficiency gain/ loss considered by JPTL is as shown below:



**Table 45: Sharing of gains/ losses on O&M Expenses for FY 2016-17, as submitted by JPTL (Rs. Crore)**

Particulars	MYT Order	Actual	Variation	1/3 <sup>rd</sup> of efficiency gain retained by JPTL	Net entitlement after sharing of gains/ losses
O&M Expenses	4.35	4.14	0.21	0.07	4.21

**Commission's Analysis and Ruling**

4.3.2 As per the provisions of the Regulation 11 of the MYT Regulations, 2015, the O&M expenses of licensee are controllable in nature. Accordingly, the difference between the actual O&M expenses approved by the Commission in this Order and the normative entitlement of JPTL shall be shared with the beneficiaries in line with the MYT Regulations, 2015.

4.3.3 Accordingly, the Commission has approved the net entitlement after sharing of gains as shown in the following Table:

**Table 46: Sharing of gains/ losses on O&M expenses for FY 2016-17 approved by Commission (Rs. Crore)**

Particulars	MYT Order	Actual (A)	Entitlement as per Regulations/ Order (B)	Gain/ (Loss) (B-A)	Efficiency Gain/ (Loss) shared with TSUs	Net Entitlement of JPTL
O&M Expense	4.35	4.13	4.35	0.22	0.15	4.20

4.3.4 **The Commission approves the net entitlement for O&M Expenses of Rs. 4.20 Crore on Truing-up of ARR for FY 2016-17 after sharing of gains/ losses.**

**4.4 Capital Expenditure and Capitalisation**

**JPTL's Submission**

4.4.1 JPTL has incurred an actual capitalisation of Rs. 0.47 Crore for items like computers, office equipment and freehold land site for the office, guest house and Shed at Chiplun for FY 2016-17. The details are given below:

**Table 47: Actual Capitalisation for FY 2016-17 (Rs. Lakhs)**

Sr. No.	Particulars	Amount
1.	Free Hold Land	46.30
2.	Computers	0.75
3.	Office Equipment's	0.21
4.	<b>TOTAL</b>	<b>47.26</b>

### ***Commission's Analysis and Ruling***

- 4.4.2 The Commission has observed that out of total capitalization of Rs. 0.4726 Crore, Rs. 0.4630 Crore is pertaining to freehold land site acquired for the office, guest house & shed at Chiplun.
- 4.4.3 As discussed in Section 6.3 of this Order, office, guest house & shed at Chiplun will be completed in FY 2019-20 and hence land will be put to use in FY 2019-20 only.
- 4.4.4 The Commission does not allow partial capitalization of asset unless it is put to use and hence capitalization of Rs. 0.4630 Crore is disallowed in FY 2016-17 and the same will be allowed along with capitalization of Guest house in FY 2019-20.
- 4.4.5 **The Commission approves the capitalisation of Rs. 0.0096 Crore for FY 2016-17.**

### **4.5 De-capitalization of Assets**

#### ***JPTL's Submission***

- 4.5.1 JPTL submitted that MSETCL has provided total terminal bay cost of Rs. 24.31 Crore vide letter no. 8491 and accordingly JPTL has capitalised assets in their books of accounts. MSETCL has included Rs. 6.6378 Crore towards supervision charges however JPTL has not paid same amount to MSETCL as PMC & construction supervision work has been awarded to M/s Power Links Transmission Limited.
- 4.5.2 JPTL vide letter dated 18 June, 2012 communicated this concern to MSETCL and vide letter dated 21 November, 2016, MSETCL has agreed for not to include supervision cost in total cost. MSETCL submitted revised cost of Rs. 19.29 Crore vide letter dated 19 January, 2017.
- 4.5.3 Based on the above, the revised bay cost and supervision cost towards the construction of 400 KV line bays at New Koyna and Karad Substation worked out to Rs. 19.29 Crore against Rs. 24.36 Crore capitalized earlier.
- 4.5.4 Accordingly, JPTL has claimed reduction of GFA of Rs. 5.07 Crore in FY 2016-17 and relevant adjustment has been carried out in Depreciation, Loan and Return on Equity.

### ***Commission's Analysis and Ruling***

- 4.5.5 **The Commission has analysed the issue and necessary treatment is given in Section 2 of this Order along with supporting justification.**

## 4.6 Depreciation

### *JPTL's Submission*

- 4.6.1 Depreciation has been computed considering the opening value of the GFA, the addition proposed during the year and the rates of Depreciation applicable as per Annexure I of Regulation 27.1 (b) of the MYT Regulations, 2015.
- 4.6.2 The impact of reduction of capitalization amount of Rs. 5.07 Crore undertaken in FY 2016-17 has been made separately and therefore depreciation has been computed on the total assets.

**Table 48: Depreciation Expenses for FY 2016-17, as submitted by JPTL (Rs. Crore)**

Particulars	MYT Order	Actual
Opening GFA	555.83	555.79
Addition of Gross Fixed Asset	0.00	0.47
Retirement of GFA		5.07
Closing GFA	555.83	551.19
<b>Depreciation</b>	<b>29.35</b>	<b>29.25</b>
<b>Average Depreciation Rate</b>		<b>5.28%</b>

### *Commission's Analysis and Ruling*

- 4.6.3 The Depreciation claimed by JPTL is computed using the Straight Line Method and the Depreciation rates as specified in Annexure I of Regulation 27.1 (b) of MYT Regulations, 2015.
- 4.6.4 The Commission has considered approved capitalization as asset addition. Retirement of assets of Rs. 5.07 Crore is already dealt in section 2 of this Order and hence no treatment is provided here.
- 4.6.5 The Opening GFA for FY 2016-17 is considered same as closing GFA of FY 2015-16. There is difference in opening GFA considered by JPTL and as approved by the Commission due to treatment of de-capitalization of assets.
- 4.6.6 Accordingly, the Commission has computed and approved the Depreciation for FY 2016-17 as shown below:

**Table 49: Depreciation expenses for FY 2016-17 approved by Commission (Rs. Crore)**

<b>Particulars</b>	<b>MYT Order</b>	<b>MTR Petition</b>	<b>Approved in this Order</b>
Opening Gross Fixed Assets	555.83	555.79	550.72
Addition of Gross Fixed Assets	-	0.47	0.01
Asset Retirement	-	5.07	0.01
Closing Gross Fixed Assets	555.83	551.19	550.73
Depreciation Rate	5.28%	5.28%	5.26%
<b>Depreciation</b>	<b>29.35</b>	<b>29.25</b>	<b>28.98</b>

4.6.7 **The Commission approves Depreciation of Rs. 28.98 Crore on Truing-up of ARR for FY 2016-17 in accordance with Regulation 27 of the MYT Regulations, 2015.**

#### **4.7 Interest on Long Term Loans**

##### ***JPTL's Submission***

- 4.7.1 Interest on Long Term Loans for FY 2016-17 has been calculated for the entire year in accordance with Regulation 26 of the MYT Regulations, 2015.
- 4.7.2 JPTL submitted that Debt: Equity ratio of 70:30 is considered for small additional capitalization undertaken in FY 2016-17. For retired assets, JPTL has considered debt component by 75% of the original cost in line with D:E ratio approved at the time of capitalization.
- 4.7.3 The repayment for FY 2016-17 has been considered equal to the Depreciation for that year as stipulated in Regulation 29.3 of the MYT Regulations, 2015.
- 4.7.4 JPTL's loan portfolio comprises loans from SBI, Punjab National Bank and Indian Overseas Bank. The actual weighted average rate of interest is 10.79% which is considered for calculation of interest on loan for FY 2016-17 in accordance with the MYT Regulations, 2015. Documentary evidence has been submitted by JPTL as part of the response to data gap - 1.
- 4.7.5 JPTL has also considered finance charges of Rs. 13,089 for FY 2016-17. Accordingly, the total interest and finance charges as submitted by JPTL are given in the table below:

**Table 50: Interest on Long Term Loans for FY 2016-17, as submitted by JPTL (Rs. Crore)**

<b>Particulars</b>	<b>MYT Order</b>	<b>Actual</b>
Opening balance of Debt	284.69	284.67
Addition	0.00	0.33
Repayment	29.35	29.25
Retirement	0.00	2.52
Closing Debt	255.34	253.23
Interest Rate (%)	10.80%	10.79%
<b>Interest on the Debt Capital operation</b>	29.16	29.02
Finance Charges	0.00	0.00
<b>Total Interest and Finance Charges</b>	29.16	29.02

***Commission's Analysis and Ruling***

- 4.7.6 The Commission has considered the opening loan balance for FY 2016-17 as equal to closing loan balance for FY 2015-16 as approved by the Commission in this Order. The Commission has approved capitalisation pertaining to furniture & fixtures and office equipment during FY 2016-17, and accordingly addition to loans have been considered with the debt:equity ratio submitted by JPTL. The repayment of loan is considered as equal to the Depreciation approved for FY 2016-17 in line with the MYT Regulations, 2015.
- 4.7.7 The Retirement of assets of Rs. 5.07 Crore is already dealt in Section 2 of this Order and hence no treatment for the loan is provided here.
- 4.7.8 JPTL submitted the weighted average rate of interest of 10.79% calculated on the basis of the actual loan portfolio and actual interest paid during the year along with supporting documents as an Annexure-10 to the Petition. The same has been considered by the Commission for approval of the interest on the Long Term Loans for the FY 2016-17, as shown in the following Table:

**Table 51: Interest on Long Term Loans for FY 2016-17 approved by Commission (Rs. Crore)**

Particulars	MYT Order	MTR Petition	Approved in this Order
Opening Balance	284.69	284.67	282.09
Additions	-	0.33	0.01
Repayments	29.35	29.25	28.98
Less: Reduction in loan due to retirement of assets	-	2.52	-
Closing Balance	255.34	253.23	253.12
Interest rate approved	10.80%	10.79%	10.79%
<b>Interest expenses</b>	<b>29.16</b>	<b>29.02</b>	<b>28.88</b>
Finance Charges	-	0.00	0.00
<b>Total Interest &amp; Finance charges</b>	<b>29.16</b>	<b>29.02</b>	<b>28.88</b>

4.7.9 The Commission approves Interest on Long Term Loans of Rs. 28.88 Crore on Truing-up of ARR for FY 2016-17, as against Rs. 29.02 Crore claimed by JPTL.

#### 4.8 Interest on Working Capital

##### *JPTL's Submission*

4.8.1 The IoWC has been computed as stipulated in Regulation 31.2 of the MYT Regulations, 2015. The interest rate of 10.80%, i.e. the Base Rate prevailing during the concerned Year plus 150 basis points, has been considered for calculation of IoWC. The IoWC for FY 2016-17 as submitted by JPTL is given in the following Table:

**Table 52: Interest on Working Capital for FY 2016-17, as submitted by JPTL (Rs. Crore)**

Particulars	MYT Order	Actual
O&M Expenses	0.36	0.34
Stores, Materials & Supplies	5.56	5.56
Expected Revenue from Transmission Tariff	11.60	14.87
<b>Total Working Capital</b>	<b>17.52</b>	<b>20.78</b>
Rate of Interest on Working Capital	10.80%	10.80%
<b>Interest on Working Capital</b>	<b>1.89</b>	<b>2.24</b>

##### *Commission's Analysis and Ruling*

4.8.2 Regulation 31.2 of the MYT Regulations, 2015 specifies the methodology for assessment of Working Capital requirements by a Transmission Licensee:

**“31.2 Transmission**

*(a) The working capital requirement of the Transmission Licensee shall cover:*

- (i) Operation and maintenance expenses for one month;*
  - (ii) Maintenance spares at one percent of the opening Gross Fixed Assets for the Year; and*
  - (iii) One and a half month equivalent of the expected revenue from transmission charges at the prevailing tariffs;*
- minus*
- (iv) Amount held as security deposits in cash, if any, from Transmission System Users...”*

4.8.3 The Commission has considered normative O&M expenses approved in this Order for the purpose of computation of the working capital requirement as against actual expenses considered by JPTL.

4.8.4 The Commission has considered the expected revenue as per applicable InSTS Order for FY 2016-17 for calculation of Working Capital requirements, in line with the MYT Regulations, 2015.

4.8.5 The Regulations stipulate that the rate of IoWC to be considered is Base Rate prevailing during the concerned Year plus 150 basis points.

4.8.6 The Commission has considered the interest rate of 10.79% p.a. for calculation of the normative IoWC, in line with the Regulations. The approved IoWC for FY 2016-17 is given in the following Table:

**Table 53: Interest on Working Capital for FY 2016-17 approved by Commission (Rs. Crore)**

<b>Particulars</b>	<b>MYT Order</b>	<b>MTR Petition</b>	<b>Approved in this Order</b>
<b>Computation of working capital</b>			
Operation and Maintenance expenses for one month	0.36	0.34	0.36
Maintenance spares at one percent of the opening Gross Fixed Assets for the Year	5.56	5.56	5.51
One and a half month equivalent of the expected revenue from transmission charges at the prevailing Tariffs	11.60	14.87	12.88
<b>Total Working Capital</b>	<b>17.53</b>	<b>20.78</b>	<b>18.75</b>
Rate of Interest (% p.a.)	10.80%	10.80%	10.79%
<b>Interest on Working Capital</b>	<b>1.89</b>	<b>2.24</b>	<b>2.02</b>

4.8.7 **The Commission approves normative Interest on Working Capital of Rs. 2.02 Crore in accordance with Regulation 31.2 of MYT Regulations, 2015, as against Rs. 2.24 Crore sought by JPTL.**

#### **4.9 Sharing of gains/ losses on variation in IoWC expenses**

##### ***JPTL's Submission***

- 4.9.1 JPTL submitted that there was no actual working capital loan availed for the FY 2016-17 and the same is met through internal accrual of the organization.
- 4.9.2 JPTL also submitted the observations made by the Hon'ble ATE in its Judgement dated 28 May, 2009 in Appeal No. 111 of 2008 with regards to interest on working capital loan funded through internal accrual and submitted below:

“

*7) The Commission observed that in actual fact no amount has been paid towards interest. Therefore, the entire interest on working capital granted as pass through in tariff has been treated as efficiency gain. It is true that internal funds also deserve interest in as much as the internal fund when employed as working capital loses the interest it could have earned by investment elsewhere. Further the licensee can never have any funds which has no cost. The internal accruals are not like some reserve which does not carry any cost. Internal accruals could have been inter corporate deposits, as suggested on behalf of the appellant. In that case the same would also carry the cost of interest. When the Commission observed that the REL had actually not incurred any expenditure towards interest on working capital it should have also considered if the internal accruals had to bear some costs themselves. The Commission could have looked into the source of such internal accruals and the cost of generating such accruals. The cost of such accruals or funds could be less or more than the normative interest. In arriving at whether there was a gain or loss the Commission was required to take the total picture into consideration which the Commission has not done. It cannot be said that simply because internal accruals were used and there was no outflow of funds by way of interest on working capital and hence the entire interest on working capital was gain which could be shared as per Regulation No. 19. Accordingly, the claim of the appellant that it has wrongly been made to share the interest on working capital as per Regulation 19 has merit.*

*15 b): The interest on Working Capital for the year in question, shall not be treated as efficiency gain.”*

- 4.9.3 JPTL submitted that the working capital was funded through internal accruals and therefore it is submitted that internal accruals invested in working capital results in loss of opportunity cost whereby such fund might have been invested in other investment providing return. Therefore, this aspect is required to be considered while computing sharing of gains loss on interest of working capital.



4.9.4 JPTL has also submitted that State Bank of India has already approved the limit of Rs. 22 Crore but the same was never availed due to usage of internal accrual. The SBI letter approving the cash credit limit of Rs. 22 Crore is enclosed as Annexure-13 to the Petition.

4.9.5 Based on provisions of Regulations, JPTL has considered sharing of efficiency gains in accordance with the MYT Regulations, 2015 as shown in the table below:

**Table 54: Sharing of gains/ losses on IoWC expenses for FY 2016-17 as submitted by JPTL (Rs. Crore)**

Particulars	MYT Order	Actual	Entitlement as per Regulations/ Order	Variation	2/3 <sup>rd</sup> of efficiency loss retained by JPTL	Net entitlement after sharing of gains/ losses
IoWC	1.89	2.24	1.89	-0.35	-0.23	2.01

### ***Commission's Analysis and Ruling***

4.9.6 With regards to Sharing of gains/ loss on the interest on working capital, MYT Regulations, 2015 states the following:

*“31.6 For the purpose of Truing-up for each year, the variation between the normative interest on working capital computed at the time of Truing-up and the actual interest on working capital incurred by the Generating Company or Licensee or MSLDC, substantiated by documentary evidence, shall be considered as an efficiency gain or efficiency loss, as the case may be, on account of controllable factors, and shared between it and the respective Beneficiary or consumer as the case may be, in accordance with Regulation 11.”*

4.9.7 In line with the provisions of the MYT Regulations, 2015, the revised normative interest on working capital works out to Rs. 2.02 Crore. As submitted by JPTL, there is no actual interest on working capital loans for FY 2016-17.

4.9.8 JPTL has submitted that it has managed working capital through internal accruals but no documentary evidences were provided for the same.

4.9.9 As per Regulation 31.6 of MYT Regulations, 2015, variation between normative interest on working capital computed at the time of True-up and actual interest on working capital is considered as an efficiency gain or efficiency loss and shared between JPTL and the respective Beneficiaries.

4.9.10 In line with the above, the Commission has worked out the net entitlement of IoWC after sharing of gain/ loss as shown below:

**Table 55: Sharing of gains/ loss on IoWC for FY 2016-17 approved by Commission (Rs. Crore)**

Particulars	Revised Normative	Actual (A)	Entitlement as per Regulations/ Order (B)	Gain/ (Loss) (B-A)	Efficiency Gain/ (Loss) shared with TSUs	Net Entitlement of JPTL
Interest on Working Capital	2.02	-	2.02	2.02	1.35	0.67

4.9.11 **The Commission approves the net entitlement for IoWC Expenses of Rs. 0.67 Crore on Truing-up of ARR for FY 2016-17 after sharing of gains/ (losses) as per Regulation 31.6 of MYT Regulations, 2015.**

#### 4.10 Return on Equity

##### *JPTL's Submission*

4.10.1 JPTL has computed RoE on the component of the investment put to use at 15.50% in line with Regulation 28.2 of the MYT Regulations, 2015.

4.10.2 JPTL has considered addition to equity at 30% for additional capital expenditure capitalized during FY 2016-17. JPTL has also considered impact of de-capitalization and reduced equity @25% considering the originally approved debt: equity ratio of 75:25.

**Table 56: Return on Equity for FY 2016-17, as submitted by JPTL (Rs. Crore)**

Particulars	MYT Order	Actual
Opening Equity	139.56	139.55
Additions to equity towards capital investments	0.00	0.14
Retirement	0.00	1.27
Closing balance of equity	139.56	138.42
<b>ROE @ 15.5 % on the average balance</b>	<b>21.63</b>	<b>21.54</b>

##### *Commission's Analysis and Ruling*

4.10.3 The Commission has considered RoE at the rate of 15.5% of the equity, in accordance with the MYT Regulations, 2015, on the opening equity of the year. Opening equity as submitted by JPTL and approved by the Commission will be different due to treatment of de-capitalised asset which has been separately discussed in Section 2 of this Order.

4.10.4 The Commission has approved the lower capitalisation of assets during the year and the RoE on such capitalisation for half the year has been considered, as per the provisions of the MYT Regulations, 2015. The Retirement of assets of Rs.

5.07 Crore is already dealt in Section 2 of this Order and hence no treatment for the retirement of equity is provided here.

4.10.5 The computation of RoE approved by the Commission is shown in the following Table:

**Table 57: Return on Equity for FY 2016-17 approved by Commission (Rs. Crore)**

Particulars	MYT Order	MTR Petition	Approved in this Order
Regulatory Equity at the Beginning of the Year	139.56	139.55	138.28
Equity portion of the capitalisation during the Year	-	0.14	0.00
Reduction in Equity Capital on account of Retirement/ Replacement of assets	-	1.27	0.00
Regulatory Equity at the End of the Year	139.56	138.42	138.28
ROE rate	15.50%	15.50%	15.50%
<b>Return on Regulatory Equity</b>	<b>21.63</b>	<b>21.54</b>	<b>21.43</b>

4.10.6 The Commission approves the Return on Equity of Rs. 21.43 Crore on Truing-up of ARR for FY 2016-17.

#### 4.11 Contribution to Contingency Reserves

##### *JPTL's Submission*

4.11.1 According to Regulation 34 of the MYT Regulations, 2015, JPTL can recover between 0.25 and 0.5 per cent of the original cost of fixed assets as contribution to Contingency Reserves. Based on the same, the contribution to Contingency Reserves by JPTL during FY 2016-17 is given in the following Table:

**Table 58: Contribution towards Contingency Reserves for FY 2016-17, as submitted by JPTL (Rs. Crore)**

Particulars	MYT Order	Actual
GFA	555.83	555.79
Contribution to Contingency Reserves	1.39	1.38

##### *Commission's Analysis and Ruling*

4.11.2 The MYT Regulations, 2015 provide as follows regarding contribution to Contingency Reserves:

*“36.1 Where the Transmission Licensee or Distribution Licensee has made an appropriation to the Contingency Reserve, a sum not less than 0.25 per cent and not more than 0.5 per cent of the original cost of fixed assets shall be allowed annually towards such appropriation in the calculation of aggregate revenue requirement...”*

4.11.3 Accordingly, the Commission verified that the actual contribution to Contingency Reserves during the year, as per the Audited Annual Accounts, was within the range of 0.25% - 0.50% of the approved opening GFA of FY 2016-17.

4.11.4 After confirming the adherence with the Regulations, 2015, the Commission has considered the contribution to Contingency Reserves during the year as per the Audited Annual Accounts for FY 2016-17, and approved it as shown in the Table below.

**Table 59: Contribution to Contingency Reserves for FY 2016-17 approved by Commission (Rs. Crore)**

Particulars	MYT Order	MTR Petition	Approved in this Order
Contribution to Contingency reserves	1.39	1.38	1.38

4.11.5 **The Commission approves contribution to Contingency Reserves of Rs. 1.38 Crore on Truing-up of ARR for FY 2016-17 in accordance with Regulation 34 of MYT Regulations, 2015.**

#### **4.12 Income Tax**

##### ***JPTL's Submission***

4.12.1 Income Tax of Rs. 6.54 Crore in FY 2016-17 has been computed considering the current Minimum Alternate Tax (MAT) rate of 21.34%.

4.12.2 The MYT Regulations, 2015 stipulate that Income Tax on account of efficiency gains, Income from Other Business and incentive shall not be a pass through. However, , it is submitted that the incentive claimed in ARR for FY 2016-17 is post finalisation of the audited accounts and hence the income tax was not payable on the same. Accordingly, the same is not reduced from the Profit.

4.12.3 Also, it is submitted that while computing income tax as per regulations, income tax on other income which is earned by the Licensee but not reduced from ARR is also not to be considered. However, JPTL submits that due to de-capitalisaiton of the assets, JPTL has considered the Opportunity cost on surplus fund and has reduced ARR to that extent. Therefore, JPTL submits that they are entitled to claim income tax on the surplus fund adjusted in ARR and hence the same is adjusted

4.12.4 Computation of net tax payable after reducing gains, income from other business and incentive from the taxable income is as under:

**Table 60: Net Income Tax calculation for FY 2016-17, as submitted by JPTL (Rs. Crore)**

Particulars	FY 2016-17	
	Actual	(excluding gains & incentive)
<b>Profit Before Tax</b>	<b>35.75</b>	<b>35.75</b>
<b>Add:</b>		
Income from Surplus fund		0.22
<b>Less:</b>		
Income from other business		4.54
Gain/(loss)		-0.16
Delay Payment Surcharge		3.49
Incentive		
<b>Book Profit</b>	<b>35.75</b>	<b>28.11</b>
Tax payable on book profit	7.63	6.00
Interest on tax		
<b>Net Tax</b>	<b>7.63</b>	<b>6.00</b>
<b>Income Tax Rate</b>	<b>21.34%</b>	<b>21.34%</b>

4.12.5 The Income Tax is as proposed in the following Table:

**Table 61: Income Tax for FY 2016-17, as submitted by JPTL (Rs. Crore)**

Particulars	MYT Order	Actual
Income Tax	5.61	6.00

### ***Commission's Analysis and Ruling***

4.12.6 The MYT Regulations, 2015 stipulate that Income Tax on account of efficiency gains, Income from investment made through own funds and incentive shall not be a pass through:

*“33.1 The Commission, in its MYT Order, shall provisionally approve Income Tax payable for each year of the Control Period based on the actual Income Tax paid by the Generating Company or Licensee or MSLDC, in case the Generating Company or Licensee or MSLDC has not engaged in any other regulated or unregulated Business or Other Business, as allowed by the Commission relating to the electricity Business regulated by the Commission, as per latest available Audited Accounts, subject to prudence check :*

*Provided that in case the Generating Company or Licensee or MSLDC has engaged in any other regulated or unregulated Business or Other Business, and the actual Income Tax paid by the Generating Company or Licensee or MSLDC has to be allocated to the different Businesses, then the Income Tax shall be provisionally allowed based on the Income Tax*

*on the regulatory Profit Before Tax, as allowed by the Commission relating to the electricity Business regulated by the Commission, subject to prudence check :*

*Provided further that no Income Tax shall be considered on the amount of income from Delayed Payment Charges or Interest on Delayed Payment or Income from Other Business, as well as on the income from any source that has not been considered for computing the Aggregate Revenue Requirement:*

*Provided also that no Income Tax shall be considered on the amount of efficiency gains and incentive approved by the Commission, irrespective of whether or not the amount of such efficiency gains and incentive are billed separately:*

*....”*

- 4.12.7 The contention of JPTL that incentive claimed in ARR for FY 2016-17 is post finalisation of the audited accounts and hence the income tax was not payable on the same and accordingly, the same is not reduced from the Profit is not appropriate. This may be true in the first year of operations when the revenue will only include the ARR for the year without the impact of truing up of the past years. However, from the subsequent years, the revenue considered by JPTL will include component of incentive approved by the Commission during the truing up of the past years. Accordingly, it will be necessary to deduct the incentive from the computation of the income tax.
- 4.12.8 Further, the impact of decapitalisation of the assets has been discussed separately under Section 2 of this Order and hence not considered here.
- 4.12.9 Based on the above, computation of the net tax payable after reducing gains, Income from investment made through own funds, delayed payment charges and incentive from the taxable income is as under:

**Table 62: Income Tax payable after reduction of efficiency gains, Income from investment made through own funds, Delay Payment Surcharge and Incentive (Rs. Crore)**

Particulars	FY 2016-17	
	Actual	Approved in this Order
<b>Profit Before Tax</b>	<b>35.75</b>	<b>35.75</b>
<b>Less:</b>		
Income from investment made through own funds		4.54
Gain		0.75
Delay Payment Surcharge		3.49
Incentive		0.76
<b>Book Profit</b>	<b>35.75</b>	<b>26.21</b>
Tax payable on book profit	7.63	5.59
Interest on tax		
<b>Net Tax</b>	<b>7.63</b>	<b>5.59</b>
<b>Income Tax Rate</b>	<b>21.34%</b>	<b>21.34%</b>

4.12.10 The Income Tax approved by the Commission is shown in the Table below:

**Table 63: Income Tax for FY 2016-17 approved by Commission (Rs. Crore)**

Particulars	MYT Order	MTR Petition	Approved in this Order
Income Tax	5.61	6.00	5.59

4.12.11 The Commission approves the Income Tax liability of Rs. 5.59 Crore on Truing-up of ARR for FY 2016-17, deducting the amount of efficiency gains on O&M Expenses and Interest on Working Capital, delayed Payment charges, Income from investment made through own funds and the incentive on higher Transmission System Availability from the computation of Income Tax.

#### 4.13 Non-Tariff Income

##### *JPTL's Submission*

4.13.1 JPTL submitted that as per Regulation 34.1 of MYT Regulations, 2015, out of the revenue recovered, the amount accumulated against the contribution to contingency reserve is required to be invested in securities authorized under Indian Trust Act, 1882 within six months of close of financial year and any income from the same will be recognised as non-tariff income as per Regulation 59 of MYT Regulations, 2015.

4.13.2 In the Non-tariff Income, Delay Payment charge of Rs. 3.49 Crore has not been claimed by JPTL in determination of ARR for FY 2016-17. It has also not considered an amount of Rs. 4.09 Crore is gain due sale of current investments, JPTL clarifies that this income is on account of Mutual Funds which have been funded from internal accruals, and is therefore not considered in the Non-Tariff Income.

4.13.3 The Non-Tariff Income as submitted by JPTL is as given in the following Table:

**Table 64: Non-Tariff Income for FY 2016-17, as submitted by JPTL (Rs. Crore)**

Particulars	MYT Order	Actual
Non-Tariff Income	0.55	0.56

#### ***Commission's Analysis and Ruling***

4.13.4 In line with provisions of MYT Regulations, 2015, the Commission has not considered income from delayed payment charges as part of Non-Tariff Income.

4.13.5 JPTL has submitted details of the investment of contribution to Contingency Reserves along with the quantum and period of such investments as an Annexure-3 to its Petition. JPTL has invested Rs. 1.40 Crore on 25 September, 2017 at rate of 9.23%

4.13.6 Further, the Commission has also examined the reconciliation statement for the non-tariff income submitted by JPTL. Accordingly, the Commission has also not considered income from sale of investment funded through internal accruals. The Non-Tariff Income approved by the Commission is shown in the following Table:

**Table 65: Non-Tariff Income for FY 2016-17 approved by Commission (Rs. Crore)**

Particulars	MYT Order	MTR Petition	Approved in this Order
Non-Tariff Income	0.55	0.56	0.56

4.13.7 **The Commission approves Non-Tariff Income of Rs. 0.56 Crore on Truing-up of ARR for FY 2016-17.**

#### **4.14 Incentive on Transmission System Availability**

##### ***JPTL's Submission***

4.14.1 Actual Availability of 98.82% has been achieved by JPTL for its Transmission System in FY 2016-17.



4.14.2 In the last tariff order dated 27 June 2016 in Case No. 12 of 2016, the Commission has calculated incentive after deducting income tax. However, as specified in the Regulation 57.2 of the MYT Regulations 2015, Incentive is calculated on the Annual Transmission Charges which also includes the income tax paid by the licensee and allowed by the Commission for the recovery of the same from the Transmission System User. Therefore, in line with the Regulations, JPTL is claiming incentive on the total Annual transmission charges including income tax but excluding any efficiency gains/loss.

4.14.3 The incentive is worked out on the basis of actual Availability at Rs. 0.78 Crore for FY 2016-17 as follows:

**Table 66: Incentive on Transmission System Availability for FY 2016-17, as submitted by JPTL**

Particulars	FY 2016-17
Annual Transmission Charges (Rs. Crore)	92.85
Target Availability (%)	98.00%
Actual Availability Achieved (%)	98.82%
Upper cap for Incentive Availability (%)	99.75%
<b>Incentive (Rs. Crore)</b>	<b>0.78</b>

#### ***Commission's Analysis and Ruling***

4.14.4 The Commission has analyzed the submission of JPTL and verified the System Availability based on certification by the Maharashtra State Load Despatch Centre (MSLDC). The MYT Regulations, 2015 provide for incentive on achieving Transmission Availability above 98%.

4.14.5 Accordingly, the Commission has computed the incentive for Transmission System in accordance with the Regulations and considering the approved ARR. The incentive approved by the Commission is as shown in the following Table:

**Table 67: Incentive on Transmission Availability for FY 2016-17 approved by Commission**

Particulars	FY 2016-17
Annual Transmission Charges (Rs. Crore)	90.58
Target Availability (%)	98.00%
Actual Availability Achieved (%)	98.82%
Upper Cap for Incentive Availability	99.75%
<b>Incentive (Rs. Crore)</b>	<b>0.76</b>

**4.14.6 The Commission approves Incentive on Transmission Availability of Rs. 0.76 Crore, in accordance with Regulation 57 of the MYT Regulations, 2015.**

#### 4.15 Summary of True-up, including Sharing of Gains and Losses, for FY 2016-17

##### *JPTL's Submission*

4.15.1 The net ARR submitted by JPTL for FY 2016-17 is summarised in the following Table:

**Table 68: Summary of Truing-up of ARR for FY 2016-17, as submitted by JPTL (Rs. Crore)**

Particulars	MYT Order	Actual	Net Entitlement after sharing of gains/(losses)
Operation and Maintenance Expenses	4.35	4.14	4.21
Depreciation	29.35	29.25	29.25
Interest on Long-term Loan	29.16	29.02	29.02
Interest on Working Capital	1.89	2.24	2.01
Contribution to Contingency Reserves	1.39	1.38	1.38
Income Tax Expense	5.61	6.00	6.00
<b>Total Revenue Expenditure</b>	<b>71.76</b>	<b>72.03</b>	<b>71.87</b>
Return on Equity Capital	21.63	21.54	21.54
<b>Gross Aggregate Revenue Requirement</b>	<b>93.39</b>	<b>93.58</b>	<b>93.41</b>
Less: Non-Tariff Income	0.55	0.56	0.56
Add: Incentive	0.00	0.78	0.78
<b>Net Aggregate Revenue Requirement</b>	<b>92.83</b>	<b>93.79</b>	<b>93.63</b>
Revenue gap/ (surplus) including carrying/ (holding) cost for FY 2014-15	-0.38	-0.38	-0.38
Revenue gap/ (surplus) cost for FY 2015-16	2.97	28.62	28.62
Less: Return on surplus Fund invested in market	0.00	-2.89	-2.89
<b>Total Annual Revenue Requirement including past gaps</b>	<b>95.42</b>	<b>119.14</b>	<b>118.98</b>

##### *Commission's Analysis and Ruling*

4.15.2 Based on the analysis set out above, the net ARR approved by the Commission for FY 2016-17 is summarised in the following Table:

**Table 69: Summary of Truing-up of ARR for FY 2016-17 approved by Commission (Rs. Crore)**

Particulars	MYT Order	Actual submitted in MTR Petition	Net Entitlement after sharing of Gains/ (Losses) in MTR Petition	Approved in this Order
Operation & Maintenance Expenses	4.35	4.14	4.21	4.20
Depreciation	29.35	29.25	29.25	28.98
Interest on Long-term Loan	29.16	29.02	29.02	28.88
Interest on Working Capital	1.89	2.24	2.01	0.67
Contribution to Contingency Reserves	1.39	1.38	1.38	1.38
Income Tax Expense	5.61	6.00	6.00	5.59
<b>Total Revenue Expenditure</b>	<b>71.76</b>	<b>72.03</b>	<b>71.87</b>	<b>69.71</b>
Return on Equity Capital	21.63	21.54	21.54	21.43
<b>Aggregate Revenue Requirement</b>	<b>93.39</b>	<b>93.58</b>	<b>93.41</b>	<b>91.15</b>
Less: Non-Tariff Income	0.55	0.56	0.56	0.56
Add: Availability Incentive	0.00	0.78	0.78	0.76
<b>Aggregate Revenue Requirement from Transmission Tariff</b>	<b>92.83</b>	<b>93.79</b>	<b>93.63</b>	<b>91.34</b>
Revenue gap/ (surplus) including carrying/ (holding) cost for FY 2014-15	(0.38)	(0.38)	(0.38)	(0.38)
Revenue gap/ (surplus) cost for FY 2015-16	2.97	28.62	28.62	0.00
Less: Return on surplus Fund invested in market	0.00	(2.89)	(2.89)	0.00
<b>Total Annual Revenue Requirement including past gaps</b>	<b>95.42</b>	<b>119.14</b>	<b>118.98</b>	<b>90.96</b>

4.15.3 The detailed analysis underlying the Commission's approval of individual ARR elements on truing up of FY 2016-17 is already set out above, however, the variation in the ARR sought by the JPTL and that approved by the Commission in this Order is mainly on account of the reduction in GFA due to de-capitalization of assets which has impacted the approval of depreciation, interest on long term loans and return on equity. Further, there is a difference in representation of the past gaps / (surplus) adopted by JPTL and that adopted by the Commission in FY 2016-17 wherein JPTL has included revenue gap of FY 2015-16 in ARR of FY 2016-17 to work out the resultant revenue gap / (surplus) for FY 2016-17 whereas the Commission has not included the past gap / (surplus) for FY 2015-16 for working out the net gap for FY 2016-17 and considered the same directly in FY 2018-19. In order to pass on the impact of de-capitalization of assets during FY 2016-17, JPTL has proposed to reduce return on surplus fund invested in market of Rs. 2.89 Crore from the ARR. However, the Commission has already dealt with the issue in Section 2 of this Order and accordingly has not considered the same for separate approval in the FY 2016-17.

**4.15.4 Accordingly, the Commission approves the Aggregate Revenue Requirement of Rs. 90.96 Crore on Truing-up of ARR for FY 2016-17 as, against Rs. 118.98 Crore claimed by JPTL.**

#### **4.16 Revenue Gap for FY 2016-17**

##### ***JPTL's Submission***

4.16.1 For FY 2016-17, the ARR (Revenue) recovered through transmission tariff is Rs. 103.02 Crore based on the Transmission Tariff of Intra-State Transmission System approved by Commission vide Order No. 57 of 2015 (applicable for April 2016 to June 2016) and Order No. 91 of 2016 (applicable from July 2016 to March 2017). Further, in line with the gap approved for past year and the ARR for FY 2016-17, JPTL is entitled to recover total revenue of Rs. 118.98 Crore which includes the revenue gap of FY 2015-16. The rebate given to Tata Power – D and BEST for prompt payment amounting to Rs. 6,44,717/- has also been reduced from the total revenue and accordingly the ARR requirement for FY 2016-17 has been computed.

4.16.2 The Revenue Gap as calculated on the basis of the ARR approved in the MYT Order and as in the present Petition is given in the following Table:

**Table 70: Revenue Gap for FY 2016-17, as submitted by JPTL (Rs. Crore)**

<b>Sl. No.</b>	<b>Particulars</b>	<b>JPTL Petition</b>
1	Total ARR	118.98
2	ARR recovered through Transmission Tariff	103.02
3	Revenue Gap	15.96
4	Carrying Cost	2.46

##### ***Commission's Analysis and Ruling***

4.16.3 The Commission has considered the Trued-up ARR for FY 2016-17 and the revenue recovery equivalent to the ARR for FY 2016-17 considered in the relevant InSTS Tariff Order for computing the Revenue Gap / (surplus), and its recovery during FY 2016-17.

4.16.4 The summary of the Revenue Gap/ (Surplus) approved by the Commission for FY 2016-17 is given in the following Table:

**Table 71: Revenue Gap/ (Surplus) for FY 2016-17 approved by Commission (Rs. Crore)**

<b>Sr. No.</b>	<b>Particulars</b>	<b>MTR Petition</b>	<b>Approved in this Order</b>
1	Total ARR	118.98	90.96
2	ARR recovered through Transmission Tariff	103.02	103.02
<b>3</b>	<b>Revenue Gap/ (Surplus)</b>	<b>15.96</b>	<b>(12.06)</b>

4.16.5 The Commission approves the Revenue Surplus of Rs. 12.06 Crore for recovery in FY 2018-19 along with the ARR approved for the year and other past period Gap / (surplus) approved in the present Order.

## 5 PROVISIONAL TRUING-UP OF ARR FOR ARR FOR FY 2017-18

### 5.1 Background

- 5.1.1 JPTL has sought provisional Truing-up of ARR for the ARR for FY 2017-18 based on the actual expenditure in the first half of the year (H1) and estimation for the second half (H2), as per the provisions of the MYT Regulations, 2015.
- 5.1.2 The analysis underlying the Commission's provisional True-up for FY 2017-18 is set out below.

### 5.2 Operation and Maintenance expenses

#### *JPTL's Submission*

- 5.2.1 The O&M expenses for FY 2017-18 were approved by the Commission at Rs. 4.57 Crore based on the norms of the MYT Regulations, 2015.
- 5.2.2 JPTL submitted that O&M expenses during H1 are comparatively lower than H2, this due to the monsoon season, wherein washing of transmission lines and Insulators may not be required vis-à-vis the dry season from October onwards. However, JPTL estimated that overall O&M expenses for FY 2017-18 will be marginally lower than the norms specified in the MYT Regulations, 2015.

**Table 72: O&M Expenses for FY 2017-18, as submitted by JPTL (Rs. Crore)**

Particulars	Norms	Provisional
	<b>FY 2017-18</b>	
Employee expense	1.45	1.11
Administrative and General expense		1.58
Repairs and Maintenance expense		1.33
<b>O&amp;M expenses for lines</b>		<b>4.03</b>
O&M expenses for terminal bays as per the contract with MSETCL	3.11	0.42
<b>Total O&amp;M expenses</b>	<b>4.57</b>	<b>4.44</b>

#### *Commission's Analysis and Ruling*

- 5.2.3 There is no increase in Ckt. Km. of Transmission Lines and in the number of Bays, as compared to the approval in the MYT Order.
- 5.2.4 Accordingly, the Commission has computed the normative O&M expenses over the actual numbers of Bays and the actual length of Lines as under:

**Table 73: Normative Operation and Maintenance Expenses for FY 2017-18 approved by Commission (Rs. Crore)**

Particulars	Unit	Normative O&M
<b>Transmission Lines</b>		
Length of Line (A)	ckt. Km	330.00
Norms as per Regulations (B)	Rs. lakh/ ckt. Km	0.44
Cost (C = A * B)	Rs. Crore	1.45
<b>Bays</b>		
No of bays (D)	No.	4.00
Norms as per Regulations (E)	Rs. lakh/ bay	77.84
Cost (F = D * E)	Rs. Crore	3.11
<b>Total O&amp;M expenses (G = C + F)</b>	Rs. Crore	<b>4.57</b>

5.2.5 The Commission has also observed that JPTL has estimated lower O&M expenses of Rs. 4.44 Crore for FY 2017-18 and claimed the same as part of ARR of FY 2017-18.

5.2.6 **The Commission approves O&M Expenses of Rs. 4.44 Crore on provisional Truing-up of ARR for FY 2017-18 as per estimation of JPTL.**

### 5.3 Capital Expenditure and Capitalisation

#### *JPTL's Submission*

5.3.1 The Commission in its MYT Order dated 27 June, 2016, approved capitalisation of Rs. 2 Crore towards items like setting up office, guest house & shed at Chiplun for FY 2017-18.

5.3.2 JPTL submitted that the project is behind schedule due to delay in identifying a suitable land at a convenient location for establishing office. JPTL has purchased and acquired land in October, 2016. Office work is likely to commence in March, 2018 and will be completed by March, 2019. The revised cost for the office building is given below:

**Table 74: Revised cost of the Building as submitted by JPTL**

Sr. No	Head	Earlier Cost (Rs. Crore)	Basis	Revised Cost (Rs. Crore)	Revised Basis
1.	Land	0.8	Assessed	0.70	Actual
2.	Construction of office building 3000 Sq. Ft. & Guest House 2000 Sq. Ft.	1.1	5000 Sq. Ft. @ Rs. 2200/-Sq. Ft.	1.113	5062 Sq. Ft. @ Rs. 2200/-Sq. Ft.

Sr. No	Head	Earlier Cost (Rs. Crore)	Basis	Revised Cost (Rs. Crore)	Revised Basis
3.	Compound Wall	0.1		0.25	Rs. 10000/RMT
4.	Parking, Interior Works	0	Not Assessed Earlier	0.65	for area about 4100 Sq. Ft. @ Rs. 1400/- Sq. Ft.
5.	<b>Total</b>	<b>2.0</b>		<b>2.71</b>	

5.3.3 In preliminary building design, stilt parking space was considered but now architect has modified the design by incorporating separate parking area from main building. Further, provision for interior works was not assessed earlier and the estimate for interior works is now included as per JSW standard norms.

5.3.4 Earlier the land was not finalized; hence the basic compound wall design had been taken in to consideration. But, after purchase of land, design of the compound wall was modified considering remote location & safety aspects. Now the height of compound wall had to be increased and a concertina coil has to be provided. This has led to the increase in cost. The basis for calculation has also been provided as part of the Petition.

5.3.5 JPTL submitted capitalization of Rs. 0.74 Crore for FY 2017-18 as given in the table below:

**Table 75: Capitalisation during FY 2017-18 as submitted by JPTL (Rs. Lakhs)**

Sr. No.	Particulars	Head of Assets	FY 2017-18		
			H1	H2	Total
1	Washing Truck	Plant & Machinery	44.27		44.27
2	Binocular	Office Equipment	0.242		0.24
3	Freehold Land for office	Land	23.48		23.48
4	Computer	Computer		5.00	5.00
5	Furniture & Fixtures	Furniture & Fixtures		1.00	1.00
	<b>Total</b>		<b>67.99</b>	<b>6.00</b>	<b>73.99</b>

Sr. No.	Particulars	FY 2017-18				
		MYT Order	Apr-Sep (Actual)	Oct-Mar (Estimated)	April - March (Estimated)	Provisional True-Up requirement
1	Capital Expenditure	2.00	0.68	0.06	0.74	-1.26
2	Capitalisation	2.00	0.68	0.06	0.74	-1.26
3	IDC	-	-	-	-	-
4	<b>Capitalisation + IDC</b>	<b>2.00</b>	<b>0.68</b>	<b>0.06</b>	<b>0.74</b>	<b>-1.26</b>



### ***Commission's Analysis and Ruling***

5.3.6 The Commission has noted the submission of JPTL regarding the increase in the overall cost of the office building (including guest house) on account of the reasons outlined in the Petition. As discussed in Section 6.3 of this Order, the office building will be completed in the FY 2019-20 and hence the Commission will provisionally consider the capital expenditure of Rs. 2.77 Crore for office building in the FY 2019-20, subject to final scrutiny at the time of final True-up.

5.3.7 The Commission does not allow partial capitalization of asset unless it is put to use and hence capitalization of Rs. 0.2348 Crore claimed against purchase of freehold land for building the office building is disallowed in FY 2017-18 and capitalization will be allowed along with capitalization of office building in FY 2019-20.

**Table 76: Capitalisation during FY 2017-18 as approved by the Commission (Rs. Lakhs)**

Sr. No.	Particulars	Head of Assets	FY 2017-18
1	Washing Truck	Plant & Machinery	44.27
2	Binocular	Office Equipment	0.24
3	Freehold Land for office	Land	0.00
4	Computer	Computer	5.00
5	Furniture & Fixtures	Furniture & Fixtures	1.00
	<b>Total</b>		<b>50.51</b>

5.3.8 **The Commission provisionally approves the capitalisation of assets as Rs. 0.50 Crore for FY 2017-18.**

### **5.4 Depreciation**

#### ***JPTL's Submission***

5.4.1 Depreciation has been computed considering the opening value of the GFA, the addition proposed during the year and the rates of Depreciation applicable as per Annexure I of Regulation 27.1 (b) of the MYT Regulations, 2015.

**Table 77: Depreciation Expenses for FY 2017-18, as submitted by JPTL (Rs. Crore)**

Particulars	MYT Order	Provisional
Opening GFA	555.83	551.19
Addition of Gross Fixed Asset	2.00	0.74
Retirement of GFA		0.00
Closing GFA	557.83	551.93
<b>Depreciation</b>	<b>29.39</b>	<b>29.10</b>
Average Depreciation Rate		5.28%

### ***Commission's Analysis and Ruling***

5.4.2 The Depreciation claimed by JPTL is computed using the Straight Line Method and the Depreciation rates as specified in Annexure I of Regulation 27.1 (b) of MYT Regulations, 2015.

5.4.3 Accordingly, the Commission has computed and approved the Depreciation for FY 2017-18 as shown below:

**Table 78: Depreciation expenses for FY 2017-18 approved by Commission (Rs. Crore)**

<b>Particulars</b>	<b>MYT Order</b>	<b>MTR Petition</b>	<b>Approved in this Order</b>
Opening Gross Fixed Assets	555.82	551.19	550.73
Addition of Gross Fixed Assets	2.00	0.74	0.50
Asset Retirement	-	-	-
Closing Gross Fixed Assets	557.82	551.93	551.23
Depreciation Rate	5.28%	5.28%	5.28%
<b>Depreciation</b>	<b>29.39</b>	<b>29.10</b>	<b>29.10</b>

5.4.4 **The Commission approves Depreciation of Rs. 29.10 Crore on provisional Truing-up of ARR for FY 2017-18 in accordance with Regulation 27 of the MYT Regulations, 2015.**

### **5.5 Refinancing of Loan**

#### ***JPTL's Submission***

5.5.1 JPTL submitted that at the start of the project, it has arranged debt for funding of capital cost for the project from SBI, PNR and IOB with an average interest @ 10.60% to 11.50%. During FY 2017-18, interest rates were reduced to 10.60%.

5.5.2 To lower the interest burden and reduce the ARR, loan is refinanced in FY 2017-18 through Aditya Birla Finance Limited (ABFL) at an applicable rate of 9.25%. Finance charges of Rs. 1.46 Crore are incurred for refinancing of loan details of which are given in the Table below:

**Table 79: Finance Charges for refinancing of the loan as submitted by JPTL (Rs.)**

<b>Refinancing Charges</b>	<b>Amount (Rs.)</b>
Consultancy Charges	413,000
Rating Fees	236,000
Trusteeship Fees	178,000
LLC Fees	1,199,364
Processing Fees - ABFL	11,317,144
Stamp duty	1,230,200
<b>Total Fees</b>	<b>14,573,708</b>

5.5.3 JPTL submitted that overall transaction is resulting in to saving of interest on loan and sharing is claimed as per Regulation 29.10 of MYT Regulations, 2015. Saving in interest on loan will be there for period FY 2017-18 to FY 2025-26 and calculation of the same is provided as an Annexure-16. As this control period is up to FY 2019-20, JPTL has claimed the sharing of saving in interest for 3 years i.e. FY 2017-18, FY 2018-19 and FY 2019-20. Remaining sharing of saving in interest will be claimed in subsequent control period. Sharing of saving of interest on loan due to refinancing for FY 2017-18 to FY 2019-20 is shown below:

**Table 80: Saving of interest on loan due to refinancing, as submitted by JPTL (Rs. Crore)**

<b>Sr. No.</b>	<b>Particulars</b>	<b>FY 2017-18</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>
1	Opening Balance of Net Normative Loan	253.23	224.65	196.94
2	Less: Reduction of Normative Loan due to retirement or replacement of assets	-	-	-
3	Addition of Normative Loan due to capitalisation during the year	0.52	1.45	-
4	Repayment of Normative loan during the year	29.10	29.16	29.20
5	Closing Balance of Net Normative Loan	224.65	196.94	167.74
6	Average Balance of Net Normative Loan	238.94	210.79	182.34
7	Approved Weighted average Rate of Interest on actual Loans (%)	10.60%	10.60%	10.60%
8	Interest Expenses as per approved rate	25.33	22.34	19.33
9	Actual Weighted average Rate of Interest on actual Loans (%) - due to refinancing	9.83%	9.25%	9.25%
10	Interest Expenses as per approved rate	23.49	19.50	16.87
11	Saving in interest	1.84	2.85	2.46
12	Sharing of interest with consumers as per clause 29.10 of MYT Regulations, 2015	0.61	0.95	0.82
<b>13</b>	<b>Net entitlement after sharing of gains</b>	<b>24.10</b>	<b>20.45</b>	<b>17.69</b>

5.5.4 JPTL submitted to approve refinancing cost of Rs. 1.46 Crore in FY 2017-18 and sharing of interest with consumers as per Regulation 29.10 of MYT Regulations, 2015 over period of FY 2017-18 to FY 2025-26. As this control period is up to

FY 2019-20, JPTL has claimed the sharing of saving in interest for 3 years i.e. FY 2017-18, FY 2018-19 and FY 2019-20.

***Commission's Analysis and Ruling***

5.5.5 The Commission has analysed the refinance agreement of JPTL with Aditya Birla Finance Limited (ABFL) dated 30 May, 2017 provided as Annexure-15 of the Petition. The revised interest rate as per refinancing agreement is 9.25%.

5.5.6 The Regulation 29.10 of MYT Regulations, 2015 specifies that any saving in interest cost due to refinancing of loans is to be shared in the ratio of 2:1 and the relevant para is reproduced below:

*“29.10 The Generating Company or the Licensee or the MSLDC, 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 them in the ratio of 2:1, subject to prudence check by the Commission:*

*Provided that the Generating Company or the Licensee or the MSLDC, as the case may be, shall submit documentary evidence of the costs associated with such re-financing:*

*Provided further that the net savings in interest shall be calculated as an annuity for the term of the loan, and the annual net savings shall be shared between the entity and Beneficiaries in the specified ratio.”*

5.5.7 The Commission has carried out a Cost-Benefit Analysis of the refinancing transaction and resultant savings in interest cost based on the same is worked out as under:

**Table 81: Cost-Benefit Analysis of Refinancing of Loan (Rs. Crore)**

Sr. No.	Particulars	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
1	Opening Balance of Net Normative Loan	252.90	223.80	194.70	165.60	136.50	107.40	78.30	49.20	20.10
2	Addition of Normative Loan due to capitalisation during the year	-	-	-	-	-	-	-	-	-
3	Repayment of Normative loan during the year	29.10	29.10	29.10	29.10	29.10	29.10	29.10	29.10	20.10
4	Closing Balance of Net Normative Loan	223.80	194.70	165.60	136.50	107.40	78.30	49.20	20.10	-
5	Average Balance of Net Normative Loan	238.35	209.25	180.15	151.05	121.95	92.85	63.75	34.65	10.05
6	Approved Weighted average Rate of Interest on actual Loans (%)	10.60%	10.60%	10.60%	10.60%	10.60%	10.60%	10.60%	10.60%	10.60%
7	Interest Expenses as per approved rate	14.74	22.18	19.10	16.01	12.93	9.84	6.76	3.67	1.07
8	Actual Weighted average Rate of Interest on actual Loans (%) - due to refinancing	9.25%	9.25%	9.25%	9.25%	9.25%	9.25%	9.25%	9.25%	9.25%
9	Interest Expenses as per approved rate	12.87	19.36	16.66	13.97	11.28	8.59	5.90	3.21	0.93
10	<b>Saving in interest</b>	<b>13.54</b>	<b>1.88</b>	<b>2.82</b>	<b>2.43</b>	<b>2.04</b>	<b>1.65</b>	<b>1.25</b>	<b>0.86</b>	<b>0.47</b>
	<b>NPV - Saving @ 9.25% discount factor</b>	<b>9.93</b>								
	<b>Refinancing Cost</b>	<b>1.46</b>								
	<b>Net saving</b>	<b>8.47</b>								

5.5.8 Based on cost-benefit analysis, the Commission has observed that prima-facie the refinancing of loan is resulting into net saving as mandated under the provisions of the Regulation 29.10 of the MYT Regulations, 2015.

5.5.9 Accordingly, as against claim of JPTL for refinancing cost as well as sharing of gains, the Commission presently approves refinancing cost of Rs. 1.46 Crore subject to prudence check at the time of final Truing-up of ARR for FY 2017-18. The Commission does not undertake sharing of gains/ (losses) at the time of provisional Truing-up and hence sharing of gains will be passed on at the time of final Truing-up. The Commission will consider refinanced interest rate for calculation of interest on loan for remaining period of the control period.

## 5.6 Interest on Long Term Loans

### *JPTL's Submission*

5.6.1 JPTL submitted that Debt: Equity ratio of 70:30 is considered for small additional capitalization undertaken in FY 2017-18.

5.6.2 Interest on Long Term Loans for FY 2017-18 has been estimated for the entire year in accordance with Regulation 26 of the MYT Regulations, 2015.

5.6.3 The repayment for FY 2017-18 has been considered equal to the Depreciation for that year as stipulated in Regulation 29.3 of the MYT Regulations, 2015.

5.6.4 The interest rate considered for the year is weightage average interest rate on loans for FY 2017-18 at 9.83% considering both the original loan portfolio and the revised loan portfolio as per refinancing transaction undertaken by JPTL.

JPTL has also claimed finance charges of Rs. 1.46 Crore towards the expenses incurred for refinancing of loan.

**Table 82: Interest on Long Term Loans for FY 2017-18, as submitted by JPTL (Rs. Crore)**

<b>Particulars</b>	<b>MYT Order</b>	<b>Provisional</b>
<b>Opening balance of Debt</b>	<b>255.34</b>	<b>253.23</b>
Addition	1.40	0.52
Repayment	29.39	29.10
Retirement	0.00	0.00
<b>Closing Debt</b>	<b>227.35</b>	<b>224.65</b>
Interest Rate (%)	10.80%	9.83%
Interest on the Debt Capital operation	26.07	23.49
Finance Charges	0.00	1.46
<b>Total Interest and Finance charges</b>	<b>26.07</b>	<b>24.95</b>

### *Commission's Analysis and Ruling*

- 5.6.5 The Commission has considered the opening loan balance for FY 2017-18 as equal to closing loan balance for FY 2016-17 as approved by the Commission in this Order. The Commission has approved capitalisation pertaining to furniture & fixtures and office equipment during FY 2017-18, and accordingly addition to loans have been considered with the debt:equity ratio submitted by JPTL. The repayment of loan is considered as equal to the Depreciation approved for FY 2017-18 in line with the MYT Regulations, 2015.
- 5.6.6 As per Regulation 29.5 of MYT Regulations, 2015, the rate of interest shall be the weightage average rate of interest computed on the basis of the actual loan portfolio at the beginning of the year. Weightage average rate of interest at beginning of the year was 10.60%. But subsequently, JPTL has refinanced the loan at interest rate of 9.25% and refinancing cost is also approved by the Commission. Hence, as the information pertaining to the interest rates prevalent during the year is available, it would be appropriate to consider weightage average interest rate considering impact of refinancing which works out to 9.83% for FY 2017-18.
- 5.6.7 In addition to the above, as discussed in para 5.5.9, the Commission has provisionally allowed the refinancing charges for recovery by JPTL. Accordingly, approval of the interest on the Long Term Loans and finance charges for the FY 2017-18, is as shown in the following Table:

**Table 83: Interest on Long Term Loans for FY 2017-18 approved by Commission (Rs. Crore)**

Particulars	MYT Order	MTR Petition	Approved in this Order
Opening Balance	255.34	253.23	253.12
Additions	1.40	0.52	0.35
Repayments	29.39	29.10	29.10
Closing Balance	227.35	224.65	224.37
Interest rate approved	10.80%	9.83%	9.83%
<b>Interest expenses</b>	<b>26.07</b>	<b>23.49</b>	<b>23.47</b>
Financing Charges	-	1.46	1.46
<b>Total Interest &amp; Finance charges on Long term Loans</b>	<b>26.07</b>	<b>24.95</b>	<b>24.93</b>

5.6.8 The Commission approves Interest on Long Term Loans of Rs. 24.93 Crore on provisional Truing-up of ARR for FY 2017-18, as against Rs. 24.95 Crore claimed by JPTL.

## 5.7 Interest on Working Capital

### *JPTL's Submission*

5.7.1 The IoWC has been computed as stipulated in Regulation 31.2 (b) of the MYT Regulations, 2015. However, MYT Regulations, 2015 was amended by the Commission on 29 November, 2017 whereby the definition of the base rate has been changed as follow:

*“2.1 (10) “Base Rate” shall mean the one-year Marginal Cost of Funds-based Lending Rate (‘MCLR’) as declared by the State Bank of India from time to time;”*

5.7.2 Accordingly, weighted average interest rate of 10.35% equivalent to SBAR as on the date of application has been considered for calculation of IoWC. The IoWC for FY 2017-18 as submitted by JPTL is given in the following Table:

**Table 84: Interest on Working Capital for FY 2017-18, as submitted by JPTL (Rs. Crore)**

Particulars	MYT Order	Provisional
O&M Expenses	0.38	0.37
Stores, Materials & Supplies	5.56	5.51
Expected Revenue from Transmission Tariff	11.60	11.13
<b>Total Working Capital</b>	<b>17.54</b>	<b>17.02</b>
Rate of Interest on Working Capital	10.80%	10.35%

Particulars	MYT Order	Provisional
Interest on Working Capital	1.89	1.76

### ***Commission's Analysis and Ruling***

5.7.3 Regulation 31.2 of the MYT Regulations, 2015 specifies the methodology for assessment of Working Capital requirements by a Transmission Licensee:

*“31.2 Transmission*

*(a) The working capital requirement of the Transmission Licensee shall cover:*

*(i) Operation and maintenance expenses for one month;*

*(ii) Maintenance spares at one percent of the opening Gross Fixed Assets for the year; and*

*(iii) One and a half month equivalent of the expected revenue from transmission charges at the prevailing tariffs; minus*

*(iv) Amount held as security deposits in cash, if any, from Transmission System Users...”*

5.7.4 The Commission has considered normative O&M expenses approved in this Order for the purpose of computation of the working capital requirement as against actual expenses considered by JPTL.

5.7.5 The Commission has considered the expected revenue as per applicable InSTS Order for FY 2017-18 for calculation of Working Capital requirements, in line with the MYT Regulations, 2015.

5.7.6 The Commission has considered the weightage average interest rate of 10.20% in line with provisions of the MYT Regulations, 2015 and its subsequent amendment. The approved IoWC for FY 2017-18 is given in the following Table:



**Table 85: Interest on Working Capital for FY 2017-18 approved by Commission (Rs. Crore)**

Particulars	MYT Order	MTR Petition	Approved in this Order
<b>Computation of working capital</b>			
Operation and Maintenance expenses for one month	0.38	0.37	0.38
Maintenance spares at one percent of the opening Gross Fixed Assets for the Year	5.56	5.51	5.51
One and a half month equivalent of the expected revenue from transmission charges at the prevailing Tariffs	11.23	11.13	11.24
<b>Total Working Capital</b>	<b>17.17</b>	<b>17.02</b>	<b>17.13</b>
Rate of Interest (% p.a.)	10.80%	10.35%	10.20%
<b>Interest on Working Capital</b>	<b>1.85</b>	<b>1.76</b>	<b>1.75</b>

5.7.7 The Commission approves normative Interest on Working Capital of Rs. 1.75 Crore in accordance with Regulation 31.2 of MYT Regulations, 2015, as against Rs. 1.76 Crore sought by JPTL.

## 5.8 Return on Equity

### *JPTL's Submission*

5.8.1 JPTL has computed RoE on the component of the investment put to use at 15.50% in line with Regulation 28.2 of the MYT Regulations, 2011.

5.8.2 Further, JPTL has considered addition to equity capital at 30% for asset capitalized during the FY 2017-18. Based on the above, the computation of the Return on Equity for FY 2017-18 as submitted by JPTL is given below:

**Table 86: Return on Equity for FY 2017-18, as submitted by JPTL (Rs. Crore)**

Particulars	MYT Order	Provisional
Opening Equity	139.56	138.42
Additions to equity towards capital investments	0.60	0.22
Retirement	0.00	0.00
Closing balance of equity	140.16	138.64
<b>ROE @ 15.5 % on the average balance</b>	<b>21.68</b>	<b>21.47</b>

### *Commission's Analysis and Ruling*

5.8.3 The Commission has considered RoE at the rate of 15.5% of the equity, in accordance with the MYT Regulations, 2015, on the opening equity of the year.

The Commission has approved the capitalisation of assets during the year and the RoE on such capitalisation for half the year as been considered as per the provisions of the MYT Regulations, 2015. The computation of RoE approved by the Commission is shown in the following Table:

**Table 87: Return on Equity for FY 2017-18 approved by Commission (Rs. Crore)**

Particulars	MYT Order	MTR Petition	Approved in this Order
Regulatory Equity at the Beginning of the Year	139.56	138.42	138.28
Equity portion of the capitalisation during the Year	0.60	0.22	0.15
Reduction in Equity Capital on account of Retirement/ Replacement of assets	-	-	-
Regulatory Equity at the End of the Year	140.16	138.64	138.43
ROE rate	15.50%	15.50%	15.50%
<b>Return on Regulatory Equity</b>	<b>21.68</b>	<b>21.47</b>	<b>21.44</b>

**5.8.4 The Commission approves the Return on Equity of Rs. 21.44 Crore on provisional Truing-up of ARR for FY 2017-18.**

## **5.9 Contribution to Contingency Reserves**

### ***JPTL's Submission***

5.9.1 JPTL has proposed contribution to contingency reserve equivalent to 0.25 % of the original cost of fixed assets in accordance with the provisions of Regulation 34.1 of the MYT Regulations, 2015. The contribution to Contingency Reserves as proposed by JPTL is given in the following Table:

**Table 88: Contribution towards Contingency Reserves for FY 2017-18, as submitted by JPTL (Rs. Crore)**

Particulars	MYT Order	Provisional
GFA	555.83	551.19
Contribution to Contingency Reserves	1.39	1.38

### ***Commission's Analysis and Ruling***

5.9.2 The MYT Regulations, 2015 provide as follows regarding contribution to Contingency Reserves:

*“34. Contribution to Contingency Reserves-*

*34.1 Where the Licensee has made an contribution to the Contingency Reserve, a sum not less than 0.25 per cent and not more than 0.5 per cent of the original cost of fixed assets shall be allowed annually towards such contribution in the calculation of Aggregate Revenue Requirement:..”*

5.9.3 The Commission has considered the contribution to Contingency Reserves at 0.25% of opening GFA for FY 2017-18 as per the MYT Regulations, 2015, as follows:

**Table 89: Contribution to Contingency Reserves for FY 2017-18 approved by Commission (Rs. Crore)**

Particulars	MYT Order	MTR Petition	Approved in this Order
Contribution to Contingency reserves	1.39	1.38	1.38

5.9.4 **The Commission approves contribution to Contingency Reserves of Rs. 1.38 Crore on provisional Truing-up of ARR for FY 2017-18, in accordance with the Regulation 34 of MYT Regulations, 2015.**

## 5.10 Income Tax

### *JPTL's Submission*

5.10.1 The MYT Regulations, 2015 stipulate that Income Tax for the control period needs to be in line with the actual income tax paid for the previous year. Accordingly, JPTL has claimed Income tax of Rs. 6.00 Crore for FY 2017-18 in line with the actual claimed in FY 2016-17.

**Table 90: Income Tax for FY 2017-18, as submitted by JPTL (Rs. Crore)**

Particulars	Approved	Provisional
Income Tax	5.61	6.00

### *Commission's Analysis and Ruling*

5.10.2 Income tax is approved based on Regulation 33.1 of MYT Regulations, 2015 which is reproduced below:

*“33.1 The Commission, in its MYT Order, shall provisionally approve Income Tax payable for each year of the Control Period based on the actual Income Tax paid by the Generating Company or Licensee or MSLDC, in case the Generating Company or Licensee or MSLDC has not engaged in any other regulated or unregulated Business or Other Business, as allowed by the Commission relating to the electricity Business regulated by the Commission, as per latest available Audited Accounts, subject to prudence check.”*

5.10.3 Accordingly, Income tax approved for FY 2016-17 amounting Rs. 5.59 Crore is approved for FY 2017-18. The Income Tax approved by the Commission is shown in the Table below:

**Table 91: Income Tax for FY 2017-18 approved by Commission (Rs. Crore)**

Particulars	MYT Order	MTR Petition	Approved in this Order
Income Tax	5.61	6.00	5.59

5.10.4 The Commission approves the Income Tax liability as Rs. 5.59 Crore on provisional Truing-up of ARR for FY 2017-18.

### 5.11 Non-Tariff Income

#### *JPTL's Submission*

5.11.1 Income has been projected from the amount apportioned toward Contingency Reserves as per Regulation 34 of the MYT Regulations, 2015. The return on such investment has been projected at 8.29%.

5.11.2 The Non-Tariff Income as submitted by JPTL is as given in the following Table:

**Table 92: Non-Tariff Income for FY 2017-18, as submitted by JPTL (Rs. Crore)**

Particulars	2017-18
Investment as per Norms	
Opening	7.49
Addition	1.38
Closing	8.87
Interest Income as per Bond	8.29%
<b>Non-Tariff Income</b>	<b>0.68</b>

Particulars	MYT Order	Provisional
Non-Tariff Income	0.67	0.68

#### *Commission's Analysis and Ruling*

5.11.3 The Non-Tariff Income approved by the Commission is shown in the following Table:

**Table 93: Non-Tariff Income for FY 2017-18 approved by Commission (Rs. Crore)**

Particulars	MYT Order	MTR Petition	Approved in this Order
Non-Tariff Income	0.67	0.68	0.68

5.11.4 The Commission approves Non-Tariff Income of Rs. 0.68 Crore on provisional Truing-up of ARR for FY 2017-18.

## 5.12 Summary of provisional Truing-up of ARR for FY 2017-18

### *JPTL's Submission*

5.12.1 The net ARR submitted by JPTL for FY 2017-18 is summarised in the following Table:

**Table 94: Summary of provisional Truing-up of ARR for FY 2017-18, as submitted by JPTL (Rs. Crore)**

Sl. No.	Particulars	Approved	Provisional
1	Operation and Maintenance Expenses	4.57	4.44
2	Depreciation	29.39	29.10
3	Interest on Long-term Loan	26.07	24.95
4	Interest on Working Capital	1.85	1.79
5	Contribution to Contingency Reserves	1.39	1.38
6	Income Tax Expense	5.61	6.00
7	<b>Total Revenue Expenditure</b>	<b>68.87</b>	<b>67.66</b>
8	Return on Equity Capital	21.68	21.47
9	<b>Gross Aggregate Revenue Requirement</b>	<b>90.55</b>	<b>89.13</b>
10	Less: Non-Tariff Income	0.67	0.68
11	Add: Net Entitlement after sharing of gains/(losses) - refinancing of loan - Regulation 29.10 of MYT Regulations 2015		0.61
12	<b>Net Aggregate Revenue Requirement</b>	<b>89.88</b>	<b>89.06</b>

### *Commission's Analysis and Ruling*

5.12.2 Based on the analysis set out above, the net ARR approved by the Commission for FY 2017-18 is summarised in the following Table:

**Table 95: Summary of provisional Truing-up of ARR for FY 2017-18 approved by Commission (Rs. Crore)**

Particulars	MYT Order	MTR Petition	Approved in this Order
Operation & Maintenance Expenses	4.57	4.44	4.44
Depreciation	29.39	29.10	29.10
Interest on Long-term Loan	26.07	24.95	24.93
Interest on Working Capital	1.85	1.79	1.72
Contribution to Contingency Reserves	1.39	1.38	1.38
Income Tax Expense	5.61	6.00	5.59
<b>Total Revenue Expenditure</b>	<b>68.87</b>	<b>67.66</b>	<b>67.16</b>
Return on Equity Capital	21.68	21.47	21.44
<b>Gross Aggregate Revenue Requirement</b>	<b>90.55</b>	<b>89.13</b>	<b>88.61</b>
Less: Non-Tariff Income	0.67	0.68	0.68
Add: Net Entitlement after sharing of gains/(losses) - refinancing of loan		0.61	0.00
<b>Net Aggregate Revenue Requirement</b>	<b>89.88</b>	<b>89.06</b>	<b>87.93</b>

5.12.3 The detailed analysis underlying the Commission's approval of individual ARR elements on provisional truing up of FY 2017-18 is already set out above, however, the variation in the ARR sought by the JPTL and that approved by the Commission in this Order is mainly on account of approval of lower Income tax in line with MYT Regulations, 2015 which provides that latest available actual income tax (i.e. FY 2016-17) should be considered. Further, the Commission has also not considered sharing of gains on account of refinancing of loan as provisional truing-up is carried out for FY 2017-18.

5.12.4 Accordingly, the Commission approves the Aggregate Revenue Requirement of Rs. 87.93 Crore on provisional Truing-up of ARR for FY 2017-18 as, against Rs. 89.06 Crore claimed by JPTL.

### 5.13 Revenue Gap/Surplus of provisional Truing-up of ARR for FY 2017-18

#### *JPTL's Submission*

5.13.1 As per the Tariff Order dated 27 June, 2016 vide Case No. 12 of 2016, the Commission has approved the ARR of Rs. 89.99 Crore for The Revenue Gap/Surplus as calculated on the basis of the total ARR approved of Rs. 89.88 Crore against the expected ARR for FY 2017-18 projected in this petition of Rs. 89.06 Crore. Hence a surplus is Rs. 0.81 Crore.

**Table 96: Revenue Gap/Surplus of provisional Truing-up of ARR for FY 2017-18, as submitted by JPTL (Rs. Crore)**

Sl. No.	Particulars	FY 2017-18
1	Total ARR	89.06
2	ARR recovered through Transmission Tariff	89.88
3	<b>Revenue Gap / (Surplus)</b>	<b>(0.81)</b>
4	<b>Carrying/(Holding) Cost</b>	<b>(0.04)</b>

**Commission's Analysis and Ruling**

5.13.2 The Commission has considered the provisionally Trued-up ARR for FY 2017-18 and the revenue recovery equivalent to the ARR for FY 2017-18 considered in the relevant InSTS Tariff Order for computing the Revenue Gap / (surplus), and its recovery during FY 2018-19.

5.13.3 JPTL has proposed to pass on Revenue Gap/(Surplus) including carrying/ (holding) cost in FY 2018-19. However, the Commission as per the stand taken in past Orders, only considers the revenue gap/ (surplus) at the time of provisional True-up. The carrying / (holding) cost is allowed only at the time of final truing up.

5.13.4 The summary of the Revenue Gap/ (Surplus) approved by the Commission for FY 2017-18 is given in the following Table:

**Table 97: Revenue Gap/ (Surplus) for FY 2017-18 approved by Commission (Rs. Crore)**

Sr. No.	Particulars	MTR Petition	Approved in this Order
1	Total ARR	89.06	87.93
2	ARR recovered through Transmission Tariff	89.88	89.88
3	Revenue Gap/ (Surplus)	(0.81)	(1.95)
4	Carrying/(Holding) Cost	(0.04)	0.00
5	<b>Revenue Gap/ (Surplus) to be pass on in FY 2018-19</b>	<b>(0.85)</b>	<b>(1.95)</b>

5.13.5 The Commission approves a Revenue Surplus of Rs. 1.95 Crore, to be recovered in FY 2018-19 along with the ARR for FY 2018-19 and other past period revenue gap/ (surplus) approved in the present Order.

## 6 REVISED ESTIAMTES OF ARR FOR FY 2018-19 and FY 2019-20

### 6.1 Background

6.1.1 JPTL has submitted the revised ARR for FY 2018-19 and FY 2019-20 as per the MYT Regulations, 2015.

### 6.2 Operation and Maintenance Expenses

#### *JPTL's Submission*

6.2.1 The Commission approved the net O&M expenses of Rs. 4.79 Crores for FY 2018- 19 and Rs. 5.02 Crore for FY 2019-20 based on the norms stipulated under the MYT Regulations, 2015.

6.2.2 For FY 2018-19 and FY 2019-20, JPTL has maintained the same O&M expenses equivalent to the norms approved by the Commission. Any changes in the O&M expense will be adjusted and submitted during true-up for the respective years. Accordingly, the O&M expenses submitted by JPTL are as shown in the following Table:

**Table 98: O&M Expenses submitted by JPTL for FY 2018-19 and FY 2019-20 (Rs. Crore)**

Particulars	FY 2018-19		FY 2019-20	
	Norms	Estimates	Norms	Estimates
Employee expense	1.52	1.52	1.58	1.58
Administrative and General expense				
Repairs and Maintenance expense				
<b>O&amp;M expenses for lines</b>		<b>1.52</b>		<b>1.58</b>
O&M expenses for terminal bays	3.27	3.27	3.43	3.43
<b>Total O&amp;M expenses</b>	<b>4.79</b>	<b>4.79</b>	<b>5.02</b>	<b>5.02</b>

#### *Commission's Analysis and Ruling*

6.2.3 Regulation 58.5 of the MYT Regulations, 2015 provides for computation of the normative O&M on the basis of Ckt. Km. of Transmission Lines and number of Bays in the Sub-stations.

6.2.4 The Commission has computed the O&M expenses for JPTL for FY 2018-19 and FY 2019-20 considering the actual line length of the transmission network and the number of bays along with the applicable norms for approval, subject to truing-up in future, as summarised in the following Table:



**Table 99: O&M Expenses for FY 2018-19 and FY 2019-20 approved by Commission**

Particulars	Unit	FY 2018-19			FY 2019-20		
		MYT Order	MTR Petition	Approved in this Order	MYT Order	MTR Petition	Approved in this Order
<b>Transmission Lines</b>							
Distance of Line	Ckt. Km.	330.00	330.00	330.00	330.00	330.00	330.00
MERC Norm	Rs. Lakh/Ckt. Km.	0.46	0.46	0.46	0.48	0.48	0.48
<b>O&amp;M Expenses</b>	<b>Rs. Crore</b>	<b>1.52</b>	<b>1.52</b>	<b>1.52</b>	<b>1.58</b>	<b>1.58</b>	<b>1.58</b>
<b>Bays</b>							
No. of Bays	No.	4.00	4.00	4.00	4.00	4.00	4.00
MERC Norm	Rs. Lakh/Bay	81.73	81.73	81.73	85.82	85.82	85.82
<b>O&amp;M Expenses</b>	<b>Rs. Crore</b>	<b>3.27</b>	<b>3.27</b>	<b>3.27</b>	<b>3.43</b>	<b>3.43</b>	<b>3.43</b>
<b>Total O&amp;M Expenses</b>	<b>Rs. Crore</b>	<b>4.79</b>	<b>4.79</b>	<b>4.79</b>	<b>5.02</b>	<b>5.02</b>	<b>5.02</b>

6.2.5 The Commission approves normative O&M Expenses of Rs. 4.79 and Rs. 5.02 Crore for FY 2018-19 and FY 2019-20, respectively.

### 6.3 Capital Expenditure and Capitalisation

#### *JPTL's Submission*

6.3.1 The Commission in the MYT Order had approved capitalisation of Rs. 2 crores for FY 2017-18 for setting up office, guest house & shed at Chiplun. JPTL has already initiated the process of establishing JPTL office in its own premises. The project is behind schedule due to delay in identifying a suitable land parcel at a convenient location for establishing the office. Suitable freehold land was finally purchased and acquired in Oct 2016. Currently, architectural and design work is underway. The construction of office building is likely to commence in March 2018 and it is expected that the office building will be completed by March 2019.

6.3.2 Accordingly, JPTL has requested to approve the capitalization as given in the table below:

**Table 100: Capital Expenditure & Capitalization for FY 2018-19 and FY 2019-20 (Rs. Crore)**

Sr. No.	Particulars	FY 2018-19		FY 2019-20	
		MYT Order	Revised Projections	MYT Order	Revised Projections
1	Capital Expenditure	-	2.07	-	-
2	Capitalisation	-	2.07	-	-
3	IDC	-	-	-	-
4	Capitalisation + IDC	-	2.07	-	-

### ***Commission's Analysis and Ruling***

6.3.3 In MYT Order, the Commission had approved capital expenditure pertaining to setting up office, guest house & shed at Chiplun for exclusive use of Transmission business. JPTL has provided progress of work and submitted that capitalization will be in FY 2018-19.

6.3.4 This issue has been discussed in para 5.3 of this Order and based on the progress of work, the Commission provisionally approves capitalization of Rs. 2.07 Crore in FY 2019-20. Additionally, the Commission has also disallowed freehold land capitalization of Rs. 0.4630 Crore & Rs. 0.2348 Crore done by JPTL for FY 2016-17 and FY 2017-18 as asset was not put to use. The Commission now approves capitalization of Office including guest house along with the capitalization of freehold land of Rs. 0.6978 Crore in FY 2019-20.

**6.3.5 The Commission approves Capitalisation of Rs. 2.77 Crore for FY 2019-20.**

### **6.4 Depreciation**

#### ***JPTL's Submission***

6.4.1 Regulation 27 of MYT Regulation, 2015 provides for computation of depreciation based on capital cost of assets approved by the Commission and rates of depreciation applicable as per Annexure I specified in the Regulation 27.1 (b) of MYT Regulation, 2015.

6.4.2 JPTL claimed depreciation expense considering the addition and retirement of assets and based on applicable depreciation rates specified in the above referred regulations.

**Table 101: Depreciation for FY 2018-19 and FY 2019-20, as submitted by JPTL (Rs. Crore)**

Particulars	FY 2018-19		FY 2019-20	
	MYT Order	Estimates	MYT Order	Estimates
Opening GFA	557.83	551.93	557.83	554.00
Addition of GFA		2.07		0.00
Retirement of GFA		0.00		0.00
Closing GFA	557.83	554.00	557.83	554.00
<b>Depreciation</b>	<b>29.42</b>	<b>29.16</b>	<b>29.41</b>	<b>29.20</b>
Average Depreciation Rate		5.27%		5.27%

### ***Commission's Analysis and Ruling***

6.4.3 The Commission has considered capitalisation of Rs. 2.77 Crore in FY 2019-20, as discussed earlier, for computing the Depreciation charged during the year.

Accordingly, and considering Regulation 27, the Commission has computed the Depreciation as shown in the Table below.

**Table 102: Depreciation for FY 2018-19 and FY 2019-20 approved by Commission (Rs. Crore)**

Particulars	FY 2018-19			FY 2019-20		
	MYT Order	MTR Petition	Approved in this Order	MYT Order	MTR Petition	Approved in this Order
Opening Gross Fixed Assets	557.83	551.93	551.23	557.83	554.00	551.23
Addition of Gross Fixed Assets	-	2.07	-	-	-	2.77
Asset Retirement	-	-	-	-	-	-
Closing Gross Fixed Assets	557.83	554.00	551.23	557.83	554.00	554.00
<b>Depreciation</b>	<b>29.42</b>	<b>29.16</b>	<b>29.12</b>	<b>29.41</b>	<b>29.20</b>	<b>29.16</b>
Average Depreciation rate	5.27%	5.27%	5.28%	5.27%	5.27%	5.28%

6.4.4 The Commission approves Depreciation of Rs. 29.12 and Rs. 29.16 Crore for FY 2018-19 and FY 2019-20, respectively, in accordance with Regulation 27 of the MYT Regulations, 2015.

## 6.5 Interest on Long Term Loans

### *JPTL's Submission*

6.5.1 JPTL has considered debt: equity ratio of 70:30 for additional capitalisation undertaken in FY 2018-19 in line with norms specified in the Regulation 26.1 of MYT Regulations, 2015. The weighted average interest rate on loans at 9.25 % for FY 2018-19 and FY 2019-20 as per refinancing arrangement undertaken by JPTL is considered.

6.5.2 JPTL has also claimed saving in interest for FY2018-19 and FY 2019-20 due to refinancing done in FY 2017-18.

6.5.3 The Interest on Long Term Loans proposed for FY 2018-19 and FY 2019-20 is summarised in the Table below:

**Table 103: Interest on Debt for FY 2018-19 and FY 2019-20 (Rs. Crores)**

Particulars	FY 2018-19		FY 2019-20	
	Approved	Estimates	Approved	Estimates
Opening balance of Debt	227.35	224.65	197.93	196.94
Addition	0.00	1.45	0.00	0.00
Repayment	29.42	29.16	29.41	29.20
Retirement	0.00	0.00	0.00	0.00
Closing Debt	197.93	196.94	168.52	167.74
Interest Rate (%)	10.80%	9.25%	10.80%	9.25%
Interest on the Debt Capital operation	22.97	19.50	19.79	16.87

Particulars	FY 2018-19		FY 2019-20	
	Approved	Estimates	Approved	Estimates
Finance Charges	0.00	0.00	0.00	0.00
<b>Total Interest and Finance charges</b>	<b>22.97</b>	<b>19.50</b>	<b>19.79</b>	<b>16.87</b>
<b>Sharing of interest of refinancing</b>		<b>0.95</b>		<b>0.82</b>
<b>Net Entitlement after sharing of gains</b>	<b>22.97</b>	<b>20.45</b>	<b>19.79</b>	<b>17.69</b>

### *Commission's Analysis and Ruling*

- 6.5.4 The Commission has considered the opening balance of the loan for FY 2018-19 at the level approved as the closing balance for FY 2017-18 as set out in the provisional Truing-up of ARR for that year earlier in this Order.
- 6.5.5 Debt equity ratio of 70:30 is considered for the capitalisation approved in FY 2019-20.
- 6.5.6 JPTL has refinanced the loan at 9.25% in FY 2017-18 and hence the Commission has considered 9.25% as the rate of interest for Long Term Loans for FY 2018-19 and FY 2019-20 as proposed by JPTL.
- 6.5.7 In line with Regulation 29.3, the Commission has considered repayment equivalent to the Depreciation approved during the year.
- 6.5.8 As discussed in para 5.5.9, the Commission allows sharing of gains/ (losses) at the time of final Truing up and hence sharing of gains considered by JPTL for FY 2018-19 and FY 2019-20 is not approved in this Order.
- 6.5.9 Accordingly, the interest expenses approved by the Commission for FY 2018-19 and FY 2019-20 are summarised in the following Table:

**Table 104: Interest on Long Term Loans for FY 2018-19 and FY 2019-20 approved by Commission (Rs. Crore)**

Particulars	FY 2018-19			FY 2019-20		
	MYT Order	MTR Petition	Approved in this Order	MYT Order	MTR Petition	Approved in this Order
Opening Balance	227.35	224.65	224.37	197.93	196.94	195.26
Additions	-	1.45	-	-	-	1.94
Repayments	29.42	29.16	29.12	29.41	29.20	29.16
Less: Reduction in loan due to retirement of assets	-	-		-	-	-
Closing Balance	197.93	196.94	195.26	168.52	167.74	168.04
Interest rate approved	10.80%	9.25%	9.25%	10.80%	9.25%	9.25%
<b>Interest expenses</b>	<b>22.97</b>	<b>19.50</b>	<b>19.41</b>	<b>19.79</b>	<b>16.87</b>	<b>16.80</b>
Sharing of Interest due to refinancing of loan	-	0.95	-	-	0.82	-
<b>Total Interest &amp; Finance Charges</b>	<b>22.97</b>	<b>20.45</b>	<b>19.41</b>	<b>19.79</b>	<b>17.69</b>	<b>16.80</b>

**6.5.10 The Commission approves Interest on Long Term Loans of Rs. 19.41 Crore and Rs. 16.80 Crore for FY 2018-19 and FY 2019-20 respectively.**

**6.6 Interest on Working Capital**

***JPTL's Submission***

6.6.1 Interest on working capital is calculated according to Regulation 31.2 (b) of MYT Regulation, 2015 and after considering the impact of the amendment of the MYT Regulations, 2015 by the Commission on 29 November, 2017. Accordingly, the interest on working capital has been calculated at the rate of 9.45% equivalent to MCLR + 150 basis points as on date of application for determination of tariff. JPTL has calculated interest on working capital as per norms, as shown in table below:

**Table 105: Interest on Working Capital for FY 2018-19 and FY 2019-20, as submitted by JPTL (Rs. Crore)**

Particulars	FY 2018-19		FY 2019-20	
	MYT Order	Estimates	MYT Order	Estimates
O&M Expenses	0.40	0.40	0.42	0.42
Stores, Materials & Supplies	5.58	5.52	5.58	5.54
Expected Revenue from Transmission Tariff	10.87	10.51	10.48	10.19
Total Working Capital	16.85	16.43	16.48	16.14
Rate of Interest on Working Capital	10.80%	9.45%	10.80%	9.45%
<b>Interest on Working Capital</b>	<b>1.82</b>	<b>1.55</b>	<b>1.78</b>	<b>1.53</b>

***Commission's Analysis and Ruling***

6.6.2 Interest on working capital is calculated according to Regulation 31.2 (b) of MYT Regulation, 2015, relevant para reproduced below:

*“(b) Rate of interest on working capital shall be on normative basis and shall be equal to the Base Rate as on the date on which the Petition for determination of Tariff is filed, plus 150 basis points:*

*Provided that for the purpose of Truing-up for any year, interest on working capital shall be allowed at a rate equal to the weighted average Base Rate prevailing during the concerned Year plus 150 basis points.”*

6.6.3 However, the above regulation has been amended by the Commission on 29 November, 2017 as per MYT Regulations, 2015 whereby the definition of the base rate has been changed as follows:

*“2.1 (10) “Base Rate” shall mean the one-year Marginal Cost of Funds-based Lending Rate (‘MCLR’) as declared by the State Bank of India from time to time;”*

6.6.4 JPTL has submitted Petition on 27 December, 2017 and hence Base Rate of 7.95% prevailing at that time plus 150 basis points was considered for calculation of IoWC.

6.6.5 The IoWC approved by the Commission for FY 2018-19 and FY 2019-20 is summarised in the Table below:

**Table 106: Interest on Working Capital for FY 2018-19 and FY 2019-20 approved by Commission (Rs. Crore)**

Particulars	FY 2018-19			FY 2019-20		
	MYT Order	MTR Petition	Approved in this Order	MYT Order	MTR Petition	Approved in this Order
Operation and Maintenance expenses for one month	0.40	0.40	0.40	0.42	0.42	0.42
Maintenance spares at one percent of the opening Gross Fixed Assets for the Year	5.58	5.52	5.51	5.58	5.54	5.51
One and a half month equivalent of the expected revenue from transmission charges at the prevailing Tariffs	10.87	10.51	8.55	10.48	10.19	10.01
<b>Total Working Capital Requirement</b>	<b>16.84</b>	<b>16.43</b>	<b>14.46</b>	<b>16.47</b>	<b>16.14</b>	<b>15.94</b>
Rate of Interest (% p.a.)	10.80%	9.45%	9.45%	10.80%	9.45%	9.45%
<b>Interest on Working Capital</b>	<b>1.82</b>	<b>1.55</b>	<b>1.37</b>	<b>1.78</b>	<b>1.53</b>	<b>1.51</b>

6.6.6 The Commission approves normative Interest on Working Capital of Rs. 1.37 Crore and Rs. 1.51 Crore for FY 2018-19 and FY 2019-20 respectively.

## 6.7 Return on Equity

### *JPTL’s Submission*

6.7.1 JPTL has considered addition to equity capital at 30% for additional capital expenditure capitalised during the financial year for furniture & fixtures and office equipment’s as per Regulation 26.1 of MYT Regulation, 2015.

6.7.2 Return on Equity is calculated as per the regulated rate of return of 15.5% on the average opening and closing balance of equity capital for the financial year in line with the provisions of Regulation 28.2 of MYT Regulations, 2015 as shown in the table below.

**Table 107: Return on Equity for FY 2018-19 and FY 2019-20, as submitted by JPTL (Rs. Crore)**

Particulars	FY 2018-19		FY 2019-20	
	Approved	Estimates	Approved	Estimates

Particulars	FY 2018-19		FY 2019-20	
	Approved	Estimates	Approved	Estimates
Opening Equity	140.16	138.64	140.16	139.26
Additions	-	0.62	-	-
Retirement	-	-	-	-
Closing balance of Equity	140.16	139.26	140.16	139.26
<b>ROE @ 15.5 % on the average balance</b>	<b>21.72</b>	<b>21.54</b>	<b>21.72</b>	<b>21.59</b>

### *Commission's Analysis and Ruling*

6.7.3 The Commission has considered the closing equity for FY 2017-18 approved in this Order as the opening equity for FY 2018-19. Debt-equity ratio of 70:30 is considered for the capitalisation approved in FY 2019-20.

6.7.4 RoE has been taken as 15.50% of the equity, in accordance with the MYT Regulations, 2015. The RoE approved by the Commission is shown in the following Table:

**Table 108: Return on Equity for FY 2018-19 and FY 2019-20 approved by Commission (Rs. Crore)**

Particulars	FY 2018-19			FY 2019-20		
	MYT Order	MTR Petition	Approved in this Order	MYT Order	MTR Petition	Approved in this Order
Opening Equity	140.16	138.64	138.43	140.16	139.26	138.43
Additions to equity towards capital investments	-	0.62	-	-	-	0.83
Retirement	-	-	-	-	-	-
Closing balance of Equity	140.16	139.26	138.43	140.16	139.26	139.26
<b>ROE @ 15.5 % on the average balance</b>	<b>21.72</b>	<b>21.54</b>	<b>21.46</b>	<b>21.72</b>	<b>21.59</b>	<b>21.52</b>

6.7.5 The Commission approves Return on Equity of Rs. 21.46 Crore and Rs. 21.52 Crore for FY 2018-19 and FY 2019-20 respectively.

### **6.8 Contribution to Contingency Reserves**

#### *JPTL's Submission*

6.8.1 JPTL has submitted the expected contribution to contingency reserves calculated as 0.25% of the GFA after considering the capitalisation expected in the respective years. The contribution to Contingency Reserves for FY 2018-19 and FY 2019-20 has been projected as per the MYT Regulations, 2015, as shown below:

**Table 109: Contribution to Contingency Reserves for FY 2018-19 and FY 2019-20, as submitted by JPTL (Rs. Crore)**

Particulars	FY 2018-19		FY 2019-20	
	MYT Order	Estimates	MYT Order	Estimates
GFA	557.83	551.93	557.83	554.00
Contribution to contingency reserves	1.39	1.38	1.39	1.39

***Commission's Analysis and Ruling***

6.8.2 The Commission has considered contribution to Contingency Reserves at 0.25% of the opening GFA, as per the MYT Regulations, 2015. Accordingly, the approved contribution to Contingency Reserves is as follows:

**Table 110: Contribution to Contingency Reserves for FY 2018-19 and FY 2019-20 approved by Commission (Rs. Crore)**

Particulars	FY 2018-19			FY 2019-20		
	MYT Order	MTR Petition	Approved in this Order	MYT Order	MTR Petition	Approved in this Order
Contribution to Contingency Reserves	1.39	1.38	1.38	1.39	1.39	1.38

6.8.3 **The Commission approves annual contribution to Contingency Reserves of Rs. 1.38 Crore for FY 2018-19 and FY 2019-20 in accordance with the Regulation 34 of the MYT Regulations, 2015.**

**6.9 Income Tax**

***JPTL's Submission***

6.9.1 JPLT has claimed Income tax of Rs. 6.00 Crore for FY 2018-19 and FY 2019-20 in line with the actual claimed in FY 2016-17 as shown in table below.

**Table 111: Income Tax for FY 2018-19 and FY 2019-20, as submitted by JPTL (Rs. Crore)**

Particulars	FY 2018-19		FY 2019-20	
	Approved	Estimates	Approved	Estimates
Income Tax	5.61	6.00	5.61	6.00

***Commission's Analysis and Ruling***

6.9.2 The MYT Regulations, 2015 specify that the Commission shall provisionally approve Income Tax payable based on the actual Income Tax paid as per the latest Audited Accounts as allowed by the Commission subject to prudence check.

*"33.1 The Commission in its MYT Order shall provisionally approve Income Tax payable for each year of the Control Period based on the actual income tax paid*



*by the Generating Company or Licensee or MSLDC, in case the Generating Company or Licensee or MSLDC has not engaged in any other regulated or unregulated Business or Other Business, as allowed by the Commission relating to the electricity Business regulated by the Commission, as per latest available Audited Accounts, subject to prudence check:...*

*33.3 Variation between Income Tax actually paid or Income Tax on regulatory Profit Before Tax of the regulated Business of Generating Company or Licensee or MSLDC, as applicable, and the Income Tax approved by the Commission for the respective Year after Truing-up, shall be allowed for recovery as part of the Aggregate Revenue Requirement at the time of Mid-term Review or Truing-up, subject to prudence check."*

6.9.3 Accordingly, Income Tax for FY 2018-19 and FY 2019-20 will have to be considered at the same level as approved by the Commission for FY 2016-17, since that is the latest year for which Audited Accounts have been submitted and prudence check has been undertaken.

6.9.4 The Income Tax approved by the Commission for FY 2018-19 and FY 2019-20 is as summarised in the Table below:

**Table 112: Income Tax for FY 2018-19 and FY 2019-20, as approved by Commission (Rs. Crore)**

Particulars	FY 2018-19			FY 2019-20		
	MYT Order	MTR Petition	Approved in this Order	MYT Order	MTR Petition	Approved in this Order
Income Tax	5.61	6.00	5.59	5.61	6.00	5.59

6.9.5 **The Commission approves the Income Tax liability of Rs. 5.59 Crore for FY 2018-19 and FY 2019-20, which is the same as the actual Income Tax approved on Truing-up of ARR for FY 2016-17.**

## 6.10 Non-Tariff Income

### *JPTL's Submission*

6.10.1 JPTL has estimated the income from investments from FY 2018-19 and FY 2019-20 based on the additional capitalisation undertaken for the respective period and the return on investment at 8.29%. The calculation of income from investment under contingency reserves is outlined as below:

**Table 113: Income from investments in Contingency Reserves, as submitted by JPTL (Rs. Crore)**

Particulars	FY 2018-19	FY 2019-20
Investment as per Norms		

Opening	8.87	10.25
Addition	1.38	1.39
Closing	10.25	11.63
Interest Income as per Bond	8.29%	8.29%
<b>Non-Tariff Income</b>	<b>0.79</b>	<b>0.91</b>

6.10.2 Based on the above calculation, JPTL has considered non-tariff income as given in table below:

**Table 114: Non-Tariff Income for FY 2018-19 and FY 2019-20, as submitted by JPTL (Rs. Crore)**

Particulars	FY 2018-19		FY 2019-20	
	Approved	Estimates	Approved	Estimates
Non-Tariff Income	0.79	0.79	0.90	0.91

### ***Commission's Analysis and Ruling***

6.10.3 The Commission has considered the estimation submitted by JPTL, and has accordingly approved the Non-Tariff Income for the FY 2018-19 and FY 2019-20 as summarised in the Table below:

**Table 115: Non-Tariff Income for FY 2018-19 and FY 2019-20, as approved by Commission (Rs. Crore)**

Particulars	FY 2018-19			FY 2019-20		
	MYT Order	MTR Petition	Approved in this Order	MYT Order	MTR Petition	Approved in this Order
Non-Tariff Income	0.79	0.79	0.79	0.90	0.91	0.91

6.10.4 **The Commission approves Non-Tariff Income of Rs. 0.79 Crore and Rs. 0.91 Crore for FY 2018-19 and FY 2019-20 respectively.**

### **6.11 Carrying Cost/ (Holding Cost)**

#### ***JPTL's Submission***

6.11.1 As part of submission for provisional Truing-up of ARR for FY 2017-18, JPTL claimed the past gaps and along with carrying cost.

6.11.2 JPTL has considered Trued-up ARR of FY 2015-16 and FY 2016-17 excluding availability incentive. The detailed calculation is outlined below:

**Table 116: Carrying Cost claimed on Past Gap, as submitted by JPTL (Rs. Crore)**

Particulars	FY 2015-16	FY 2016-17	FY 2017-18
-------------	------------	------------	------------

<b>Particulars</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>FY 2017-18</b>
Opening Balance	-	26.70	13.27
ARR during the year (Excluding incentive)	148.28	89.58	89.06
Recovery during the year	121.58	103.02	89.88
Closing Balance	26.70	13.27	12.46
Wtg. Average rate of Interest	14.29%	10.80%	10.35%
<b>Carrying / (Holding) Cost</b>	<b>1.91</b>	<b>2.16</b>	<b>1.33</b>
<b>Effective carrying/ (holding) cost for FY 2017-18</b>	<b>5.40</b>		

***Commission’s Analysis and Ruling***

- 6.11.3 For carrying / (holding) cost computation, the Commission has considered the Trued-up ARR of FY 2015-16 and FY 2016-17 excluding the availability incentive since that is due for recovery only after the Truing-up of ARR for FY 2015-16 and FY 2016-17 in the present Order.
- 6.11.4 The revenue recovery for the computation of the carrying/ (holding) cost has been considered in line with the applicable InSTS Tariff Order during the period.
- 6.11.5 The Commission has also considered holding cost for additional recovery done by JPTL during FY 2012-13 to FY 2014-15 due to over capitalization.
- 6.11.6 The carrying/ (holding) cost is computed considering simple interest in the gap/ (surplus) using the weighted average SBAR prevailing during FY 2010-11 to FY 2015-16 in line with MYT Regulations, 2011 and interest rate equivalent to the Base Rate plus 150 basis point for FY 2016-17 to FY 2018-19 in line with MYT Regulations, 2015.

**Table 117: Carrying/ (Holding) Cost for Past Revenue Gap/ (Surplus) approved by the Commission (Rs. Crore)**

Particulars	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Opening Balance	0.00	(0.30)	(0.78)	(1.72)	(2.59)
Addition during the year (Excl. Incentive)	(0.30)	(0.48)	(0.94)	(0.87)	(0.86)
Recovery during the year	0.00	0.00	0.00	0.00	0.00
Closing Balance	(0.30)	(0.78)	(1.72)	(2.59)	(3.45)
Wtg. Average rate of Interest	12.50%	14.75%	14.50%	14.50%	14.50%
Carrying / (Holding) Cost	(0.02)	(0.08)	(0.18)	(0.31)	(0.44)

Particulars	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Opening Balance	(3.45)	2.02	(10.79)	(10.79)
Addition during the year (Excl. Incentive)	127.05	90.20	0.00	0.00
Recovery during the year	121.58	103.02	0.00	(10.79)
Closing Balance	2.02	(10.79)	(10.79)	0.00
Wtg. Average rate of Interest	14.75%	10.79%	10.20%	9.45%
Carrying / (Holding) Cost	(0.11)	(0.47)	(1.10)	(0.51)
<b>Effective carrying/ (holding) cost for Period from FY 2010-11 to FY 2018-19</b>				<b>(3.22)</b>

6.11.7 The Commission approves Holding Cost of Rs. 3.22 Crore which will be recovered along with the ARR approved for FY 2018-19.

## 6.12 Aggregate Revenue Requirement for FY 2018-19 and FY 2019-20

### JPTL's Submission

6.12.1 Based on the parameters as explained and submitted in the above section, the Annual Revenue Requirement for JPTL for FY 2018-19 and FY 2019-20 is summarized in the table below whereby the Gap / (Surplus) of FY 2015-16, FY 2016-17 and FY 2017-18 along with the carrying cost is claimed in FY 2018-19:

**Table 118: Aggregate Revenue Requirement for FY 2018-19 and FY 2019-20, as submitted by JPTL (Rs. Crore)**

Sl. No.	Particulars	FY 2018-19		FY 2019-20	
		Approved	Estimates	Approved	Estimates
1	Operation & Maintenance Expenses	4.79	4.79	5.02	5.02
2	Depreciation	29.42	29.16	29.41	29.20
3	Interest on Long-term Loan	22.97	19.50	19.79	16.87
4	Interest on Working Capital	1.82	1.55	1.78	1.53
5	Contribution to Contingency Reserves	1.39	1.38	1.39	1.39
6	Income Tax Expense	5.61	6.00	5.61	6.00
7	<b>Total Revenue Expenditure</b>	<b>65.99</b>	<b>62.37</b>	<b>63.00</b>	<b>59.99</b>
8	Return on Equity Capital	21.72	21.54	21.72	21.59
9	<b>Gross Aggregate Revenue Requirement</b>	<b>87.72</b>	<b>83.91</b>	<b>84.72</b>	<b>81.57</b>
10	Less: Non-Tariff Income	0.79	0.79	0.90	0.91

Sl. No.	Particulars	FY 2018-19		FY 2019-20	
		Approved	Estimates	Approved	Estimates
11	Add: Net Entitlement after sharing of gains/(losses) - refinancing of loan - Regulation 29.10 of MYT Regulations 2015		0.95		0.82
<b>12</b>	<b>Net Aggregate Revenue Requirement</b>	<b>86.93</b>	<b>84.07</b>	<b>83.82</b>	<b>81.49</b>
13	Add: Gap/ (Surplus) for FY 2015-16 and FY 2016-17		15.96		
14	Add: Gap/ (Surplus) for FY 2017-18		-0.81		
15	Carrying cost of above gap		5.40		
<b>16</b>	<b>Total Annual Revenue Requirement including past gaps</b>	<b>86.93</b>	<b>104.61</b>	<b>83.82</b>	<b>81.49</b>

### Commission's Analysis and Ruling

6.12.2 Based on the analysis in the preceding paragraphs, the Commission has approved the ARR for JPTL for FY 2018-19 and FY 2019-20 as shown below:

**Table 119: ARR for FY 2018-19 and FY 2019-20 approved by Commission (Rs. Crore)**

Particulars	FY 2018-19			FY 2019-20		
	MYT Order	MTR Petition	Approved in this Order	MYT Order	MTR Petition	Approved in this Order
Operation & Maintenance Expenses	4.79	4.79	4.79	5.02	5.02	5.02
Depreciation	29.42	29.16	29.12	29.41	29.20	29.16
Interest on Long-term Loan	22.97	19.50	19.41	19.79	16.87	16.80
Interest on Working Capital	1.82	1.55	1.37	1.78	1.53	1.51
Contribution to Contingency Reserves	1.39	1.38	1.38	1.39	1.39	1.38
Income Tax Expense	5.61	6.00	5.59	5.61	6.00	5.59
<b>Total Revenue Expenditure</b>	<b>66.00</b>	<b>62.37</b>	<b>61.65</b>	<b>63.00</b>	<b>59.99</b>	<b>59.45</b>
Return on Equity Capital	21.72	21.54	21.46	21.72	21.59	21.52
<b>Aggregate Revenue Requirement</b>	<b>87.72</b>	<b>83.91</b>	<b>83.11</b>	<b>84.72</b>	<b>81.57</b>	<b>80.98</b>
Less: Non Tariff Income	0.79	0.79	0.79	0.90	0.91	0.91
Add: Net Entitlement after sharing of gains/(losses) - refinancing of loan		0.95	0.00		0.82	0.00
<b>Net Aggregate Revenue Requirement</b>	<b>86.93</b>	<b>84.07</b>	<b>82.31</b>	<b>83.82</b>	<b>81.49</b>	<b>80.07</b>
Add: Gap/ (Surplus) for FY 2010-11 to FY 2014-15			(3.45)			
Add: Gap/ (Surplus) for FY 2015-16 & FY 2016-17		15.96	(5.28)			
Add: Gap/ (Surplus) for FY 2017-18		(0.81)	(1.95)			
Carrying Cost/ (Holding Cost) of above Revenue Gap/ (Surplus)		5.40	(3.22)			
<b>Total Annual Revenue Requirement including past Revenue Gap/ (Surplus)</b>	<b>86.93</b>	<b>104.61</b>	<b>68.42</b>	<b>83.82</b>	<b>81.49</b>	<b>80.07</b>

6.12.3 The detailed analysis underlying the Commission's approval of individual ARR elements for FY 2018-19 and FY 2019-20 is already set out above, however, the variation in the ARR sought by the JPTL and that approved by the Commission in

this Order is mainly on account of approval of lower Income tax in line with MYT Regulations, 2015 which provides that latest available actual income tax (i.e. FY 2016-17) should be considered. The Commission has also not considered sharing of gains on account of refinancing of loan as sharing of gains/ (losses) is only carried out at the time of final truing-up of respective year. Further, there is difference in past revenue gap/ (surplus) (i.e. FY 2015-16 to FY 2017-18) as sought by JPTL and approved by the Commission for which reasons are already stated in respective sections.

**6.12.4 Accordingly, the Commission approves Aggregate Revenue Requirement of Rs. 68.42 Crore and Rs. 80.07 Crore for FY 2018-19 and FY 2019-20 respectively.**

## **7 RECOVERY OF TRANSMISSION CHARGES**

In accordance with the Transmission Pricing Framework and the MYT Regulations, 2015, the approved ARR for a particular financial year of the 3<sup>rd</sup> Control Period is to be considered for recovery through the TTSC of that financial year. As JPTL forms a part of the InSTS, the approved ARR for FY 2018-19 and FY 2019-20 shall be allowed to be recovered through the InSTS Transmission Tariff Orders.

## **8 APPLICABILITY OF THE ORDER**

This Order on approval of the Truing-up of ARR for FY 2015-16 and FY 2016-17, Provisional Truing-up of ARR for FY 2017-18 and the revised estimates of ARR for FY 2018-19 and FY 2019-20 shall come into force from 1 September, 2018.

The Petition of M/s JPTL in Case No. 167 of 2017 stands disposed of accordingly.

**Sd/-  
(Mukesh Khullar)  
Member**

**Sd/-  
(I.M. Bohari)  
Member**

**Sd/-  
(Anand B. Kulkarni)  
Chairperson**

  
(Abhijit Deshpande)  
Secretary



### APPENDIX – I

#### List of persons at the discussion held on 12 December, 2017

Sr. No.	Name	Organisation
1	Shri C. P. Tated	Jaigad Power Transco Limited
2	Shri Jaikishan Birla	Jaigad Power Transco Limited
3	Shri Jitendra Bhanushali	Consultant
4	Shri Prashant K. Anvekar	Consultant

### APPENDIX – II

#### List of persons at the Public Hearing held on 23 July, 2018

Sr. No.	Name	Organisation
1	Shri Jaikishan Birla	Jaigad Power Transco Limited
2	Shri P K Saxena	Jaigad Power Transco Limited