Before,

Hon'ble Bihar Electricity Regulatory Commission

Ground Floor, Vidyut Bhawan-II

Jawahar Lal Nehru Marg,

Patna-800 021

Case No. 50 of 2015

IN THE MATTER OF:

Approval of Business Plan for the control period FY 2016-17 to FY 2018-19

AND

Determination of Aggregate Revenue Requirement (ARR) for the control period FY 2016-17 to FY 2018-19 and Retail Tariff for sale of electricity by the North Bihar Power Distribution Co. Ltd. to the consumers for the FY 2016-17 in the State of Bihar

AND

South Bihar Power Distribution Company Ltd ………Petitioner

SUBMISSIONS ON BEHALF OF SOUTH BIHAR POWER DISTRIBUTION COMPANY LIMITED

MOST RESPECTFULLY SHOWETH:

In pursuance of the judgment and order dated 25.11.2016 passed by the Hon'ble Appellate Tribunal for Electricity in Appeal No. 141 of 2016 and the Notice of Hearing No. 1582 dated 02.12.2016 issued by the Hon'ble Commission in Case No. 50 of 2015, South Bihar Power Distribution Company Limited (hereinafter referred to as **SBPDCL**) is filing the present submission, aspect wise, on the eight (8) aspects which are subject matter of the remand proceedings:

1. POWER PURCHASE COST (FY 2014-15):

Petitioner Submission

A. In the order dated 21.03.2016, the Hon'ble Commission had disallowed a sum of Rs. 8.49 Crores on the power purchases from Farakka and Dadri Generating Stations of NTPC and from Adani Power Limited. The Hon'ble Commission had, however, considered the quantum of power purchase in respect of which the above claim of Rs. 8.49 Crores pertains.

B. In case of Farakka I and III, the payment made by SBPDCL for supplementary bill, relating to the period April 2014 to September 2014 aggregating to Rs. 3.98 Crores concerning both Distribution Licensees (NBPDCL and SBPDCL), has to be considered. The details of the revised bill for the said period is attached hereto and marked as **Annexure-A**.

C. Out of the above Rs. 3.98 Crores, the amount to be allowed to NBPDCL is Rs.1.99Crores and SBPDCL is Rs. 1.99Croresconsidering the apportionment basis as decided. The copies of the revised bills aggregating to Rs. 3.98Crores are attached hereto and marked as **Annexure-B** for ready reference. The above amount has been duly taken into account as payment due to NTPC.

D. The certificate of the General Manager, Finance (SBPDCL) of the amount of Rs. 974.19 Crore have been paid to NTPC (Farakka)is attached hereto and marked as **Annexure C**. The photocopy of the abstract of account of NTPC (Farakka) is also attached hereto and marked as **Annexure A**. The above amount has been taken into account at the time of audit for Financial Year 2014-15.

E. In the case of Dadri Plant of NTPC, in the revised bill dated 05.12.2014 and 06.04.2015 an amount of Rs. 1, 36, 85,123 raised by NTPC had not been taken into account. A copy of the revised bill raised by NTPC is attached hereto and marked as **Annexure-D**. The certificate of the General Manager, Finance of SBPDCL of the amount of Rs. 417.76 Crore have been paid to NTPC (Dadri) is attached hereto and marked as **Annexure-C**.The photocopy of the abstract of account of NTPC (Dadri) is also attached hereto and marked as **Annexure-E**. The above amount has been taken into account at the time of audit for Financial Year 2014-15.

F. In addition to the above, in the case of power purchase cost of Dadri Plant approved by the Hon'ble Commission, there is a computational error of Rs. 91, 32,281. The statement describing the above computational error is attached hereto and marked as **Annexure-E**.

G. In the case of Adani Power, the full cost of power purchase for the months of April to June 2014 and August to November 2014, as per the following tables, has not been considered:

Table: 1 Power Purchase Cost

Months	**Cost Disallowed (Rs.)**	**Bill No.**	**Remarks**
April,14	46,12,439/- (SBPDCL+NBPDCL)	Power/APL/BSES/April' 14/2014-15/02	This bill was issued for different time slot i.e. from 1300 hrs. To 1500 hrs. & 1200 hrs to 16 hrs. On different days.
May'14	40200096/- (SBPDCL+NBPDCL)	Power/APL/BSEB/May' 14/2014-15/01	BERC by its order dated 24.07.2014 has allowed to procure additional power of 200MW from adani in lieu of less power procured in FY 2013-14 from Adani. (**Copy of Order enclosed and marked as**

Months	Cost Disallowed (Rs.)	Bill No.	Remarks
			Annexure-F)
June'14	24610840/- (SBPDCL+NBPDCL)	Power/APL/BSEB/Jun'1 4/2014+15/02	BERC by its order dated 24.07.2014 has allowed to procurer additional power of 200MW FROM Adani in lieu of less power procured in FY 2013-14 from Adani (**Copy of Order enclosed and marked as Annexure-F**)
Aug'14	25250495/- (SBPDCL+NBPDCL)	Power/APL/BSEB/ Aug,15/02	BERC by its order dated 24.07.2014 has allowed to procurer additional power of 200MW from Adani in lieu of less power procured in FY 2013-14 from Adani. (**Copy of Order enclosed and marked as Annexure-F**)
Sep'14	22471076/- (SBPDCL+NBPDCL)	Power/APL/BSEB/ Sept,14/2014-15/01	BERC by its order dated 24.07.2014 has allowed to procurer additional power of 200MW from Adani in lieu of less power procured in FY 2013-14 from Adani. (**Copy of Order enclosed and marked as Annexure-F**)
Oct'14	10294447/- (SBPDCL+NBPDCL)	Power/APL/BSEB/S Oct'14/2014-15/01,	Power/APL/BSEB/Oct,14/2014-15 /02 & Power/APL/BSEB/Sep,14/2014-15/03BERCby its order dated 24.07.2014 has allowed to procurer additional power of 200MW from Adani in lieu of less power procured in FY 2013-14 from Adani. (**Copy of Order enclosed and marked as Annexure-F**)
Nov'14	-20351718/- (SBPDCL+NBPDCL)	POWER/APL/BSEB/ NOVEMBER'14/OA/ 2014-2015/01 DT.	BERC by its order dated 24.07.2014 has allowed to procure additional power of

Months	Cost Disallowed (Rs.)	Bill No.	Remarks
		05/09/2014&05/11/2014	200MW from adani in lieu of less power procured in FY 2013-14 from Adani. (**Copy of Order enclosed and marked as Annexure-F**)
Total	**10,70,87,675.00**		

H. The above was presumably on account of the fact that in some of the months, more than one bill was raised. The amount due for the above months, not considered by the Hon'ble Commission, is contained in the statement attached hereto and marked as **Annexure G**. The total amount aggregates to Rs. 10, 70, 87,675. The bills pertaining to the above amount raised by Adani Power are attached hereto for ready reference and marked as **Annexure H**.

I. The certificate of the General Manager, Finance (SBPDCL) of the amount of Rs. 477.43 Crore have been paid to Adani Power is attached hereto and marked as **Annexure C**. The photocopy of the abstract of account of Adani Power is also attached hereto and marked as **Annexure G**. The above amount has been taken into account at the time of audit for the Financial Year 2014-15.

<u>Relevant extract from AppellateOrder dated 25th November, 2016</u>

"In respect of this Issue, we direct the State Commission to re-examine to the extent to which the power purchase cost is to be allowed on the quantum of power purchase allowed with reference to all the bills from the generators and other sources of power procurement and if the State Commission finds any specific quantum of power purchase claim is not supported by such bills may seek specific documents from the Appellant in

this regard. The State Commission should also treat the power purchase rate of NBPDCL for FY 2014-15 as per audited accounts as there is eventually no adverse impact on the consumers."

2. DEPRECIATION AND GROSS VALUE OF ASSETS

Petitioner Submission

A. The assets established by SBPDCL are by utilization of the funds through grants as well as equity and loans and have been duly accounted for in a proportionate manner. These assets have not been and could not have been funded exclusively through grant. SBPDCL has accordingly claimed depreciation on assets capitalised to the extent of funding of such assets through equity and loan and not through grant given by the Central and State Governments. The audited accounts for FY 2014-15 specifically states that no depreciation has been claimed to the extent of the funding of the assets through grant.

B. The above has been reflected in the audited accounts for FY 2014-15. A copy of the Audited accounts is attached hereto and marked as **Annexure-I**for ready reference.

C. Accordingly, the depreciation as held by the Hon'ble Tribunal is an important tariff element for the financial viability of the Utility. The Depreciation on asset to the extent of Rs. 42.67 Crores has not been fundedthrough grant but entirely through equity and debt. The same ought not to be excluded for determination of depreciation.

D. As per audited annual accounts for FY 2014-15 the breakup of depreciation is given in "Notes" according to which adjusted depreciation value is Rs. 42.67 Crores. The Net depreciation is calculated by subtracting the amortization of grant which means that depreciation has not been claimed on the assets created by the grant. The relevant excerpts of the audited accounts are reproduced below:

Table 2: Depreciation for FY 2014-15 as per audited accounts

Particulars	**Account Code No.**	**As 31st March 2015**
Depreciation Less:- Depreciation of Assets created out of capital grant	77.1 to 77.2	1,24,17,21,126 81,50,15,207
Total		42,67,05,919

The audited annual accounts of SBPDCL be taken as the correct representation of the financials of SBPDCL. The aspect of funding taken into account by the auditors, its apportionment between grant, equity and loan in a proportionate manner and accounting for depreciation only for funding through equity and loan provided for in the annual audited account to be considered as per the decision of the Hon'ble Tribunal.

E. The funding of the assets established by SBPDCL needs to be considered as having been done proportionately from equity, debt and grant. The audited accounts of SBPDCL establish that Rs. 70.47Crores was the current maturity of long-term debt i.e. amount payable to the lenders/banks. It is, therefore, not appropriate to consider any of the assets having being funded by SBPDCL exclusively through grant.

F. Similarly amounting Rs.1,199.77 Crore shown as debit balance under the head “Grant Towards Cost of Capital Account” and Rs. 1633.39Crore shown as Credit balance under the head “Capital Reserve- GOBFund”may be clarified as below:-

Table 3: Break-up of Conditional Grant

Sr. no.	**Particulars**	**Rs. (Debit Balance)**	**Rs. (Credit Balance)**

Sr. no.	Particulars	Rs. (Debit Balance)	Rs. (Credit Balance)
1	Correction for amount Received on account of Equity wrongly recognized as grant in earlier year	552,88,00,000	
2	Correction for amount Received against which assets have not been created, wrongly recognized as grant in earlier year	584,91,89,153	
3	Amount wrongly recognized as grant, Refunded due to non-execution of work for which amount was received.	8,18,169	
4	Amount recognised as grant During the year		19,61,39,893
5	Amortisation/Depreciation on assets created out of grant	81,50,15,207	
	Total	**12,19,38,22,529**	**19,61,39,893**
	Net Debit balance under the head “Grant Towards Cost of Capital Account”i.e. Total of the additions& deletion shown under the head Consumer Contribution & Capital Reserve	1199,76,82,636	

Sr. no.	Particulars	Rs. (Debit Balance)	Rs. (Credit Balance)
1	Amount received onaccount of Equity, recognised under Capital Reserve-GOB fund against which shares has been issued in FY 2015-16.		1633,39,43,058

Amortisation/depreciation on assets created out of grant is theallocated amount of grant in the proportion in which depreciation on assets created out of grant was charged,the amount Received on account of Equity is as equity capital, amount received against which assets have not been created/work have not been executed would be amortised from grant in the period in which project/work gets completed. Till then, the accounting treatment for the above amount, as per the accepted accounting practice, is to treat them as debt. As held by the Hon'ble Tribunal, the treatment has to be consistent with the general accounting practices.

In this regard copy of(i) Fund Disbursement Guidelines andAccounting SystemUnder RGGVY for 12th Plan Projects, (ii) Office Memorandum regarding continuation of RGGVY in 12th and 13th plan – Scheme of Rural EelctricityInfrastructure and Household Electrification, (iii) the Office Memorandum dated 22.12.2008, issued by the Government of India, Ministry of Power, providing Guidelines for RAPDRP and (iv) Ministry of Power, Government of India order dated 19.09.2008 forRe-structured Accelerated Power Development and Reforms Programme (APDRP) during XI Planare attached hereto and marked as **Annexure-J**, which clarify the grant or loan to be a conditional grant or loan.

G. ***Further,****As per Accounting Standard -12 Para 6.1, "Government grants available to the enterprise are considered for inclusion in accounts: (i) where there is reasonable assurance that the enterprise will comply with the conditions attached to them. Mere receipt of a grant is not necessarily a conclusive evidence that conditions attaching to the grant have been or will be fulfilled."*

H. **In the view of the abovementioned points it is evident that,**amount received on account of equitycannot be **categorised** as grant, **conditional grant can only be categorised as grant only if the work is completed within a stipulated time else it will be treated as a debt.**

I. The submissions of the Appellant on the aspect of depreciation of FY 2014-15 are reiterated armed with reference to Annual Performance review of 2015-16.

J. Therefore, it is prayed to the Hon'ble Commission to consider the above facts for recomputation of the depreciation claim.

Relevant extract from AppellateOrder dated 25th November, 2016

"In our opinion, the depreciation is an important segment and needs to be re-examined by the State Commission keeping in view the relevant details submitted by the Appellant subject to its prudent check. The Appellant is entitled to raise the issue of rate of depreciation also before the State Commission while the depreciation amount is being re-examined by the State Commission."

3. RETURN ON EQUITY

Petitioner Submission

A. The Government of Bihar is the 100% ultimate holding company of SBPDCL. The amount contributed by the Government of Bihar (excluding those which are specifically stated to be a grant or loan) ought to be considered as equity. These include the amount paid towards share allotment.

B. The audited accounts of SBPDCL for FY 2014-15 disclose that in addition to the equity shares there is also an amount of Rs. 2,620.33 Crores duly contributed by the Government of Bihar towards Equity shares pending for allotment. Vide letter dated 30.06.2014 Government of Bihar duly confirmed that the aforementioned amount of Rs. 2,620.33Crore being converted into paid up capital. A copy of the letter dated 30.06.2014 Government of Bihar, letter dated 17.02.2016 and letter dated 28.03.2016 confirms that shares have been issued in FY 2015-16 are attached hereto and marked as **Annexure-K**for ready reference

C. In view of the above the amount of Rs. 2,620.33Croresbeing towards equity capital, ought to have been considered as equity, The aggregate of the above two sums of Rs 494 Crores and Rs. 2,620.33Croresnamely Rs 3,114.34 Crores ought to have been considered towards 30 percent towards equity and the balance as normative loan but to the extent of the Gross Fixed Asset value.

D. The amount of Rs. 2,620.33crores recognized in the annual audited accounts of the Appellant is nothing but shareholders fund and is to be given the same treatment as in the case of equity share capital. The settled accounting principles is that the shareholders fund need to be considered and the same include not only the actual issued and paid up and subscribed equity capital of the company but also the aspects such as retained earnings, free-reserves and advance paid for issue of equity shares. It is settled principle that the shareholders fund which include retained earnings used for creation of assets will be counted as Equity Capital. In this regard the Explanations under regulation 19 of the Tariff Regulations, 2014 notified by the Central Commission is relevant and it reads as under :

Explanation- The premium, if any, raised by the generating company or the transmission licensee, as the case may be, while issuing share capital and investment of internal resources created out of its free reserve, for the funding of the project, shall be reckoned as paid up capital for the purpose of computing return on equity, only if such premium amount and internal resources are actually utilized for meeting the capital expenditure of the generating station or the transmission system.

E. Accordingly, the amount of Rs. 2,620.33 Crores should be considered for the purpose of computing the return on equity.

Relevant extract from AppellateOrder dated 25th November, 2016

"The matter for consideration is only whether the amount contributed by the State Government towards equity capital should be considered equity or not. To be fair to the Appellant, the State Commission is directed to re-examine whether the contribution of the State Government towards equity capital should be considered as equity or not and accordingly pass an appropriate order. "

4. NET PRIOR PERIOD CHARGES

Petitioner Submission

A. As per the audited accounts for FY 2014-15, the prior period items are as detailed hereunder:

Table 4: Prior Period Credit/Charges for FY 2014-15

Particulars	Account Code.	This year 2014-15
Income Relating to Previous Years	Separately each Sub- Account 65.1 to 65.9	
(a) Excess Provision in Prior Period		68,26,296
(b) Income related to Prior period		2,76,07,51,460
(c) Prior Period Sale of Power		0
Total Income Relating to Previous Years		2,76,75,77,756
Prior Period Expenses/Losses	Separately each Sub-Account 83.1 to 83.9	
(a)Prior Period Power Purchase		1,69,24,81,457
(b)Adjustment of Consumers' Dues (Collection by Adjustment)		1,67,16,29,610
(c)Prior Period Employee Cost		1,49,59,056

Particulars	Account Code.	This year 2014-15
(d)Operating Expenses of Previous year		25,77,51,778
Total Prior PeriodExpenses/Losses		3,63,68,21,902
Net prior period expenses		86,92,44,146

B. The prior period expenses of Rs 86.92 crores was under various heads and related to multiple transactions.

C. SBPDCL is filing herewith, in a digital form, the requisite details (Division wise) for the prior period expenses in respect of the years relevant. It is submitted that the claim of prior period expenses etc. comprises of several thousand entries. SBPDCL has submitted division wise details of prior period sale of power to the State Commission vide its letter dated 1.3.2016 and had given the details in an electronic form to the State Commission in the tariff proceedings. SBPDCL can always make available the same for scrutiny in an appropriate manner as it may be directed. Further as per the annual accounts of SBPDCL the income relating to previous years is Rs (276.76)Crores, and expenses relating to previous years are Rs363.38 Crores. For income relating to previous years separately Sub-Account 65.1 to 65.9 and for expenses relating to previous years as given in Sub-Account 83.1 to 83.9.

After the bill is raised on the consumers an abstract of the consumer ledger is prepared.

D. The abstracts of Adjustment of Consumers' Dues (Collection by Adjustment) are being filed herewith in digital form in C.D. annexed as **Annexure L.**

E. It is also submitted that prior period expenses claimed by SBPDCL has not formed part of the financials of the SBPDCL during the relevant period and no benefit has been taken by SBPDCL either by accounting the income or expenditure on accrual basis or otherwise. It may be appreciated that the Auditors of the Company would not have referred to prior period financials, if the same would have been accounted for in the earlier financial years on accrual basis.

Relevant extract from AppellateOrder dated 25th November, 2016

"The State Commission is hereby directed to look into this issue based on the details claimed by the Appellant to have been furnished and even the audited accounts of the Appellant. "

5. ENERGY SALES

Petitioner Submission

A. On the aspect of energy sales, it is earnestly requested that the projections given by SBPDCL for the revenue requirements and tariff design for FY 2017-18 may be favourably considered and the same may be approved in view of the reasoning given by the Hon'ble Tribunal in the order dated 25.11.2016 and also for the justification given in the Petition filed for FY 2017-18.

B. The submissions of the Appellant on the aspect of Energy Sales for FY 2015-16 are reiterated.

Relevant extract from AppellateOrder dated 25th November, 2016

"Our observation on this issue is limited to the point that the progress on the part of the Appellant in implementing these schemes in the remaining part of the current financial year could be kept under close watch and if considerable progress is achieved by the Appellant in the ensuing period, the State Commission can reconsider the projections and consumers mix etc. afresh for FY 2017-18 onwards. "

6. RECOVERY OF GAP/SURPLUS

Petitioner Submission

A. The adjustment of purported revenue surplus of the previous years of Rs. 642.92 Crores i.e. upto FY 2013-14 ought not to be done.

B. The said period pertain to erstwhile B.S.E.B. The surplus remained with state government. SBPDCL did not get any surplus amount in the opening balance sheet notified by the state government as per Transfer Scheme under section 131 of the Electricity Act. The State Commission has therefore proceeded on a notional revenue surplus without any justification.

C. SBPDCL financials are to be determined in accordance with the said opening balance sheet. The surplus, if any, relating to Bihar State Electricity Board's period should not have any implication to the financials of the Appellant which has been provided a balance sheet under a statutory Transfer Scheme. The action of the State Commission in considering the issue relating to Bihar State Electricity Board's period would nullifies the very purpose of any re-organisation and objective of the provisions of Section 131 etc provided in the Electricity Act, 2003.

D. The revenue surplus taken by the Hon'ble Commission needs to be reviewed on the principles laid down by the Hon'ble Tribunal. Such revenue surplus of BSEB period cannot be considered in the accounts of

SBPDCL as per the accepted accounting practices. In addition to above, the Hon'ble Commission is required to consider the carrying cost for the gap relating to the past period.

E. The Hon'ble Commission may be pleased to consider the outstanding revenue gap along with the carrying cost to be allowed in the tariff to be determined for FY 2017-18 or otherwise commencing from 01.04.2017 by approving an appropriate regulatory charge. In the absence of the recovery of substantial revenue gap and the interest cost, the accrued and will further accrued to 01.04.2017, the financial viability of SBPDCL will be seriously affected. The Hon'ble Tribunal has directed the Hon'ble Commission to consider the same. In addition, the tariff policy notified by the Central Government on 28.01.2016, under Section 3 of the Electricity Act, 2003 provides for such revenue gap to be adjusted within a short period.

F. In this regard copy of Notification No.- 17 dated 30.10.2012 issued by Energy Department, Govt. of Bihar for The Bihar State Electricity Reforms Transfer Scheme, 2012 is attached hereto and marked as **Annexure-M**

Relevant extract from Appellate Order dated 25th November, 2016

i. *"The State Commission in its Impugned Order has to adjust the past period surplus on the basis that the surplus was due to excess monies recovered from the consumers in the past and such surplus revenue should go back to consumers.*

ii. *We have noted the Appellant's contention to the extent that surplus amount was related to the past years pertaining to the then BSEB and the Appellant has not been given revenues of BSEB period and the Appellant has no such revenue to account for in its books and the State Government cannot be compelled to give the amounts which are outside the scope of* *the notified transfer scheme. The Appellant has also claimed that in the Impugned Order, the State Commission has not given effect to the carrying cost to be allowed for deficit determined in the true up orders.*

iii. *In the order dated 14.07.2013 in Case No. 18 of 2015 dealing with the Review Petition of SBPDCL, it was stated as under:*
"The True up order of the Commission for FY 2013 and the Tariff Order for FY 2015-16, stand reviewed to the extent and as per the observations made in para 5.3.7 and 5.3.9 of the order. The issue of carrying/holding cost on the deficit/surplus in the true up order for FY 2013-14 as discussed in para 5.3.6 above shall be considered at the time of true up of ARR for FY 2015-16."

iv. *We have observed that in the Impugned Order, the State Commission had deferred the carrying cost.*

v. *We observe that the surplus of the past period pertaining to the erstwhile BSEB and also the issue regarding disallowance of carrying cost need to be reviewed by the State Commission."*

7. EMPLOYEES COST AND A&G EXPENSES

Petitioner Submission

A. With regard to the above, the Hon'ble Tribunal has held as under:

(i) We have noted that the Appellant had projected the employee cost based on actual expenditure as per audited annual accounts for FY 2014-15 with escalation at 8.11% (5 years CAGR Inflation Index). The State Commission has however considered the employee cost approved in the true up for FY 2014-15 as base employee cost with escalation for inflationary indexation at 4.65%.

(ii) The State Commission has taken the employee cost as per audited accounts for FY 2014-15 to estimate the employee cost for FY 2016-17 and FY 2017-18 and FY 2018-19. Even for A&G expenses, the State Commission has similarly considered A&G expenses approved in the true up for FY 2014-15 as base A&G expenses with escalation for inflationary indexation at 4.65% for the FYs 2016-17 to FY 2018- 19.

(iii) In light of the fact that the details of both these employees cost and A&G expenses for FY 2015-16 are now available as stated by the Appellant, the State Commission may look into the employee cost and A&G expenses for the FY 2015-16 and subsequently employee cost and A&G expenses for FY 2015-16should be considered a base year for estimating the same for the FY 2016-17 onwards. Since the matter is being remanded to the State Commission, the Appellant is given the liberty to raise the above aspect in the remand proceedings with satisfactory details for consideration in regard to Employees Cost and A&G expenses.

B. Accordingly, the Hon'ble Commission may be pleased to consider the employees cost and A&G expenses.

C. According to the basic concept of compounding, the calculation of employee cost for FY 2015-16 should be based on the principle followed and subsequently employee cost of FY 2015-16 should have been used for calculating the employee cost for FY 2016-17, FY 2017-18, and FY 2018-19. The base employees cost as prevalent in the immediately preceding Financial Year 2015-16, should be considered which would have been a realistic approach instead of determining the employees base cost with reference to the financials of the earlier years.

D. Further, the 5% capitalization of the employees cost considering such employees to be working on the projects (creation of capital assets) is not correct. This is particularly as most of the projects are undertaken on turnkey basis with minimal number of employees of SBPDCL being posted in the projects.

E. The Hon'ble Commission should also consider addition of number of employees in the relevant period. The table of employees addition is as under:

Table 5: Employee addition for MYT control period

Sl. No.	Particulars	FY 2016-17	FY 2017-18	FY 2018-19
1	Number of employees at the beginning of FY	6132	6632	7132
2	Number of employees added (Net)	500	500	500
3	Number of employees at the end of FY (1+2+3)	6632	7132	7632

F. The implications of the above addition of new employees need to be factored.

G. As in the case of employees cost, A&G expenses also need to be considered appropriately and with reference to proper base year figure i.e. audited accounts of FY 2015-16.

<u>Relevant extract from AppellateOrder dated 25th November, 2016</u>

"In light of the fact that the details of both these employees cost and A&G expenses for FY 2015-16 are now available as stated by the Appellant, the State Commission may look into the employee cost and A&G expenses for the FY 2015-16 and subsequently employee cost and A&G expenses for FY 2015-16should be considered a base year for estimating the same for the

FY 2016-17 onwards. Since the matter is being remanded to the State Commission, the Appellant is given the liberty to raise the above aspect in the remand proceedings with satisfactory details for consideration in regard to Employees Cost and A&G expenses."

8. <u>DISTRIBUTION LOSSES TRAJECTORY</u>

A. ***Relevant extract from Appellate Order dated 25th November, 2016 :-***

"*We do not wish to interfere with the impugned findings of the State Commission in its Order since the State Commission is in a better position to ascertain the efficiency of the Appellant. However, since the matter is being remanded to the State Commission for various issues as brought out above, we would like to state only that the State Commission should have to relook and decide only to the extent that such numbers should not become unachievable but not on account of the inefficiencies of the Appellant, if the State Commission observes so.*"

A. At the start of second control period, SBPDCL has signed a TRIPARTITE MEMORANDUM OF UNDERSTANDING (MoU) with Ministry of Power, Government of India, and Government of Bihar for achieving financial turnaround of under UDAY scheme. While participating in the "Ujwal DISCOM Assurance Yojana (UDAY)", the Government of Bihar has committed to Government of India that the AT&C losses in Bihar will be reduced to 15% by FY 2019-20.

B. It is therefore imperative that loss level trajectory is properly set with opening loss level adjusted to the actuals prevalent. This is particularly, as the Central and the State Government have formulated the scheme including UDAY Scheme accepting the higher loss levels. If otherwise, there will be an adverse implication on the implementation of the UDAY Scheme.

Therefore, the Petitioner would like to mention that all the relevant supporting documents pertaining to each item are annexed herewith and it is requested to the Hon'ble Commission to consider the facts and pass the order.

Chief Engineer (Commercial),
SBPDCL