

Petition
For
Truing up for FY 2009-10
and
Annual Performance Review for FY 2010-11

DATED: 2nd September 2011

VOLUME – I

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1. Background

1.1. Introduction

The Maharashtra State Electricity Transmission Company Limited (MSETCL hereafter) is a company formed under the Government of Maharashtra General Resolution No. ELA-1003/P.K.8588/Bhag-2/Urja-5 Dated 24-01-2005 on 6th June 2005 according to the provisions envisaged in the Electricity Act 2003. MSETCL has been registered with the Company Registrar, Mumbai on 31st May 2005 bearing certificate U40109 MH 2005 PLC 153646 under the Companies Act 1956.

MSETCL has submitted the previous Petition for Annual Performance Review (APR) for FY 2009-10 and determination of Annual Revenue Requirement (ARR) for FY 2010-11 on January 30, 2010. The Hon'ble Commission, after due deliberations issued a detailed Tariff Order corresponding to the aforementioned submission on September 10, 2010. Aggrieved by the directives and certain error apparent crept in the impugned order issued by the Hon'ble Commission, MSETCL subsequently had filed a Review Petition under Affidavit (listing specific grounds on which it sought review against specific aspects of the detailed tariff order) with the Hon'ble Commission on October 21, 2010. The Hon'ble Commission after validation of the plea made by MSETCL had issued review tariff order on November 30, 2010.

1.2. Provisions of Regulation/Law

MSETCL humbly submits that this Petition is being submitted pursuant to the directive of the Hon'ble Commission vide its letter ref. MERC/Tariff/20112012/00951 dated July 7, 2011 and in the hearing on Case no. 86 of 2011 (In the matter of "Petition of MSETCL for approval of Aggregate Revenue Requirement for FY 2011-12, Annual Review of Performance for FY 2010-11 and Truing up for FY 2009-10") held on July 11, 2011.

Further MSETCL humbly submits that Regulations 17.1 and 17.3 of MERC (Terms and Conditions of Tariff) Regulations 2005, provide as under:

**Regulation 17.1*

"Where the aggregate revenue requirement and expected revenue from tariff and charges of a Generating Company or Licensee is covered under a multi-year tariff framework, then such Generating company or Licensee, as the case may be, shall be subject to annual performance review during the control period in accordance with this regulation."

Regulation 17.3

"The scope of the annual performance review shall be a comparison of the performance of the Generating company or Licensee with the approved forecast of the aggregate revenue requirement and expected revenue from the tariff and charges and shall comprise the following:

- (a) A comparison of the audited performance of the applicant for the previous financial year with the approved forecast for such previous financial year; and*
- (b) A comparison of the performance of the applicant for the first half of the current financial year with the approved forecast for the current financial year."*

MSETCL humbly informs that the computational details in this regard have been furnished in the data formats specified by the Commission for the APR petition and are attached as Annexure 1.

2. True up for FY 2009-10

MSETCL humbly submits that the Audited Accounts for FY 2009-10 (enclosed as Annexure-2) have been finalized. MSETCL therefore seeks true up of expenses for the year FY 2009-10 as per the audited accounts/normative parameters under MERC (Terms and conditions of Tariff) Regulations 2005 as applicable for various heads of expenditure. Further, all computations are presented in spreadsheet data formats specified by the Commission for submission of APR petition, which are separately submitted in a computer readable file along with this petition.

2.1. True up Summary

The following table summarizes the true-up computation for FY 2009-10 for approval by the Hon'ble Commission. MSETCL also provides the details of trueing up in the subsequent paragraphs:

Table 2-1: True up Summary for FY 2009-10 (Amount in Rs. Crore)

Sl. No.	Particulars	Previous Year (2009-10)				
		Provisional / True-Up (MERC)	Actual	True-up Requirement	Efficiency Gain / (Loss) Shared with TSLs	Net Encumbrance of MSETCL
A	Expenditure					
1	Operation & Maintenance Expenses	822.09	854.50	32.41		854.50
1.1	Employee Expenses	469.30	430.36	-38.84		430.36
1.2	Administration & General Expenses	77.10	118.88	41.78		118.88
1.3	Repair & Maintenance Expenses	275.79	305.27	29.48		305.27
2	Depreciation, including advance against depreciation	306.75	389.89	83.14		389.89
3	Interest on Long-term Loan Capital	163.28	187.02	23.74		187.02
4	Interest on Working Capital and on consumer security deposits	36.40	42.06	5.66	13.95	28.11
5	Other Interest and Finance Charges	19.94	16.70	-3.24		16.70
6	Other Expenses	0.70	25.17	24.47		25.17
7	Income Tax	139.65	64.00	-75.65		64.00
8	Contribution to contingency reserves	24.81	25.88	1.07		25.88
	Total Expenditure	1513.62	1605.12	91.60		1591.27
B	Return on Equity	410.87	442.33	31.46		442.33
C	Aggregate Revenue Requirement	1924.49	2047.55	123.06		2033.60
D	Revenue					
1	Revenue from transmission charges	1553.44	1556.24	2.80		1556.24
2	Income from wheeling central sector power to Goa	8.90	8.90	0.00		8.90
3	Other Income	62.59	120.32	37.73		120.32
	Total Income	1644.93	1685.46	40.53		1685.46
E	True-up					
1	Revenue Surplus / (Gap)	-279.56	-362.10	-82.53		-348.15
2	True-up of FY 2008-09 adjusted in tariff of FY 2009-10	-79.83	-75.83			-75.83

Sl. No.	Particulars	Previous Year (2009-10)				
		Provision / True-Up (MERC)	Actual	True-up Requirement	Efficiency Gain / (Loss) Shared with TSUs	Net Encumbrance of MSETCL
3	Carried forward true up amount for FY 2008-09 as per MERC order on review petition Case no. 73 of 2010		-59.83			-59.83
4	Net True-up amount of FY 2009-10	-355.39	-497.76			-483.81
E	Incentive on Transmission Availability of HVAC System					26.30
F	Incentive on Transmission Availability of HVDC System					-0.13
G	Total True-up Amount Required					-509.98

MSETCL requests the Hon'ble Commission to allow trueing up for FY 2009-10 as provided in the aforementioned table. MSETCL is detailing the rationale for trueing up for some of the key issues in the subsequent paragraphs.

EXPENDITURE SUB HEADS

2.2. Operation & Maintenance Expenses

Operation & Maintenance expenses comprise of Employee expenses, Administrative & General expenses and Repair & Maintenance expenses. The comparison of the O&M expenses allowed by the Hon'ble Commission with the actual incurred by MSETCL is as below:

Table 2-2: Operation & Maintenance Expenses for FY 2009-10

Particulars	Rs Crore	
	MERC Approved	Actual as per Audited Accounts/ Tariff Aprints for 2009-10
Employee Expenses	469.20	430.36
Administration & General Expenses	77.10	118.88
Repair & Maintenance Expenses	275.79	305.27
Total O & M Expenses	822.09	854.50

MSETCL Submission

MSETCL submits that the actual O&M expenses has marginally increased as compared to the expense approved by the Hon'ble Commission, the increase is under the sub-heads A&G and R&M expenses. The rationale for the deviation is discussed in the subsequent sections.

Employee Expenses

The table below captures the Employee cost as submitted by MSETCL in APR petition for FY 2009-10, the expense as approved by the Hon'ble Commission in the previous APR order and the actual expense as incurred in FY 2009-10

Table 2-3: Employee Expenses for FY 2009-10

Particulars	Rs Crore		
	MSETCL Submission as per APR for FY 2009-10	MERC Approved	Actual as per Audited A/c for FY 2009-10 (inclg. SLD)
Gross Employee expenses	573.74	493.95	444.69
Effect of Migration	0	19.71	19.71
Effect of creation of new post	12.54	12.54	0.00
Provision of Leave encashment to be amortised over 5 years starting from FY 2006-07	23.27	23.27	23.27
Less: Capitalisation	(44.22)	(80.27)	(57.31)
Net Employee Expenses	565.33	469.20	430.36

MSETCL submits that the actual employee expense for the FY 2009-10 is less than approved employee expenses on account of reduced leave encashment provision.

MSETCL humbly submits the Hon'ble Commission to approve the employee expenses as per the audited accounts.

Administrative & General (A & G) Expenses

The table below interprets the summary of approved and actual A&G expenses for the FY 2009-10:

Table 2-4: A&G Expenses for FY 2009-10

Particulars	Rs Crore		
	MSETCL Submission as per APR for FY 2009-10	MERC Approved	Actual as per Audited A/c for FY 2009-10 (inclg. SLD)
Gross A & G expenses	89.76	66.92	106.12
Effect of Migration Impact	0	20.23	20.23
Less: Capitalisation	(5.70)	(10.04)	(7.48)
Net A&G Expenses	84.06	77.11	118.89

MSETCL Submission

MSETCL submits that the actual A&G expenses incurred during the FY 2009-10 are significantly more than that approved by the Hon'ble Commission. The increase in A&G expenses is on account of various factors as detailed below:

- Increase in rental charges

- Increase in cost incurred on security arrangement to safeguard the transmission assets of different circles, because the increasing asset base calls for higher security arrangements.
- Expenses incurred on account of consultancy and professional charges paid by MSETCL.
- Increase in rates and taxes due to higher taxes in many circles.
- Increase in payment of electricity charges.

Further, the capitalization of expenses has been lower than approved by the Commission, resulting into higher net A&G expenses.

MSETCL submits that the costs incurred on various heads mentioned above are crucial and legitimate and pertain to the activities, which are either beyond control of MSETCL or to ensure safety of assets. Therefore, MSETCL requests the Hon'ble Commission to accept the same and approve the A&G expenses actually incurred as per the audited accounts for FY2009-10.

Repair and Maintenance (R&M) expenses

The table below interprets the summary of approved and actual R&M expenses for the FY 2009-10:

Table 2-5: R&M expenses for FY 2009-10

Particulars	Rs Crore		
	MSETCL Submission as per APR for FY 2009-10	MERC Approved	Actual as per Audited A/C for FY 2009-10 (exclg. SDC)
Gross R & M expenses	362.79		304.22
Effect of Migration Impact	0		1.53
Less: Capitalisation	(0.30)		(0.48)
Net R&M Expenses	362.49	275.79	305.27

MSETCL Submission

MSETCL humbly submits that the R&M expense allowed by the Hon'ble Commission does not reflect the actual R&M expense requirement of MSETCL for past many years. The reason for higher R&M expenses have been submitted and pleaded for approval in the APR petitions for previous years, however, MSETCL would like to reiterate the same rationale as described below:

a. Vintage of Asset Base

MSETCL submits that the useful life of the transmission assets as specified in the MERC (Terms & Conditions of Tariff) Regulation 2005 is 25 years. Voltage wise vintage of transmission asset of MSETCL is reflected in the figure below:

Figure 1: Vintage of Transmission Lines as on March 31, 2010

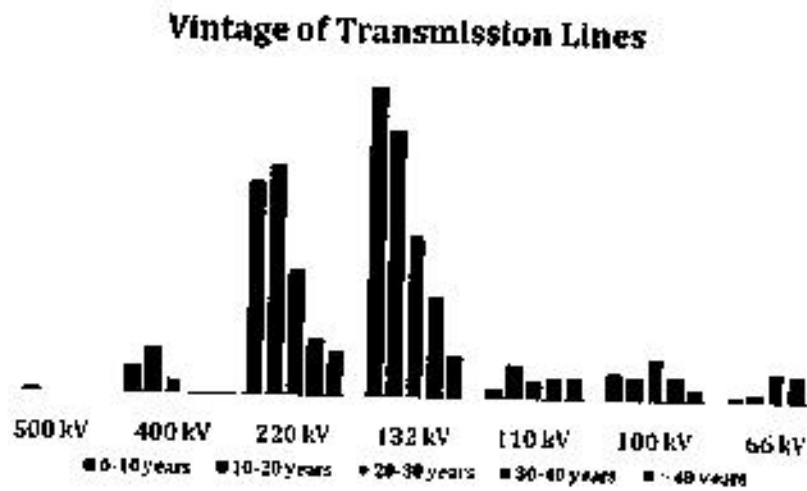
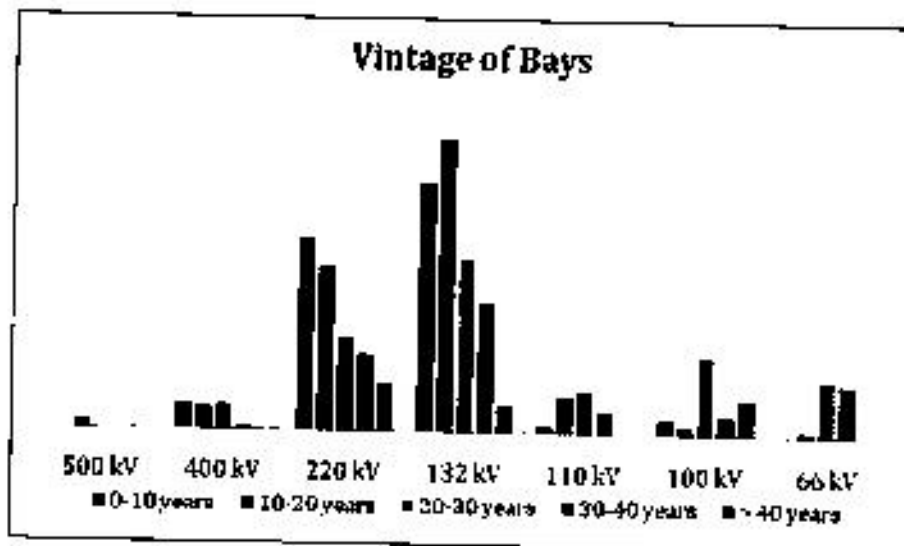


Figure 2: Vintage of Transmission bays as on March 31, 2010

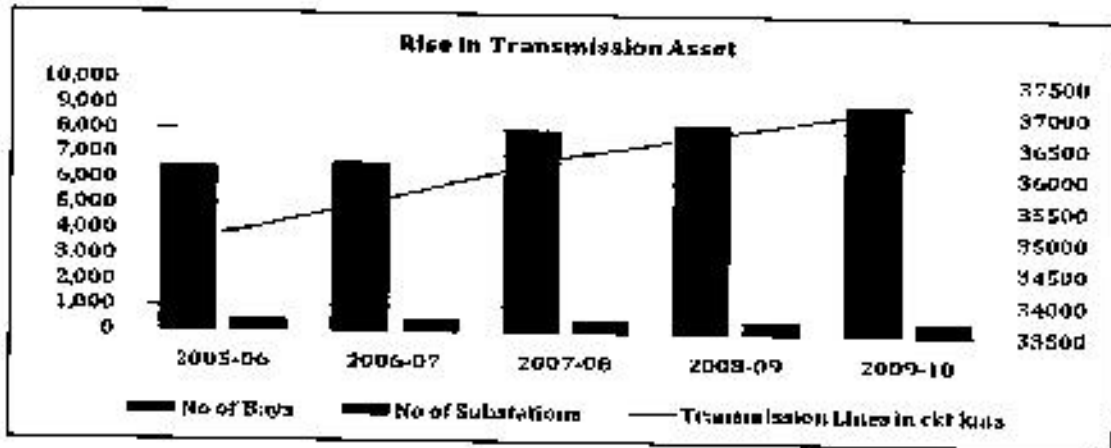


Beyond the useful life of the asset, the performance of the assets deteriorates gradually. After completion of the normal life, either the existing network infrastructure is to be retired or a major Renovation and Modernization is required to be carried out to restore its performance to a reasonable efficiency level. However, if at all these assets are needed to be put into operation, this results into higher maintenance expenses because of frequent repair activities to ensure safe and secure energy transaction across the network.

b. Rise In Transmission Assets

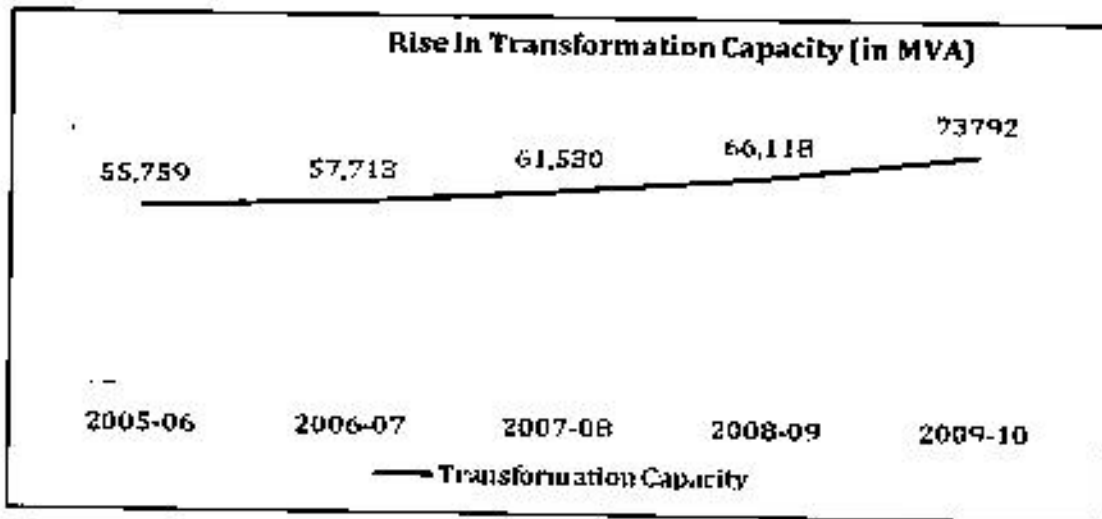
There has been substantial capacity addition in the transmission asset base of MSETCL over past few years and so is the requirement of repair and maintenance expenses for increasing asset base. The rise in transmission asset base since inception of the company is shown below:

Figure 3: Rise In Transmission Asset



Not only the increasing asset base but also the transformation capacity of MSETCL have increased significantly and are shown in the figure below:

Figure 4: Rise In Transformation Capacity in MVA



MSETCL submits that as the asset base increases, the minimal operation and maintenance cost requirement for such increasing asset base also increases, meaning thereby the increasing asset base will have a proportionate bearing on the R&M requirement, which is bound to increase because of this.

c. Hot Line Maintenance

MSETCL is entrusted to ensure the safe, secure and adequate energy transaction across the state of Maharashtra. Apropos to the growing demand-supply gap in the state, it calls for greater responsibility on MSETCL to ensure safe operation. The Interruption of single equipment of 400 kV and above results into tremendous revenue loss for the state with regard to shutting down of the industries and commercial location caused by lack of power. To avoid such revenue loss, such transmission lines and equipment calls for 'Hot Line Maintenance' as their abeyance from the normal operation may result into electricity havoc in the states.

The expenditure on 'Hot Line Maintenance' for eight hrs is 15 % of the total revenue loss for eight hrs of interruption on single 400 kV line/equipment. The 'Hot Line Maintenance' of the lines / equipments is definitely beneficial to MSETCL & also helps to keep the availability and reliability parameters at required level.

d. Preventive Maintenance Practices

In wake of the vintage assets, MSETCL has adopted a preventive maintenance practice to ensure safe and secure operation. MSETCL periodically conducts residual life assessment of its assets to ensure high level of availability in general & to avoid loss of generation at power station attached substation in particular, on account of unforeseen/unpredictable equipment failures. In this regard, the necessary instructions issued to each of the field office for replacement of equipment exceeding the permissible limits. Such maintenance practices calls for higher R&M expenses.

Considering above-mentioned factors of crucial importance, the disallowance of R&M expenses may have an adverse bearing on MSETCL's responsibility to ensure safe and secure energy transactions across state.

Therefore, MSETCL humbly requests the Hon'ble Commission to consider the rationale and allow the net entitlement under R&M expenses, after applying the sharing of gains/loss principles of MERC (Terms & Conditions of Tariff) Regulation 2005, as Rs 305.27 Crore.

2.3. Capital Expenditure and Capitalisation

MSETCL Submission

MSETCL while submitting the APR petition for FY 2009-10 envisaged that the capital expenditure for the FY 2009-10 would be Rs 3000.42 Cr and against which MSETCL envisaged capitalization of assets

amounting to Rs 907.53 Crore, however the Hon'ble Commission in the APR order for FY 2009-10 approved capitalisation of Rs. 472.80 Crore.

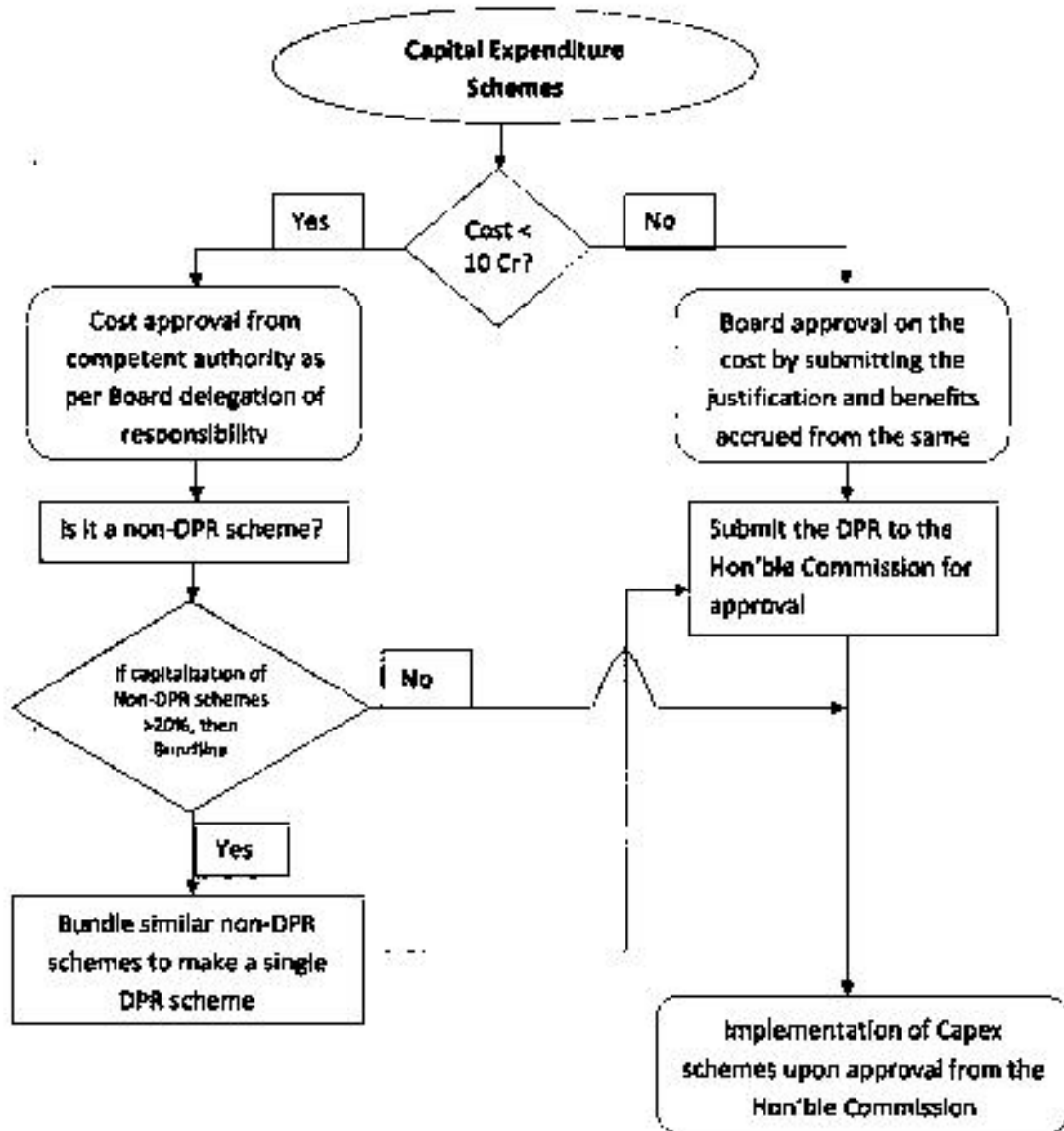
<i>Rs Crore</i>			
Particulars	2008-09	2009-10	2009-10 (MERC Approved)
Asset Capitalisation	907.53	472.80	1124.29

The actual investment made during the year was Rs 2363.55 Cr. In spite of the lower investment during the year, MSETCL has achieved higher capitalization of Rs 1124.29 Cr. The scheme wise capital expenditure and capitalization is provided in worksheet F4.4 FY 2009-10 of the Excel format submitted along with the petition.

Table 2-6: Capital Expenditure and Capitalisation

<i>Rs Crore</i>				
Particulars	No. of Schemes	Capital Expenditure	Actual Investment	Capitalisation
MERC Approved schemes (DPR Schemes)	98	18408.81	1301.17	547.82
Schemes submitted to MERC for approval	83	3719.99	341.45	252.38
Schemes sanctioned in MSEB Period costing Rs. 10 Cr & above (In the Process of Submission to MERC)	34	1195.73	103.79	115.34
Schemes sanctioned costing < Rs. 10 Cr (Non DPR Schemes)	116	576.56	617.14	208.76
Total	331	23901.09	2363.55	1124.29

MSETCL further submits that the regulatory compliance for getting approval of capital expenditure schemes has been duly followed before implementation of such schemes. The process of capital expenditure approval adopted by MSETCL is presented in the figure below:



For Capex schemes costing up to Rs.10 Cr, internal approval is taken from competent authority as per Board delegation and accordingly capex is incurred. For schemes, costing more than Rs.10 Cr approval of Board is taken and forwarded to the Hon'ble Commission for approval subsequently. This has been done to consolidate product requirements and avail volume discounts in procurement and execution. In most of such consolidated case, the works are spread over more than one circle and over one category of schemes. The categories identified are as given below:

- EV (Evacuation schemes)
- SS (New substations)

- LL (New link lines)
- TR (Transformer replacement)
- TA (Transformer addition)
- LE (Life extension)
- Other ancillary items

In order to monitor the progress of capital expenditure schemes, a unique circle code is allotted viz., Budget Control Number (BCN). MSETCL has identified a set of dedicated personnel at the corporate office for monitoring of the schemes based on the scope of work and associated cost of the schemes.

MSETCL, therefore, requests the Hon'ble Commission to approve the actual capitalisation of Rs 1124.29 Crore as true up for the FY 2009-10.

2.4. Depreciation including Advance against Depreciation (AAD)

The Hon'ble Commission in its APR order in case 103 of 2009 issued dated September 10, 2010, had permitted depreciation based on revised capitalization as per details tabulated below:

Table 2-7: Depreciation –Approved Vs. Actual

Particulars	<i>Rs Crore</i>		
	MSETCL submission as per APR for FY 2009-10	MERC Approved	Actual as per Audited A/c for FY 2009-10 (excldg. SLDC)
Depreciation	361.85	306.75	318.22
Loan Repayment during the year	292.52	292.52	389.88
Advance against depreciation (AAD)	0	0	71.66
Depreciation including AAD	361.85	306.75	389.88

MSETCL Submission

MSETCL submits that the depreciation as per the rates specified in the MERC (Terms & Conditions of Tariff) Regulation 2005 is Rs 318.22 Cr. Considering the opening Gross Fixed Asset (GFA) base of FY 2009-10, the depreciation for the FY 2009-10 and comparison with FY 2008-09 is tabulated below:

Table 2-8: Summary of GFA and Depreciation

<i>Rs Crore</i>				
Year	Opening GFA	Addition of Assets During the Year	Depreciation During the Year	Depreciation as % of opening GFA
FY 2008-09	9831.27	959.09	338.77	3.45%
FY 2009-10	10,389.11	1,124.46	318.22	3.06%

The table below summaries the depreciation against the approved figure by the Hon'ble Commission:

Table 2-9: Depreciation – Allowance against Actual

<i>Rs Crore</i>			
Particulars	MSETCL submission as per APR for FY 2009-10	MERC Approved	MSETCL Submission as per Audited A/c for FY 2009-10
Depreciation	361.85	306.75	318.22
Opening Gross Fixed Asset	10,387.93	9,924.73	10,389.11
Depreciation as % of opening GFA	3.48%	3.09%	3.06%

Apropos to the AAD, MSETCL submits that the actual loan payment during the year was Rs 389.88 Crore. The source wise details of loan and loan repayment are provided in format F4, F 4.1 and F4.2 submitted along with the petition. MSETCL relied on the regulatory provision of MERC (Terms & Conditions of Tariff) Regulation 2005, as reproduced below:

Regulation 48.3

Where the actual amount of loan repayment in any financial year exceeds the amount of depreciation allowable under Regulation 50.4.1, the Transmission Licensee shall be allowed an advance against depreciation for the difference between the actual amount of such repayment and the allowable depreciation for such financial year:

Provided that the advance against depreciation shall be restricted to 1/10th of the principal amount of loans that are to be repaid in such financial year minus the amount of depreciation allowable under Regulation 50.4.1:

Provided also that the amount of loan repayment, calculated in accordance with Regulation 48.1 and Regulation 48.2 above shall be assumed to be increased by the amount of such advance against depreciation allowed to the Transmission Licensee:

Provided also that upon repayment of the entire loan amount, the original cost of the fixed asset shall be reduced by the amount of accumulated depreciation and by the total amount of advance against depreciation availed by the Transmission Licensee and the resulting depreciable value shall be spread over the balance useful life of the fixed asset."

MSETCL submits that the loan repayment exceeds the depreciation as per MERC norms by Rs 71.66

Table 2-10: Advance against Depreciation for FY 2009-10

Particulars	Rs Crore		
	Depreciation	Loan Repayment	Advance against Depreciation
FY 2009-10	318.22	389.88	71.66

The detailed computation is provided in the prescribed forms of the Tariff Petition. The overall comparative summary of actual depreciation along with advance against depreciation for FY 2009-10 vis-à-vis the amount approved by the Hon'ble Commission is tabulated below:

Table 2-11: Summary of Depreciation Including AAD

Particulars	Rs Crore		
	Depreciation	Loan Repayment	Advance against Depreciation
Depreciation	361.85	306.75	318.22
Loan Repayment during the year	292.52	292.52	389.88
Advance against depreciation (AAD)	0	0	71.66
Depreciation including AAD	361.85	306.75	389.88

MSETCL, therefore, submits to the Hon'ble Commission to allow the Depreciation including AAD as shown above and allow the true up amount of Rs 71.66 Crore against the Depreciation including AAD for the FY 2009-10.

2.5. Interest on Long term Loans

The Hon'ble Commission in the APR order dated September 10, 2010, for MSETCL had approved net interest expense of Rs 163.28 Cr for FY 2009-10 after considering the interest expenses pertaining to long term loans only. The table below summarizes the interest expenses approved by the Hon'ble Commission:

Table 2-12: Interest Expenses – Approved against Submitted

Particulars	Rs Crore	
	MSETCL submission as per APR petition for FY 2009-10	MERC Approved
Loan & Interest		
Opening Balance	2809.55	1861.40
Additions	2037.92	397.84
Repayments	292.52	292.52
Closing Balance	4554.95	1966.72
Gross Interest Expenses	423.39	209.86
Less: SLDC Apportionment	(0.63)	(0.63)
Less: IDC (existing loans)	(76.86)	(40.98)
Less: IDC (new loans)	(42.38)	(6.72)
Net Interest Expenses	303.52	163.28

MSETCL Submission

MSETCL submits that the actual gross long-term interest expenses for the FY 2009-10 are Rs 354.75 Cr for MSETCL as an entity. Considering the capitalization and SLDC apportionment of interest expense, the net interest expense for the FY 2009-10 is shown in the table below:

Table 2-13: Interest Expense – Approved against Actual

Particulars	Rs Crore		
	MSETCL submission as per APR petition for FY 2009-10	MERC Approved	MSETCL Submission as per Audited A/c for FY 2009-10
Loan & Interest			
Opening Balance	2809.55	1861.40	2,805.42
Additions	2037.92	397.84	1,482.57
Repayments	292.52	292.52	432.75
Closing Balance	4554.95	1966.72	3,855.24
Gross Interest Expenses	423.39	209.86	354.75
Less: SLDC Apportionment	(0.63)	(0.63)	(0.56)
Less: IDC (existing loans)	(76.86)	(40.98)	
Less: IDC (new loans)	(42.38)	(6.72)	(167.17)
Net Interest Expenses	303.52	163.28	187.02

MSETCL humbly requests the Hon'ble Commission to consider the true-up amount of Rs. 23.74 Cr for the FY 2009-10 and approve the same.

2.6. Other Interest & Finance Charges

The table below interprets the summary of approved and actual other interest & finance charges for the FY 2009-10:

Table 2-14: Other Interest & Finance Charges – Approved against actual

Particulars	<i>Rs Crore</i>		
	MSETCL submission as per APR for FY 2009-10	MEPC Approved	MSETCL Submission as per Audited A/c for FY 2009-10
Guarantee Fees	17.96	17.96	13.51
Finance Charges	9.72	1.99	3.19
Total	27.68	19.95	16.70

MSETCL Submission

MSETCL submits that the Other Finance Charges mainly comprise of Guarantee Fee payable to GoM, Lease Rent payable to SBI and Bank Remittance Charges, Bank Commission, etc. Hon'ble Commission in its APR order dated September 10, 2010, has allowed Rs 19.95 Cr as other interest and finance charges. The summary of finance charges for existing stations for FY 2009-10, based on audited accounts have been provided in the table mentioned above.

2.7. Interest on Working Capital (IoWC)

Hon'ble Commission in its APR Order dated September 10, 2010, had approved Rs 36.40 Cr as interest on working capital.

MSETCL Submission

It is pertinent to note that while computing the true-up for interest expenses on account of long term loans, MSETCL has removed the interest component on account of short term working capital loans.

As per the regulations, Interest on working capital has been computed based on the norms and the actual audited elements of ARR like O&M expenses, amount pertaining to book value of stores, materials & supplies and revenue from transmission charges. The detailed computation of working capital requirement is provided in the prescribed forms (Form 4) of the Hon'ble Commission.

Further, the tariff regulation stipulates that the rate of interest on working capital shall be equal to the short term Prime Lending Rate of State Bank of India prevailing at the time of filing of tariff

petition. Accordingly the normative interest rate of 13% has been considered for estimating interest on working capital. The table below indicates the Interest on Working Capital approved against the calculated figure for FY 2009-10 by MSETCL:

Table 2-15: Interest on Working Capital – Approved against Computed as per MERC Norms

Particulars	Rs Crore		
	MSETCL Submission as per APR for FY 2009-10	MERC Approved	MSETCL Submission for FY 2009-10
Interest on Working Capital	30.84	36.40	42.06

In line with the Commission's treatment of normative interest on working capital in its APR order for FY 2009-10 in the matter of Case No. 103 of 2009 dated September 10, 2010, IOWC needs to be treated as efficiency gain if the actual interest paid on working capital is less than the normative interest on working capital. As per the audited accounts, actual interest paid for working capital loans is 0.2089 Cr. and hence the amount of Rs. 41.85 Crore. (42.06-0.2089) is efficiency gain. The sharing of this efficiency gain has to be done according to the following principle:

Table 2-16: Sharing of gains/losses for IOWC

Particular	Rs Crore	
	Ratio	Amount
Amount to be passed on to transmission system users	1/3 rd	13.95
Amount to be kept in reserve	1/3 rd	13.95
Amount to be retained by MSETCL	1/3 rd	13.95

As directed by the Hon'ble Commission, as the amount claimed is summation of the amount kept in reserve and amount retained by MSETCL. As per the directives of the Hon'ble Commission in its order dated May 28, 2009 in the matter of Case No. 114 of 2008, a reserve has been created for taking care of the amount of portion of IOWC kept in reserve. In this regard, MSETCL is submitting a proof of investment as an Annexure 10.

Therefore, MSETCL requests the Hon'ble Commission to approve the net entitlement under IOWC, after applying the sharing of gains/loss principles of MERC (Terms & Conditions of Tariff) Regulation 2005, as Rs 28.11 Crore.

2.8. Other Expenses

The table below summaries the actual, other expenses against approved by the Hon'ble Commission:

Table 2-17: Other Expenses – Approved against Actual

Particulars	Rs Crore		
	MSF ICL submission as per APA for	MERC Approved	MSETCL Submission for FY 2009-10
Other Expenses	13.76	0.70	25.17

MSETCL Submission

In this regard, MSETCL would like to submit that the audited expenses for 2009-10 under the head other expenses is Rs 25.17 Cr, which is detailed in table below:

Table 2-18: Break-up of Other Expenses

Particulars	A/c Code	Rs Crore
		Actuals
Compensation for injuries, death and damages	79.530, 79.531	0.11
Foreign Exchange Rate Variation	79.57	(9.73)
Miscellaneous	79.510, 79.511, 79.512, 79.571, Schedule 16	0.67
Bad & doubtful debts written-off	79.43	0.07
Adjustments for Prior Period	Schedule 18	34.05
Total		25.17

The financial statements of MSETCL for the year ended March 31, 2010 are prepared in the format as prescribed under Schedule VI of the Companies Act, 1956 as against earlier practice of preparing the 'Annual Statement of Accounts' as prescribed under Rule 5(1) of The Electricity Supply (Annual Account) Rules, 1985. Accordingly, previous year's figures have been reworked/ regrouped/ reclassified wherever necessary to conform to current year classification. Such reworking of figures resulted in creation of prior period adjustment to fall in line with the Accounting Standards.

MSETCL humbly requests the Commission to true-up these other expenses to the tune of Rs 25.17 Crore as per the audited accounts and as these are beyond control of MSETCL, it is requested that these should be approved as actual.

2.9. Return on Equity

The Hon'ble Commission in its APR order dated September 10, 2010 has approved the Return on equity against the revised estimates submitted by MSETCL as below:

Table 2-19: Return on Equity – Approved against Revised Estimates

Particulars	Rs Crore	
	MSETCL Submission as per APR for FY 2009- 10	MERC Approved
Opening Equity for the year	3047.09	2887.47
Equity portion of the capital expenditure	161.51	94.56
Closing Equity for the year	3228.60	2982.03
Return on Regulatory Equity at the beginning of the year	426.59	404.25
Return on Equity portion of capital expenditure	12.71	6.62
Total Return on Regulatory Equity	439.30	410.87

MSETCL Submission

MSETCL submits that for computation of the return on equity, the MERC (Terms & Conditions of Tariff) Regulation 2005 has been relied which states the regulatory provisions as below:

50.1 Return on equity capital

50.1.1 The Transmission Licensee shall be allowed a return at the rate of 14 per cent per annum, in Indian Rupee terms, on the amount of approved equity capital:

50.1.2 The return on equity capital shall be computed in the following manner:

(a) Return at the allowable rate as per Regulation 50.1.1 above, applied on the amount of equity capital at the commencement of the financial year; plus

(b) Return at the allowable rate as per Regulation 50.1.1 above, applied on 50 per cent of the equity capital portion of the allowable capital cost, for the investments put to use in transmission business, calculated in accordance with Regulation 46 and Regulation 47 above, for such financial year....." (emphasis added)

MSETCL submits that for the purpose of computation of the RoE for FY 2009-10, the opening regulatory equity as submitted by MSETCL in its APR petition for FY 2009-10, has been considered.

The working of the RoE as directed by the Hon'ble Commission results in to the true up of Rs 31.46 Cr for FY 2009-10. Therefore, MSETCL humbly requests the Hon'ble Commission to approve and allow the RoE as detailed in the table below:

Table 2-20: Return on Equity – Approved against Actual

Rs Crore

Particulars	MERC Approved	MSETCL Submission for FY 2009-10
Opening Equity for the year	2887.47	3,047.09
Equity portion of the capital expenditure	94.56	224.83
Closing Equity for the year	2982.03	3,271.91
Return on Regulatory Equity at the beginning of the year	404.25	426.59
Return on Equity portion of capital expenditure	6.62	15.74
Total Return on Regulatory Equity	410.87	442.33

2.10. Income Tax

The table below indicates the actual against the approved income tax for the FY 2009-10:

Table 2-21: Income Tax – Approved against Actual

Rs Crore

Particulars	MSETCL submission as per APR for FY 2009-10	MERC Approved	MSETCL Submission as per Audited A/c for FY 2009-10
Income Tax	219.19	139.65	64.00

MSETCL Submission

MSETCL submits the Income tax details as above mentioned for the true up requirement for FY 2009-10.

2.11. Contribution towards Contingency Reserves

MERC (Terms & Conditions of Tariff) Regulation 2005 specifies the provision of Contribution towards contingency reserves to be part of the ARR under regulation 50.7 as reproduced below:

"50.7 Contribution to contingency reserves

50.7.1 Where the Transmission Licensee has made an appropriation to the Contingencies 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 towards such appropriation in the calculation of aggregate revenue requirement:

Provided that where the amount of such Contingencies Reserves exceeds five (5) per cent of the original cost of fixed assets, no such appropriation shall be allowed which would have the effect of increasing the reserve beyond the said maximum:

Provided further that the amount so appropriated shall be invested in securities authorized under the Indian Trusts Act, 1882 within a period of six months of the close of the financial year....."(emphasis added)

MSETCL Submission

Hon'ble Commission In its APR order dated November 10, 2010, has approved the contribution to contingency reserves at 0.25% of opening GFA for FY 2009-10 and approved an amount of Rs. 24.81 Cr. However the actual contribution considering the opening GFA for FY 2009-10 results into contribution as Rs 25.89 Cr and the same shall be allowed to be recovered as part of the trueing up.

MSETCL humbly requests the Hon'ble Commission to approve and allow the true up of Rs 1.08 Cr.

REVENUE sub-head

2.12. Revenue from Transmission Charges

Hon'ble Commission In its APR Order for FY 2009-10 of has approved the Transmission ARR as Rs 1833.00 Cr for the FY 2009-10 and directed as below:

".....Based on provisional trueing up of various elements for FY 2009-10 as discussed in above paragraphs, the Aggregate Revenue Requirement for FY 2009-10 works out to Rs 1833.00 Cr, as against the amount of Rs 1653.48 Cr approved in the APR Order. Further, considering actual revenue from transmission tariff during FY 2009-10 as Rs 1553.44 Cr (based on approved monthly revenue from transmission tariff of Rs 155.37 Cr for the 2 months of April and May 2009 and approved monthly revenue from transmission tariff of Rs 124.27 Cr for 10 months from June 2009 to March 2010), the net impact of provisional trueing up for FY 2009-10 works out to revenue gap of Rs. 279.56 Cr. Accordingly, the Commission has considered total revenue gap of Rs 355.38 Cr during FY 2009-10, which is inclusive of the revenue gap of Rs. 75.83 Cr after final true up for FY 2008-09, while computing the Aggregate Revenue Requirement for FY 2010-11....."(page 90)(emphasis added)

Table Z-22: Truing up of Transmission Charges for FY 2009-10

Particulars	Rs Crore
	Amount
Total Revenue from Transmission charges for the Year (including SLDC charges)	1,576.02
Less: SLDC Revenue towards SLDC charges	(10.88)
Less: Revenue from wheeling central sector power to Goa	(8.90)
Net Revenue to MSETCL from Long-Term Transmission Charges	1,556.24

MSETCL Submission

MSETCL submits that the revenue earned for wheeling central sector power to Goa according to the principle enunciated by Western Regional Power Committee (WRPC), which was further endorsed by the Hon'ble Appellate Tribunal of Electricity's judgment dated December 17, 2007, as reproduced below:

"6. In view of the above, we allow the appeal and set aside the impugned order dated 28th June, 2006 insofar as it relates to recovery of transmission charges for the intervening transmission system of MSETCL when it is used as Inter-State transmission line. We also direct that no coercive action is to be taken to disrupt transmission of electricity to Goa and direct MSETCL to continue to accept payment of transmission charges as per the existing prevailing regional norms determined by CERC and raise the new bill accordingly and adjust the payments, if made, from the date the impugned order has come into effect." (emphasis added)

MSETCL further, submit that out of the total tariff income for FY 2009-10, Rs 2.84 Crore is the revenue from transmission charges includes revenue from short term open access charges as per the MoU between MSETCL and Power trading companies.

MSETCL requests the Hon'ble Commission to consider the revenue as mentioned above for truing up for the FY 2009-10.

2.13. Non Tariff income

The below indicates the non-tariff income earned by MSETCL as per the audited accounts:

Table 2-23: Non-Tariff Income- Approved against Actual

Particulars	<i>Rs Crore</i>		
	MSETCL SUBMISSION AS PER APR for FY 2009- 10	MERC Approved	MSETCL SUBMISSION AS PER AUDITED A/c for FY 2009-10
Non Tariff Income	82.59	82.59	120.32

MSETCL Submission

MSETCL hereby submits that the earned during the FY 2009-10 against the Non Tariff Income is Rs 120.32 Crore as per the audited accounts. MSETCL submits that the main variant for such high non tariff income is the Interest earned on other Income compared to FY 2008-09, which is year specific results of market returns earned by MSETCL and is not sustainable for future years.

MSETCL, therefore requests the Hon'ble Commission to consider the same while approving the net ARR for MSETCL.

2.14. Total Revenue for FY 2009-10

Considering the above submissions made by MSETCL the, table below summarizes the total revenue earned by MSETCL for the FY 2009-10.

Table 2-24: Total Revenue – Approved against Actual for FY 2009-10

Particular	<i>Rs Crore</i>		
	MSETCL submission as per APR for	YERC's Approval	MSETCL submission as per Audited A/c for FY 2009-10
Revenue from Transmission Charges	2,336.48	1553.44	1,556.24
Revenue from wheeling central sector power to Goa	8.90	8.90	8.90
Net Non-Tariff Income for truing up	82.59	82.59	120.32
Total income for truing up	2,427.97	1644.93	1,685.46

MSETCL Submission

MSETCL submits that though the revenue claim of MSETCL from wheeling central sector power to Goa is Rs 8.90 Crore, however, the same has not been realized completely and is still reflecting as outstanding amount in the audited accounts.

MSETCL requests the Hon'ble Commission to true up the total income as given above.

2.15. Incentive on Transmission Availability

The normative system availability for the transmission system is stipulated in Regulation 49.1 of the MERC Tariff Regulations, as under:

"Target availability for full recovery of annual transmission charges

(a) AC system: 98 per cent

(b) HVDC bi-pole links and HVDC back-to-back stations: 95 per cent"

MSETCL Submission

MSETCL hereby submits the actual transmission system availability for its HVAC and HVDC network as below:

Table 2-25: Transmission System Availability

Transmission System	Availability (%)
HVAC	99.48
HVDC	94.96

MSETCL hereby submits that the actual availability for the HVAC network was much higher than the norms specified by the Hon'ble Commission, the reason being the responsiveness of MSETCL towards the R&M needs of the system to ensure safe and reliable power as and when required. MSETCL would like to put emphasis on the fact that the transmission system availability is must for ensuring safe, secure and reliable energy transactions to the state of Maharashtra, which is facing significant demand-supply gap in previous years, maintaining such credentials calls for higher R&M requirements because of the vintage and old technological assets of MSETCL inherited from the parent organisation, viz., MSEB.

MSETCL further submits that the transmission availability of HVDC network has been slightly lower compared to the norms specified by the Hon'ble Commission. MSETCL further reiterates its submission that the system availability norm specified by the Hon'ble Commission in MERC (Terms & Conditions of Tariff) Regulations, 2005, has been a point of contention, however, MSETCL would

appreciate the participative approach of the Hon'ble Commission for considering MSETCL's submission to revise the norms for the system availability for HVDC system, which has been included in the recently issued MERC (MYT) Regulation, 2011.

As per the directive issued by the Hon'ble Commission in its Order in Case 58 of 2005, which is reproduced as below:

"2.8.7 Accordingly, the Commission rules that the Transmission licensee shall be entitled to incentive on achieving annual availability beyond the target availability as stipulated under MERC (Terms and Conditions for Tariff) Regulations 2005, in accordance with the following formula:

Incentive = Annual Transmission Charges x (Annual availability achieved – Target Availability) / Target Availability;

Where,

Annual transmission Charges shall correspond to ARR for the particular transmission licensee within State, as the case may be.

Provided that no Incentive shall be payable above the availability of 99.75% for AC system and 98.5% for HVDC system." (emphasis added)

MSETCL submits that the analysis of the expenses pertaining to the HVDC and HVAC system as in the table below, interprets that since MSETCL have huge asset base for HVAC network compared to HVDC network, the expenses are proportionately allocated to these network based on the asset base.

Table 2-26: Incentive on Transmission Availability

Transmission System	Rs Crore		
	% Allocation of ARR	ARR allocation	Incentive
HVAC	85.04%	1741.25	26.30
HVDC	14.96%	306.30	(0.13)
Total	100.00%	2047.55	26.17

2.16. Previous Year truing up adjustment in Tariff for FY 2009-10

The table below indicates the previous truing up amount need to be adjusted in the tariff for FY 2009-10:

Table 2-27: Previous years true up adjustments

Particulars	Rs Crore
	Amount
Revenue Gap Truing up for FY 2008-09	75.83
Carried forward truing up amount for FY 2008-09 as per MERC order on review petition Case no. 73 of 2010	59.83
Total True up adjustment	135.66

MSETCL Submission

MSETCL hereby submits that the truing up adjustment as approved by the Hon'ble Commission in its APR Order dated September 30, 2010 and Review Order dated November 30, 2010 is Rs 135.66 Cr, which has to be factored in the true up of FY 2009-10.

Considering the above mentioned rationale detailed by MSETCL, the Hon'ble Commission is requested to consider the true up requirement of Rs 483.81 Crore for FY 2009-10 excluding the incentive mechanism on account of transmission system availability and Rs 509.98 Crore as total true up amount including the incentive/penalty for transmission system availability.

3. Performance Parameters

3.1. Transmission losses

The Hon'ble Commission in the APR Order of MSETCL dated 10th September 2010 has allowed a transmission loss of 4.85% as a normative loss for In-STS and the Commission observed that same will be reviewed once the ABT metering at all interface points gets completed.

MSETCL had undertaken the project of metering all interface locations of G to T, T to D, STU to CTU, G to D and D to D at all EHV sub-stations, all intra-state transmission licensees and distribution licensees in the state.

Out of 2213 Interface location, 2199 locations have been metered as on February 23, 2011 and balance locations will be metered by the end of June 2011. The following table provides the status of metering:

Table 3-1 Status of ABT Meters Installed for Interface Locations

S. No.	Type of Interface	Status	MSETCL	TATA	Rinfra	BEST
1	Generation- Transmission Interface	Metering Locations	169	33	4	0
		Installed	169	33	4	0
		Balance	0	0	0	0
2	Transmission- Distribution Interface	Metering Locations	1101	166	92	84
		Installed	1099	166	85	80
		Balance	2	0	7	4
3	EHV Construction	Metering Locations	221	0	0	0
		Installed	218	0	0	0
		Balance	3	0	0	0

The Commission also directed MSETCL to meter interfaces of inter utility transaction points like TATA, Rinfra, and BEST within Mumbai area. The total number of inter-utility interface locations to be metered at TPC/Rinfra/BEST is 11.

MSETCL would like to submit to the Hon'ble Commission that an accurate estimation of the loss levels is impossible without the full-fledged implementation of ABT metering. However, State Load Despatch Centre (MSLDC) started computing Intra State System Transmission losses since Oct 2006 based on existing metering system. Hence, for the purposes of the Annual Performance Review, MSETCL submits the actual Transmission losses level month-wise as per the present status of metering.

Table 3-2 Transmission Loss of Intra-State Trans. System

S. No.	Month	in %					
		2008-09		2009-10		2010-11	
		HVAC	HVDC	HVAC	HVDC	HVAC	HVDC
1	APR	4.93	4	4.52	3.822	4.51	3.186
2	MAY	5.69	3.71	4.57	3.615	4.32	3.75
3	JUN	4.63	3.71	4.79	3.49	4.14	3.261
4	JUL	4.48	3.63	4.68	3.439	4.31	3.364
5	AUG	3.84	3.93	4.22	3.727	4.17	2.937
6	SEP	4.27	3.48	4.78	3.632	4.14	3.055
7	OCT	5.09	3.75	4.81	3.407	4.32	2.88
8	NOV	5.39	3.81	4.9	3.92	4.4	2.945
9	DIC	5.01	3.78	4.58	3.688	4.33	2.952
10	JAN	5.13	3.79	4.47	3.521	4.26	2.169
11	FEB	4.85	3.85	4.38	2.549	4.17	2.946
12	MAR	4.97	3.98	4.59	3.573	-	2.976
TOTAL		4.86	3.79	4.61	3.53	4.28	3.04

Despite the growing volume of electricity handled by the transmission network of MSETCL, the level of losses in the system has been kept very near the normative loss level for the year as given in the Hon'ble Commission's previous APR Order. Going forward also, MSETCL shall strive to maintain this level of losses in the system.

3.2. Peak Demand

Coincident Peak

The Hon'ble Commission has instituted the mechanism of fixing transmission tariff on the basis of coincident peak demand. MSETCL submits herein the coincident peak data from April 2009 till March 2011.

Table 3-3 Ex-Bus Coincident Catered Peak Demand by the DISCOMS when Maharashtra registered its Catered Peak Demand (figs In MW)

Month	DATE	HRS	MSDCL	TPCL-D	REL-D	BEST	STATE
Apr-09	29-Apr-09	21	11373	344	1402	620	13739
May-09	4-May-09	20	11179	350	1406	657	13592
Jun-09	3-Jun-09	21	11103	351	1403	630	13487
Jul-09	1-Jul-09	21	10382	342	1283	567	12574
Aug-09	17-Aug-09	20	11004	351	1391	636	13382
Sep-09	26-Sep-09	20	11299	331	1464	659	13753
Oct-09	28-Oct-09	19	11587	370	1463	726	14146
Nov-09	4-Nov-09	19	11753	412	1447	728	14340
Dec-09	15-Dec-09	19	11487	421	1360	677	13945
Jan-10	6-Jan-10	19	11590	451	1258	650	13949
Feb-10	24-Feb-10	20	11727	465	1128	571	13891
Mar-10	30-Mar-10	21	12548	483	1283	618	14932
Apr-10	13-Apr-10	21	12647	528	1290	650	15115
May-10	17-May-10	13	12282	728	1241	862	15113
Jun-10	1-Jun-10	13	12038	735	1265	877	14915
Jul-10	24-Jul-10	14	12280	621	1007	634	14542
Aug-10	17-Aug-10	21	11133	563	1141	586	13423
Sep-10	21-Sep-10	21	11907	583	1227	635	14252
Oct-10	13-Oct-10	20	11865	661	1236	665	14427
Nov-10	3-Nov-10	19	11604	708	1294	724	14330
Dec-10	29-Dec-10	19	11546	680	1005	623	13954
Jan-11	31-Jan-11	10	12862	698	899	630	15088
Feb-11	23-Feb-11	12	12738	794	988	721	15241
Mar-11	30-Mar-11	16	13330	818	1108	761	16018
Average			11803	533	1250	671	14256

Note: (1) The demand data is operational (2) The Ex-Bus demand is calculated after considering the average daily auxiliary consumption for the respective generation type and utility on monthly basis (3) Maharashtra State and MSDCL demand is calculated from Supply side where as TPCL-D, REL-D and BEST data is from load side.

Non-Coincident Peak

Month-wise non-coincident demand of all distribution licensees is given below for the use and information of the Hon'ble Commission.

Table 3-4 Ex-Bus Non-coincident Catered Peak demand by the DISCOMS (MW)

Month	BEST		FP 1 D		FP 1 D		FP 1 D		FP 1 D		FP 1 D	
	DATE	HRS	Demand	DATE	HRS	Demand	DATE	HRS	Demand	DATE	HRS	Demand
Apr-09	29-Apr-09	21	11373	13-Apr-09	11	425	2-Apr-09	15:00	1585	2-Apr-09	15:00	888
May-09	23-May-09	21	11194	29-May-09	17	445	22-May-09	15:00	1512	5-May-09	15:30	856
Jun-09	13-Jun-09	24	11364	12-Jun-09	11	448	16-Jun-09	15:30	1578	16-Jun-09	15:30	905
Jul-09	1-Jul-09	21	10882	17-Jul-09	11	424	31-Jul-09	12:00	1462	31-Jul-09	12:30	818
Aug-09	17-Aug-09	20	11004	4-Aug-09	11	425	20-Aug-09	12:00	1474	11-Aug-09	12:15	819
Sep-09	26-Sep-09	20	11299	18-Sep-09	11	452	30-Sep-09	12:15	1560	30-Sep-09	12:15	859
Oct-09	28-Oct-09	19	11587	1-Oct-09	11	437	15-Oct-09	19:15	1566	1-Oct-09	15:15	868
Nov-09	7-Nov-09	19	11715	24-Nov-09	17	440	9-Nov-09	19:00	1491	9-Nov-09	12:15	814
Dec-09	15-Dec-09	19	11487	9-Dec-09	11	465	21-Dec-09	19:00	1371	16-Dec-09	12:15	744
Jan-10	6-Jan-10	19	11590	21-Jan-10	11	516	20-Jan-10	19:00	1272	12-Jan-10	12:00	725
Feb-10	24-Feb-10	20	11727	8-Feb-10	11	565	5-Feb-10	19:30	1252	22-Feb-10	12:15	729
Mar-10	24-Mar-10	21	12494	25-Mar-10	11	604	19-Mar-10	12:00	1372	12-Mar-10	12:00	850
Apr-10	14-Apr-10	22	12586	27-Apr-10	11	727	26-Apr-10	15:00	1467	23-Apr-10	15:15	925
May-10	18-May-10	22	12324	18-May-10	11	782	10-May-10	15:00	1462	10-May-10	15:00	940
Jun-10	1-Jun-10	13	12038	29-Jun-10	11	759	3-Jun-10	15:00	1414	3-Jun-10	15:15	921
Jul-10	24-Jul-10	14	12280	27-Jul-10	12	728	1-Jul-10	11:15	1249	1-Jul-10	15:00	844
Aug-10	11-Aug-10	22	11117	16-Aug-10	11	744	11-Aug-10	11:30	1374	11-Aug-10	11:45	826
Sep-10	21-Sep-10	21	11807	28-Sep-10	11	772	28-Sep-10	19:15	1389	27-Sep-10	15:30	862
Oct-10	13-Oct-10	20	11865	28-Oct-10	11	803	6-Oct-10	19:00	1403	7-Oct-10	15:30	895
Nov-10	3-Nov-10	19	11604	1-Nov-10	12	831	3-Nov-10	19:00	1306	19-Nov-10	12:15	821
Dec-10	26-Dec-10	10	11685	3-Dec-10	11	812	3-Dec-10	18:30	1212	1-Dec-10	12:00	790
Jan-11	30-Jan-11	10	12954	31-Jan-11	12	761	5-Jan-11	18:45	1094	28-Jan-11	12:15	678
Feb-11	19-Feb-11	17	13149	28-Feb-11	12	815	28-Feb-11	19:15	1093	28-Feb-11	12:30	744
Mar-11	30-Mar-11	18	13413	30-Mar-11	11	865	30-Mar-11	12:15	1174	30-Mar-11	12:15	851
Average			11838			626			1376			832

The demand data is operational (2) The Ex-Bus demand is calculated after considering the average daily auxiliary consumption for the respective generation type and utility on monthly basis (3) The Maharashtra State and MSEDCL demand is calculated from supply side where as TPCL-D, Rinfra-D and BEST data is from load side (4) Demand data is obtained from respective utilities.

4. Provisional True-up for FY 2010-11

In this section, MSETCL has provided a comparison of ARR expenses approved by the Hon'ble Commission in APR order dated September 10, 2010 for FY 2010-11, vis-à-vis the actual expenditure incurred towards various elements of fixed costs during the year. The detailed explanations for deviations in the approved expenses with respect to the revised estimates have been provided in the following paragraphs.

In this section, MSETCL has provided a comparison of various expense head approved by the Hon'ble Commission against the actual incurred during the period April 2010-March 2011 and these figures are as per provisional un-audited accounts prepared by MSETCL for FY 2010-11.

4.1. O&M Expenses

Employee Expenses

MSETCL submits that the manpower addition has been initiated in the first half of FY 2010-11 and approximately 3793 new posts are filled to meet the manpower requirement arising out of retirement and new assets addition. MSETCL submits that total manpower addition actually happened in FY 2010-11 is 1919 and rests are likely to be completed in FY 2011-12.

MSETCL submits that the manpower addition requirement has been resulted because of the Hon'ble Commission's directive to avoid undertaking recruitment in any grade, which remained in effect for the past three years. MSETCL, further submits that the as the significant capacity addition has been resulted in past three years and in coming years also, it has planned ambitious capacity addition of transmission lines and bays, this calls for additional manpower requirement. In this regard, MSETCL has considered various components of the employee expenses for FY 2010-11. The table below indicates the details of employee expenses as revised estimates for FY 2010-11.

Table 4-1: Employee Expenses – Approved Vs. Unaudited actual

Particulars	<i>Rs Crore</i>		
	MSETCL Submission as in APR for FY 2009- 10	MERC Approved	MSETCL Submission (Actual as per un- audited accounts)
Gross Employee Expenses	635.66	535.56	567.86
Adjustments for deferred provision of leave encashment for FY 2006-07 as per MERC order	23.27	23.27	23.27
Effect of creation of new posts	99.29	0.00	0.00
Effect of migration impact allowed in Order from FY 2008-09	23.82	19.71	19.71
Less : Expenses capitalized	(80.55)	(84.67)	(70.52)
Total Adjusted Net Employee Expenses	701.49	493.87	540.32

The table below gives the details of manpower of MSETCL in different grades:

Table 4-2: Grade wise manpower position of MSETCL (No.)

Particulars	31.01.2009	31.03.2010	31.03.2011
Officer/Managerial Cadre	19	19	19
Staff Cadre			
<i>Technical</i>	8,095	9,994	11,716
<i>Administrative</i>	1,658	1,672	1,831
<i>Accounts and Finance</i>	714	603	637
<i>Others Technical and Commercial</i>	65	135	139
Total (A+B)	10,551	12,423	14,342
Percentage Rise (%)		18%	15%

MSETCL, submits that the, even though the manpower addition is necessary considering the retirement schedule of existing employees and envisaged transmission capacity expansion planned for the coming years, MSETCL has incurred a rise of 15% in manpower addition over the year 2009-10.

Administration & General Expenses

MSETCL hereby submits the revised estimates of A & G Expenses as below:

Table 4-3: A&G Expenses – Approved Vs. Unaudited actual

Particulars	<i>Rs Crore</i>		
	MSETCL Submission as in APR 2009-10	MERC Approved	MSETCL Submission [Actual as per unaudited accounts]
Gross A&G Expenses	95.63	71.61	138.29
Effect of migration impact allowed in Order from FY 2008-09	0	20.23	20.23
Expenses Capitalised	(6.08)	(10.75)	(6.50)
Net A&G Expenses	89.55	81.09	152.02

MSETCL further submits that the increased A&G charges incurred by MSETCL is because of the rising A&G expenditure by circle offices caused due to higher electricity charges, increased fuel expenses caused by fuel price hike across state, outsourcing of additional security arrangements and increase in government inspection fees.

Repair & Maintenance Expenses

The revised estimate of R&M expenses against the amount approved by the Hon'ble Commission is summarised in the table below:

Table 4-4: Expenses - Approved Vs. Unaudited actual

Particulars	<i>Rs Crore</i>		
	MSETCL Submission as in APR 2009-10	MERC Approved	MSETCL Submission [Actual as per unaudited accounts]
Gross R&M Expenses	383.43	291.32	296.53
Effect of migration impact allowed in Order from FY 2008-09	0	1.53	1.53
Expenses Capitalised	(0.32)	(0.47)	(0.66)
Net R&M Expenses	383.11	292.38	297.40

4.2. Interest on long term loans

MSETCL submits to the Hon'ble Commission that MSETCL has undertaken a capacity addition and system-strengthening program for the FY 2010-11 with a capital outlay of Rs. 2720.02 Cr. MSETCL

submits that the details of the schemes covering the capital expenditure of Rs 2720.02 Cr are detailed in the Format 4.4 submitted to the Hon'ble Commission along with this petition. The table below summarises the capital expenditure actually achieved by MSETCL:

Table 4-5 Category-wise Capital Expenditure

Nature of Schemes	Rs Crore	
	MSETCL Submission (Actual as per un-audited accounts) for FY 2010-11	
Evacuation Schemes		436.83
System Strengthening Schemes		1336.95
Life Extension Schemes		130.09
Others Ancillary Schemes		816.15
Total		2,720.02

The projected capitalization of assets is given below¹:

Table 4-6 Capitalisation – Approved Vs. Unaudited actual

Particulars	Rs Crore		
	MSETCL submission as per APR for FY 2009-10	MERC Approved	MSETCL Submission (Actual as per un-audited accounts) for FY 2010-11
Asset Capitalisation	2,836.21	977.24	2,270.33

MSETCL further submits that the capital expenditure incurred by MSETCL for the FY 2010-11 is met through long-term borrowings from major financial institutions (FI) viz., Power Finance Corporation Limited (PFC) or Rural Electrification Corporation Limited (REC). MSETCL submits that the funding structure for the capital expenditure is in a debt: equity ratio of 80: 20 as mandated by the Hon'ble Commission as well in the previous year's APR orders. The equity participation of 20% is generated through the including internal accruals and the balance 80% debt funding is obtained from PFC and REC.

MSETCL further adds that for the various capital expenditure schemes, foreign loans have been taken, which have long-term repayment schedule and lower interest rate. MSETCL would like to bring to the notice of the Hon'ble Commission the risk of foreign exchange variation (FERV) in the debt funding from

¹ Only those borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets.

few foreign financial institutions. MSETCL submits that in FY 2009-10, it enjoyed the gain on foreign exchange variation, however, the recent economic downturn and dramatic shift in position of Rupee against foreign currency has actually led MSETCL to bear the deficit of Rs 52.57 Crore in FY 2010-11.

MSETCL submits that the fresh drawl arrangements from PFC and REC have a moratorium period of 2 years and 3 years respectively and applicable interest have been calculated at the rate of 10.75%. However MSETCL has also made a fresh foreign currency loan drawl of Rs 244.60 Cr at an interest rate of 10.88% per annum from International Finance Corporation (IFC) in the second half of FY 2010-11. The detailed computation of interest on long term borrowings has been submitted in the prescribed formats of the Hon'ble Commission, submitted along with this petition. The table below summarises the actual interest expenses against the interest expense approved by the Hon'ble Commission:

Table 4-7 Interest on Long term Loan – Approved Vs. Unaudited actual

Particulars	<i>Rs Crore</i>		
	MSETCL submission as per APR for FY 2009-10	MERC Approved	MSETCL Submission (Actual as per un-audited accounts) for FY 2010-11
Loan & Interest			
Opening Balance	4555.95	1966.72	3855.24
Additions	4614.68	781.80	2291.97
Repayments	406.16	366.16	361.69
Closing Balance	8764.47	2382.36	5785.52
Gross Interest Expenses	721.71	237.03	452.41
Less: SLDC Apportionment	(0.88)	(0.88)	(0.95)
Less: IDC (existing loans)	(37.36)	(21.11)	
Less: IDC (new loans)	(419.15)	(65.59)	(170.00)
Net Interest Expenses	265.21	151.20	281.46

4.3. Depreciation and Advance against Depreciation

MSETCL has calculated the depreciation, on the opening Gross Fixed Asset (GFA) as per the rates specified by the Hon'ble Commission in MERC (Terms & Conditions of tariff) Regulations, 2005 for estimating the depreciation over FY 2010-11. For the purpose of this Annual Performance Review, MSETCL has considered the opening GFA for FY 2009-10 on the basis of Audited Accounts of FY 2009-10. Further, additions to GFA are in line with the capitalization plan for 2010-11. The details of such expenses have been shown in the specific formats annexed to this petition.

Table 4-8 Summary of GFA and Depreciation

Particulars	Rs Crore	
	FY 2009-10 (Actual)	FY 2010-11 (Actual)
Opening GFA	10,389.11	11,513.57
Asset addition	1,216.21	2,313.76
Asset retirement	91.75	43.44
Closing GFA	11,513.57	13,783.89
Depreciation during the year	318.22	355.83

Apropos to the AAD, MSETCL submits that the actual loan payment during the FY 2010-11 is projected as Rs 361.69 Cr. The source wise loan repayment is provided in format submitted along with the petition. Since the loan repayment is less than the depreciation, it has not claimed any AAD. MSETCL relies on the regulatory provision of MERC (Terms & Conditions of Tariff) Regulation 2005, as reproduced below:

"Regulation 48.3 Where the actual amount of loan repayment in any financial year exceeds the amount of depreciation allowable under Regulation 50.4.1, the Transmission Licensee shall be allowed an advance against depreciation for the difference between the actual amount of such repayment and the allowable depreciation for such financial year:

Provided that the advance against depreciation shall be restricted to 1/10th of the principal amount of loans that are to be repaid in such financial year minus the amount of depreciation allowable under Regulation 50.4.1:

Provided also that the amount of loan repayment, calculated in accordance with Regulation 48.1 and Regulation 48.2 above shall be assumed to be increased by the amount of such advance against depreciation allowed to the Transmission Licensee:

Provided also that upon repayment of the entire loan amount, the original cost of the fixed asset shall be reduced by the amount of accumulated depreciation and by the total amount of advance against depreciation availed by the Transmission Licensee and the resulting depreciable value shall be spread over the balance useful life of the fixed asset."

Table 4-9 Computation of Depreciation Including Advance against Depreciation

Particulars	Rs Crore		
	MSETCL Submission as in APR 2009-20	MERC Approved	MSETCL Submission (Actual as per un- audited accounts) for FY 2010-11
Depreciation	393.47	321.34	355.83
Loan Repayment during the year	406.16	366.16	361.69
Advance against depreciation (AAD)	12.69	44.81	5.86

<i>Rs Crore</i>			
Particulars	MSETCL Submission as in APR 2009-10	MERC Approved	MSETCL Submission (Actual as per un-audited accounts) for FY 2010-11
Depreciation including AAD	406.16	366.16	361.69

MSETCL requests the Hon'ble Commission to approve the Depreciation including AAD expense of Rs. 361.69 Crore for FY 10-11.

4.4. Interest on Working Capital, and Security Deposit

MSETCL has computed the working capital requirement based on the normative parameters prescribed in the Tariff Regulations 2005. The Indian economy is witnessing spiralling inflation and as a result, the interest rate cycle has firmed up, with a result that banks have raised their Prime Lending Rates. MSETCL has considered the current short term SBI PLR of 13% for the purpose of computation of Interest on working capital.

MSETCL therefore submits the comparison of approved vis-à-vis the revised computation of interest on working capital for kind consideration and approval of the Hon'ble Commission.

Table 4-10 Interest on Working Capital- Approved Vs. Unaudited actual

<i>Rs Crore</i>		
Particulars	MERC Approved	MSETCL Submission (Actual as per un-audited accounts) for FY 2010-11
Interest on Working Capital	39.17	49.17

MSETCL further submits the detailed computation of the Interest on working capital for the FY 2010-11 are provided at Form F-4 of the petition, and are summarised in the table below:

Table 4-11 Interest on Working Capital- Approved Vs. Unaudited actual

Rs Crore

Particulars	MSETCL Submission (Actual as per un-audited accounts) for FY 2010-11
One-twelfth of the amount of Operations and Maintenance Expenses	82.48
One-twelfth of the sum of the book value of stores, materials and supplies	18.40
One and half month expected revenue from transmission charges	277.37
Less:	
<i>Amount of Security Deposit</i>	
<i>From Consumers</i>	0.00
<i>From Distribution System users</i>	0.00
Total Working Capital	378.25
Interest on Working Capital	13%
Interest on Working Capital	49.17

Since MSETCL is not envisaging any security deposits to be taken from the users of its transmission system, no interest on security deposit has been considered for the purpose of computation of working capital.

MSETCL further add that the actual interest paid for the loan taken for meeting the working capital requirements are Rs 10.87 Crore for the FY 2010-11 at the rate 10.85% from the Bank of Maharashtra. As the IOWC allowed as per the regulation is higher than the actual interest on Working capital liability of MSETCL, this leads to the consideration of efficiency gains, which may be shared as per the Regulation 19 of MERC (Terms & Conditions of Tariff) Regulation, 2005.

MSETCL thus requests the Hon'ble Commission to consider the same while evaluating the ARR and decide the net entitlement against the efficiency gains in respect of IOWC.

4.5. Other Interest and Finance Charges

MSETCL submits that considering the huge capital investment plan in transmission assets over coming years, the debt funding will be facilitated by guarantee from Govt. of Maharashtra (GoM). In lieu of which, MSETCL have to pay the guarantee charges as Rs 8.59 Crore to the GoM as per GoM notification No REC-1099/CR-1017/NRG-3 dated 25.10.1999. The table below summarises the financing and

guarantee charges actually paid by MSETCL during FY 2010-11 against approved by the Hon'ble Commission:

Table 4-12 Other Interest and Finance Charges- Approved Vs. Unaudited actual

Particulars	<i>Rs Crore</i>		
	MSETCL Submission as in APR 2009-10	MERC Approved	MSETCL Submission (Actual) as per un-audited accounts for FY 2010-11
Guarantee Charges	17.96	17.96	8.59
Financing Charges	25.20	3.91	3.73
Total	43.16	21.87	12.32

MSETCL requests the Hon'ble Commission to approve the same.

4.6. Other Expenses

MSETCL submits that the detailed computation of other expenses has been submitted in the prescribed formats specified by the Hon'ble Commission. The table below summarises the other expenses actually incurred against approved by the Hon'ble Commission:

Table 4-13 Other Expenses - Approved Vs. Unaudited actual

Particulars	<i>Rs Crore</i>		
	MSETCL Submission as in APR 2009-10	MERC Approved	MSETCL Submission (Actual as per un-audited accounts) for FY 2010-11
Other Expenses	12.35	0.70	52.06

MSETCL humbly submits that the other expenses are significantly high on account of foreign exchange variation on the loans procured from the foreign banking institutions, which was along Rs 52.57 Cr; otherwise, such expenses could have been much lesser than the previous year expenses. MSETCL humbly requests the Hon'ble Commission to approve the above projected expense of Rs. 52.06 Crore.

4.7. Income Tax

As per the MERC (Terms and conditions of Tariff) Regulations, 2005 Income Tax paid by MSETCL forms a component of fixed costs of the ARR. MSETCL has projected income tax in FY 2010-11 based on Income Tax regulations.

For FY 2010-11, MSETCL has estimated the Income Tax liability considering WDV depreciation as per Income Tax Act. Details of such expenses have been shown in the specific formats annexed to this petition. The table below summarises the revised estimates of Income tax liability against IT tax liability approved by the Hon'ble Commission:

Table 4-14 Income tax- Approved Vs. Unaudited actual

Particulars	MERC Approved	Rs Crore	
		MSETCL Submission (Actual as per un-audited accounts) for FY 2010-11	
Income Tax Liability (estimated)	143.23		100.40

MSETCL submits that the income tax liability has been calculated as per MAT and the same has been detailed in the prescribed format submitted along with this petition. MSETCL humbly submits that the Hon'ble Commission may consider the same to remit in the provisional truing up of FY 2010-11.

4.8. Contribution to Contingency Reserves

MSETCL has projected Contingency Reserves for the current year FY 2010-11 on the basis of the MERC (Terms and Conditions of Tariff) Regulation 2005, Regulation 50.7 which states that:

"Where the Transmission Licensee has made an appropriation to the Contingencies 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 towards such appropriation in the calculation of aggregate revenue requirement".

In previous APR orders, the Hon'ble Commission has allowed only 0.25% of opening GFA as contingency reserves. The Hon'ble Commission may appreciate that MSETCL has relied on the directives of the Commission and has projected the contribution to contingency reserves at the same level as per FY 2009-10.

According to the Tariff Regulations, the reserve that would be created at the end of the year will be invested in securities authorised under the Indian Trusts Act, 1882 within a period of six months. MSETCL confirms that it has invested the contingency reserve created in FY 2010-11 in approved securities only. The contribution to contingency reserves has been shown in the table below.

Table 4-15 Contribution to Contingency Reserves- Approved Vs. Unaudited actual

Rs Crore

Particulars	MSETCL Submission as in APR 2009-10	MERC Approved	MSETCL Submission (Actual as per un-audited accounts) for FY 2010-11
Contribution to Contingency Reserves	28.24	25.99	28.78

As MSETCL has adopted the same approach while calculating the contribution towards contingency reserves, MSETCL requests the Hon'ble Commission to approve the same.

4.9. Return on Equity

The Return on Regulatory Equity has been computed in accordance with Section 50.1 of the MERC (Terms and Conditions of Tariff) Regulations 2005. The computation of return on equity is shown in the table below:

Table 4-16 Computation of RoE - Approved Vs. Unaudited actual

Rs Crore

Particulars	MSETCL Submission as in APR 2009-10	MERC Approved	MSETCL Submission (Actual as per un-audited accounts) for FY 2010-11
Opening Equity for the year	3,228.60	2982.03	3,271.92
Equity portion of the capitalization	567.31	195.45	454.07
Closing Equity for the year	3,795.91	3177.48	3725.99
Return on Regulatory Equity at the beginning of the year	452.00	417.48	458.07
Return on Equity portion of capital expenditure	39.71	13.68	31.78
Total Return on Regulatory Equity	491.72	431.17	489.85

MSETCL requests the Hon'ble Commission to approve the same as mentioned above considering the rationale provided by MSETCL in above sections.

4.10. Non-Tariff Income

The details of various items/heads covered under non-tariff income actually earned by MSETCL during FY 2010-11 is provided in the Form 7 of the attached excel formats submitted along with the petition. The summary of actual non-tariff income against approved by the Commission is given below.

Table 4-17 Non-Tariff Income - Approved Vs. Unaudited actual

<i>Rs Crore</i>			
Particulars	MSETCL Submission as in APR 2009-10	MERC Approved	MSETCL Submission (Actual as per unaudited accounts) for FY 2010-11
Non Tariff Income	84.25	84.25	126.03

MSETCL requests the Hon'ble Commission to approve the same.

4.11. Revenue Requirement for FY 2010-11

MSETCL hereby submits the summary of ARR for the FY 2010-11 as per the rationale and projections made in above-mentioned sub-sections.

Table 4-18: Summary ARR of FY 2010-11 (amount in Rs. Crore)

Particulars	MERC Approved [A]	Actual as per Un-audited Accounts/ Tar ff Norms for 2010-11(B)	Efficiency Gain/(Loss) shared with TSU.	Net Entitlement of MSETCL	True-up Amount
Expenditure Side True up					
Operation & Maintenance Expenses	867.33	989.75		989.75	(122.42)
Employee Expenses	493.86	540.32		540.32	(46.46)
Administration & General Expenses	81.09	152.02		152.02	(70.93)
Repair & Maintenance Expenses	292.38	297.40		297.40	(5.02)
Depreciation, including advance against depreciation	366.15	361.69		361.69	4.46
Interest on Long-term Loan Capital	151.20	281.46		281.46	(130.26)
Interest on Working Capital and on consumer security deposits	39.17	49.17	12.77	36.40	2.77
Other Interest and Finance Charges	21.87	12.32		12.32	9.55
Other Expenses	0.70	52.06		52.06	(51.36)
Income Tax	143.23	100.40		100.40	42.83
Contribution to contingency reserves	25.99	28.78		28.78	(2.79)
Total Expenditure	1615.64	1875.63		1862.86	(247.22)
Return on Equity	431.17	489.85		489.85	(58.69)
Aggregate Revenue Requirement	2046.81	2365.48		2352.71	(305.91)
Less: Other Income	84.25	126.03		126.03	(41.78)
Less: Income from wheeling central sector power to Goa	8.90	20.52		20.52	(11.63)

MSETCL humbly requests the Hon'ble Commission to undertake provisional true-up of FY 2010-11 as provided above.

4.12. Revenue for FY 2010-11

MSETCL hereby submits that the Hon'ble Commission in the APR order for FY 2009-10 has approved the Revenue of Rs. 2264.25 Crore (at page 91 of the Order), however the provisional revenue earned by MSETCL is Rs. 1944.30 Crore, leading to a revenue gap for the year, the computations of Revenue gap are as under:

Table 4-19: Revenue gap computation for FY 2010-11 (amount in Rs. Crore)

Particulars	MERC Approved (A)	Actual as per Un-audited Accounts/ Tariff Norms for 2010-11(B)	Efficiency Gain/(Loss) shared with TSUs	Net Entitlement of MSETCL	True-up Amount
Aggregate Revenue Requirement	2046.81	2365.48		2352.72	(305.91)
Less: Non Tariff Income	84.25	126.03		126.03	(41.78)
Less: Income from Transmission Charges due to Goa	8.90	20.52		20.52	(11.63)
Aggregate Revenue Requirement from Transmission tariff	1953.66	2218.93		2206.17	
Provisional Revenue earned in FY 2010-11		1944.30		1944.30	
Provisional Revenue gap for FY 2010-11					(261.87)

MSETCL humbly requests the Hon'ble Commission to undertake provisional true-up of FY 2010-11 and approve the Revenue gap of Rs. 261.87 Crore.

5. Summary of Truing Up requirement for FY 2009-10 and FY 2010-11

MSETCL prays to the Hon'ble Commission to true-up the expense for FY 09-10 and provisional true-up for FY 10-11 and provide a mechanism for bridging the revenue in this order. The total revenue requirement of MSETCL pertaining to APR of FY 2010-11 and Truing up for FY 2009-10 is as shown below.

Total Truing Up Requirement for FY 2009-10 and FY 2010-11 from Transmission Tariff

Particulars	Amount (in Rs. Crure)
<i>Effective Truing up for FY 2009-10</i>	<i>71.39</i>
<i>Under recovery of transmission charges in FY 2009-10</i>	<i>276.76</i>
<i>True Up adjustment of FY 2008-09</i>	<i>75.83</i>
<i>Additional True up approved as per MERC order on review petition Case no. 73 of 2010</i>	<i>59.83</i>
<i>Incentive claim on Transmission system availability</i>	<i>26.17</i>
Truing-Up Requirement of FY 2009-10	509.98
Provisional Truing Up for FY 2010-11	261.87
Total Truing Up Requirement for FY 2009-10 and FY 2010-11	771.84

Reply of Preliminary Data Gaps

Replies to preliminary data gaps sought by MERC before Technical Validation Session (TVS) of Annual Performance Review (APR) of MERTCL for FY 2010-11

Sl. No.	Reference	Information required	Query/Data Gaps																																	
1	Volume I, Page No 11, Table-2	True up amount	<p>The True up requirement for FY 2009-10 is submitted as Rs 333.86 Crores to the petition.</p> <p>The comparison for true-up computation is provided below which doesn't match. Please provide reconciliation.</p> <p>The true up requirement computed by us based on the Table 1 of the Petition is provided below.</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>As per Petition</th> <th>As per A/c</th> </tr> </thead> <tbody> <tr> <td>ARR</td> <td>2076.93</td> <td>2076.93</td> </tr> <tr> <td>Revenue @ Tariff</td> <td>1536.24</td> <td>1536.24</td> </tr> <tr> <td>Transmission</td> <td></td> <td>8.90</td> </tr> <tr> <td>Changes @ Cos</td> <td></td> <td>8.90</td> </tr> <tr> <td>Other Income</td> <td></td> <td></td> </tr> <tr> <td>Revenue ST OA</td> <td>23.71</td> <td>23.71</td> </tr> <tr> <td>Other Income less Exchange Rate Variation(1)</td> <td>96.61</td> <td>98.63</td> </tr> <tr> <td>Sub-Total of Other Income</td> <td>120.32</td> <td>122.34</td> </tr> <tr> <td>Revenue</td> <td></td> <td>389.45</td> </tr> <tr> <td>Gap/(Surplus)</td> <td></td> <td></td> </tr> </tbody> </table> <p>The figure of Rs 108.36 crs shown in the Other Income schedule in the accounts also includes Rs 2.01 crs towards excess pro-portion which is considered in MERC Form-5 Other Expenses under Sr No B as Adjustment for prior period amt of Rs 34.05 crs. The breakup of Rs 34.05 crs is also given in the enclosed Table 1</p>	Particulars	As per Petition	As per A/c	ARR	2076.93	2076.93	Revenue @ Tariff	1536.24	1536.24	Transmission		8.90	Changes @ Cos		8.90	Other Income			Revenue ST OA	23.71	23.71	Other Income less Exchange Rate Variation(1)	96.61	98.63	Sub-Total of Other Income	120.32	122.34	Revenue		389.45	Gap/(Surplus)		
Particulars	As per Petition	As per A/c																																		
ARR	2076.93	2076.93																																		
Revenue @ Tariff	1536.24	1536.24																																		
Transmission		8.90																																		
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Revenue		389.45																																		
Gap/(Surplus)																																				
2	Volume I, Page No 12, Table 3	Depreciation including advance against depreciation	<p>The MERC approved depreciation amount is given as Rs 366.51 Crores in this table in the petition.</p> <p>In this respect kindly refer Pg 81 of MERC Order on Case No 103 of 2009 DK 20-09-2010 wherein MERC has allowed Rs 366.16 crs towards Depreciation (Rs 321.34 crs) and AAD (Rs 44.81 crs). However, AMERC has inadvertently considered only Rs 321.34 crs in the Table appearing on Pg 91 for AAR for FY 2010-11 at Sr No 2 against Depreciation including Advance Against Depreciation</p> <p>As per the table of ARR for FY 2010-11 in Page no. 91 of Case No. 103 of 2009 and the approved ARR table on page no 10 of Case 120 of 2009, the Approved ARR amount is Rs 2264.25 Crores which specifies that the approved depreciations including AAD is Rs 321.34 Crores.</p> <p>Please clarify your claim against the approved Depreciation including AAD and if necessary correction in ARR/true-up.</p>																																	

Sl No.	Reference	Information required	Query/Data Gaps	MSETCL's Compliance
3	Volume I, Page No 16	List of Assets	Annexure 6 is listed in page no 263 as per this list. But, the page no. is 273 for Annexure 6.	This is an typographical error and would be rectified in the revised petition
4	Volume I – Page 24 – Table 2-3	Gross Employee Expenses	In this table, Rs 444.69 Crores is claimed in comparison to a lower amount of Rs. 393.97 Crores stated in the P&L (Annual Accounts) in page 126 of the petition. Even considering SLDG budget appropriation the gross expenses should not be higher than the accounts stated expenses.	In this respect kindly refer to Schedule No 15 of Annual Account for FY 2009-10 in Volume No 6 page No 129 Back side wherein Gross Employee Expenses is shown as Rs 451.29 crs and including SLDG portion of Rs 6.60 crs, the gross employee expenses for MSETCL comes to Rs. 444.69 crs.
5	Volume I – Page 37 – Table 2-18	Other Expenses – Adjustments for prior period	Please clarify. a. This head is referred to as written in Schedule 18, whereas it is referred in Schedule 19 of the Annual Accounts of FY 2009-10. b. Please provide the reference of these numbers/figures of this table from the annual accounts for reconciliation.	The amount appearing in Accounts under Employee Cost Rs 393.97 crs (Pg No 126 Back side in Vol II) is net of capitalisation (Rs 451.29 crs + Rs 57.32 crs)
6	Volume 3 – Page 39 – Table 2-20	Opening & Closing Balance of Equity for FY 2009-10	The opening and closing balance of equity for the year is not matching with the equity numbers as submitted in the Annual Accounts. Please clarify. The numbers as provided hereunder doesn't tally:-	This is an typographical error and would be rectified in the revised petition The amount shown in detailed are presented at Schedule No 19 in the Annual Accounts
7	Annual Accounts Page No 126 in Volume II, Form 3 & Form 4.4	Asset Capitalized for FY 2009-10	– Annual Accounts (Difference of Opening & Closing GFA) – Rs 1124.17 Crores – Form F3 (Difference of Opening & Closing GFA) – Rs 1124.46 Crores	The Annual Account (including SLDG) includes Rs 3.82 crs as capital expenses resulting in assets not belonging to MSETCL @ Rs 0.63 crs. Software development expenses which are not considered in the APN Model Please refer the Table No 2 wherein subtotal 2 pertaining to capital expenditure resulting in assets not belonging to MSETCL and intangible assets is not considered in the APN Petition. Further, The closing balance pertaining to Lines, Cables & Network is inadvertently considered as Rs 446.71 crs instead of Rs 446.51 crs which is now corrected in Form 3 in Vol II. Thus the correct additions is now Rs 1124.29 crs, which would be included in the revised petition
			– Form 4.4 FY 2009-10 – Rs 1124.17 Crores Please clarify the mis-match.	Form 4.4 for FY 2009-10 would be accordingly revised and included in the revised petition.

Sl. No.	Reference	Information required	Query/Data Gaps	MSEDC's Compliance
8	Volume I - Page 39 - Table 2-20	Equity Portion of the Capital Expenditure	The full quantum of asset capitalized to the tune of Rs 1124.17 Crores for FY 2009-10 has been taken as addition to equity. Clarify as to whether the asset capitalized doesn't have any debt component.	This is an typographical error and would be rectified in the revised petition
9	Volume I - Page 42 - Table 2-24	Non-tariff income	The components of the non tariff income as elaborated in the Form 7 of the petition, i.e., Interest on Other Investments, Other/Miscellaneous receipts and Interest on staff loans & Advances does not match with the annual accounts of FY 2009-10. Please provide reconciliation.	The reconciliation of the non tariff income components is shown in Table 3
10	Volume I - Page 53 - Tables 4-6	Capitalisation	The capitalisation amount given under this table is Rs 2270.33 Crores. The Closing GFA FY 2010-11 as per petition Form F3 is 13793.89 Crores is higher than Provisional accounts no of Rs 13170.68 Crores. Hence, the capitalisation for FY 2010-11 is 1601.03 Crores. Please clarify the excess capitalization shown.	The Annual Accounts [including SLOC] for FY 2010-11 on provisional basis includes Rs 3.82 crs as capital expenses resulting in assets not belonging to MSECL & Rs 0.07 crs Software development expenses which are not considered in the APR Model. Further there is a difference of Rs 613.21 crs is towards Trf in / Out of Assets amongst the Field Accounting Units. In addition there is retirement of Assets of Rs 43.44 crs and SLOC Assets of Rs 53.04 crs. If we considered these items the requirement closing GFA will be Rs 13783.89 crs (Rs 13170.68 crs - Rs 3.82 crs + Rs 0.07 crs + Rs 713.53 crs - Rs 43.44 crs - Rs 53.04 crs).
11	Volume I - Page 60 - Tables 4-15 & Volume III - Page 326 (Table)	Contribution to contingency reserve	The amount of Rs 28.78 Crores as specified here, is not getting reflected in the list as provided in page no 326 (Volume III) of the petition. Please provide proof of contribution/investment done amounting Rs 28.78 Crores for FY 2010-11.	The details of the Year-wise contingency reserve investments is enclosed as Table 4 wherein it can be seen that for FY 2010-11 the investment of Rs 25.99 crs is made as per MERC Order on Case No 103 of 2009 Dt. 10.09.2010 and Rs 28.78 crs is the revised contingency reserve requirement for FY 2010-11. The investment for the differential amount will be made after the MERC approval of this amount
12	Volume I - Page 60 - Tables 4-16	Opening and closing balance of equity	The opening and closing balance of the equity as given in this table is not matching with the unaudited annual accounts for FY 2010-11.	The fig appearing in the petition is regulatory equity whereas the amount shown in annual accounts is Equity Capital
13	Volume I - Page 60 - Table 4-16	Equity Portion of the Capital Expenditure	The full quantum of asset capitalized to the tune of Rs 2270.33 Crores for FY 2010-11 has been taken as addition to equity. Clarify as to whether the asset capitalized doesn't have any debt component.	This is an typographical error and would be rectified in the revised petition

Sl No.	Reference	Information required	Query/Inquiry Gaps	MSETCL's Compliance
14	Volume I - Page 61 - Tables 4-17	Non-Tariff Income	The components of the non tariff income as elaborated in the Form 7 of the petition, i.e., Interest on Other Investments, Other/Miscellaneous receipts and Interest on staff loans & Advances does not match with the unaudited annual accounts of FY 2010-11. Please provide reconciliation accordingly.	The reconciliation of the non tariff income components is shown in Table 3
15	Volume I - Page 62 - Table 4-18	Revenue from transmission charges in ARR	The component of revenue from transmission charges for FY 2010-11 as per the Annual Accounts has not been considered while arriving at the provisional true-up. Need to revise the true-up amount considering the ARR & respective revenue earned for the respective year, FY 2010-11.	The same is not considered as there is no provision in the format prescribed by MPRC
16	Volume I, Page No 62, Table 4-18	True-up amount	The method to calculate the true up amount should be the difference between True up ARR and earned transmission revenue. In this table, the true up amount is calculated as a difference between approved transmission ARR as per Order 103 of 2009 and corresponding actual/determined as per unaudited accounts. (Refer Table 4-18, Row for ARR providing difference of Rs 2046.81 Crores & Rs 2352.71 Crores)	The resultant trueup amount after considering the transmission revenue will be Rs. 281.86 Crs (Rs 2352.71 crs - Rs 126.03 crs - Rs 20.52 crs - Rs 1944.30 crs) instead of Rs. 252.50 crs referred in the APR Petition, which will now be rectified in the Revised Petition.
17	Volume II	Provisional Accounts for FY 2009-10 & 2010-11 of MSETCL	Please clarify & revise. Requirements of bifurcated Accounts with SLDC and Transmission Business figures separately.	The bifurcated trueup amount after considering the transmission revenue will be Rs. 261.86 Crs (Rs 2352.71 crs - Rs 126.03 crs - Rs 20.52 crs - Rs 1944.30 crs) instead of Rs. 252.50 crs referred in the APR Petition, which will now be rectified in the Revised Petition.
18	Volume II, Page No 93	Form 11: Transmission Losses	This is required to validate the amounts claimed under all heads for ARR of MSETCL. The Form 11 is empty and verify ball park numbers of transmission losses are given. The Form 11 needs to be duly filled in along with energy handled figures. Also provide energy accounting for MSETCL.	The bifurcated accounts showing details of SLDC and Transmission Business are shown in Table 5 Scan copy of the completed Form 11 is enclosed Scan copy of the completed Form 11 is enclosed
19	Volume II - Page No 93 to 144	Provisional Accounts for FY 2009-10	Please provide the certified copy of the Accounts, which has been approved by the Company Secretary or submit in sealed and signed copy of the Accounts.	The copies of the Annual Accounts signed by the Board of Directors & Company Secretary alongwith the signed copy to the Statutory Auditors Report is attached herewith

Sl. No.	Reference	Information required	Query/Data Gaps	MSECL's Compliance
20	Volume II - Page No 144 to 148	Provisional Accounts for FY 2010-11	Please provide the status of the Accounts, whether it has been approved by the Board or being audited by statutory auditor, etc.	The Statutory Audit for FY 2010-11 is under progress and expected to be completed shortly.
21	Volume III, Page No. 326	Details of Contingency Reserve into Fixed Deposit.	An extensive list of fixed deposits is given in this table. Please specify the investment which pertains to this position for true up AGR or respective Financial Year.	Please refer Table 4 Please refer Table 4
22	Form 4.1	Loan amounts	The loan amount of REC loan and PFC loan as given in form 4.1 are higher than the amount as provided in the unaudited annual accounts for FY 2010-11.	The loan amount of Rs 2047.17 crs and Rs 1675.69 crs was considered in the provisional account towards REC & PFC respectively. However, the advices for direct disbursement to suppliers towards REC (Rs 17.15 crs), PFC (Rs 21.21 crs) status was received subsequent to the preparation of the provisional accounts are also considered in the AGR Petition. Now the provisional accounts are revised to that extent.

TABLE 1

Details of the Adjustment for Prior Period considered under MERC Form No 5 Other Expenses
(Excl SLDC)

Sr. No.	Particulars	Ref of Schedule in Accounts	MSETCL as per Accounts	SLDC	MSETCL excl SLDC	Dr. Cr.
	Income relating to Previous Years					
1	Supervision charges	19	46,05,000		46,05,000	Cr
2	v) Interest income for Prior Periods	19	20,12,091		20,12,091	Cr
3	vii) Excess Provision for Prior Periods Depreciation in Prior Periods					Cr
4	viii) Excess Provision for Interest and Finance Charges in Prior Periods	13	5,20,655		5,20,655	Cr
5	ix) Other Excess Provision in Prior Periods	13	1,95,69,023		1,95,69,023	Cr
6	x) Other Income related to Prior Periods	19	4,05,69,541	22,67,187	3,83,02,354	Cr
	Sub Total of 1 (i to x)		6,72,76,310	22,67,187	6,50,09,123	Cr
	Prior Period Expenses\Losses					
7	v) Operating Expenses for Previous Years	19	17,34,57,300		17,34,57,300	Dr
8	vi) Employee Costs relating to Previous	19	4,62,31,642	3,25,579	4,59,06,063	Dr
9	ix) Depreciation under Provided for Previous Years					Dr
10	xii) Interest and Other Finance Charges relating to Previous Years	19	2,87,00,000		2,87,00,000	Dr
11	xvi) Administration Expenses Previous	19	4,75,55,829	6,47,187	4,69,08,642	Dr
12	xvii) Materials related expenses relating to Previous Years	19	11,07,53,049	8,084	11,07,44,965	Dr
	Sub-Total of 2 (i to xviii)		40,66,97,820	9,80,850	40,57,16,970	Dr
	Net Prior Period (Charges)\Credits		(33,94,21,510)	12,86,337	(34,07,07,847)	Dr

Note Depreciation in MERC is considered only on opening gross block whereas in accounts it is also considered on assets addition during the year and hence the same is not considered in the above statement.

Table 2: Fixed Assets

Assets	(In Rs)		(In Rs)		(In Rs)		(Rs in crores)	
	As at 01.04.2009 (08)	Gross Block (As at 01.04.2009) (Netted, incl SDC) As at 31.03.2010 (08)	Additions As at 31.03.2010 (08)	As at 01.04.2009 (08)	As at 31.03.2010 (08)	As at 01.04.2009 (08)	As at 31.03.2010 (08)	
Intangible Assets								
Land	75,98,27,230	94,12,51,499	18,14,24,269	29517	29517	75.98	94.12	
Leasehold Land including development	46,74,58,002	55,10,05,483	8,35,47,481	96130	96130	46.65	55.00	
Buildings	2,87,43,38,360	2,92,14,05,602	4,70,67,242	19172190	19172190	285.52	290.22	
Hydraulic Works	23,34,22,480	23,58,26,716	24,04,227	475623	475623	23.29	23.54	
Other Civil Works								
Railway Sidings	2,71,62,665	2,81,90,801	10,28,136					
Roads and Others	3,04,04,16,096	3,23,51,01,027	29,46,84,931	3006042	3006042	303.74	311.21	
Plant, Machinery & Equipments	56,72,15,12,070	65,76,80,34,349	9,04,65,22,279	482996800	482996800	5,621.68	6,528.49	
Lines & Cable Networks	39,93,45,99,307	41,46,58,99,762	1,53,13,11,455	816624	816624	3,993.38	4,146.51	
Vehicles	14,17,23,037	14,07,99,790	(9,72,247)	372172	372172	14.14	14.04	
Furniture & Fixtures	10,56,42,669	12,47,72,092	1,91,29,203	2363114	2363114	30.33	30.33	
Office Equipments (Including computers)	10,41,98,074	14,59,08,269	4,17,49,295	933054	933054	9.48	13.23	
SUB TOTAL (1)	3,04,41,82,50,818	3,15,65,83,83,470	11,24,80,53,451	51,84,03,876	52,45,87,906	10,299.08	11,213.97	
Capital Expenditure resulting in Assets not addition to the Company #2	3,82,37,494	3,82,37,494						
Intangible Assets								
Software Development Expenses #3	63,52,940	(63,52,940)	(63,52,940)					
SUB TOTAL (2)	4,48,90,234	3,82,37,494	(63,52,940)					
Total (1) + (2)	3,04,48,40,443	3,15,69,65,483	11,14,17,00,511	51,94,83,876	52,45,87,906	10,299.08	11,213.97	

FR Note : These Items are not considered in APR Model

Table 3

Other Income in the Annual Accounts FY 2009-10

2009-10		2010-11		Particulars	FORM 7 of APR Model	
Rs		Rs			Particular	2009-10
					Rs	Rs
14.19	8.96			Income from Investments in Bank Deposits.		
0.48	0.46			Rental from staff Quarters		
	0.07			Rental from Contractors		
1.14	0.07			Income from Hire Charges from Contractors and others		
0.01				Income from Rentals- other Building		
0.22	1.30			Sundry Credit- Balances written back		
3.36	1.92			Sale of Tender Forms		
				Income From Supervision Charges of Stores		
				Sale of Used Transformer Oil		
0.32	0.81			Registration Fee		
	0.35			Value of jobworks in progress		
2.67				Interest on refund of IT adjusted		
0.51	0.69			REBATE DISC ON PROMPT PAYMENT TO BULK POWER SUPPLIER		
	0.40			Profit on sale of stores		
33.56	30.45			Other Misc Receipts (mainly supervision charges)		
				Incentive for timely payment		
32.99	13.35			Penalty for contractors		
0.36	0.35			Lease Charges recd for Board's Assets.		
				Income from staff Welfare Activities		
0.75	0.81			Interest on Other Investments		
5.56	17.04			Sale of Scrap (sale proceeds since no cost is assigned to scrap)		
0.15	0.24			Interest on Staff Loans & Advances		
0.34	0.23			Interest on Advances to Suppliers		
23.71	48.53			Open Access Charges		
120.32	126.03					
				Other/Miscellaneous receipts	89.81	59.18
				Interest on Other Investments	0.75	0.81
				Sale of Scrap	5.56	17.04
				Interest on staff loans & Advances	0.49	0.47
				Revenue from ST Open Access Charges	23.71	48.53
					120.32	126.03

The matured FD's are now invested in the Government Securities as under

Statement of Purchase of Govt. Securities for the year 2011-12

Sr.No.	Security	Inv.Amt.	Security Pa	Maturity date	Int.Payment	Par.Value	Int
1	7.95% Govt Oil 2025	80.00	10.06.2011	18.01.2025	18.07.2011 18.01.2012	763600000.00	25086666.67
2	7.99% Govt 2017	15.00	10.06.2011	09.07.2017	09.07.2011 09.01.2012	147150000.00	5027041.67
3	8.28% Govt 2032	9.20	10.06.2011	15.02.2032	15.08.2011 15.02.2012	89451600.00	2433400.00
4	7.17% Govt 2015	10.00	14.06.2011	14.06.2015	14.12.2011 14.06.2012	96400000.00	0.00
5	6.90% Govt Oil 2016	10.00	14.06.2011	04.02.2026	04.08.2011 04.02.2012	86150000.00	2491666.67
6	7.17% Govt 2015	30.00	14.06.2011	14.06.2015	14.12.2011 14.06.2012	289200000.00	0.00
7	7.49% Govt 2017	49.00	16.06.2011	16.04.2017	16.10.2011 14.04.2012	472115000.00	6116833.33
	Total	203.20				1944066600.00	4115608.34

Table 5

MAHARASHTRA STATE ELECTRICITY TRANSMISSION COMPANY LIMITED
 PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2011

Schedule No.	2010-11		2009-10		2008-09	
	RS/INR	USD	RS/INR	USD	RS/INR	USD
INCOME:						
(1) Revenue from operations	30248077703	175729113	187286707	20112545290	15480028933	15480028933
(2) Other Income	2659000000	525761	217280	265454107	1084157179	1084157179
	20854061572	1760000197	187500087	2037599597	1656418110	1656418110
EXPENDITURE:						
(3) Operating expenses	304315214	10509453	299208	2958703403	3037157106	3037157106
(4) Employees costs	393735960	83931488	6007142	496579370	387373618	387373618
(5) Administration Expenses	134470858	44742479	4230790	1319666459	992125065	992125065
(6) Depreciation and Other Amortisation	844463056	777427	789809	363568829	298256679	298256679
(7) Interest and finance charges	3043732155	5908	11125	3043726252	2095854105	2095854105
	16072901223	13112505608	122176663	15925877663	12991316972	12991316972
Net Profit Before Tax	448140348	26038614	15327424	4452121784	3652158137	3652158137
(8) Less: Provision for Taxation						
(a) For Current Tax	1066400000	64000000		1066400000	840000000	840000000
(b) For Deferred Tax	250000000	50013655		250000000	50013655	50013655
(c) For fringe benefit Tax	0	0				
Net Profit After Tax	316470348	273772907	15327424	3135721784	2771941482	2771941482
(9) Short provision for earlier year's tax		0				
(10) Prior period Charges (Net)	-11836876	-38716221	1746954	-118623949	288397135	288397135
Profit for the Year	304531472	245034686	1656336	3017097835	2433548147	2433548147
(11) Add: Balance brought forward from previous years	216343121	9869625		216343121	9869625	9869625
(12) Less: Contribution to Special reserve	152100000	33200000	0	152100000	152100000	152100000
(13) Less: Contribution to Contingency reserve	134900000	14400000	0	134900000	14400000	14400000
(14) Less: Transferred to Deferred Tax liabilities (net)	0	0	0	0	0	0
Balance carried to balance sheet	4949825793	2103431229	1656336	4920632106	2146847982	2146847982

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT	Particulars	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
		{1}	{2}	{3}	{4}	{5} = {1-3}	{6} = {2-4}
37 Revenue from Operations							
Transmission charges recoveries	61 802-61.804	19442977078	15562429044	21560413	28495707	19421416665	15433933337
Transmission charges recoveries (Goa)	61.101-61.111	205785400	88955004			206785000	88955004
Open Access Charges	62.93	485343625	237140590			485343625	237140590
SLDC Charges	61 808-61.809	142782000	101780000	142782000	101780000	0	0
Rescheduling Charges	61.81	11190000	7011000	11190000	7011000	0	0
Supervision Charges	New Headl Sch. 5]						
		20288077703	15997315638	175631413	137286707	20112545390	15860028931
13 Other income							
Interest Income (IDS No. 1,98,48,015 Previous Year Rs 51531666)	Grouping 13	102404440	154334005	37500	31496	102366940	154302509
Rent	Grouping 14	63,05.37	15386722	42738	42008	6267819	16294713
Profit on sale of fixed assets (Script)	62.340-7	174354864	45614580				
Sale of tender forms	62.914	19355231	33548838	128763	54000	19226450	33534838
Other Miscellaneous receipts	Grouping 15	479057918	679730211	320782	89875	47737136	679640336
Exchange Rate Variations (Net)	79.57	-525843400	97272846			-525943400	97272646
Excess provisions written back	65.700-65.800	16444298	20089678			16444298	20089678
Interest on refund of RE adjusted	62.927	0	26706079			0	26706079
		265983868	1083674559	529761	217380	94099243	1027842799
14 Operating Expenses							
Repairs and Maintenance							
Plant & machinery	74 101-74.108, 74.500	2550412085	2443036137	9464287	4483066	2540947798	24381533066
Building	74.231,74.206	64677634	98914286	75297	335791	68602341	98378495
Others	Grouping 16	356776320	508363907	102879	1139251	355746441	506424651
		2973866043	3048114920	10569463	9958108	2965296580	3042156212
Less: Repairs and maintenance expenses capitalised (Refer note)	74.9	6594177	4799106			6594177	4799106
		2969271866	3043315714	10569463	9958108	2958702403	3037357106
15 Employee costs							
Salaries, allowances, Bonus etc.	Grouping 17	4519521348	3686729781	60863107	52103116	458862142	3634628646
Staff welfare expenses	75.710-75.790,57.150	38237035	27638020	240543	683756	38021492	26954264
Other staff costs	Grouping 18	179558156	95096984	2356143	4771713	177202013	90315151
Leave encashment	75.87	201882725	123062234	206126	416635	200376399	123645399
Gratuity	75.84	350000000	262289260	11738485	2717730	338261515	279562830
Contribution to Provident & Other Funds	75.81	466487040	371778637	6027084	5309192	459459956	365963445
Shortfall/(Excess) in Plan Assets	75.646	0	-128600000			0	-128600000
Provision for interest shortfall on PF liability	75.872	0	5408716			0	5408716

Schedule No.	2010-11		2009-10		2010-11		2009-10		2010-11	2009-10	2008-10
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9) = (1-3)	(10) = (2-4)	(11) = (2-4)
Loss: Employees cost capitalised (Refer note 2 (c) (iii))	75.9	573148878	83931488	56002142	567197417	705180997	573148878	573148878	705180997	44461882686	573148878
		3939735660	83921488	66002142	4966793720			3973233818			
16 Administration and Other Expenses											
Water charges	76.16	41286806	689463	744385	40597343			39488612			
Rent	76.101	153746817	177198	153000	183569619			174594919			
Fares & Taxes	76.102, 76.108	116138305	23259744	73418371	92878561			120694963			
Insurance charges	Grouping 19	9154041	9067543	721234	591251			8476792			
Legal and professional charges	Grouping 20	62129214	50248768	1046977	1356115			46666166			
Statutory Auditors Remuneration (Refer Note 5(d))		1323608									
Other administrative expenses	Grouping 21	1042183193	730866559	1891140	14970533			715918036			
Intangible Assets written-off	79.710, 79.711	0	0	0	0			0			
Write-off of Deferred Revenue Expenditure	79.721	2653100	0	265070	2816400			265070			
Miscellaneous losses and write off	Grouping 22	2220437	6955504	3	808664			7786840			
		1479711913	1109190025	44742479	42307190			1063340748			
Less: Administration and HOS expenses capitalised (Refer note 2	76.500, 76.901	65002975	74265570					74765570			
		1364708938	1034432455	44742479	42307190			988575178			
17 Depreciation and Other Amortisation											
Depreciation/Amortisation											
Small & low value items written off	77.610-6	3651259657	2997759500	7774227	7898098			2389861002			
Less: Depreciation capitalised (Refer note 2 (c) (iii))		485399	3998653		485399			399853			
		7282000	2004576		7282000			2004576			
		3648463056	2996154777	7774227	7898098			2388256679			
18 Interest and Finance charges											
Interest on fixed loans											
Open Market Bonds	78.7	168474638	170411633					166424638			
Power Electrification Corporation Limited	78.51	2833146475	2088961642					2088961642			
Life Insurance Corporation of India	78.501	77610157	129843825					129843825			
Power Finance Corporation Limited	78.533	1358521001	106437004					106437004			
Foreign Currency Loans from Banks	Grouping 23	0	48359	0	0			48359			
Interest on loan from Japan International Co-op Agency	78.543-1	17258129	4562751	0	0			3543042463			
Interest on other loans (Short term Loans)	78.58	45091824	52033778					17258129			
Interest on Borrowing for Working Capital	78.700-1	108728879	2088896					45493874			
								108728879			
Finance Charges											
Guarantee charges	78.894	85860023	135091591					85860023			
Bank charges	78.892, 78.893, 78.891	3463226	2894096	5903	11125			3463226			

Account Code	2010-11		2009-10		2010-11		2009-10		2010-11		2009-10	
	MSSETCL and SLDC	(1)	MSSETCL and SLDC	(2)	(3)	SLDC	(4)	(5) = (1-3)	MSSETCL and SLDC	(6) = (2-4)		
Groupings for profit and loss A/c												
1.3 Interest Income												
Staff loans and advances	62.21	241,489	15,34570			37500	31496	237,4989		1503074		
Interest from investment in bank deposits	62.22	895,9373	14,1867509					895,9373		14,1867509		
Interest on Other Investments	62.29	809,3662	750,0000					809,3662		750,0000		
Advances to suppliers/contractors	62.26	233,8916	343,1926					233,8916		343,1926		
1.4 Income from rent												
		10240440	154334005			37500	31496	102366940		154301509		
Rental from staff quarters	62.903	464,5055	47,60937			39390	42009	460,6663		47,18928		
Rental from contractors	62.902	793,106	373,30					793,106		373,30		
Income from hire charges from contractors and others	62.903	68,4926	11,407409					68,4926		11,407409		
Hire Charges from Contractors (from sale proceeds)	62.323	0	0					0		0		
Income from rentals - other buildings	62.904	45,770	104,166			3228		42,442		104,166		
Income from Supermarket Charges to Stores	62.919-7	341,680	26,880					341,680		26,880		
		6910537	16336722			42716	42009	62,67819		16294713		
15 Other receipts												
Other Miscellaneous Receipts	62.99	437,663041	6655,9331			100509	36607	437,567532		6654,87424		
Surplus credit balances written back	62.912	1301,7927	2746,730					1301,7927		2746,730		
Sale of Used Transformer Oil	62.92	826,6123	0					826,6123		0		
Registration fee	62.921	349,5463	322,8925			2,0000	50000	327,5463		317,8925		
Rebate on prompt payment	62.928	6934,582	5062,142					6934,582		5062,142		
Income from staff Welfare Activities Recoveries from Transport E	62.69	790,20	84346					790,20		84346		
Lease Charges recd for Company's Assets	62.352	3584,137	3584,137					3584,137		3584,137		
Recovery for Transport and Vehicle Exp (other than recoveries &	62.91	18625	0			273		18352		0		
Income from staff Welfare Activities Film Show Collections	62.61	0	0					0		0		
		473057918	679730211			320782	89875	47273136		679640376		
16 Repairs and Maintenance (Others)												
Civil works	74.3	228989798	490180070			196083	178212	228791715		490001554		
Hydraulic works	74.4	799521	444303					799521		444303		
Vegetables	74.6	10144601	9187493			7640	550	10141961		9181853		
Furniture & fixtures	74.7	1402940	2230534			4408	56055	1356532		1174479		
Office equipments	74.8	15439460	15126362			784748	903934	14654712		14227428		
		356746320	506163902			1029879	1139251	355746441		505024651		
17 Salaries, allowances, Bonus etc.												
Salaries	75 110-75 170	2073925809	2075452584			35279993	28604981	208146416		2046547603		

Project No.	2010-11		2009-10		2010-11		2009-10		2010-11		2009-10	
	MSETCL and SDC	(1)	MSETCL and SDC	(2)	SLDC	(3)	SLDC	(4)	(5) = (1-3)	MSETCL and SDC	(6) = (2-4)	
75.210-75.230	118775381	178724001	154144	210642	176631237	178517759						
75.310-75.330	1006187441	964033891	13498399	14494135	997689042	949508756						
75.410-75.441	598433482	460540086	10697669	8493358	58773613	460047528						
75.510-9	8071	4000			8071	4000						
75.520-6	64395065	0	733502	0	63461963	0						
	4519525249	3686729762	60863107	52103116	4458662142	3634626646						
18-Other staff costs												
PF inspection and audit charges	75.85	6740330	6084781		6740330	6084781						
Pension paid to ex employees	75.86	395317	416968		395317	416968						
Sup. Annuation Company's Con.	75.83	235010	314154		235010	314154						
Medical Expenses reimbursement	75.811	12982816	14208452	471441	12121375	14108008						
Leave Travel assistance	75.812	3796507	3659440	132381	3664126	3570259						
Earned Leave Encashment	75.817	115874334	33864402	1211143	114643181	29399838						
Leave Salary Contribution (deputation staff)	75.818	3500	46329		3500	46329						
Honorarium	75.82	567150	270519		567150	270519						
Expenditure on paper setting etc	75.821	3224437	26327523	130596	37093541	26327523						
Payment under Workmen Compensation Act	75.638	3940491	204556		3540493	204556						
Company's Contribution under Welfare Act	75.64	532187	728687	3492	548695	724763						
Administrative Charges (Employees Deposit Insurance Sc	75.645	41828	41166		41828	41166						
Medical Reimbursement (Others)	75.683	66345	936839	13000	53345	918319						
Contribution to ES Fund	75.85	1660	1668		1660	1668						
Staff Welfare Fund	57.150-4	0	0		0	0						
Perquisite Tax on Rent Free Accommodation to employees	75.628	2946344	7983380	374000	2572264	7983380						
		179558156	95068864	2356143	4771713	177802003						
19-Insurance Charges												
Insurance on fixed assets	76.104	3359075	2971232	721314	2637861	2379981						
Insurance on Stocks	76.105	0	118824		0	118824						
Insurance on assets under construction	76.106	76516	161403		76516	161403						
Insurance Charges by MDAC Project	76.107	5718450	5818084		5718450	5818084						
		9154041	9067543	721314	591251	8476292						
20-Legal and professional charges												
Legal charges	76.121	34278924	3550087		2983584	1479411						
Technical fees	76.124	3319675	2622981	936093	3401353	42061759						
Other professional charges	76.125	34124239	42274298	110885	406376	3125002						
Tax, Cost & Internal Audit fees	76.122	406376	3125002		1046977	1356115						
		62129214	51572368	211314	591251	8476292						
21-Other administrative expenses												
Fees and subscription	76.151	8937665	9552069	71393	94245	8766272						

Particulars	2010-11		2009-10		2010-11		2009-10		2010-11	2009-10
	MSFTCL and S.D.C	(1)	(2)	(3)	(4)	(5) = (3 - 4)	(6) = (2 - 4)	MSFTCL and S.D.C	(7) = (5) - (6)	
Bonds and Particulars		522359	541175	17355	9369			505044		
Advertisement expenses	76.152	13487869	7645775					13487869	531806	
Electricity charges	76.158	252293221	83577403	13718938	9238123			238574583	7645775	
Entertainment	76.162	1511517	1500104	9908	9636			1501609	1490468	
Expenditure on meetings, conferences etc.	76.165 & 76.126	4625071	3983766	64644	107836			4340427	3875926	
Unkeep of office	76.166	48625930	32224548	407620	125137			48218290	32099473	
Expenditure on computer billing, EDP	76.167	940513	8573534					940513	8573534	
Expenditure on consumer billing	76.168	-490	35411					-490	35411	
Interest charges for late payment of Electricity Duty	76.169	1510	0					1510	0	
Security measures for safety and protection contract bills	76.17	279355666	213992075	1049424	625927			278307242	213366148	
Reimbursement to recovery officer / Inspector	76.171	D	D					0	0	
Miscellaneous expenses	76.19	458067	2289335	5774	9191			482293	2277144	
Government inspection fees for company's installations	76.192	85090372	41826317					85090372	41826317	
Vehicle running expenses - truck and delivery vans	76.24	6344446	7776736					6344446	7776736	
Detroit	76.25	18928074	35149307					18928074	35149307	
Advertisement of tenders / notices and other purchase related	76.26	13046726	17008893					13046726	17008893	
Incidental stores expenses	76.27	4677420	5683515					4677420	5683515	
Other material related expenses	76.279	10818411	4731887					10818411	4731887	
Fabrication Charges	76.281	0	2490					0	2490	
Bad debts written off - Others	79.43	344344	220829					344344	220829	
Postage, telephonic, telegram expenses	76.111-76.113	40527664	40117299					39162054	38729357	
Printing and stationery expenses	76.153	29723085	26267326					29307682	25793803	
Traveling and conveyance expenses	76.131, 76.139	19926832	174859974					197752306	173180044	
Freight charges	76.110-76.220	3558004	7357817					3558004	7357817	
Travel insurance	76.23	11494171	6871934					11494171	6871934	
Contingency charges	76.123	8350426	19003778					8308900	18304833	
Taxes and charges for HDVC Project	76.109	D	D					D	D	
Software Expenses	New Head									
22 Miscellaneous losses and write off/Provided for		1042183193	710888959	13821180	1497033			1023372013	715918026	
Intangible assets interest charges for HDVC Project - Written off	79.711-1	0	0					0	0	
Difference due to rounding of Rupee	79.725, 79.726	-906	9536					909	-9547	
Materials Cost Variance	79.110-79.130	165580	0					-165580	0	
Loss on Obsolescence of Stocks	79.561	0	0					0	0	
Shortages on Physical Verification of Stocks	79.51	0	6204618					0	6204618	
Loss of Materials by Pilferage etc	79.511	42677	60423					42677	60423	
Loss on Settlement of claims for materials	79.512	0	0					0	0	
Compensation for injuries, death and damages to staff	79.53	2215826	217065					2215826	217065	
Compensation for injuries, death and damages to outsiders	79.531	100136	357445					100136	357445	
Loss to Fixed Assets on account of Flood Cyclone Fire etc	79.881-9	0	0					0	0	
Sundry Debt Balance Written-off / provided for	79.571	2827	1758995					2827	1758995	
Loss to Stocks on account of Flood Cyclone Fire etc	79.882-7	D	D					D	D	
Loss to Assets under Construction on account of Flood Cyclone Fire etc	79.883-5	0	0					0	0	
Loss on Obsolescence of Stores	79.560-7	0	6894					0	6894	

Schedule No.	2010-11		2009-10		2010-11		2009-10		2010-11		2009-10	
	MSBETCL	SLDC	MSBETCL	SLDC	(3)	(4)	(5) = (1-3)	(6) = (2-4)	MSBETCL	SLDC	(5) = (1-3)	(6) = (2-4)
	22,20,437		85,95,504		3	80,66,54		77,86,840				
23 Interest on Foreign Currency Loans												
Foreign currency loans & credits	0		48,359					48,359				
	0		0			0		0				
	0		48,359		0			48,359				

MAHARASHTRA STATE ELECTRICITY TRANSMISSION COMPANY LTD.
 Annual Performance Review for FY 2010-11 - Transmission System
 Form 1E: Transmission losses

Year: Previous Year FY 2009-10

Audited at

No	Month	Voltage Level	Energy Input	Energy sent to lower network	Direct sale	Total Output	Total Losses
1	Apr-09		8752.77	8357.71			4.52%
2	May-09		8878.16	8472.67			4.57%
3	Jun-09		8493.44	8090.56			4.70%
4	Jul-09		7755.42	7396.42			4.53%
5	Aug-09		8921.54	7970.10			4.72%
6	Sep-09		8699.56	7708.22			4.83%
7	Oct-09		8467.83	8055.28			4.87%
8	Nov-09		7999.73	7546.23			4.86%
9	Dec-09		8480.18	8106.49			4.59%
10	Jan-10		8773.50	8328.72			4.52%
11	Feb-10		8265.74	7906.43			4.37%
12	Mar-10		9600.04	9155.97			4.63%
	Total		101678.89	97172.86			4.62%

4.62%

Year: Current Year FY 2010-11

No	Month	Voltage Level	Energy Input	Energy sent to lower network	Direct sale	Total Output	Total Losses
1	Apr-10		9565.61	9130.71			4.52%
2	May-10		9516.88	9081.72			4.32%
3	Jun-10		9165.55	7921.58			4.18%
4	Jul-10		7971.43	7627.06			4.32%
5	Aug-10		8124.72	7782.96			4.21%
6	Sep-10		8120.19	7782.34			4.34%
7	Oct-10		1047.90	854.88			4.25%
8	Nov-10		8311.08	8062.26			4.12%
9	Dec-10		9431.85	8781.29			4.36%
10	Jan-11		9224.81	9112.65			4.24%
11	Feb-11		9179.95	8794.67			4.20%
12	Mar-11		8523.48	10197.82			4.41%
	Total		107807.442	103037.64			4.31%

Prajwal
 Supply Engr (Trans. O&M)
 M.S.E.T.C., Co. Mumbai

4.31%

APR/ARR
CAPITAL EXPENDITURE
FY 2009-10(After Audit)

(Rs.In Crore)

SR. No.	HEAD	NO.OF SCHEMES	SANCTIONED COST	NO.OF BChs	OB CWIP as on MAR 09	CAPEX for the year 09-10	CAPITALISATION FY 09-10	% CAPITALISED	CB CWIP as on March 10	REMARKS
1	2	3	4	5	6	7	8	9	10	
1	MERC Approved Schemes (DPR Schemes)	98	18408.81	370	997.21	1301.17	547.82	49%	1750.58	ANNEXURE- 1
2	MERC Approval Awaited Schemes	83	3719.99	103	376.66	341.45	252.38	22%	485.74	ANNEXURE- 2
3	MSEB Period DPR Schemes	34	1195.73	45	124.57	103.79	115.34	10%	113.03	ANNEXURE- 3
4	Schemes sanctioned costing < RS. 10Cr (Non DPR Schemes)	116	576.56	180	357.43	617.14	208.76	19%	765.61	ANNEXURE- 4
	TOTAL	331	23901.09	688	1855.88	2363.55	1124.29	100%	3085.14	

Replies to additional data gaps after TVS and during discussion meeting held on 17th August 2011

SL No.	Reference	Information required	Query/Data Gaps	MSETCL Replies																																								
1	Volume 1, Page 11	Clarification on Approved amount as per MERC	<p>in the report reference is given to MERC approving the transmission ARR as JNR 1833 or for FY 2009-10. But in the same statement and in schedule revenue from transmission charges is taken as JNR 1553.44. Why?</p>	<p>Rs 1553.44 crs is the revenue from transmission tariff finalized by MSETCL based on JNR state tariff order no. 104 of 2007 and 155 of 2008 @ Rs 155.37 for April and May 2009 and Rs 124.27 crore from June 2009 to March 2010. Whereas Rs 1833 crore is the final transmission ARR approved by MERC based on the audited accounts.</p>																																								
2	Volume 3 Page 274	O&M Expenses	<p>Since the audit report was not available we have compared the figures mentioned in the True Up Statement with the Tax Audit report FY 2009-10. AY 2010-11</p>	<p>The amounts referred as the Tax Audit Report are actually the Advance Tax computation done on projected basis to adhere the tax payment dates. Also the R&M Expenses shown under Tax Audit Report relates to True up Report and vice versa. Thus the revised query table would be as follow:</p>																																								
			<table border="1"> <thead> <tr> <th>Sr. No</th> <th>Expense head</th> <th>True UP Report</th> <th>Tax Report</th> <th>Audit Report</th> <th>Sr. No</th> <th>Expense head</th> <th>True Report (Rs in Crs)</th> <th>TP Adv. Computation (Page No. 274) (Rs in Crs)</th> <th>Tax Audit Report (Audited Accounts)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Employee Expenses</td> <td>430.36</td> <td>346.21</td> <td>393.97</td> <td>1</td> <td>Employee Expenses</td> <td>430.36</td> <td>346.21</td> <td>393.97</td> </tr> <tr> <td>2</td> <td>R&M Expenses</td> <td>184.23</td> <td>305.27</td> <td>304.33</td> <td>2</td> <td>R&M Expenses</td> <td>305.27</td> <td>184.23</td> <td>304.33</td> </tr> <tr> <td>3</td> <td>Admin Expenses</td> <td>118.88</td> <td>56.69</td> <td>103.44</td> <td>3</td> <td>Admin Expenses</td> <td>118.88</td> <td>56.69</td> <td>103.44</td> </tr> </tbody> </table>	Sr. No	Expense head	True UP Report	Tax Report	Audit Report	Sr. No	Expense head	True Report (Rs in Crs)	TP Adv. Computation (Page No. 274) (Rs in Crs)	Tax Audit Report (Audited Accounts)	1	Employee Expenses	430.36	346.21	393.97	1	Employee Expenses	430.36	346.21	393.97	2	R&M Expenses	184.23	305.27	304.33	2	R&M Expenses	305.27	184.23	304.33	3	Admin Expenses	118.88	56.69	103.44	3	Admin Expenses	118.88	56.69	103.44	
Sr. No	Expense head	True UP Report	Tax Report	Audit Report	Sr. No	Expense head	True Report (Rs in Crs)	TP Adv. Computation (Page No. 274) (Rs in Crs)	Tax Audit Report (Audited Accounts)																																			
1	Employee Expenses	430.36	346.21	393.97	1	Employee Expenses	430.36	346.21	393.97																																			
2	R&M Expenses	184.23	305.27	304.33	2	R&M Expenses	305.27	184.23	304.33																																			
3	Admin Expenses	118.88	56.69	103.44	3	Admin Expenses	118.88	56.69	103.44																																			
			<p>Would like to know why there is such a big difference. Though the Revenue amount as per the True Up Statement actual is matching with the revenue income mentioned in the Computation.</p>	<p>Figure for Employee Expenses is arrived as follows: In True-up column: Rs 451.29 cr (Total employee Cost) - Rs 6.69 cr (SLDC) + Rs 23.27 cr (Adj. for Deferred prov. of Leave Encashment for FY 06-07 as per MERC Order 3/5 of Rs. 116.35 Crs + Rs 19.71 cr (Migration impact allowed in order from FY 08-09) - Rs 57.31 cr (Capitalisation) = Rs 430.36 Cr.</p>																																								

Sl. No.	Reference	Information required	Query/Data Caps	MSETCL Replies
				<p>In Audited Accounts : Rs 451.29 cr (Total Employee Cost) - Rs 57.31 cr (Capitalisation) = Rs 393.97 Crs.</p> <p>In Adv. Tax Computation : Rs 346.21 cr is based on MERC Order 114 of 2008 i.e. Rs 339.89 cr + SLDC Rs 6.32 cr.</p> <p>Figure R&M Expenses is arrived as follow :</p> <p>In True-up column : Rs 304.91 cr (Total R&M Cost) - Rs 0.59 cr (SLDC) - Rs 0.48 cr (Capitalisation) + Rs 1.53 cr (Migration impact allowed in order from FY 08-09) = Rs 305.27 cr.</p> <p>In Audited Accounts : Rs 304.48 cr (Total employee Cost) - Rs 0.48 cr (Capitalisation) = Rs 304.33 Crs.</p> <p>In Adv. Tax Computation : Rs 194.23 cr is based on MERC Order 114 of 2008 i.e. Rs 182.96 cr + Rs 1.27 cr for SLDC.</p> <p>Figure for Admin Expenses is arrived as follow :</p> <p>In True-up column : Rs 110.91 crs (Total Admin Cost) - Rs 0.85 cr (Misc Loss and write off) + Rs 0.29 cr (Bank charges) - Rs 4.15 cr (SLDC) - Rs 7.48 cr (Capitalisation) + Rs 20.23 cr (Migration impact allowed in order from FY 08-09) = Rs 118.88 Crs.</p> <p>In Audited Accounts : Rs 110.91 cr (Total employee Cost) - Rs 7.47 cr (Capitalisation) = Rs 103.44 cr.</p> <p>In Adv. Tax Computation : Rs 58.12 cr is based on MERC Order 114 of 2008 i.e. Rs 56.69 cr + Rs 1.43 cr for SLDC.</p> <p>During FY 09-10, the company was under the process of Migration of Accounts from ES&AT to Company Act for FY 08-09 and the accounts for the same year was finalized in December 2009, therefore the estimates was made during the calculation of Advance income tax was based on the MERC Order 114 of 2008 where on the figures in IT Return are the Actual figures from the books of Accounts</p>

Sl. No.	Reference	Information required	Query/Data Gaps	MSETCL Replies
3	Volume 1 Page A&G Expenses 75		<p>1. What was the % of total taxes to the total A&G expenses.</p> <p>2. Which are the circles where the taxes have been increased and whether it is changed to the consumers in that circle. If we could get the details of the circle in which taxes have been increased and the past rates.</p> <p>3. Increase in payment of electricity charges. What is the % increase then the past years.</p> <p>4. What is the co-relation between Capitalization and increase in A&G expenses if we could get the clarification.</p>	<p>For FY 2009-10 total taxes is Rs 12.06 crs which is 71 % of Total Gross A&G Expenses i.e Rs 196.12 crs) whereas in FY 2010-11 the total taxes are Rs 9.28 crs which is 6 % of Total Gross A&G i.e. Rs 138.29 crs</p> <p>The list of Circles where the taxes are booked is as per Table 1. As the transmission tariff is collected by STU from four distribution licensees and paid to the transmission licensee and as such the same is not charged to individual consumers</p> <p>In FY 2009-10 , electricity expenses were Rs 7.44 crs (Previous year FY 2008-09 Rs 5.51 crs) whereas the same is Rs 23.96 crs in FY 2010-11. The increase percentage comes to 33 % in FY 2009-10 while in FY 2010-11 the percentage increase comes to 222% due the billing of arrears for previous years by MSEDCCL.</p> <p>As per the Accounting Standards of the O&M Expenses (i.e. Employee expenses, R&M expenses, and A&G expenses) incurred by the Construction Circles are capitalised . Hence the A&G Expenses Capitalised are of Construction Circles only.</p>
4	Volume 1 Page Vintage of Assets 75		<p>If we could get the cost benefit analysis of the CAPEX as well as R&M expenses incurred for replacement/renovation of assets.</p>	<p>Submitted to MERC vide letter no. 11920 dt.04/08/2011.</p>

Sl. No.	Reference	Information required	Query/Data Gaps	MSETCL Replies
5	Volume II Page 374 and Volume I Page 40	Income Tax	<p>1. As per the Computation of the tax Auditors the Self Assessment Tax payable was only INR 62.56 but as per the True Up Statement it is mentioned actual as INR 64 cr.</p> <p>2. As per the Computation the Company is eligible for the refund of INR 123.58 cr. Why it is not used in the True Up statement to reduce the revenue requirement. Secondly we would like to know what methodology is adopted for paying the advance tax and basis of doing projection in order to ensure that the excess payment is not exorbitant. Because the advance tax paid is INR 130 cr while the Gross Tax liability is only INR 62.56 cr.</p>	<p>Rs 64 crs is the provision of Income Tax based on the audited figures whereas Rs 62.56 crs is the final tax liability at the time of filing of the Income Tax Return. The reduction in Income tax liability is due to claiming of deduction under Sec 80IA as it is clarified by MSETCL that it can still claim the benefit of Sec 80IA by calculating the same on return on equity on new addition of schemes pertaining to sub-stations and link lines as such no separate books of accounts needs to be maintained for the new schemes for claiming such benefits.</p>
			<p>As per the Commission Regulation the Income Tax is claimed in the ARR on the basis of provisions made and not on the basis of actual advance tax paid. Advance tax is calculated on Estimated Income and Expenditure for that year. However MSEDCL has deducted TDS of Rs 50.21 crore in the month of April 2010 for the whole year of 09-10 even though MSETCL has informed the tax authorities that MSETCL has already paid advance income tax and there is no need to deduct again TDS on the transmission charges paid by distribution licensee to STU for onward payment to transmission utility. Further, MSETCL has availed the benefit of 80-1A deduction in FY 09-10 which has resulted in reduction of income to the tune of Rs 27.12 Crs. which has reduced the tax burden by Rs 9.22 Crs. as per 80A1.</p> <p>In addition MSETCL's Account for FY 2008-09 are finalised in Dec 2009 because of migration from ESAAR to Companies Act and thereafter the finalisation of accounts for FY 2009-10 was started. Further the projections at the time of payment of advance taxes and the actuals at the time of finalisation of accounts varies due to various reasons such as reduction or increase in revenue income or expenditure, such as other income, O&M costs, Depreciation etc.</p>	

Sl. No.	Reference	Information required	Query/Data Gaps	MSETCL Replies
6	Volume 1 Page 52	Interest of FC Loan and Hedging	What is the process followed for taking FC loan is it who gives the best interest or only through REC, REC or ADB.	As regards the process followed for taking FC loan is it who gives the best interest or only through REC, REC or ADB; "It is to state that the correspondence was made between GOM and JICA for loan assistance and accordingly in order to have best interest rate financial tie-up was done. The agreement was executed between President of India and JICA for MSETCL on date 16/09/2007 wherein the interest rate was 0.75% to the above period the average interest rates of REC was 12% and that of REC was 13%. Hence, Loan from JICA being financially viable on account of interest rate, the loan assistance was availed. As regards payment procedure of FC loan it is to state that, as per the terms of agreement, GOM is liable for repayment of loan to JICA which is to be affected in "YENS". Consequently, the GOM will affect the recoveries from State Government by debiting their account with RBI which in turn will debit the account of MSETCL. As regards Hedging of Loan, it is to state that since the repayment is to be made to GOM in terms of rupees, we have written to GOM vide no-Msetcl/F&A/11-12/12769 dt 18/08/2011 as to advise who will carry out the hedging.
7	Volume 2 Page 129	Employee Expenses.	As per the Unaudited Audit Report FY 2009-10 the total Employee Expenses is INR 484.41 as per Actuals in True Up Statement it is INR 444.68	As per the Audited Annual Accounts for FY 2009-10 the Employee expenses are Rs 451.28 including SLDC Rs 6.60 crs i.e. Employee Expenses Excl. SLDC is Rs 444.68 crs. The same is shown in the APR Position Form 2.1
8	Volume 2 Page 129	Employee Expenses	We need clarification on amount deducted from the employee expense account of INR 12.86 cr. Shortfall (Excess) in Plan Assets	The PF contribution deducted from the employees salary is invested in Securities by the Creation Trust i.e. MSEP CPF Trust. At the end of the year the same is valued by Actuary and the any Shortfall in compare with PF liability and value of Investment is booked under the employee expenses as per AS - 15.

Sl. No.	Reference	Information required	Query/Data Gaps	MSETEL Replies
9	Volume 1 Page 129 A&G Expenses		DIF mentioned in the True Up statement actual amount INR 106.12 and as per audited statement it is INR 103.44	The A&G expenses in the Annual Accounts is Rs 103.44 after capitalisation of RS 7.48 crs and includes SLDC A&G Expenses Rs . 4.14 crs and Misc Losses written off Rs . 0.86 crs shown in Form 5 Other Expenses (Sr No 1 , 6 & 7). In Form 2.2 Bank Charges are includes Rs 0.23 crs which is reflected in Interest & Finance Charges at Schedule No 18 in the Annual Accounts
10	Volume 1 Page 129 Depreciation		As per the Unassigned audit report FY 2009-10 the depreciation is INR 299.77 cr but in True Up Statement mentioned is actual as INR 318.22. Please explain in the difference?	As per Accounting Standards, Depreciation is charged on the comprehensive assets in the Annual Accounts whereas in the Return the Commission allows blockwise depreciation only on the operating gross block.
11	Volume 1 Page 130 Prior Period Expenses		What is the system followed for prior period expenses. What are the expenses included in INR 42.61 cr. as prior period expenses.	The income or expenditure JV's passed in the current Financial Year which pertains to prious years are booked under the head prior period expenses. The prior period expenses includes Rs 42.61 crs excess depreciation charged during the previous years withdrawn and credited as prior period income

Table 1

Details of Circle wise Taxes expenditure in FY 2009-10 & FY 2010-11

LC	Circle Names	2009-10	2010-11
300	KHADKA EHV, O&M	4601796	1,12,22,665
310	CHANDRAPU EHV, O&M	4551081	25,71,976
330	H.V.D.C. CIRCLE PADGHE	8864121	66,92,036
340	H.V.D.C. CIRCLE CHANDRAPUR	63,960	24,746
360	AURANGABAD E.H.V. O&M CIRCLE	2247891	44,09,686
370	KALWA 400KV R/S CONST.	212524	4,30,461
380	NASIK EHV CONST	303219	1,79,656
390	EHV O&M CIRCLE, SOLAPUR	2879683	98,71,545
400	AMARAVATI EHV, O&M	6774095	41,14,930
405	AMRAVATI EHV CONST CIRCLE	295481	3,03,638
406	E.H.V. O&M KOLHAPUR	2716847	22,22,687
408	KARAD EHV, O&M	5106306	72,59,712
412	PUNE EHV O&M CIRCLE	12583539	81,39,749
416	KOLHAPUR EHV CONST CIRCLE	42,094	83,696
416	NAGPUR EHV, O&M	3469753	41,04,257
424	NASIK EHV, O&M	4222090	94,68,526
427	NAGPUR EHV CCCM CIRCLE	322502	6,92,690
430	KOLHAPUR EHV CCCM CIRCLE	180651	26,071
432	PARLI EHV O&M	7138002	75,04,129
440	KALWA EHV, O&M	11252052	78,27,488
445	E.H.V. O&M PANVEL	2668944	31,02,253
450	AURANGABAD CONST.	118640	1,49,274
465	AIROLI (KALWA) CCCM CIRCLE	38610724	3,39,937
470	NAGPUR EHV T CONST.	74,790	53,706
476	SLDC KALWA	23418371	2,32,59,744
480	PUNE EHV T CONST.	202974	2,43,124
750	AKOLA CIVIL CONST.	19,203	20,375
760	AURANGABAD CCCM CIRCLE	149271	10,38,728
770	PUNE CCCM CIRCLE	205354	61,323
780	NASIK CIVIL MAINT.	146097	1,43,999
830	BARAMATI M S	33,472	18,606
841	WARDHA M S	32,291	2,53,468
845	DHULE MAJOR STORE		428
952	H.O AC MSETCL	605301	3,02,996
		144113119	11,61,38,305

Replies to the new additional data gaps received during the hearing (2nd TVS) held on 23th Aug 2011

Sl. No.	Reference	Query/Data Gaps	MSETCL Replies
1	Point 4 of Additional Data gaps	In Volume II, Page No 91, Form 7 Detail of Sr. no. 4 Miscellaneous is not given	The details of miscellaneous receipt for FY 2010-11 is given in Table I
2	Point 5 of Additional Data gaps	In Volume I, Page No 90, Form 5 MSETCL submitted that Adjustment for prior period is 34.05 cr.	As per Audited Accounts of FY 2009-10, Total Gross Prior period Expenses except Depreciation is Rs (76.04-31.38) 40.66 crs and Prior period income is (0.46 + 0.20 + 4.05) and (Rs 2.00 shown in Other Income as exchange provision written back) = Rs 6.71 crs. Thus net prior period expenses is (40.66 - 6.71) Rs 33.95 crs. It also includes SLDIC net prior period income 0.10 cr. Hence Total net prior period expenses for MSETCL = (33.95 + 0.10) Rs 34.05 crs.

Table 1

Other Income in the Annual Accounts FY 2009-10

FORM 7 of APR Model

Rs in Crs

2009-10		2010-11		Particulars	2009-10		2010-11	
Rs		Rs			Rs		Rs	
14.19		8.96		Income from Investments in Bank Deposits.				
0.48		0.45		Rental from staff Quarters				
		0.07		Rental from Contractors				
1.14		0.07		Income from Hire Charges from Contractors and others				
0.01				Income from Rentals- other Building				
0.22		1.30		Sundry Credit- Balances written back				
3.36		1.92		Sale of Tender Forms				
				Income From Supervision Charges of Stores				
				Sale of Used Transformer Oil				
0.32		0.81		Registration Fee				
		0.35		Value of jobworks in progress				
2.57				Interest on refund of IT adjusted				
0.51		0.69		REBATE DISC ON PROMPT PAYMENT TO BULK POWER SUPPLIER				
		0.40		Profit on sale of stores				
33.56		30.45		Other Misc. Receipts (mainly supervision charges)				
				Incentive for timely payment				
32.99		13.35		Penalty for contractors				
0.36		0.35		Lease Charges recd for Board's Assets.				
				Income from staff Welfare Activities				
0.75		0.81		Interest on Other Investments				
5.56		17.04		Sale of Scrap (sale proceeds since no cost is assigned to scrap)				
0.15		0.24		Interest on Staff Loans & Advances				
0.34		0.23		Interest on Advances to Suppliers				
23.71		48.53		Open Access Charges				
120.32		126.03						
				Interest on Other Investments		0.75		0.81
				Sale of Scrap		5.56		17.04
				Interest on staff loans & Advances		0.49		0.47
				Revenue from ST Open Access Charges		23.71		48.53
						120.32		126.03
				Other/Miscellaneous receipts		89.81		59.18

List of Annexure

S. no.	Annexure no.	Title of Annexure
1.	Annexure - 1	APR formats for Truing up and APR
2.	Annexure - 2	Annual accounts for FY 2009-10 & FY 2010-11
3.	Annexure - 3	SLDC certified system availability
4.	Annexure - 4	Evidence of interest rates on loans
5.	Annexure - 5	Copies of loan agreements with PFC and REC
6.	Annexure - 6	Copy of Tax Challan for FY 2009-10 & FY 2010-11
7.	Annexure - 7	Proof of repayment of loans
8.	Annexure - 8	Proof of investment in contingency reserve
9.	Annexure - 9	Proof of investment in special reserve
10.	Annexure - 10	Copy of ITRV Form
11.	Annexure - 11	Copy of document proof for interest rate considered for FY 2010-11
12.	Annexure - 12	Proof of interest rates for computation of actual working capital for FY 2009-10