

**BEFORE THE HONOURABLE ANDHRA PRADESH ELECTRICITY  
REGULATORY COMMISSION**

**At its office at 4<sup>th</sup> Floor, Singareni Bhavan, Red Hills, Hyderabad-500 004**

**File No.           /2019**

**Case No.           /2019**

**IN THE MATTER OF:**

Filing of Petition for Determination of the True up for Retail Supply Business for FY 2014-15 in accordance with the “Andhra Pradesh Electricity Regulatory Commission (Terms And Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation No.4 of 2005 and amendments issued from time to time”

**AND**

**IN THE MATTER OF:**

**1. SOUTHERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED**

**&**

**2. EASTERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED**


- Petitioners

**Affidavit**

I, B. Lalitha, D/o B. Raja Rao, aged 51 years, working for gain at the Southern Power Distribution Company of Andhra Pradesh Ltd do solemnly affirm and say as follows:

1. I am the Chief General Manager/RAC/APSPDCL, the body corporate that has been awarded Distribution License by the Honourable Commission. I am competent and duly authorized by APSPDCL to affirm, swear, execute and file this affidavit in the present proceedings.
2. I am competent and duly authorized by APSPDCL to affirm, swear, execute and file this petition on behalf of both DISCOMs (APSPDCL & APEPDCL).


3. I have read and understood the contents of the accompanying petition. The statements made in the paragraphs of the accompanying application now shown to me are true to my knowledge derived from the official records made available to me and are based on information and advice received which I believe to be true and correct.

  
DEPONENT  
CHIEF GENERAL MANAGER  
RAC  
APSPDCL :: TIRUPATI

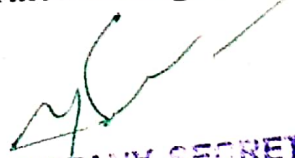
**VERIFICATION:**

I, the above named deponent do hereby verify & affirm the contents of this affidavit as true & correct.

Verified and attested at Tirupati on this .....<sup>15<sup>th</sup></sup> day of July, 2019

  
DEPONENT  
CHIEF GENERAL MANAGER  
RAC  
APSPDCL :: TIRUPATI

I solemnly affirmed and signed before me

  
COMPANY SECRETARY  
APSPDCL :: TIRUPATI.

**BEFORE THE**  
**HONOURABLE ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION**  
**AT ITS OFFICE AT 4th FLOOR, SINGARENI BHAVAN, RED HILLS, HYDERABAD 500 004**

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**Filed by:**

**3. SOUTHERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED**

**&**

**4. EASTERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED**

... Petitioners

## **MOST RESPECTFULLY SHOWETH THE SUBMISSION:**

The APDISCOMS humbly submit the following:

### **Petition for True-up of ARR for Retail Supply Business for FY 2014-15**

#### **1 Introduction**

“Terms and Conditions for determination of Tariff for Wheeling and retail supply of electricity” Regulation 4 of 2005 and First Amendment Regulation 2014 (“Regulation 1 of 2014”), lays down the principles for determination of True Up and Aggregate Revenue Requirement (ARR) for (a) Distribution Business and (b) Retail Supply Business of the Petitioners. True Up is being filed herewith this petition for FY 2014-15 that is 1<sup>st</sup> year of the 3<sup>rd</sup> Control Period.”

Sub-Clause 10.4 of the principal regulation 4 of 2005 determines the expenditure to be considered for distribution business and retail supply business. The said Clause is reproduced below:

*“The expenditure of the Distribution licensee considered as “controllable” and “uncontrollable” shall be as follows:*

<b>Distribution Business</b>	
<b>ARR Item</b>	<b>“Controllable” / “Uncontrollable”</b>
<i>Operation &amp; Maintenance Expenses</i>	<i>Controllable</i>
<i>Return on Capital Employed</i>	<i>Controllable</i>
<i>Depreciation</i>	<i>Controllable</i>
<i>Taxes on Income</i>	<i>Uncontrollable</i>
<i>Non-tariff Income</i>	<i>Controllable</i>

*In addition to the above items the retail supply business shall include the following:*

<b>Retail Supply Business</b>	
<b>ARR Item</b>	<b>“Controllable” / “Uncontrollable”</b>
<i>Cost of power purchase</i>	<i>Uncontrollable</i>

Further, on pass-through of gains and losses on variation in “uncontrollable” items, Sub-Clause 10.5 of the principal regulation 4 of 2005 states that *“The Distribution licensee shall be eligible to claim variations in “uncontrollable” items in the ARR for the year succeeding the relevant year of the Control period depending on the availability of data as per actuals with respect to effect of uncontrollable items”*.

As per First Amendment to Principal Regulation 4 of 2005 (i.e. Regulation 1 of 2014), Sub-Clause 12.5 states that variation of power purchase cost can be claimed and also provides for its computation. The said sub-clause is mentioned below:

*“a. The Distribution licensee shall include the power purchase cost variation over the previous year power purchase cost in the Tariff Order as expense (in the event of incurring excess cost) / rebate (in case of cost saving) in the ARR as special item with relevant details”.*

*“To arrive at the power purchase cost variation, the least of the following quantity is to be considered:*

- i) *Actual power purchase quantity procured by the Discoms for its consumers*

*Power purchase quantity computed based on actual sales except LT Agriculture sales. LT Agriculture sales will be limited to Tariff Order quantity. These aggregated sales will be grossed up with approved losses for the relevant year in the MYT Orders.”*

## **2 Reasons for delay in filing the true-up petition**

The Petitioners have put their best efforts in trying to file the every year true-up petition with the next year ARR filings. However, due to certain factors that are not under the control of the Petitioners, true-up filing has delayed. Some of the reasons for delay in filing the true-up for the respective years are –

- a) Payment of fixed charges due to AP Reorganization Act
- b) Take-over of FRP Bonds and Working capital loans under UDAY scheme in September 2015
- c) Regulation of power between AP and TS in 2017

Due to the above stated reasons, the Petitioners were not in position to file the Petition with the respective ARR filings. Hence, the Petitioners request the Honourable Commission to condone the delay in filing of the Petition.

## **3 True-up Claim for FY 14-15**

For the FY 14-15, the true-up claim cannot be filed as per the methodology given in Regulation 1 of 2014 due to the following reasons.

- Retail supply tariff order for FY 14-15 is not available. Hence, the Petitioners planned to consider approved values from the Retail supply tariff order for FY 13-14. However, approved values cannot be taken from FY 13-14 tariff order due to following reasons.
  - Post bifurcation of the state, two circles (Anantapur and Kurnool) were added to APSPDCL. Approved values for the two circles are not available
  - Further, station-wise costs (fixed, variable and incentive) are not available for all the stations in the tariff order
- In June 2015, APDISCOMs signed UDAY MoU. In accordance with UDAY MoU, GoAP has taken over 100% of FRP Bonds (Rs. 2,546.15 Cr) and 75% of working capital loans (Rs.8,461.75 Cr)
  - Some of the power purchase cost variation in FY 14-15 is subsumed under UDAY scheme
  - Further, it is difficult to estimate quantum of variation in power purchase cost taken over by UDAY scheme.

## **4 True-up Claim based on FY 14-15 P&L**

For the true-up claim for FY 14-15, total revenue and cost of power purchase as per audited accounts has been considered. The power purchase costs comprise of including but not limited to power purchase costs,

transmission & SLDC charges. The total revenue includes revenue from operations, subsidy and other non-tariff income. For computing the applicable revenue from Retail Supply Business, distribution costs as approved in the MYT Tariff Order for 3<sup>rd</sup> Control Period have been deducted. The details of approved distribution costs considered are provided in **Annexure I & II**.

Keeping view of the above, following details for True-up for FY 2014-15 are submitted:

*Table 1: True Up for FY 2014-15*

Particulars	EPDCL	SPDCL	State
Total Revenue as Audited Accounts (A)	7,961	14,611	22,572
Approved Distribution Cost as per MYT Order (B)	1,196	2,230	3,426
Cost of Power Purchase as per Audited Accounts (C)	6,835	12,995	19,830
<b>True-up (C-(A-B))</b>	<b>71</b>	<b>614</b>	<b>684</b>

Since the computation of true-up for FY 14-15 is not possible in line with the Regulation 1 of 2014 due to above stated reasons, the licensee humbly requests the Honourable Commission to consider the above computation based on the audited annual accounts to be true-down/true-up for FY 14-15.

## 5 Final True-up for FY 14-15

As shown in the above table, true-up as per P&L statement of APDISCOMs for FY 14-15 is Rs. 684 Cr. Further, the following costs need to be considered to arrive at the final true-up for FY 14-15.

1. In FY 14-15 financial statement, power purchase cost of Rs.310.71 Cr is not considered since the bills for these costs were received by the Petitioners after the finalization of annual accounts. The detailed break-up of Rs.310.71 Cr is shown in the following table.

*Table 2: Break-up of Power Purchase Costs allocated after finalization of Accounts*

Costs not considered in FY 14-15	Fixed	Income Tax	Others	Total
Dr.NTTPS - I, II, III			40.35	<b>40.35</b>
Dr.NTTPS - IV			16.01	<b>16.01</b>
RTTP - I			13.45	<b>13.45</b>
RTTP - II			13.45	<b>13.45</b>
RTTP - III			6.73	<b>6.73</b>
KTPS A,B & C	79.62	3.54	39.25	<b>122.41</b>
KTPS Stage V	18.29	2.46	27.26	<b>48.01</b>
RTS B	0.47	0.31	3.41	<b>4.19</b>
Kakatiya Thermal Power Plant Stage I	-5.93	2.46	27.26	<b>23.79</b>
KTPS Stage VI	-7.38	2.46	27.26	<b>22.33</b>
<b>Total</b>	<b>85.08</b>	<b>11.21</b>	<b>214.43</b>	<b>310.71</b>

2. Further, in the true-up order for FY 15-16, the Honourable Commission has disallowed Rs.413.84 Cr (Costs that are pertaining to FY 14-15 but considered in FY 15-16 annual accounts).
3. Further, in the tariff order for Retail Supply in FY 15-16, the Honourable Commission has provisionally approved power purchase cost true-up of Rs. 958 Cr. for FY 2014-15.
4. Carrying cost at working capital interest rate of 12% ((As per CERC Tariff Regulation for Generating Stations for the Control period FY 19-20 to FY 23-24, the interest on working capital loans is MCLR + 3.50%))
5. The Petitioners also request the Hon'ble Commission to take into consideration the carrying cost to be incurred by the licensee in the future till the complete true-up mentioned above is recovered.

The final true-up for FY 14-15 is shown in the following table.

Table 3: Final True-Up for FY 2014-15

Final True-up			
Particulars	EPDCL	SPDCL	State
True-up as per P&L	71	614	684
PP Costs not considered in FY 14-15	106	204	311
Disallowed costs in FY 15-16 True-up by APERC	142	272	414
Less : Cost of Power Purchase true-up provisionally approved in Retail Supply Tariff Order for FY 2015-16	406	552	958
<b>Total</b>	<b>(87)</b>	<b>538</b>	<b>451</b>
Carrying Cost (SBI MCLR)*	-	410	410
<b>Total</b>	<b>(87)</b>	<b>948</b>	<b>861</b>

*\*\* Considering FY 2019-20 as the year of approval.*

Keeping view of the above, it is further submitted that the Petitioners have considered power purchase costs and revenue pertaining to Retail Supply Business for determination of above True-Up based on audited accounts. However, for distribution costs including but not limited to O&M expenses, finance charges, depreciation, distribution & network costs, etc., the Petitioners request to submit separate petition for determination of True-up for Distribution Business, at a later date.

6. Prayer

The Petitioners humbly pray that the Hon'ble Commission may:


- a) Approve the true-up of expenses and revenue for the Retail Supply Business for FY 2014-15.
- b) Approve the true-up required for FY 2014-15 pertaining to the Retail Supply Business for Rs. 861 Cr.
- c) To pass such order as the Honorable Commission may deem fit and proper in the facts and circumstances explained above.

**SOUTHERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED  
EASTERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED**

(Petitioners)

Through

Place: Tirupathi  
Date: 15.07.2019.

  
**Chief General Manager/RAC  
APSPDCL: Tirupathi  
CHIEF GENERAL MANAGER  
RAC  
APSPDCL :: TIRUPATI**



**Annexure I: Break up of Approved Distribution Costs for FY 2014-15 – APEPDCL**

S. No.	Name of the Parameter	Units	FY 2014-15
			Approved
A	O & M Expenses	Rs. Crs.	796
B	Return on Capital Employed	Rs. Crs.	111
C	Depreciation during the year	Rs. Crs.	274
D	Taxes on Income	Rs. Crs.	10.3
E	Special Appn. for Safety measures	Rs. Crs.	5
F	Other Expenditure	Rs. Crs.	0.55
G	Trueup for 1st CP	Rs. Crs.	84
X	Gross ARR	Rs. Crs.	1,280
	O & M Expenses (Gross)	Rs. Crs.	829
	-Employee Expenses	Rs. Crs.	746
	-A&G Expenses	Rs. Crs.	
	-Repairs & Maintenance	Rs. Crs.	83
	Return on Capital Employed	Rs. Crs.	111
	Capital works in progress	Rs. Crs.	
	-Opening Balance		
	-Investment (Addition to CWIP)	Rs. Crs.	418
	-O&M Expenses Capitalised	Rs. Crs.	33
	-Interest During Construction capitalised	Rs. Crs.	13
	Additions to GFA	Rs. Crs.	484
	Closing Balance	Rs. Crs.	
	Gross Fixed Assets		
	-Opening Balance	Rs. Crs.	4,485
	- Additions	Rs. Crs.	484
	-Closing balance	Rs. Crs.	4,969
	Deductions during year		
	Accumulated Depreciation		
	-Opening Balance	Rs. Crs.	
	-Depreciation	Rs. Crs.	274
	-Closing balance	Rs. Crs.	
	Adj. on Depreciaton Prov.		
	Consumer Contribution and grants		
	-Opening Balance	Rs. Crs.	
	-Additions	Rs. Crs.	
	-Closing balance	Rs. Crs.	
	Amortization of consumer contribution		
	Working Capital	Rs. Crs.	69
	Regulatory Rate Base	Rs. Crs.	891
	-Change in Rate Base	Rs. Crs.	
	-Cost of Debt	%	12.0%
	-Return on Equity	%	14.0%
	WACC	%	12.5%
	Debt Equity Ratio (Normative)		
	Debt	75%	
	Equity	25%	

**Annexure II: Break up of Approved Distribution Costs for FY 2014-15 – APSPDCL**

S. No.	Parameter	Units	FY 2014-15
			Approved
A	O & M Expenses	Rs. Crs.	1,354
B	Return on Capital Employed	Rs. Crs.	311
C	Depreciation during the year	Rs. Crs.	530
D	Taxes on Income	Rs. Crs.	28.7
E	Special Appn. for Safety measures	Rs. Crs.	6
F	Other Expenditure	Rs. Crs.	0.33
X	<b>Gross ARR</b>	<b>Rs. Crs.</b>	<b>2,230</b>
	<b>O &amp; M Expenses (net of expenses capitalised)</b>	<b>Rs. Crs.</b>	<b>1,354</b>
	-Employee Expenses	Rs. Crs.	1,173
	-A&G Expenses	Rs. Crs.	
	-Repairs & Maintainance	Rs. Crs.	181
	<b>Return on Capital Employed</b>	<b>Rs. Crs.</b>	<b>311</b>
	<b>Capital works in progress</b>	<b>Rs. Crs.</b>	<b>701</b>
	Opening Balance		0
	-Investment	Rs. Crs.	795
	-O&M Expenses Capitalised	Rs. Crs.	64
	-Interest During Construction capitalised	Rs. Crs.	31
	Additions to GFA	Rs. Crs.	
	Closing Balance	Rs. Crs.	
	<b>Gross Fixed Assets</b>		
	-Opening Balance	Rs. Crs.	9,611
	-Additions	Rs. Crs.	904
	-Closing balance	<b>Rs. Crs.</b>	<b>10,516</b>
	<b>Depreciation during the year</b>	<b>Rs. Crs.</b>	<b>530</b>
	<b>Accumulated Depreciation</b>		
	-Opening Balance	Rs. Crs.	2,859.54
	-Depreciation	Rs. Crs.	530
	Adjustments	Rs. Crs.	
	-Closing balance	<b>Rs. Crs.</b>	<b>3,390</b>
	<b>Consumer Contribution &amp; grants</b>		
	-Opening Balance	Rs. Crs.	1,466
	-Additions	Rs. Crs.	
	Amortization	Rs. Crs.	
	-Closing balance	<b>Rs. Crs.</b>	<b>1,466</b>
	<b>Working Capital</b>	<b>Rs. Crs.</b>	<b>118</b>
	<b>Regulatory Rate Base</b>	<b>Rs. Crs.</b>	<b>2,488</b>
	-Change in Rate Base	Rs. Crs.	187
	-Cost of Debt	%	12%
	-Return on Equity	%	14%
	<b>WACC</b>	<b>%</b>	<b>0.13</b>
	<b>Revenue</b>	<b>Rs. Crs.</b>	<b>1,529</b>
	-Revenue from Retail Supply Business		1,529
	-Revenue from inter state and Inter Discom sales		
	<b>Debt Equity Ratio (Normative)</b>		
	<b>Debt</b>	<b>75%</b>	
	<b>Equity</b>	<b>25%</b>	