

1. EXECUTIVE SUMMARY

1.1 Introduction

The Tata Power Company Limited (Tata Power) is a company established in 1919. On April 1, 2000, The Tata Hydro-Electric Power Supply Company Limited (established in 1910) and The Andhra Valley Power Supply Company Limited (established in 1916) were merged into Tata Power, to form one unified entity. Consequent to the merger, the licenses of the above mentioned companies were also merged and Tata Power was granted a license by the Government of Maharashtra (GoM) for the supply of energy to the public in its Mumbai License Area and to supply energy in bulk to Distribution Licensees, vide resolution No: IEA -2001/ CR-10509/NRG-1, dated July 12, 2001.

Tata Power has been recognized as a Distribution Licensee (Tata Power - D) by this Hon'ble Commission under the EA 2003 and the license regulations notified by this Hon'ble Commission. Further Hon'ble Commission has notified MERC (Specific Conditions of Distribution License applicable to Tata Power Company Limited) Regulations 2008 which supersedes the previous license, clearance or approval granted under the laws repealed by the EA 2003. The Area of Supply has been defined in the regulation where Tata Power - D is authorised to supply electricity to the public for all purposes in accordance with the provisions of the Act. The license issued shall remain in force till 15th August 2014 i.e. the remaining period for which Tata Power shall be a Distribution Licensee under the Act.

In line with the provisions of the tariff regulations, subsequent to the issue of the Multi Year Tariff Order, the licensee or the generating company has to make an application for annual performance review which encompasses the comparison of the performance of the licensee or the generating company with the approved forecast of the aggregate revenue requirement and expected revenue from the approved tariff and charges. This document details the Annual Performance Review and Tariff Application of Tata Power - D and includes (i) truing up of performance of FY 2007-08 (ii) review of performance of FY 2008-09 and (iii) projected performance of FY 2009-10 (iv) Tariff Proposal for FY 2009-10

1.2 Overall Approach for Present filing

The key aspects of the approach to the filing are as discussed below:

1.2.1 True-up for FY 2007-08

Tata Power - D is submitting the information based on audited accounts for the true up for the year. Additionally, for certain elements like the interest on working capital and the interest during constructions, the computations would be based on the normative principles approved by the Hon'ble Commission in various regulations and orders.



1.2.2 Annual Performance Review of FY 2008-09 and Revised Estimates for FY 2009-10

As directed by the Hon'ble Commission, Tata Power - D is filing the Annual Performance Review petition for the distribution function for the year FY 2008-09 based on the actual performance of the function during the first half of the year and revised estimates for the second half of the year and revised estimates for the year FY 2009-10.

1.2.3 Approach for the Filing

The present filing for the Annual Performance Review and Tariff filing is based on the principles enumerated by the Hon'ble Commission in the regulations and the relevant previous Tariff Orders (Tariff order for FY 2006-07, MYT order for FY 2007-08 to FY 2009-10 and APR for FY 2007-08)

1.3 Performance of FY 2007-08

This section deals with actual performance for FY 2007-08 and takes into consideration the APR filed by Tata Power - D for FY 2007-08, MYT Order for FY 2007-08 to FY 2009-10 issued by the Hon'ble Commission dated 30th April 2007 and the actual performance for FY 2007-08. It also considers the performance of Tata Power - D of past years wherever deemed necessary to compare the performance trend in FY 2007-08.

1.3.1 Energy Requirement

1.3.1.1 Category-wise Sales

The actual energy sales for FY 2007-08 are as follows:

Table 1-1: Energy Sales FY 2007-08

Sr. No.	Category	Approved by Commission	FY 2007-08		MU
			Actuals	Variation	
1	LT I - Residential	75	74		
2	LT II - LT Industrial & Commercial below 20 kW load	40	42		
a	- Industries	14	15		
b	- Commercial	26	26		
3	LT III - LT Industrial & Commercial above 20 kW load	455	409		
a	- Industries	125	104		
b	- Commercial	330	305		
4	LT V - Shopping Malls & Multiplexes	-	25		
5	HT I - Public & CPP	330	337		
a	- 22kV	69	169		
b	- 100kV	261	168		
6	HT II - Industries & Textiles	573	558		
a	- Industries	476	460		
b	- Textiles	97	98		
7	HT III - Commercial	268	244		
8	HT IV - Railways	822	818		
a	- 22/33 kV	536	541		
b	- 100kV	286	277		
9	Grand Total	2,563	2,506	-2%	

The actual sales for FY 2007-08 are less than the approved level. Further the variation in the sales within the categories is also negligible (less than 2.5%).

1.3.1.2 Energy Requirement and Energy Balance – FY 2007-08

Tata Power - D had submitted the revised methodology for computing energy requirement for FY 2006-07 from October 2006 onwards post introduction of concept of a unified Intra State Transmission System in the State. Further for FY 2007-08, pending determination of distribution losses at T<>D interface, the losses approved by Hon'ble Commission were considered for energy requirement at T<> D Interface. The requirement at G<>T Interface was determined on the basis of the Transmission Loss computed by SLDC as a part of Interim Balancing Settlement Mechanism (IBSM).

The actual and approved energy balance for FY 2007-08 is provided in the table below:

Table 1-2: Energy Balance FY 2007-08

Particulars	Approved by Commission	MU
		FY 2007-08 Actuals
Tata Power D-Sales (Retail)	2,563	2,506
Distribution Losses	2.93%	2.21%
Energy Requirement at T<>D interface	2,640	2,563
Transmission Loss	4.85%	4.62%
Net Energy Requirement	2,775	2,687
Banking Return	-	39
Sale Outside License Area	-	37
Total Energy Requirement at G<>T Interface	2,775	2,763

The net energy requirement of 2,687 MUs shown above is after netting 76 MUs comprising of banking arrangement of 39 MUs and Outside License Area sales of 37 MUs.

1.3.1.3 Distribution Loss

The actual energy requirement of Tata Power - D could be established only after the commissioning of the meters at the T<> D inputs of Tata Power - D from October 2007 onwards. After commissioning of the Energy Meters at the T<>D interface, Tata Power - D considered it appropriate to validate the data for a six month period i.e from October 2007 to March 2008. During this period of October 2007-March 2008, Tata Power – D’s input requirement was computed by grossing up the sales by normative distribution loss of 2.93% and the figures presented above in the table are with a gross up of this normative distribution loss.

The actual distribution loss however was different from the normative loss. The actual distribution loss for the period Oct-07 to March - 08 was 0.66% and the same was submitted to the Hon’ble Commission after its directive. The computation of actual loss is as given in the table below:

Table 1-3: Actual Distribution Loss (Oct 07 to Mar 08)

Particulars	MU
	Units
Input to Tata Power-D	1,216
Energy Sales (incl 15 day adjustment)	1,208
% Losses	0.66%

Tata Power - D has computed the efficiency gains arising out of lower losses (as compared to normative losses). Further Tata Power - D has also requested MSLDC to make the changes in the Energy requirement of Tata Power - D for the period Oct-07 to Mar-08 to enable Tata Power – D to pass on the benefit of lower losses to the consumers to Tata Power - D.

The benefits to the consumers of Tata Power – D on account of lower loss are computed in the table below:

Table 1-4: Computation of Savings in Power Purchase Cost FY 2007-08 (Rs Crs)

Sr. No.	Particulars	Units
		FY 2007-08 Actuals
1	Direct sales of Tata Power-D (MU)	1,208
2	Actual Distribution Loss (%)	0.66%
3	Normative Distribution Loss (%)	2.93%
4	Difference (3-2) %	2.27%
5	Power Purchase saved due to reduction in distribution loss = $1/(1-4) \times 4$ (MU)	28
6	Average variable power purchase cost (Rs./kWh)	5
7	Savings in Power Purchase Cost = $5 \times 6 / 10$ (Rs. Crores)	13

1.3.2 Capital Expenditure

The capital expenditure in FY 2007-08 was Rs. 31 Crores against an amount of Rs. 33 Crores approved by the Hon'ble Commission.

1.3.3 Operational Performance for FY 2007-08

1.3.3.1 Power Purchase and related Costs

The power purchase cost details for FY 2007-08 are as given below:

Table 1-5: Power Purchase Costs for Tata Power - D – FY 2007-08

Particulars	Approved by Commission		FY 2007-08 Actuals	
	MUs	Rs. Crores	MUs	Rs. Crores
Tata Power - G	2,204	895	2,246	839
Tata Power - D (Contracted Sources)	457	251	219	112
RPS	128	45	125	44
Imbalance Pool	(14)	(7)	173	138
Total	2,775	1,184	2,763	1,133

In FY 2007-08, Tata Power - D has purchased power from Tata Power - G, Renewable Power Sources, Traders (Tata Power - D short-term power) and other sources including purchase from pool. The total quantum of Power Purchased was 2,763 MUs. Out of this power purchase, Tata Power – D sold 37 MUs to Outside License Area of Mumbai and banked 39 MUs of energy with the licensees. Hence the Power Purchase for its consumers was 2687 MUs.

1.3.3.2 Standby Charges

The actual standby charges paid are to the tune of Rs. 62 Crores against approved level of Rs. 62 Crores.

1.3.3.3 Transmission and SLDC Charges

The transmission and SLDC charges for FY 2007-08 are Rs. 54 Crores in line with the Hon'ble Commission's approval.

1.3.3.4 Other Charges (MSEDCL & other Adjustments)

The expenditure under this head includes additional expenditure on account of settlement of various pending issues since FY 1998-99 onwards with MSEDCL. The difference in amounts that was provided in those years and the amounts settled has been included in this filing. As there are several issues totalling to this amount and that too for a very long period, the same has been not been presented in this submission.

1.3.4 Operation and Maintenance Expenditure

The various components of O&M expenditure are explained in the sections below:

1.3.4.1 Employee Cost

The total (gross) employee related expenses for the year FY 2007-08 were Rs. 14 Crores against Rs. 15 Crores approved by the Hon'ble Commission which was Rs 0.84 Crores less as compared to the approved expenses.

1.3.4.2 Administrative & General Expenses

The A&G expenses for FY 2007-08 were to the tune of Rs. 13 Crores against Rs. 13 Crores approved in the APR Order of FY 2007-08. The actual amount arrived above is after deducting the amount paid towards Tata Brand Equity, the head under which the Hon'ble Commission had disallowed the expenditure.

Tata Power - D submits that it has appealed against the Hon'ble Commission's stand on disallowance of brand equity expenditure in the ATE. Pending the hearing and decision on the issue, Tata Power - D reserves the right to seek appropriate adjustments in the costs based on the decision of the ATE.

1.3.4.3 Repairs & Maintenance

The Repairs & Maintenance expenses for 2007-08 are Rs. 9 Crores as against the approved amount of Rs. 5 Crores.

1.3.4.4 O&M Expenditure as a whole

After deducting the share of expenditure towards Tata's Brand Equity, the O&M expenditure for FY 2007-08 is Rs. 36 Crores, as compared to Rs. 45 Crores filed in the APR of FY 2007-08 and Rs. 32 Crores approved by the Hon'ble Commission.

Table 1-6: Operation & Maintenance- FY 2007-08

O&M	Approved by Commission	FY 2007-08 Actuals	Rs. Crores Difference
Employee Expenses	14	14	
Administration and General Expense	13	13	
Repairs and maintenance	5	9	
Total	32	36	4

The deviation of the actual expenditure vis-à-vis the approved level is mainly on higher account of R&M and A&G expenses, the reasons for which are explained as under.

- There is an appreciable rise in the activity of MCGM/MMRDA with regards to widening of road. To facilitate such widening of road, Tata Power - D had to perform divert cables. Moreover it has also led to increase in Patrolling and monitoring activity. The increase on account of the diversion is Rs. 1.32 Crores while the increase due to enhanced patrolling activity is Rs. 0.20 Crores.
- Arrears paid to MBPT towards way leave fees of Sewree plot due to increase in rate with retrospective effect – Rs. 0.30 Crores. Such amount is incremental i.e over and above that allowed in FY 2006-07.
- Arrears paid to MMRDA towards rent for BKC plot due to increase in rate with retrospective effect and additional rent of locations for feeder pillar billed during the year – Rs.0.16 Crores
- Increase in Reinstatement charges (It was Rs. 10.50 lacs in FY 2006-07 and Rs. 39.79 lacs in FY 2007-08) by MCGM/MMRDA – Rs. 0.30 Crores
- Charging off outstanding (more than one year) deposits paid to MCGM/MMRDA to the extent of Rs.2.75 Crores as directed by Statutory Auditors. However we are continuing our efforts to recover these deposits and any recovered amounts will be reversed against this charged off expenditure.

Considering O&M expenditure as one single element and with the justification provided for uncontrollable costs, Tata Power - D requests the Hon'ble Commission to allow the expenses actually incurred during FY 2007-08.

Further Tata Power - D wishes to submit that the earlier approved O&M expenses will not be the appropriate base expenditure for comparison against the actuals, Tata Power's distribution business was constrained due to pending litigation on the license issue. It is expected that the O&M expenditure will be required to ramp up to support a full fledged distribution business operations.

1.3.5 Depreciation

The Depreciation for the year FY 2007-08 is Rs. 14 Crores after deducting an amount of Rs. 0.70 Crores for depreciation contributed by the additions during the year FY 2007-08. Hence the depreciation claimed in this submission is Rs. 14 Crores (net of contribution due to additions) as against Rs. 13 Crores approved by the Hon'ble Commission.

1.3.6 Interest and Finance Charges

The Interest costs have been categorised under the following three heads:

- Interest on Debt
- Finance Charges
- Interest on Working Capital
- Interest on Security Deposit

1.3.6.1 Interest on Debt

In addition to the interest on normative loans for the previous years (70% of Capex of FY04 and 70% of capitalisation of FY05 ,FY06, FY 07), the Interest and Finance Charges for the year FY 2007-08 have been computed based on the 70% of the expenditure capitalised in FY 2007-08. Tata Power had raised a loan of Rs. 450 Crores from IDFC to fund its current capital expenditure on the following terms:

Tenor :	3 year moratorium + 9 years
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Repayment:	35 quarterly instalment of Rs. 5.65 Cr & 36 th instalment of Rs. 252.25 Cr.
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Interest rate:	Benchmark rate (5 year G-Sec Rate) + 1.45% p.a. (payable monthly) If the Company has a rating of AAA 6 months prior to interest reset date. (Subject to minimum of 8.90%) If the Company is not able to maintain a rating of AAA, then IDFC will have the right to revise the spread.

Considering the above, an interest rate of 8.9% has been assumed for FY 2007-08, the interest charges for FY 2007-08 are Rs. 8 Crores vis-à-vis Rs. 8.39 Crores approved by the

Hon'ble Commission. It is submitted that the terms of the above loans have been approved by the Hon'ble Commission in MYT Tariff Order.

1.3.6.2 Finance Charges

The finance charges including commission & brokerage on long term loans for the FY 2007-08 work out to Rs. 2 Crores as against Rs. 1 Crores approved by the Hon'ble Commission.

1.3.6.3 Interest on Working Capital

The Interest on working capital is computed based on the elements specified in the tariff regulations by the Hon'ble Commission. For the purpose of estimating the interest on working capital for FY 2007-08, an interest rate of 11.5% has been considered based on the prevailing short term PLR of SBI. The total Interest on Working Capital of Tata Power - D for FY 2007-08 works out to Rs. 11 Crores.

The total interest paid by Tata Power for short term loan taken by Tata Power in FY 2007-08 works out to Rs. 25.92 Crores. The share of Tata Power-D on the basis of the normative Working Capital share in total working capital in Tata Power's Mumbai Operations works out to Rs. 3 Crores.

It is submitted that the component of financing through corporate funds (Internal accruals) also is entitled to interest as the Corporate incurs a carrying cost for such 'internal cash' or funds as usage of this cash denies an opportunity to earn income through interest on deposits in money markets. Thus, it can be said that Tata Power - D has effectively incurred a cost by blocking its money (cash) in such Working Capital.

It is well known that any ongoing company requires working capital to run its operation. The working capital required may either be borrowed or may be funded from own funds. If the working capital is borrowed, the cost of such borrowed funds is the interest paid to the lender on this borrowed amount. However if no loans are taken, the same would have to be provided by the company from the funds it has accrued. Such internal funds are in effect provided by the Shareholders who expect some return on the funds. Hence it would be legitimate to expect that there is cost of such internally accrued funds that are used to finance the working capital. In fact the cost of such internally accrued funds which reflect the expectation of returns by the shareholders is generally higher than the cost of borrowing. Hence even if no amount was actually borrowed, it would be incorrect to conclude that the entire normative interest on working capital as efficiency gain which needs to be shared with the consumers.

We also submit that the Tariff regulations provide guidelines for computation of Interest on working capital on "Normative Basis" and do not prescribe or stipulate any pre condition for funding the working capital through actual loans. Further, it is submitted that the treatment given for Normative loans for financing Capital Expenditure may be extended to the financing of Working Capital.

In view of the above, we submit that the Interest on actual working capital requirement at normative interest rates (SBI PLR) should be considered as part of interest expenses for the computation of gains and losses on account of interest on working capital. The Actual Working Capital is worked out in Annexure II – Interest On Actual Working Capital.

We request the Hon'ble Commission to reconsider its stand directed in the earlier tariff order dated 4th June 2008, and approve the above methodology for reckoning this Interest on Actual Working Capital for computing gains and losses on account of working capital.

However in case of Tata Power–D, the actual Working Capital is negative on an average for FY 2007-08. This is largely on account of the time gap in the month of settlement of the imbalance pool accounts and the month for which the settlement is done by SLDC. Such time difference has led to accumulation of Sundry Creditors for the year FY 2007-08. Hence Tata Power–D has not considered any interest on Actual Working Capital for FY 2007-08.

1.3.6.4 Interest on Security Deposits

The interest on security deposits amounts to Rs. 2 Crores for FY 2007-08 as against Rs.1 Crores approved by Hon'ble Commission.

1.3.6.5 Total Interest and Finance Charges

The total interest on long term loans, interest on working capital, interest on security deposit, finance charges works out to Rs. 22 Crores as against Rs. 25 Crores approved by Hon'ble Commission for FY 2007-08.

1.3.7 Provision for Bad Debts

The actual bad debts and provision for doubtful debts amounts to Rs. 2 Crores for FY 2007-08 as against Rs.4 Crores approved by Hon'ble Commission.

1.3.8 Income Tax for FY 2007-08 for Tata Power - D

The Income Tax payable by Tata Power - D in FY 2007-08 is computed as Rs. 0.33 Crores. This amount is on account of Fringe Benefit Tax (FBT) payable for the year. The Taxable loss of this year would be carried forward and set off from the profits of the future years before computing the Income Tax.

1.3.9 Return on Equity

Based on the capitalised expenditure; the Debt: Equity norm of 70:30 and considering ROE of 16%, Return on Equity works out to Rs. 22 Crores for the year FY 2007-08 as against the approved return of Rs.22 Crores

1.3.10 Statutory Appropriations

The Statutory Appropriations towards the Contingency Reserve for the year FY 2007-08 were Rs. 2 Crores as against Rs. 2 Crores approved by Hon'ble Commission. As the Contribution to Contingency Reserve is less than 0.50% of opening GFA, they should be allowed as pass through.

1.3.11 Unrecovered FAC for the period April 2006 to September 2007

The Hon'ble Commission had permitted Tata Power to recover the unrecovered FAC of Rs 327 Crores from the three distribution licensees' viz. BEST, Rlnfra and Tata Power-D. The share of Tata Power -D worked out Rs. 72.5 Crores.

1.3.12 Non Tariff Income

The Non Tariff Income for FY 2007-08 stood at Rs. 9 Crores as against Rs. 3 Crores approved by the Hon'ble Commission. The Non Tariff Income comprises of the following elements:

- Recurring Items: Rs. 7 Crores
- Non-recurring Items: Rs. 2 Crores

1.3.13 Income from Sale of surplus power (Outside License Area Sales)

Tata Power - D during FY 2007-08 has sold 37 MUs outside license area with total revenue of Rs. 25 Crores.

1.3.14 Annual Revenue Requirement for FY 2007-08

Based on the various costs as outlined above, the Annual Revenue Requirement for FY 2007-08 after netting off Non Tariff Income and Income from sale of surplus power works out to Rs. 1,406 Crores as given below:

Table 1-7: Annual Revenue Requirement – FY 2007-08

Particulars	Rs. Crores	
	Approved by Commission	FY 2007-08 Actuals
Power Purchase Expenses	1,307	1,271
Power Purchase Expenses (TPC - G)	895	839
Power Purchase Expenses (RPS)	45	44
Power Purchase Expenses (Contracted Power, MSEDCL, UI & Other Sources)	251	276
Other Adjustments -Cash Discount for power purchase		(4)
Standby Charges Payable	62	62
Transmission Charges Payable	54	54
Operation & Maintenance Expenses	32	36
Employee Expenses	14	14
Administration & General Expenses	13	15
Less: brand Equity (as disallowed by the commission)	-	(2)
Repair & Maintenance Expenses	5	9
Depreciation, including advance against depreciation	13	14
Interest on Long-term Loan Capital	8	8
Interest on Working Capital and on consumer security deposits	15	12
Other Finance Charges	1	2
Bad Debts Written off	4	2
Income Tax	8	0
Contribution to contingency reserves	2	2
Return on Equity Capital	22	22
Aggregate Revenue Requirement	1,413	1,368
Less: Non Tariff Income	3	9
Less: Income from Sale of Power outside license area	7	25
Less: Reduction due to DSM	10	-
Add: Unrecovered FAC as per Order Dtd. 30th April 2007 (Pg. 33)		73
Aggregate Revenue Requirement for Retail Tariff	1,392	1,406

1.3.15 Sharing of Gains and losses for FY 2007-08

The Hon'ble Commission in its Tariff Regulations had approved the methodology for treatment of sharing and gains and sharing of losses.

Based on methodology suggested, the various heads of expenditures have been categorised into two viz. (i) controllable and (ii) uncontrollable. The treatment to various heads of Expenditure is as given below:

Table 1-8: Categorisation of Heads of Expenses – FY 2007-08

Sr. No.	Particulars	Category	Remarks
1	Power Purchase Expenditure	Uncontrollable	<u>Controllable</u> to the extent they arise due to number or mix of consumers or in the quantities of electricity supplied to consumers with in the area served by two or more such Distribution Licensees.
2	O&M expenditure	Controllable	Uncontrollable to the extent they arise due to factors such as increase in statutory levies, taxes, changes due to requirements of other utilities and other bodies such as municipal authorities, MBPT, etc.
3	Interest on Normative Loans	Uncontrollable	<u>Controllable</u> to the extent they arise due to delay in completion of the project thereby leading to increase in the completed project cost and such increase is not approved by the Hon'ble Commission.
4	Interest on Working Capital	Uncontrollable	<u>Uncontrollable</u> as worked out on normative basis at target availability. However now considered as Controllable in view of the Hon'ble Commission's judgment dated 4 ^h June 2008
5	Other Finance Charges	Controllable	
6	Provision for Bad and Doubtful Debts	Controllable	Uncontrollable to the extent of legal outcomes or to the extent they arise when the consumer is not traceable and hence the recovery is not possible.
7	Depreciation & Advance against Depreciation	Uncontrollable	<u>Controllable</u> to the extent they arise due to delay in completion of the project thereby leading to increase in the completed project cost and such increase is not approved by the Hon'ble Commission.
8	Income Tax	Uncontrollable	<u>Controllable</u> to the extent they arise due to controllable costs.

Sr. No.	Particulars	Category	Remarks
9	Return on Equity	Uncontrollable	Computed based on principles outlined by the Hon'ble Commission in the Tariff regulations.
10	Non-Tariff income	Uncontrollable	<u>Controllable</u> to the extent of the recurring portion of such non-tariff income.

Based on the above classification and the reasons given therein, most items of expenditure for FY 2007-08 are uncontrollable except for certain heads of expenditure such (i) O&M expenditure (ii) Power Purchase cost due to reduction in losses (iii) Other finance charges and Doubtful Debts.

1.3.15.1 O&M Expenditure

Certain increases in expenditure under this head, as mentioned in the Section 1.3.4 are due to reasons that are beyond the control of Tata Power - D. The expenditure due to such uncontrollable factors has been added to Approved Expenditure to arrive at the gains and loss:

Table 1-9: Gains and loss due to variation in O&M costs– FY 2007-08

Sr. No.	Particulars	Rs. Crores
		FY 2007-08 Actuals
1	Approved O&M Expenditure for FY 2007-08	32
2	Actual O&M Expenditure	36
3	Uncontrollable expenditure out of actual expenses	2
4	Actual Controllable expenditure (2-3)	34
5	Losses/ (Gains) - (4-1)	2
6	Passed on to consumers (1/3rd)	1
7	Net Entitlement (1+3+6)	35

1.3.15.2 Other Finance Charges and Provision for Doubtful Debt

The sharing of gains and losses on account of "Other Finance Charges and Provisions for Doubtful Debt" is computed in the table below.

Table 1-10: Gains and loss due to variation in Finance Charges & Bad debts– FY 2007-08

Sr. No.	Particulars	Rs. Crores
		FY 2007-08 Actuals
Other Finance Charges		
1	Approved Finance Charges for FY 2007-08	1
2	Actual Finance charges	2
3	Uncontrollable Finance Charges	-
4	Actual controllable Finance charges (2-3)	2
5	Losses/ (Gains) - (4-1)	1
6	Passed on to consumers (1/3rd)	0
7	Net Entitlement (1+3+ 6)	1
Bad debts		
1	Approved Bad debts for FY 2007-08	4
2	Actual Bad debts	2
3	Losses/ (Gains) - (2-1)	(2)
4	Passed on to consumers (1/3rd)	(1)
5	Share of Tata Power-D incl Trf to reserves (2/3)	(1)
6	Net Entitlement (1+4)	3
7	Net Entitlement Finance Chgs & Bad debts	5

1.3.15.3 Interest on working capital

The computation of sharing of Interest on working capital is provided in the table below:

Table 1-11: Gains and loss due to variation in Interest on Working Capital – FY 2007-08

Sr. No.	Particulars	Rs. Crores
		FY 2007-08 Actuals
1	Normative interest Working Capital as per approved norms	11
2	Actual Interest on Working Capital	-
3	Uncontrollable Expenditure	-
4	Actual without Uncontrollable Expenditure (2-3)	-
5	- Amount passed on to the consumers (1/3rd of Gain/Loss) (1/3rd *(1)-(4))	(4)
6	Retained by Tata Power -D incl trf to reserves	(7)
7	Net Entitlement (3)+(4)+(6)	7

Tata Power - D wishes to submit that it has appealed against the Hon'ble Commission's stand on sharing of gains of interest on working capital in the ATE. Pending the hearing and decision on the issue, Tata Power - D reserves the right to claim the same on receipt of a favourable decision from the ATE.

1.3.15.4 Reduction in Distribution Losses

As computed in section 1.3.1.3 and 4.2.3, the reduction in the distribution loss for the period from October 2007 to March 2008 resulted in savings in power purchase cost of Rs. 13 Crores. This saving on account of reduction in distribution loss is shared with Tata Power - D consumers and is Rs. 4.19 Crores and an equal amount is transferred to the special reserves. Hence the net entitlement works out to Rs. 8.39 Crores.

The revenue of Tata Power - D, the resultant gap and proposal for its recovery are discussed in the sections below.

1.3.16 Revenue for FY 2007-08

The revenue from retail consumers (sale of power from Licensed Area) for FY 2007-08 for Tata Power - D has been determined based on the tariffs approved by the Hon'ble Commission, including the FAC billed, as limited by the cap imposed by the Hon'ble Commission. The details of revenue from Sale of Power, Income from Outside Licensed Area Sales and other adjustments are given in the table below:

Table 1-12: Revenue from Sale of Power FY 2007-08

Sr. No.	Particulars	Rs. Crores FY 2007-08 Actuals
1	Revenue from Demand Charges	192
2	Revenue from Energy Charges	1,065
3	Revenue from FAC Billed	36
4	Power Factor Rebate/ Penalty	(43)
5	Revenue from TOD Charges	15
6	Outside License Area Sales	25
7	Unrecovered FAC	36
8	Other Adjustments	(10)
9	Total Revenue	1,317

1.3.17 Gap / Surplus for FY 2007-08

The gap / surplus working for FY 2007-08 for Tata Power - D is as given in the table below:

Table 1-13: Surplus / (Gap) for Tata Power - D – FY 2007-08

Rs. Crores						
Sr. No.	Particulars	Approved by Commission	Entitlement as per the Regulations	Efficiency (Gains) / Loss from Controllable factors shared with consumers	Net Entitlement after impact of (Gains) / Losses from Controllable factors	Transferred to Reserves out of net entitlement
I	Revenue		1,317		1,317	
	- Revenue From Sale of Power		1,256		1,256	
	- Income from Surplus Sale		25		25	
	- Unrecovered FAC		36		36	
II	Expenditure					
	1 Power Purchase Expenses	1,174	1,155	-	1,155	-
	2 Transmission & Standby Charges Payable	116	116	-	116	-
	3 Operation and Maintenance Expenses	32	36	1	35	-
	4 Depreciation, including AAD	13	14	-	14	-
	5 Interest on Long-term Loan Capital	8	8	-	8	-
	6 Interest on Working Capital & Int on Security Dep	15	12	(4)	9	(4)
	7 Other Finance Charges	1	2	0	1	-
	8 Bad Debts written off	4	2	(1)	3	(1)
	9 Statutory Appropriations / Contingency Reserves	2	2	-	2	-
	10 Return on Equity	22	22	-	22	-
	11 Income Tax	8	0	-	0	-
	12 Savings due to reduction in distribution loss		13	(4)	8	(4)
	13 Total Entitlement	1,395	1,381	(8)	1,373	(9)
III	Other Income	3	9		9	
IV	Unrecovered FAC for FY 2006-07 (H1)				73	
V	Surplus/(Gap) - (I - II + III - IV)				(119)	
VI	Surplus/(Gap) - with unrecovered FAC				(155)	

It can be seen that there is a gap to be recovered by Tata Power – D in the subsequent years. Tata Power – D would like to request the Hon'ble Commission to approve the Expenditure, Revenue and resulting gap arising there from for the year FY 2007-08

1.4 Annual Performance Review for FY 2008-09

This section deals with the performance for FY 2008-09, which takes into consideration, APR filed by Tata Power - D for FY 2008-09, APR order issued by the Hon'ble Commission dated 4th June 2008, the actual performance for H1 of FY 2008-09 (April 2008 - September 2008) and the estimated performance for H2 for FY 2008-09 (October 2008 - March 09).

1.4.1 Category-wise Sales

The estimated actual energy sales for FY 2008-09 are as follows:

Table 1-14: Retail Sales – FY 2008-09

Category	Approved by Commission	FY 2008-09			Variation w.r.t. approved quantum	MU
		H1	H2	Revised Estimates		FY 2007-08 Actuals
						Actuals
LT I - Residential	82	41	34	75	-9%	74
- S1 (0-100 units)	24	1	1	1		2
- S2 (100-300 units)	26	11	10	21		22
- S3 (> 300 / 300-500 Units)	9	9	7	16		15
- S4 (> 500 Units)	23	21	16	37		36
LT II- LT Commercial	472	141	124	265	-78%	332
0-20 kW	36	9	10	19		26
>20kW and <= 50 kW	436	5	7	12		305
> 50 kW		127	107	234		
LT III - LT Industrial below 20 kW load	15	9	8	17	12%	15
LT IV - LT Industrial above 20 kW load	149	81	87	168	11%	104
LT V - Malls*	-	4	-	4		25
HT Mall	-	4	-	4		23
LT Mall	-	0	-	0		2
HT I - Industries & CPP	706	264	284	548	-29%	558
- Industries	621	247	268	515		460
- Textiles	85	17	17	34		98
HT II - Commercial	338	161	146	307	-10%	244
HT III - Public	337	158	134	292	-16%	337
- 22kV	70	56	30	86		169
- 100kV	267	102	104	205		168
HT IV - Railways	842	417	419	835	-1%	818
- 22/33 kV	546	278	284	563		541
- 100kV	296	138	134	272		277
Grand Total	2,942	1,277	1,236	2,512	-17%	2,506

Note: *The Consumption of LT/HT Mall was there for April & May 2008 only. Pertains to last year tariff order

It may be observed that the revised estimated sales for FY 2008-09 are about 430 MUs lesser than that approved by the Hon'ble Commission. Further as mentioned earlier, this large difference results in under recovery of the fixed costs. Tata Power - D therefore submit to the Hon'ble Commission to kindly consider this trend before finalising the figures of sales for future years.

The sales for FY 2007-08 were 2506 MUs. Hence, the estimated sales for FY 2008-09 are almost in line with the previous year's sale. The main reason for this restricted growth in the sales is on account of drastic fall in consumption by Textiles Industries by about 65 MUs when compared to 98 MUs in FY 2007-08. Further there has been no significant growth in sales other categories as Tata Power - D was constrained from giving supply to new consumers since, the matter of Tata Power distribution license was subjudice.

1.4.2 Distribution Losses & Energy Requirement

The consumers of Tata Power - D are connected to the system at various voltages. A large fraction of Tata Power - D's sales are to HT consumers which are connected at voltage level of 22 kV and above. Hence, the current levels of losses are low. It is submitted that post the issue of order by the Apex Court regarding Tata Power distribution license, Tata Power - D is increasing its distribution business operations and a significant increase in consumers is expected predominantly in the LT segment. Hence it is expected that the current distribution loss levels may not be relevant due to change in consumer mix. However for the purpose of projection of Energy Requirement for H2 FY 2008-09, distribution loss of 0.66 % (considered same as the loss for the period Oct-07 to Mar-08) and transmission loss of 4.85% has been considered. The distribution loss levels are not indicative of stabilised distribution business operations and in case of variation; Hon'ble Commission may allow higher distribution losses subject to maximum of 2.93% which is the prevailing norm.

The gross energy requirement of Tata Power - D for FY 2008-09 is as follows:

Table 1-15: Energy Requirement – FY 2008-09

Particulars	Approved by Commission	H1	H2	MUs
				FY 2008-09 Revised Estimates
Total Sales	2942	1,277	1,236	2,512
Distribution Losses	89	4	8	12
<i>Distribution Losses (%)</i>	<i>2.93%</i>	<i>0.32%</i>	<i>0.66%</i>	<i>0.49%</i>
Transmission Losses	154	63	63	127
<i>Transmission Losses (%)</i>	<i>4.85%</i>	<i>4.72%</i>	<i>4.85%</i>	<i>4.78%</i>
Net Input Requirement	3185	1,344	1,307	2,651
Banking Return		9	-	9
Sale to Imbalance Pool		365	129	494
Sale outside License Area		11	-	11
Total Energy Requirement at G<>T Interface	3185	1,729	1,436	3,165

Thus the total energy input requirement for sale to retail consumers during FY 2008-09 is estimated at 2,651 MUs.



1.4.3 Billed Demand and Number of Consumers

The estimated demand for FY 2008-09 is as follows:

Table 1-16: Estimated Average Maximum Demand – FY 2008-09

Category	FY 2007-08 Actuals	Category	FY 2008-09 Revised Estimates	MVA
				Year on Year Growth FY09
HT I - Public & CPP	101	HT I - Industries & CPP	102	
- Public	101	- Industries	93	
- 22kV	65	- CPP	-	
- 100kV	37	- Textiles	9	
- CPP	-			
HT II - Industries & Textiles	111	HT II - Commercial	67	
- Industries	89	- Commercial	67	
- Textiles	22			
HT III - Commercial	58	HT III - Public & Govt.	94	
- Commercial	58	- Public	94	
		- 22 kV	58	
		- 100 kV	37	
HT IV - Railways	169	HT IV - Railways	168	
- 22/33 kV	116	- 22/33 kV	116	
- 100kV	53	- 100kV	52	
LT II - LT Industries & Commercial below 20 kW Load	0	LT II - LT Commercial	57	
- Industries	0	- 0-20 KW	-	
- Commercial	0	- >20kW and <= 50 kW	6	
		- > 50 kW	51	
LT III - LT Industries & Commercial above 20 kW Load	90	LT III - LT Industries below 20 kW Load	-	
- Industries	27			
- Commercial	63	LT IV - LT Industries above 20 kW Load	30	
LT -V - Shopping Malls	6	LT -V - Shopping Malls*	1	
Total	535		519	-3.0%

It may be noted that the above values represent the average monthly billed demand for the year FY 2008-09.

The following table gives the estimate of the category-wise number of consumers for 2008-09.



**Annual Performance Review for FY 2008-09
& Tariff Petition for FY 2009-10 for Tata Power - D**

Table 1-17: Estimated Number of Consumers – FY 2008-09

		No. of Consumers	
Consumer Category	FY 2007-08 Actuals	Consumer Category	FY 2008-09 Revised Estimates
	No. of Consumers		No. of Consumers
LT I - Residential	19,203	LT I - Residential	22,374
- S1 (0-100 units)	4,193	- S1 (0-100 units)	6,404
- S2 (100-300 units)	10,407	- S2 (100-300 units)	9,981
- S3 (> 300 / 300-500 Units)	2,813	- S3 (> 300 / 300-500 Units)	3,606
- S4 (> 500 Units)	1,790	- S4 (> 500 Units)	2,383
LT II - LT Industries & Commercial below 20 kW Load	3,016	LT II - LT Commercial	3,536
- Industries	1,111	- 0-20 KW	2,873
- Commercial	1,905	- >20kW and <= 50 kW	401
		- > 50 kW	262
LT III - LT Industries & Commercial above 20 kW Load	1,288	LT III - LT Industries below 20 kW load	1,046
- Industries	588		
- Commercial	700	LT IV - LT Industries above 20 kW load	599
LT V - Shopping Malls*	5	LT V - Shopping Malls*	5
- HT 2 Part Mall	3	- HT 2 Part Mall	3
- LT 2 Part Mall	2	- LT 2 Part Mall	2
HT I - Public & CPP	16	HT I - Industries & CPP	52
- Public	16	- Industries	38
- 22kV	13	- CPP	-
- 100kV	3	- Textiles	14
- CPP	-		
HT II - Industries & Textiles	47	HT II - Commercial	62
- Industries	24	- Commercial	62
- Textiles	23		
HT III - Commercial	52	HT -III - Public & Govt.	13
- Commercial	52	- Public	13
		- 22kV	10
		- 100kV	3
HT IV - Railways	3	HT IV - Railways	3
- 22/33 kV	2	- 22/33 kV	2
- 100kV	1	- 100kV	1
Total	23,630	Total	27,690

Note: *The Consumption of LT/HT Mall was there for April & May 2008 only. Pertains to last year tariff order

1.4.4 Capital Expenditure & Capitalisation

1.4.4.1 Capital Expenditure

The capital expenditure in FY 2008-09 is now expected to be Rs. 79 Crores as against the Rs. 68.15 Crores approved by the Hon'ble Commission. The increase is mainly on account of development of infrastructure for catering to new consumers subsequent to the order of Hon'ble Supreme Court dated 8th July 2008 regarding Tata Power Distribution License.

1.4.4.2 Assets Capitalisation

Out of the above capital expenditure for FY 2008-09 and other ongoing previous schemes, Tata Power – D proposes to revise its capitalisation from Rs.39.75 Crores (as filed last year) to Rs. 87 Crores and as against Rs.73.27 Crores approved by Hon'ble Commission.

1.4.5 Annual Revenue Requirement for Tata Power - D

Based on the Capital Cost, (and consequent Capitalised Expenditure, Equity Component and Normative Debt), the Annual Fixed charges of Tata Power - D have been determined in consonance with the Tariff Regulations outlined thereof. As outlined under the regulations, the Annual Revenue Requirements for a Distribution Licensee has been determined under the following heads:

- Power Purchase Costs
- Standby Charges
- Transmission and SLDC Charges
- Load Control Centre Costs
- Operation and Maintenance Expenses
- Depreciation
- Interest and Finance Charges
- Provision for Bad and Doubtful Debts
- Income Tax
- Statutory Appropriations
- Return on Equity
- DSM Expenses

The above Annual Revenue Requirement is netted off for Non-Tariff Income and Income from Sale of Power Outside License Area to determine the net ARR for Tata Power - D.

1.4.5.1 Power Purchase Cost

The energy requirement of Tata Power - D has been met from Tata Power - G, purchases from renewable sources and external power purchases. The energy requirement for FY 2008-09 H2 is estimated to be as follows:

Table 1-18: Estimated Power Purchase Sources – FY 2008-09 H2

Particulars	MUs
Tata Power-D Requirement	1,307
Contracted Sources	
Unit 4	88
Unit 5	510
Unit 6	359
Unit 7	173
Unit 8	79
Thermal	1,208
Hydro	170
Total from Tata Power-G	1,378
RPO	42
External Power Purchase	16
Grand Total	1,436
Less: Sold to Pool	(129)
Sources of Sale of power	
From Unit 4	(13)
From Unit 6	(116)
Net Requirement	1,307

Tata Power - D has also purchased power from different sources in different parts of the country and from various traders for first six months of FY 2008-09. The power purchase for FY 2008-09 has been achieved through the following:

Power Management Group (PMG) – An Informal group comprising of the three distribution licensees viz BEST, R-Infra/REL and Tata Power - D which was set up last year. The PMG has been jointly procuring the power for the Mumbai region.

Banking of power arrangement - Under this arrangement, the power that is purchased is returned in kind at a later date by all licensees instead of making cash payment. This provides a facility to the Mumbai consumers to procure power when needed and return the same when it is available within the licensees

The summary of the power purchase cost for H1 and H2 of FY 2008-09 is given in the table below:

Table 1-19: Power Purchase costs– FY 2008-09

Particulars	Approved by Commission	FY 2008-09 (H1)		FY 2008-09 (H2)		Revised Estimates	
		MUs	Rs. Crores	MUs	Rs. Crores	MUs	Rs. Crores
Tata Power - G	1,132	1,436	740	1,378	610	2,815	1,349
RPO	56	114	42	42	16	156	57
Contracted Power		179	154	16	13	194	167
Pool Purchases/ (Sales)	(11)	(365)	(333)	(129)	(87)	(494)	(420)
Total	1,177	1,364	603	1,307	550	2,671	1,153
Sales outside LA		(11)	(9)			(11)	(9)
Banking Return		(9)	-			(9)	-
Total	1,177	1,344	594	1,307	550	2,651	1,144

1.4.6 Standby Charges

The standby charges paid by Tata Power - D for first six months of FY 2008-09 are Rs. 31 Crores. The Hon'ble Commission had approved Rs. 65 Crores as stand by charges payable for FY 2008-09. Accordingly the standby charges payable for balance six months are estimated at Rs. 32 Crores. Hence the total standby charges for FY 2008-09 are estimated at Rs. 64 Crores.

1.4.7 Transmission and SLDC Charges

The transmission charges paid towards the Intra-State Transmission Network for the period from April 2008 to September 2008 are Rs. 30 Crores. The transmission & SLDC charges approved by Hon'ble Commission for FY 2008-09 are Rs. 65 Crores. Accordingly, the transmission and SLDC charges payable for the Intra State Transmission Network for the period from October 2008 to March 2009 are estimated at Rs. 33 Crores. Thus, the total charges on account of transmission and SLDC charges for FY 2008-09 are estimated at Rs. 63 Crores.

1.4.8 Load Control Centre (LCC) costs

The share of Tata Power – Load Control Centre (earlier known as Load Despatch Department) expenditure for carrying out the activities related to Tata Power – D is Rs. 2 Crores.

1.4.9 Operation and Maintenance Expenses

The various components of O&M expenditure are explained in the sections below:

1.4.9.1 Employee Costs

The total employee related expenses for the year FY 2008-09 are estimated at Rs. 18 Crores against Rs. 13 Crores approved by the Hon'ble Commission.

The employee expenses have increased in FY 2008-09 mainly on account of increase in the expenditure related to terminal benefits to the tune of Rs.3.05 Crores as against actual of Rs.1.43 Crores for FY 2007-08.

Further, Tata Power - D has been grappling with the issue of increasing attrition due to huge demand for power sector professionals within the country and overseas. This has led to the need for correcting the compensation to employees in order to retain skilled personnel and maintain smooth operations. While Tata Power is in the process of correcting the compensation packages, this has resulted in an increase in employee expenditure.

In addition, subsequent to the Hon'ble Supreme Court's order, it is imperative that Tata Power - D gears up for meeting the operational requirement of servicing additional new consumers. This will require recruitment of additional manpower for supporting full-fledged distribution business operations. Manpower resources are being beefed up for meeting increasing demands on account of activities like handling customer power supply applications & huge customer queries, designing of network strengthening / planning activities, ISCU applications for billing, increased cable maintenance requirement, energy audit applications, bill recovery follow up, etc. This is over and above vacancies being filled up.

While Tata Power - D has estimated an increase in employee expenses of about Rs. 5 Crores in the current year, it expects a similar increase on this front in future till it achieves the expected expansion of their distribution business. As such, this expense can be considered as uncontrollable at this stage.

It is submitted that the net employee expenses approved at Rs.13.79 Crores for FY 2008-09 were lower than the net approved expenses for FY 2007-08 i.e. Rs.13.81 Crores. The Hon'ble Commission may please consider an increase in the employee expenses and approve the estimated amount on account of the reasons stated above.

1.4.9.2 Administration and General Expenses

The A&G expenses for FY 2008-09 are estimated at Rs. 14 Crores (against Rs. 13 Crores approved in the ARR & Tariff Order for FY 2008-09 and the actual expenses of Rs. 13 Crores under this head in FY 2007-08 after deducting brand equity amount).

The reasons for the variation from the approved levels are due to the following reasons:

- The increase in A & G expenditure is primarily on account of higher expenditure expected due to requirements of servicing enhanced customer base, improvements planned in customer processes related with billing, meter reading and revenue collection, enhancement of IT and call centre services for customers, employee training and setting up of customer care centres.
- Tata Power had raised an insurance claim for the material damaged during the deluge of 2005. However the insurance claim paid was lesser than the cost incurred to reinstate/ purchase the material that was damaged as the prices had risen between the period of the claim amount received and the items purchased. The difference was of the order of Rs.0.4 Crores (Uncontrollable)
- Upward revision in premium paid to MIDC for reservoir plot at Marol – Rs.0.2 Crores (Uncontrollable)

The Hon'ble Commission may consider this higher expenditure for projections in future years as Tata Power – D is in the process of augmenting its infrastructure and services for meeting its distribution business requirements.

1.4.9.3 Repairs and Maintenance Expenses

The total Repairs & Maintenance expenses are estimated to be of the order of Rs. 10 Crores against Rs. 5 Crores approved by the Hon'ble Commission in the ARR for FY 2008-09 and against the actual expenses of Rs. 9 Crores for FY 2007-08.

The increase with reference to the amount approved has been on account of the following reasons:

- Increased monitoring activities and protection of cable during road widening/ improvement projects by MMRDA/ MCGM - Rs.0.30 Crores (Uncontrollable)
- Increase in essential expenses on account of network maintenance, metering services, and customer services; these are required to maintain reliable power supply to customers. – Rs. 1.50 Crores (Uncontrollable)
- Replacement of cable terminations (25 nos.) for preventing failure due to ageing.- Rs. 0.25 Crores (Uncontrollable)
- Increase in Reinstatement charges by MCGM/ MMRDA – Rs. 0.30 Crores (Uncontrollable)
- Upward revision in premium paid to MIDC for reservoir plot at Marol – Rs.0.18 Crores
- Dilapidated building needing repairs - (Rs.0.10 Crores)
- Increase in repairs and maintenance of cables (faults and termination) – Rs.0.40 Crores

It is therefore estimated that an amount of Rs. 1.20 Crores would be incurred to meet the expenses related to uncontrollable elements as mentioned above. We request the Hon'ble Commission to kindly consider the same while approving the expenditure for FY 2008-09.

1.4.9.4 O&M Expenditure as a whole:

The O&M expense for FY 2008-09 is expected to be about Rs. 42 Crores as against Rs. 30.91 Crores approved by the Hon'ble Commission. The details of O&M expenses for FY 2008-09 are tabulated as under:

Table 1-20: Details of Operation & Maintenance Expenses – FY 2008-09

Rs. Crores						
Particulars	FY 2007-08 Actuals	FY 2008-09 Estimates during ARR	Approved by Commission	H1	H2	FY 2008-09 Revised Estimates
Employee Expenses	14	14	13	10	9	18
Administration and General Expense	15	20	13	8	8	16
<i>Less: Brand Equity</i>	(2)			(1)	(1)	(2)
Repairs and maintenance	9	9	5	4	5	10
Total	36	43	31	21	21	42

Further Tata Power - D wishes to submit that the earlier approved O&M expenses will not be the appropriate base expenditure for comparison against the current estimates as Tata Power's distribution business was earlier constrained due to pending litigation on the license issue. It is submitted that Tata Power - D is now gearing up for meeting the operational requirement of servicing additional new consumers. Hence there would be an increase in O&M expenditure to support full fledged distribution business operations.

1.4.10 Depreciation

The Depreciation for the year FY 2008-09 is estimated at Rs. 16 Crores as against the earlier estimate of Rs. 17 Crores under APR filing for FY 2008-09. The amount arrived at is after removing the depreciation on assets during the year (Rs.1.32 Crores).

1.4.11 Interest and Other Finance Costs

The Interest costs have been estimated based on the following heads:

- Interest on Debt
- Interest on Working Capital
- Interest on Security Deposits
- Other Finance charges

1.4.11.1 Interest on Debt

In addition to the interest on normative loans for the previous years (70% of Capex of FY2003-04 and 70% of capitalisation of FY2004-05 and FY 2005-06), actual loans for FY 2006-07, FY 2007-08 and for the year FY 2008-09 for financing 70% of the expenditure to be capitalised in the respective years has considered. For financing this expenditure, Tata Power has raised the following two loans

• **IDFC Loan**

Tata Power - D had raised a loan of Rs. 450 Crores from IDFC to fund its current capital expenditure on the following terms:

Tenor:	3 year moratorium + 9 years
Repayment:	35 quarterly instalment of Rs. 5.65 Cr & 36th instalment of Rs. 252.25 Cr.
Interest rate:	Benchmark rate (5 year G-Sec Rate) + 1.45% p.a. (payable monthly) If the Company has a rating of AAA 6 months prior to interest reset date. (Subject to minimum of 8.90%) If the Company is not able to maintain a rating of AAA, then IDFC will have the right to revise the spread.

As can be seen from the above table, the interest rate is liable to vary over a period of time. Through a letter dated 29th September 2008, IDFC has sought to reset the interest rate to 13% from 29th September 2008 for a period of one year. Accordingly, Tata Power - D has considered an average rate of 10.95% (average of 8.9% and 13%) for the year FY 2008-09.

• **IDBI Loan**

Tata Power has taken another loan to the extent of Rs 400 Crores to finance the Capital Expenditure in the Licensed Area from IDBI. The brief terms of payment are as follows:

Tenor:	3 year moratorium + 10 years
Repayment:	5% of the loan amount would be repaid every year for the first nine years and balance in 10 th year.
Interest rate:	BPLR (-) 2.76% p.a payable monthly. The interest rate would be fixed on each date of disbursement.

The various quantum of disbursement in the year FY 2008-09 under the said loan is as follows

Table 1-21: IDBI Loan & Interest Rates FY 2008-09

Month of Disbursement	Quantum of Disbursement (Rs Crores)	Net Rate of Interest (%)
End Mar-08	200	10.50%
Aug-08	92	11.50%
Oct-08	84	14.00%
Total	376	11.53%

Hence an average rate of 11.53% percent has been considered in FY 2008-09.

Considering above, the interest charges for FY 2008-09 are estimated at Rs. 14 Crores vis-à-vis Rs. 10 Crores approved by the Hon'ble Commission. This difference is on account of the higher interest rates on the loans of IDFC and IDBI which in turn is due to general rise in the cost of the borrowing in the financial market.

1.4.11.2 Interest on Working Capital

The Interest on working capital has been computed based on the elements specified in the tariff regulations by the Hon'ble Commission. The Interest rate specified in the tariff regulations (Short term Prime Lending Rate of the State Bank of India) has been varying across the year.

For the purpose of estimating the interest on working capital for FY 2008-09, an interest rate of 12.75% has been considered on the basis of the existing rate. The total Interest on Working Capital of Tata Power - D for FY 2008-09 works out to Rs.14 Crores, as against Rs. 14 Crores approved by the Hon'ble commission.

The total interest paid by Tata Power for short term loans taken during H1 of FY 2008-09 works out to Rs. 7 Crores for the first half of the year. Hence, the interest on such short term loans for the year has been estimated to be Rs. 14.62 Crores. The share of Tata Power-D on the basis of the normative Working Capital share in total working capital in Tata Power Operations works out to Rs 1 Crores.

Notwithstanding the above actual interest payments, as discussed earlier, Tata Power - D submits that the Interest on actual working capital requirement at normative interest rates (SBI PLR) should be considered as interest on working capital. Accordingly, Tata Power - D has estimated the interest on actual working capital at Rs. 30 Crores.

We once again request the Hon'ble Commission to reconsider its stand directed in the earlier tariff order dated 4th June 2008, and approve the above methodology for computing gains and losses on account of working capital.

1.4.11.3 Other Finance Charges

An amount of Rs. 1 Crores has been provided towards this expenditure for the year FY 2008-09 on account of payment of finance charges, Commission and Brokerage charges as against Rs. 2.29 Crores approved by Hon'ble Commission.

1.4.11.4 Interest on Security Deposit

The Interest on Security Deposits from retail / commercial consumers is considered on the basis of actual interest for the first half of the year. Accordingly the total interest on security deposit is considered at Rs. 1 Crores for FY 2008-09 against Rs.1 Crores approved by Hon'ble Commission.

1.4.11.5 Total Interest and other finance costs

The total expenditure under the head Interest and other finance costs works out to Rs. 30 Crores as against Rs. 28 Crores approved by Hon'ble Commission for FY 2008-09.

1.4.12 Provision for Bad and Doubtful Debts:

Tata Power - D has considered a provision of Rs. 4 Crores towards Bad and Doubtful debts. However, an amount of Rs. 1.60 Crores has been written back in the first half of FY 2008-09. Hence the net provision for bad and doubtful debts is to the tune of Rs. 2 Crores against an amount of Rs. 4.00 Crores approved by the Hon'ble Commission for FY 2008-09.

1.4.13 Return on Regulatory Equity

Based on the capitalised expenditure and the Debt: Equity norm of 70:30 and RoE of 16%, the Return on Equity for FY 2008-09 is estimated to be Rs. 25 Crores against an approved amount of Rs. 24 Crores by Hon'ble Commission.

1.4.14 Income Tax

The income tax as per the provisions of the IT Act 1961 and after accounting for Tax savings on Interest on Long Term Debt works out to Rs. 22 Crores as against the approved amount of Rs.14 Crores. The computation of Tax is without setting off the loss of FY 2007-08 as proposed in the previous section. Tata Power - D submits that the set off will be incorporated during the time of true up of FY 2008-09.

1.4.15 Statutory Appropriations

Tata Power - D has considered the appropriation towards contingency reserve at 0.25% of the original value of assets as allowed under the tariff regulations. Accordingly, an amount of Rs. 1 Crores has been provided as Statutory Appropriation against Rs.1.11 Crores approved by the Hon'ble Commission for FY 2008-09.

1.4.16 Non-Tariff Income

Tata Power - D has estimated Non Tariff Income of Rs. 5 Crores for FY 2008-09 as compared to Rs.3.16 Crores approved by the Hon'ble Commission. The break up of the Non-Tariff Income is as given below:

- Recurring Items: Rs. 3 Crores
- Non-recurring Items: Rs. 1 Crores

1.4.17 Annual Revenue Requirement of Tata Power - D for FY 2008-09

Based on the above discussion, the ARR for Tata Power - D for the FY 2008-09 relating to the License Area works out as under:

Table 1-22: ARR of Tata Power – D - FY 2008-09

Particulars	Rs. Crores	
	Approved by Commission	FY 2008-09 Revised Estimates
Power Purchase Expenses	1,315	1,280
Power Purchase Expenses (Tata Power-G)	1,132	1,349
Power Purchase Expenses (RPS)	56	57
Power Purchase Expenses (Contracted Power, Pool & Other Sources)		(253)
Reduction due to DSM	(2)	
Standby Charges Payable	65	64
Transmission & SLDC Charges Payable	65	63
Operation & Maintenance Expenses	31	42
Employee Expenses	13	18
Administration & General Expenses	13	16
Less: brand Equity (as disallowed by the commission)		(2)
Repair & Maintenance Expenses	5	10
Depreciation, including advance against depreciation	17	16
Interest on Long-term Loan Capital	10	14
Interest on Working Capital and on consumer security depo	16	16
Other Finance Charges	2	1
Bad Debts Written off	4	2
Income Tax	14	22
Contribution to contingency reserves	1	1
Return on Equity Capital	24	25
Expenses for DSM	4	2
Allocation of LCC Costs		2
Aggregate Revenue Requirement	1,438	1,422
Less: Non Tariff Income	3	5
Less: Income from Sale of Surplus Power	11	9
Less: Surplus Determined as per Tariff Order dtd. 4th June 2008 (Pg. 48)	36	36
Aggregate Revenue Requirement for Retail Tariff	1,389	1,371

1.4.18 Sharing of Gains and Losses in FY 2008-09

Based on the classification of various heads of expenditure, as explained in the section - Performance of 2007-08, and the reasons given in the respective sections, certain items of expenditure for FY 2008-09 i.e. (i) O&M expenditure (ii) Power Purchase cost due to reduction in losses (iii) Other finance charges and Doubtful Debts - have been classified as uncontrollable and hence considered for computation of gains and losses.

1.4.18.1 O&M expenditure

Certain increases in expenditure under this head were on account of reasons that are beyond the control of Tata Power - D. The expenditure due to such uncontrollable factors has been added to the approved expenditure to arrive at the gains and losses:

Table 1-23: Gains and Losses due to variation in O&M Costs FY 2008-09

		Rs. Crores
Sr. No.	Particulars	FY 2008-09 Revised Estimates
1	Approved O&M Expenditure for FY 2008-09	31
2	Revised Estimates of O&M Expenditure	42
3	Uncontrollable expenditure out of estimates expenses	1
4	Revised Controllable expenditure (2 - 3)	41
5	Losses/ (Gains) - (4-1)	10
6	Passed on to consumers (1/3rd)	3
7	Net Entitlement (1 + 3 + 6)	35

Tata Power - D would like to bring to the attention of Hon'ble Commission that in view of the apex courts decision upholding Tata Power's right for retail distribution, the O & M expenditures are likely to increase in order to service the increasing consumer base. Tata Power - D requests the Hon'ble Commission to consider these increases while approving expenditure for FY 2009-10.

1.4.18.2 Other Finance Charges and Provision for Doubtful Debt

The sharing of gains and losses on account of "Other Finance Charges and Provisions for Doubtful Debt" is computed in the table given below.

Table 1-24: Gains and loss due to variation in Finance Charges & Bad debts– FY 2008-09

		Rs. Crores
Sr. No.	Particulars	FY 2008-09 Revised Estimates
Other Finance Charges		
1	Approved Finance Charges for FY 2008-09	2
2	Revised Estimates of Finance charges	1
3	Losses/ (Gains) - (2-1)	(2)
4	Passed on to consumers (1/3rd)	(1)
5	Share of Tata Power-D incl Trf to reserves (2/3)	(1)
6	Net Entitlement (1+4)	2
Bad debts		
1	Approved Bad debts for FY 2007-08	4
2	Revised estimates of Bad debts	2
3	Losses/ (Gains) - (2-1)	(2)
4	Passed on to consumers (1/3rd)	(1)
5	Share of Tata Power-D incl Trf to reserves (2/3)	(1)
6	Net Entitlement (1+4)	3
7	Net Entitlement Finance Chgs & Bad debts	5

1.4.18.3 Interest on working capital

The computation of sharing of Interest on working capital is provided in the table below:

Table 1-25: Gains and loss due to variation in Interest on Working Capital – FY 2008-09

		Rs. Crores
Sr. No.	Particulars	FY 2008-09 Revised Estimates
1	Normative interest Working Capital as per approved norms	14
2	Actual Interest on Working Capital	30
3	Uncontrollable Expenditure	-
4	Actual without Uncontrollable Expenditure (2-3)	30
5	- Amount passed on to the consumers (1/3rd of Gain/Loss) (1/3rd *(1)-(4))	5
6	Retained by Tata Power -D incl trf to reserves	-
7	Net Entitlement (1)+(5)	19

1.4.18.4 Reduction in Distribution Losses

The actual distribution loss for the period from April 2008 to September 2008 was approximately 0.32%. As mentioned in section 4.2.3, distribution loss for the period from October 2007 to March 2008 is 0.66%. Tata Power - D has considered the same distribution losses for the period from October 2008 to March 2008 for the purpose of computation of

savings in power purchase cost. Accordingly the overall distribution loss is estimated to be around 0.50% for the FY 2008-09. Thus savings in power purchase costs are estimated at Rs. 24 Crores. These savings on account of reduction in distribution loss has been shared with Tata Power - D consumers (Rs. 8 Crores) and an equal amount has been transferred to the special reserve for the computation. Hence the net entitlement works out to Rs. 16 Crores.

The computation of distribution loss and the consequent savings in power purchase cost are provided as under:

Table 1-26: Reduction in Power Purchase Cost – FY 2008-09 (Rs. Crores)

Sr. No.	Particulars	FY 2008-09 Revised Estimates
1	Direct sales of Tata Power-D (MU)	2,512
2	Actual Distribution Loss (%)	0.49%
3	Normative Distribution Loss (%)	2.93%
4	Difference (3-2) %	2.44%
5	Power Purchase saved due to reduction in distribution loss = a/(1-4)x4 (MU)	63
6	Average variable power purchase cost (Rs/kWh)	4
7	Savings in Power Purchase Cost (Rs. Crores) = 5x6/10	24
8	Savings Passed on to Consumers (1/3rd)	8
9	Net Entitlement (7-8) (Rs. Crores)	16

It is submitted that although the current level of distribution losses are less than 1%, the same are expected to increase in view of expansion in retail distribution (primarily in residential segment). In view of the above, the current levels may not be indicative of the distribution losses occurring in a stabilised distribution system.

1.4.19 Revenue for FY 2008-09

It is submitted that the tariffs approved by Hon'ble Commission for FY 2008-09 were made applicable from 1st June 2008. Hence the revenue for the month of April 2008 and May 2008 has been considered as per the tariff approved in the MYT order. The revenue for the projection period from October 2008 to March 2009 has been computed based on the existing tariff rates.

The revenue from retail consumers (sale of power from Licensed Area) for FY 2008-09 for Tata Power - D comprise of the actual for the period from April 2008 to September 2008 and estimates for the second half of the FY 2008-09. The revenue has been estimated based on the tariffs approved by the Hon'ble Commission, including the FAC, as limited by the cap imposed by the Hon'ble Commission. The revenue based on the estimated consumption of FY 2008-09 is worked out below:

Table 1-27: Revenue Estimated from Sale of Power FY 2008-09

							Rs. Crores
Categories	Energy (MUs)	Demand Charges	Energy Charges	Revenue from fuel surcharge	Power Factor Rebate	Revenue from TOD	Total Revenue
LT I - Residential	75	2	38	3			43
- S1 (0-100 units)	1	1	0	0			1
- S2 (100-300 units)	21	1	6	1			8
- S3 (above 300 units)	16	0	8	1			9
- S4 (> 500 Units)	37	0	23	1			25
LT II - LT Commercial	265	13	179	11	(2)	2	204
- 0 -20 kW	19	0	10	1			11
- > 20 kW and <=50 kW	12	1	7	1	0	0	9
- > 50 kW	234	12	162	10	(2)	2	184
LT III - LT Industries below 20 kW Load	17	0	7	1			8
LT IV - LT Industries above 20 kW Load	168	6	87	7	(3)	1	98
LT V - Shopping Malls	4	0	4	0	(0)	0	4
HT I - Industries & CPP	548	20	265	24	(11)	2	299
- Industries	515	18	248	22	(10)	2	280
- Textiles	34	2	17	1	(1)		19
- CPP	-	-	-	-	-	-	-
HT II - Commercial	307	15	174	13	(8)	3	198
HT III - Public & Government	292	21	114	13	(6)	2	144
- Public	292	21	114	13	(6)	2	144
- 22kV	86	13	33	4	(3)		50
- 100kV	205	8	82	9	(3)	2	95
HT IV - Railways	835	34	330	36	(23)	-	377
- 22/33 kV	563	24	225	24	(14)		259
- 100kV	272	11	105	12	(9)		118
Total	2,512	113	1,198	108	(53)	10	1,376
Less: Prompt Discount							(13)
Net Revenue from Existing Tariffs	2,512	113	1,198	108	(53)	10	1,362

Note: The Malls category was in existence till May 2008 only. Tata Power - D has separate information available for Textiles; hence presented separately. The tariff applicable to Textiles is same as of HT-1 Industries.

The summary of the estimated revenue for each element with breakup of H1 and H2 for FY 2008-09 is as given below:

Table 1-28: Revenue from Sale of Power FY 2008-09

				Rs. Crores
Sr. No.	Particulars	H1	H2	FY 2008-09 Revised Estimates
1	Revenue from Demand Charges	67	46	113
2	Revenue from Energy Charges	597	600	1,198
3	Revenue from FAC Billed	49	59	108
4	Power Factor Rebate/ Penalty	(27)	(26)	(53)
5	Revenue from TOD Charges	4	6	10
6	Outside License Area Sales	9	-	9
7	Unrecovered FAC	38	(32)	7
8	Other Adjustments (Cash Discount)	(7)	(7)	(13)
9	Total Revenue	731	647	1,378

1.4.20 Gap/ (Surplus) for FY 2008-09

Further, after considering the Revenue at Existing Tariffs, Non Tariff Income, approved expenditure, uncontrollable expenditure and sharing of gains and loss, the Net Annual Revenue Required exceeds the income; thereby creating a revenue gap of Rs (26) Crores. The computation of the gap is as given below:

Table 1-29: Net Annual Revenue Requirement and Gap FY 2008-09

Rs. Crores

Sr. No.	Particulars	Approved	Entitlement as per the Regulations	Efficiency (Gains) / Loss from Controllable factors shared with consumers	Net Entitlement after impact of (Gains) / Losses from Controllable factors	Transferred to Reserves out of net entitlement
I	Revenue		1,378		1,378	
	- Income From Sale of Power		1,362		1,362	
	- Income from Surplus Sale		9		9	
	- Unrecovered FAC		7		7	
II	Expenditure					
1	Power Purchase Expenses	1,175	1,153	-	1,153	-
2	Transmission & Standby Charges Payable	130	127	-	127	-
3	Operation and Maintenance Expenses	31	42	3	35	-
4	Depreciation, including AAD	17	16	-	16	-
5	Interest on Long-term Loan Capital	10	14	-	14	-
6	Interest on Working Capital & Int on Security Dep	16	16	5	21	-
7	Other Finance Charges	2	1	(1)	2	(1)
8	Bad Debts written off	4	2	(1)	3	(1)
9	Statutory Appropriations / Contingency Reserves	1	1	-	1	-
10	Return on Equity	24	25	-	25	-
11	Income Tax	14	22	-	22	-
12	Other Expenses (DSM)	4	2	-	2	-
13	Savings due to reduction in distribution loss	-	24	(8)	16	(8)
14	Allocation of LCC Costs	-	2	-	2	-
15	Less: Surplus Determined as per Tariff Order dtd. 4th June 2008 (Pg. 48)	36	36	-	36	-
16	Total Entitlement	1,392	1,409	(1)	1,402	(9)
III	Add: Other Income	3	5		5	
IV	Surplus/ (Gap) - (I - II + III)				(19)	
V	Add: Unrecovered FAC				7	
V	Surplus/ (Gap) - (I - II + III) with unrecovered FAC				(26)	

Considering that these values are still based on an estimate for the coming six months of FY 2008-09, Tata Power - D is not seeking recovery of estimated gap for the year in present filing. Tata Power - D however reserves the right to seek recovery of the gap after the determination of the actual amount for the whole year i.e. during the truing up process.

1.5 Annual Revenue Requirement for FY 2009-10

This section outlines the Annual Revenue Requirement of the Tata Power - D for FY 2009-10, which takes into consideration

- (i) the ARR filed by Tata Power - D for FY 2009-10 under the MYT petition
- (ii) MYT Tariff Order for FY 2009-10 issued by the Hon'ble Commission dated 30th April 2007 for Tata Power - D
- (iii) Actual Performance in FY 2007-08
- (iv) Actual performance during the first six months of FY 2008-09 and estimated performance during the period Oct-08 to March -09
- (v) Tariff Regulations
- (vi) Impact of judgement dated 12th May 2008 of the Appellate Tribunal for Electricity (ATE). This has been discussed in the APR for Tata Power –G for FY 2008-09.

1.5.1 Energy Requirement

1.5.1.1 Approach for Sales Projections

The consumer base of Tata Power - D consists of Railways, Textiles, Industrial, Commercial and residential consumers. It has been observed from past experience that historical trend allows for a reasonably accurate estimation for forecasting the load of Tata Power - D consumers.

Tata Power - D has therefore estimated the sales to various consumer categories primarily based on the CAGR of sales during past years (4 year CAGR computed from 5 year data). However, normalization has been undertaken for certain categories where abnormal rise has been observed. A growth rate of 5% has been considered for projecting the sales of such class of consumers. Further some of the categories such as Textiles have shown a negative growth and hence the growth rate for these categories has been considered as 0% for projecting the sale of FY 2009-10.

1.5.1.2 Category wise Sales Forecast

Based on the methodology outlined, projected energy sales to various consumer categories for FY 2009-10 are given below:



**Annual Performance Review for FY 2008-09
& Tariff Petition for FY 2009-10 for Tata Power - D**

Table 1-30: Projected Energy Sales – FY 2009-10

Consumer Category & Consumption Slab						MU
	(n-4) (FY 2004-05) (Actual)	n-1 (FY 2007-08) (Actual)	n (FY 2008-09) (Revised Estimates)	4 Year CAGR	CAGR Assumed for FY 2009-10	Total Sales FY 2009-10 (Revised Estimates)
Railways	781	818	835	2%		849
- 22/33 kV	517	541	563	2%	2%	575
- 100kV	264	277	272	1%	1%	275
HT customers	804	1041	1114	8%		1183
- Industries	445	460	515	4%	4%	534
- Commercial	83	244	307	39%	5%	353
- Public	255	337	292	3%		297
- 22kV	53	169	86	13%	5%	90
- 100kV	202	168	205	0%	0%	206
- CPP	21	0	0	-100%	0%	0
Textiles	294	98	34	-42%	0%	34
LT 2 Part	209	409	414	19%		452
- Industries	35	104	168	48%	5%	177
- Commercial	174	305	246	9%	5%	275
LT 1 Part	122	42	36	-26%		36
- Industries	49	15	17	-23%	0%	17
- Commercial	73	26	19	-28%	0%	19
Residential	58	74	75	7%		84
- S1 (0-100 units)	16	2	1	-47%	0%	3
- S2 (100-300 units)	18	22	21	3%	5%	24
- S3 (> 300 / 300-500 Units)	23	15	16	-9%	5%	17
- S4 (> 500 Units)		36	37	101%	5%	40
Mall	0	25	4			
HT 2 Part Mall	0	23	4			
LT 2 Part Mall	0	2	0			
TOTAL	2268	2506	2512	0	0	2638

The above sales projections also include the growth in sales due to addition of new consumer mainly expected in the HT-Commercial, LT-Commercial and Residential category. Out of the total growth projected from new consumers, 80% is expected in Commercial category and balance in the Residential category. Further it is estimated that out of 80% sales to commercial, 60% will be to HT and 40% will be to LT commercial consumers.

It is also assumed that all the existing consumers of Tata Power - D would continue to procure entire power requirement from Tata Power – D.

1.5.1.3 Billed Demand and Number of Consumers

The revenue forecast also requires estimating the Billing Demand (MVA) for various consumers. The Break-up of the estimated average demand for all categories over the period of FY 2009-10 are as follows:

Table 1-31: Estimated Annual Demand – FY 2009-10

Consumer Category & Consumption Slab	Average MVA	
	FY 2008-09 Revised Estimates	FY 2009-10 Revised Estimates
LT II - LT Commercial	57	82
- 0 - 20 kW	-	-
- >20 kW to <= 50 kW	6	8
- > 50 kW	51	74
LT III - LT Industries below 20 kW load	-	-
LT IV - LT Industries above 20 kW load	30	26
LT V - Mall*	1	-
HT I - Industries & CPP	102	75
- Industries	93	65
- Textiles	9	10
HT II - Commercial	67	108
HT III - Public & Government	94	120
- Public	94	120
- 22 kV	58	83
- 100 kV	37	37
HT IV - Railways	168	172
- 22 kV	116	119
- 100 kV	52	53
Total	519	584

* Consumers of LT/Ht Mall was there for April - May, 2008 only

Table 1-32: Estimated Number of Consumers – FY 2009-10

Consumer Category & Consumption Slab	No. of Consumers	
	FY 2008-09 Revised Estimates No. of Consumers	FY 2009-10 Revised Estimates No. of Consumers
LT I - Residential	22,374	LT I - Residential
- S1 (0-100 units)	6,404	- S1 (0-100 units)
- S2 (100-300 units)	9,981	- S2 (100-300 units)
- S3 (> 300 / 300-500 Units)	3,606	- S3 (> 300 / 300-500 Units)
- S4 (> 500 Units)	2,383	- S4 (> 500 Units)
LT II - LT Commercial	3,536	LT II - LT Commercial
- 0-20 KW	2,873	- 0-20 KW
- >20kW and <= 50 kW	401	- >20kW and <= 50 kW
- > 50 kW	262	- > 50 kW
LT III - LT Industries below 20 kW load	1,046	LT III - LT Industries below 20 kW load
LT IV - LT Industries above 20 kW load	599	LT IV - LT Industries above 20 kW load
LT V - Mall*	5	LT V - Mall*
- HT 2 Part Mall	3	- HT 2 Part Mall
- LT 2 Part Mall	2	- LT 2 Part Mall
HT I - Industries & CPP	52	HT I - Industries & CPP
- Industries	38	- Industries
- CPP	-	- CPP
- Textiles	14	- Textiles
HT II - Commercial	62	HT II - Commercial
- Commercial	62	- Commercial
HT -III - Public & Government	13	HT -III - Public & Government
- Public	13	- Public
- 22kV	10	- 22kV
- 100kV	3	- 100kV
HT IV - Railways	3	HT IV - Railways
- 22/33 kV	2	- 22/33 kV
- 100kV	1	- 100kV
Total	27,690	Total
		37,215

* Consumers of LT/Ht Mall was there for April - May, 2008 only

1.5.1.4 Distribution Losses & Energy Requirement

It is submitted that post the issue of order from Hon'ble Supreme Court, Tata Power - D is increasing its distribution business operations and a significant increase in consumers is expected predominantly in the LT segment. Hence Tata Power - D expects that the current distribution loss levels may not be relevant due to change in consumer mix. Considering this aspect, Tata Power - D has assumed the prevailing norm of 2.93% as distribution loss and an Intra State Transmission System loss of 4.85%. Accordingly, the estimated retail sales of Tata Power - D are grossed up for these losses to arrive at the requirement at Ex-Maharashtra Boundary i.e. at the interface of Generation and Transmission.

On this basis, the energy requirement of Tata Power - D for FY 2009-10 is as follows:

Table 1-33: Energy Requirement – FY 2009-10

Particulars	MU
	FY 2009-10 Revised Estimates
Total Sales	2,638
Distribution Losses (2.93%)	80
Transmission Losses (4.85%)	139
Net Energy Requirement	2,856
Sale to Pool	472
Total Energy Requirement at G<>T Interface	3,328

1.5.1.5 Power Purchase

The estimated power procurement sources for the FY 2009-10 are provided in the table given below.

Table 1-34: Details of Power Procurement Sources – FY 2009-10

Particulars	FY 2009-10 Revised Estimates
Tata Power-D Requirement	2,856
Contracted Sources	
Unit 4	19
Oil	19
Gas	(0)
Unit 5	1,012
Oil	78
Coal	934
Unit 6	1,004
Oil	994
Gas	10
Unit 7	371
Unit 8- Coal	363
Thermal	2,769
Hydro -Peak	150
Hydro -Off Peak	237
Hydro	387
Total from Tata Power-G	3,157
RPO	171
Purchase from External sources	-
Grand Total	3,328
Less: Sold to Pool	(472)
Sources for Sale of Power	
Unit 4 -Oil	(3)
Unit 5 -Oil	(75)
Unit 6-Oil	(394)
Net Requirement	2,856

Note: Power Procurement shown above includes the purchase from Unit- 8 coal only. However in actual performance of the unit, some of generation would be on oil too.

As seen from the above table, no power purchase from External Sources has been envisaged. However, we estimate that in some months during the outage of Tata Power – G units or after the implementation of the Final Balancing and Settlement Mechanism (FBSM) there may be some power purchase from external sources. We therefore request the Hon'able Commission to kindly approve a rate for Power Purchase from such External Sources for ease of operation during FY 2009-10.

1.5.2 Network Rollout Plan

The Hon'ble Supreme court through its order dated 8th July 2008 had upheld Tata Power's appeal in the matter of Distribution License for Retail consumers. The Hon'ble Commission there after issued the (Specific conditions of Distribution Licence applicable to The Tata Power Company Limited) Regulations, 2008 on 20th August 2008.

Tata Power - D proposes to expand and strengthen its distribution network. The expansion of network is planned on the basis of the load growth in various areas. By the end of FY 2011-12, Tata Power - D expects to strengthen its Network in atleast 9 Wards and by FY 2013-14 it is planned to strengthen the Network in all the 24 wards.

Tata Power - D proposes to submit a Detailed Report on this expansion plan to the Hon'ble Commission and would update it on a yearly basis and include such changes in the Rolling Capital Expenditure for three years.

The broad scope of work in the network rollout plan involves setting up of Distribution Substation (DSS), Consumer Substation (CSS), laying of cables (33 KV and 11 KV), and erection of Switchgears and Ring Main Unit (RMU). The scope of equipments and the quantities planned is given in the table below.

Table 1-35: Strengthening of Distribution Network – Scope of Work

Equipment Name	Purpose	Unit	FY 2009-10
33 kV Cable length	Augmentation	Kms	0.2
33 kV Cable length	New	Kms	32.0
33 kV Total Cable Length		Kms	32.2
33 kV Route Length		Kms	10.7
11 kV Cable	Augmentation	Kms	15.0
11 kV Cable	New	Kms	30.0
11 kV Cable	CSS	Kms	33.3
11 kV Total Cable Length		Kms	78.3
11 kV Route Length		Kms	78.3
LT Cables		Kms	342.7
RMU (11 and 22 kV)		Nos	222.0
Switchgear		Nos	6.0
CT/PT (11 and 22 kV)		Nos	
400 kVA transformer		Nos	67.0
630 kVA transformer		Nos	67.0
1250 kVA transformer	CSS	Nos	89.0
Feeder Pillar		Nos	666.0

Based on the above scope of work and the objective, Tata Power–D has planned a Capital Expenditure of Rs. 300 Crores in FY 2009-10. The details of the Capital Expenditure are as follows:

Table 1-36: Strengthening of Distribution Network – Capital Expenditure

Cost Head	Rs. Crores FY 2009-10
DSS Augmentation	7
New DSS	41
CSS	137
HT Cable	57
LT Cable	44
Land for CSS and emergency fund	10
Additional Investment for GIS	3
APFC Panels	0
Customer Care Centre	1
Total Capital Expenditure	300

1.6 Capital Expenditure & Capitalisation

1.6.1 Capital Expenditure

The capital expenditure to be incurred in FY 2009-10 is now expected to be Rs. 441 Crores as against Rs. 6 Crores as approved by the Hon'ble Commission in the MYT Order for FY 2009-10. The difference is primarily on account of Tata Power – D undertaking the strengthening of its Distribution network subsequent to the Apex Court judgement in the matter of its License. The following discussion explains the capital expenditure planned on system strengthening.

- **DPR Schemes**

A brief justification for the schemes greater than Rs. 5 Crores to be undertaken in FY 2009-10 is given in Annexure XI - Details for New Schemes in FY 2009-10 (>Rs.5 Crores)

- **Non DPR Schemes**

Tata Power–D has projected a capital expenditure of Rs. 92 Crores for FY 2009-10 on Non-DPR schemes. The schemes under this category have been listed in the form 5.3 and form 5.4 of the spread sheet formats.

- **Network Roll Out Plan**

The Capital Expenditure on network roll on plan in FY 2009-10 is estimated at Rs. 300 Crores as discussed earlier.

1.6.2 Assets Capitalisation

Out of the above mentioned capital expenditure for FY 2009-10 and other ongoing previous schemes, Tata Power – D proposes to capitalise assets amounting to Rs. 324 Crores including IDC.

1.7 Annual Revenue Requirement for Tata Power - D

Based on the Capital Cost, (and consequent Capitalised Expenditure, Equity Component and Normative Debt) and applying the principles outlined in Tariff Regulations, the Annual Revenue Requirement for Tata Power - D has been determined under the following heads:

- Power Purchase Costs
 - Standby Charges
 - Transmission and SLDC Charges
 - Load Control Centre costs
 - Operation and Maintenance Expenses
-

- Depreciation
- Interest and Finance Charges
- Provision for Bad and Doubtful Debts
- Income Tax
- Statutory Appropriations
- Return on Equity
- DSM expenses
- Non Tariff Income

The above Annual Revenue Requirement is netted off for Non-Tariff Income for determining the net ARR for Tata Power–D.

In addition to the above, there are certain recoveries pertaining to past periods due to Tata Power – D and that are recoverable in FY 2009-10. They are as follows:

- Sharing of gains & losses for FY 2006-07
- Impact of ATE Judgement
- Revenue Gap for FY 2007-08 for Tata Power - D and share in gap of Tata Power-G
- Revenue Gap for FY 2008-09 for Tata Power - D and share in gap of Tata Power-G

1.7.1 Power Purchase Cost

The estimated source-wise power purchase cost is as given below.

1.7.2 Tata Power - G:

The Hon'ble Commission, in its order dated 6th November 2007 has approved the Power Purchase Arrangement (PPA) between Tata Power-G and Tata Power - D, in which certain capacity has been contracted to Tata Power - D. For the purpose of estimation, the generation capacity as envisaged in the said PPA has been considered and is as given below:

Table 1-37: Allocation from Tata Power-G Units FY 2009-10

Units	Capacity (MW)	Capacity for Tata Power-D as per PPA (MW)	% of Capacity
Hydro	447	120	26.84%
Unit-4	150	40	26.84%
Unit-5	500	134	26.84%
Unit-6	500	134	26.84%
Unit-7	180	48	26.84%
Total	1777	477	26.84%
Unit-8	150	50	33.33%

As can be seen, out of 250 MW capacity of Unit 8, only 150 MW capacity has been considered for computing the power purchase by Tata Power - D. The rest of the capacity (100 MW) has been contracted to TPTCL on the above basis. The power purchase cost for power purchase from Tata Power - G works out to Rs 1,238 Crores for the year 2009-10.

1.7.3 Renewable Purchase Obligation:

As per the Order of the Hon'ble Commission dated 16th August 2007, Tata Power - D is obliged to purchase certain quantum (6%) of its energy requirement from renewable sources for the year FY 2009-10. Accordingly, in the projections, power purchase quantum to the extent of 168 MUs (i.e 6% of 2801 MUs) has been considered from energy generated through renewable sources.

The Hon'ble Commission is aware that Tata Power has its own wind generating stations set up at Supa (Group II), Khandke (Group III) and Brahmanvel (Group III). On the basis of the Tariff Order dated 24th November 2003 for Wind projects a weighted average rate of Rs 3.80 per unit is considered. Accordingly the power purchase from RPO works out to Rs. 65 Crores.

1.7.4 External Power Purchase/Sale from Pool:

Based on the Merit Order output and the Energy Balance, it is estimated that no energy would be purchased from External sources/ Imbalance pool. However in view of forced outages of Tata Power - G and other unprecedented conditions, Tata Power - D may have to purchase power from external sources (contracted power). Considering the above, Tata Power - D requests the Hon'ble Commission to approve the power purchase cost from external (contracted sources) at a weighted average price of Rs. 9.00 per unit (presently the short term power purchase rates are as high as Rs.10.00 - 13.00 per unit). Further, we estimate that in the event of ABT implementation requiring 15-minute scheduling, as also in some months during the outage of Tata Power-G units, there may be some power purchase from external sources. We request the Hon'ble Commission to kindly approve a power purchase of about 2% of our Annual requirement in advance with the above mentioned average rates.

1.7.5 Standby Charges

The Standby Charges payable by Tata Power - D to MSEDCL have been considered the same as that payable for FY 2008-09 and accordingly the charges for FY 2009-10 work out to Rs. 65 Crores.

1.7.6 Transmission and SLDC Charges

The Transmission and SLDC charges payable for the FY 2009-10 are estimated at Rs. 65 Crores (same as that for FY 2008-09).

1.7.7 Load Control Centre costs (LCC)

The share of Tata Power – Load Control Centre (earlier known as Load Despatch Department) expenditure for carrying out the activities related to Tata Power – D is Rs. 2 Crores,

1.7.8 Operation and Maintenance Expenses

The various components of O&M expenditure are explained in the sections below:

1.7.8.1 Employee Costs

The total employee related expenses for the year FY 2009-10 are estimated at Rs. 23 Crores against Rs. 12 Crores approved by the Hon'ble Commission in MYT order.

As mentioned earlier, License Conditions for Tata Power – D has been issued by the Hon'ble Commission subsequent to the Apex Court's order. This would increase the activities manifold in the Distribution and Supply Area of Tata Power – D. To meet this growing requirement, it has been proposed to recruit additional manpower for servicing the growing customer base, which would result in increased employee expenses of Rs.6.00 Crores, when compared to expenditure in FY 2008-09. The additional increase in the expenses under this head has been estimated to account for inflation, which has been considered at 6% per annum.

We would like to submit to the Hon'ble Commission that rise of Employee expenditure is purely to meet the growing needs of the business and the growing customer base and on account of rise sought to neutralise the inflation. We therefore request the Hon'ble Commission to kindly approve the Employee Expenditure of Rs. 23 Crores for the year FY 2009-10.

1.7.8.2 Administration and General Expenses

The A&G expenditure for FY 2009-10 is estimated at Rs. 19 Crores (excluding Brand Equity) against an approved amount of Rs. 11 Crores in MYT order and Rs. 14 Crores as per revised estimates of FY 2008-09.

The inflationary rise in the A&G costs elements as well as the envisaged increased activity level in FY 2009-10 would lead to a higher expenditure under this head.

1.7.8.3 Repairs and Maintenance Expenses

The total Repairs & Maintenance expenses are estimated to be of the order of Rs. 14 Crores against Rs. 3 Crores approved by the Hon'ble Commission.

Tata Power has explained the reasons for variation in various uncontrollable expenditure heads for FY 2008-09. It is submitted that the reasons for rise in expenditure would hold good for FY 2009-10 too.

1.7.8.4 O&M Expenditure as a whole:

The O&M expenditure for FY 2009-10 is expected to be about Rs. 57 Crores as against Rs. 25.78 Crores approved by the Hon'ble Commission.

Further Tata Power - D wishes to submit that the earlier approved O&M expenses will not be the appropriate base expenditure for comparison against the proposed expenses for the Tata Power's distribution business which was earlier constrained due to pending litigation on the license issue. It is submitted that Tata Power - D is now gearing up for meeting the operational requirement of servicing additional new consumers. Hence there would be an increase in O&M expenditure to support full fledged distribution business operations.

1.7.9 Depreciation

The Depreciation for the year FY 2009-10 is estimated at Rs. 19 Crores as against the approved amount of Rs.17.16 Crores in MYT order by the Hon'ble Commission.

1.7.10 Interest Costs

The Interest costs have been estimated based on the following heads:

- Interest on Debt
- Interest on Working Capital
- Other Finance Charges
- Interest on Security Deposit

1.7.10.1 Interest on Debt

In addition to the interest on normative loans for the previous years (70% of Capex of FY2003-04 and 70% of capitalisation of FY2004-05 and FY 2005-06), actual loans for FY 2006-07 and FY 2007-08 and estimates for FY 2008-09, the interest on 70% of the expenditure to be capitalised in FY 2009-10 is considered for the purpose of computation of Interest on debt.

To finance the proposed capital expenditure, Tata Power has raised the following loans.

- **IDFC Loan**

Tata Power - D had raised a loan of Rs. 450 Crores from IDFC to fund its current capital expenditure on the following terms:

Tenor:	3 year moratorium + 9 years
Repayment:	35 quarterly instalment of Rs. 5.65 Cr & 36th instalment of Rs. 252.25 Cr.
Interest rate:	Benchmark rate (5 year G-Sec Rate) + 1.45% p.a. (payable monthly) If the Company has a rating of AAA 6 months prior to interest reset date. (Subject to minimum of 8.90%) If the Company is not able to maintain a rating of AAA, then IDFC will have the right to revise the spread.

As can be seen from the above table, the interest rate is liable to vary over a period of time. Through a letter dated 29th September 2008, IDFC has sought to reset the interest rate to 13% from 29th September 2008 for a period of one year. The copy of the letter is enclosed as Annexure VIII – IDFC Letter for Interest Rate. Accordingly, Tata Power - D has considered the interest rate of 13% for FY 2009-10.

- **IDBI Loan**

Tata Power has taken another loan to the extent of Rs 400 Crores to finance the Capital Expenditure in the Licensed Area from IDBI. The brief terms of payment are as follows:

Tenor:	3 year moratorium + 10 years
Repayment:	5% of the loan amount would be repaid every year for the first nine years and balance in 10 th year.
Interest rate:	BPLR (-) 2.76% p.a payable monthly. The interest rate would be fixed on each date of disbursement.

For this loan, an average rate of 11.53% percent has been considered for capitalisation in FY 2009-10.

Considering the above, the interest charges for FY 2009-10 are estimated at Rs. 31 Crores vis-à-vis Rs.11.65 Crores approved by the Hon'ble Commission in MYT order. This difference is on account of the upward revision in interest rates on the loans of IDFC and new loan taken from IDBI. The reason for this is the higher levels of borrowing currently prevalent in the financial market.

1.7.10.2 Interest on Working Capital

The Interest on working capital has been computed based on the principles specified in the tariff regulations by the Hon'ble Commission.

For the purpose of estimating the interest on working capital for FY 2009-10, an SBI PLR interest rate of 13.00%, which is the rate prevailing at the date of filing of the petition has

been considered. The total Interest on Working Capital of Tata Power - D for FY 2009-10 works out to Rs. 11 Crores, as against Rs. 14 Crores approved by the Hon'ble Commission in MYT order which is inclusive of interest on security deposit.

1.7.10.3 Other Finance Charges

The amount estimated under this head for FY 2009-10 is taken as Rs. 1 Crores in line with that approved for the year FY 2009-10 by the Hon'ble Commission in the MYT order.

1.7.10.4 Interest on Security Deposit

The Interest on Security Deposits from retail / commercial consumers is considered at an interest rate of 6% (Bank Rate) in line with the tariff regulations. The same works out to Rs. 4 Crores for FY 2009-10.

1.7.11 Provision for Bad and Doubtful Debts:

Tata Power - D has considered a provision of Rs. 4 Crores towards Bad and Doubtful debts in line with that approved by Hon'ble Commission for FY 2009-10 under MYT order.

1.7.12 Return on Regulatory Equity

The return on regulatory equity is estimated at Rs. 35 Crores against Rs. 28 Crores approved by the Commission in the MYT order.

1.7.13 Income Tax

The income tax as per the provisions of the IT Act 1961 and after accounting for Tax savings on Interest on Long Term Loans and Interest on Working Capital works out to Rs. 15 Crores against an approved amount Rs. 10 Crores in MYT order by Hon'ble Commission.

1.7.14 Statutory Appropriations

Tata Power - D has considered the appropriation towards contingency reserve as allowed under the tariff regulations at 0.25% of the original value of assets. Accordingly, the Statutory Appropriation has been estimated at Rs. 1 Crores for FY 2009-10 against approved amount of Rs. 2.00 Crores by Hon'ble Commission in MYT order.

1.7.15 Demand Side Management

The Hon'ble Commission in the tariff order dated 4th June 2008 had directed Tata Power to initiate Demand Side Management in the distribution area of Tata Power. To comply with the directive, Tata Power has formed a DSM cell and initiated various activities towards DSM. For the year FY 2009-2010, Tata Power has proposed the Rs. 7 Crores expenditure towards DSM.

1.7.16 Non-Tariff Income

Tata Power - D has estimated a Non Tariff Income/(expense) of Rs. (1) Crores for FY 2009-10, which is composed of following:

- Recurring Items : Rs. 2 Crores
- Non-recurring Items : Rs. (2) Crores

The Income from services rendered is negative on account of consultancy/ service rendering charges payable to Tata Power – D for FY 2009-10. The same has been considered as income for Tata Power - D.

1.7.17 Sharing of Gains & Loss – Tata Power - D FY 2006-07

The Hon'ble Commission in its order dated 4th June 2008 had mentioned that the impact of Sharing of Efficiency Gains and losses for the year FY 2006-07 would be taken up along with the impact of the judgement of the ATE dated 12th May 2008. Such gains had arisen in the gains and losses on other finance charges & provision for doubtful debts. The Hon'ble Commission had passed on the entire expenditure of Rs.(15) Crs to the consumers. The gain under these two heads worked to Rs.17 Crores. Tata Power - D would like to claim 2/3rd of such amount which includes transfer to special reserves as its net entitlement. This amount works to Rs.11 Crores. Tata Power - D requests the Hon'ble Commission to kindly consider the same in the year FY 2009-10.

1.7.18 Impact of ATE judgement on Tata Power - D

The impact of ATE judgement dated 12th May 2008 pertaining to the costs disallowed by the Hon'ble Commission for FY 2004-05 and FY 2005-06 has been worked out in the APR petition of Tata Power – G for the year FY 2008-09. It was proposed that since Tata Power was an integrated utility during that year, the whole amount may be recovered from the three distribution licensees of Mumbai in the proportion of their consumption for FY 2004-05 & FY 2005-06. The proposed structure for sharing of the amount to be recovered has been reproduced in the table given below.

Table 1-38: Impact of ATE Judgment

Licensee	Rs. Crores						
	FY 2004-05 Sales (MU)	Ratio of Sales FY 2004-05	Share of Each Licensee	FY 2005-06 Sales (MU)	Ratio of Sales FY 2005-06	Share of Each Licensee	Total Share of Each Licensee
BEST	3,352	35%	(1)	3,924	38%	219	218
REL	3,962	41%	(1)	4,155	40%	232	231
TPC-D	2,269	24%	(0)	2,336	22%	130	130
Total	9,583	100%	(2)	10,415	100%	581	579

1.7.19 Revenue Gap for FY 2007- 08 & FY 2008 - 09

The revenue gap for Tata Power – D in the previous years is mainly on account of higher quantum of sales assumed by Hon'ble Commission for FY 2007-08 and FY 2008-09. Further Tata Power - D would also like to submit that revenue has been lesser than approved levels also on account of variation in sales within categories as compared to approved levels.

Tata Power - D has computed the revenue gap and the carrying cost for the same at the SBI PLR rate prevailing during the relevant years.

Table 1-39: Revenue Gap and carrying Cost – FY 2007-08 & FY 2008-09

Sr. No.	Particulars	Rs. Crores		
		FY 2007-08	FY 2008-09	Total
1	Revenue Gap for Tata Power-D (Incl. unrecovered FAC)	155	26	181
2	Interest for No. of Months	18	6	
3	Rate of Interest	12.83%	13.00%	
4	Interest Cost	30	2	32
5	Gap with interest cost	185	27	212
	Add:			
6	Share of Tata Power-G gap/(surplus)	(11)	33	22
7	Interest for No. of Months	18	6	
8	Rate of Interest	12.83%	13.00%	
9	Interest Cost	(2)	2	(0)
10	Share of Gap/(Surplus) with interest cost	(14)	35	22
11	Total gap with interest cost (5+10)	171	63	234

1.7.20 Annual Revenue Requirement of Tata Power - D for FY 2009-10

Based on the above estimates and projections, the ARR for Tata Power - D for FY 2009-10 works out as given below.

Table 1-40: ARR of Tata Power - D- FY2009-10

Particulars	FY 2008-09 Revised Estimates	Approved by Commission	FY 2009-10 Revised Estimates
	Rs Crores		
Power Purchase Expenses (Tata Power - G)	1,349	-	1,238
Power Purchase (RPO)	57	-	65
Power Purchase Expenses (Other Sources/Inter-se)	(253)	-	(238)
Standby Charges	64	-	65
Transmission Charges Payable	63	-	65
Operation & Maintenance Expenses			
<i>Employee Expenses</i>	18	12	23
<i>Administration & General Expenses</i>	16	11	21
<i>Less: Brand Equity</i>	(2)	-	(2)
<i>Repair & Maintenance Expenses</i>	10	3	14
Depreciation, including advance against depreciation	16	17	19
<i>Interest and other Financial Charges</i>			
<i>Interest on Long-term Loan Capital</i>	14	12	31
<i>Interest on Working Capital and on consumer security deposits</i>	16	14	15
<i>Other Finance Charges</i>	1	1	1
Bad Debts Written off	2	4	4
Income Tax	22	10	15
Contribution to contingency reserves	1	2	1
Other Expenses (DSM)	2	-	7
Allocation of LCC Cost	2	-	2
Total Revenue Expenditure	1,397	85.50	1,344
Return on Equity Capital	25	27.78	35
Total	1,422	113.28	1,379
Less: Non Tariff Income	5	1.00	(1)
Less: Income from Sale of Surplus Power	9	-	-
Aggregate Revenue Requirement	1,407	112.28	1,380
Add: Past Period Adjustments			375
Sharings of gains & losses FY 2006-07			11
Impact of ATE Judgement FY 05 & FY06			130
Revenue Gap for FY 2007-08 & FY 2008-09 with carrying cost			234
Net Aggregate Revenue Requirement			1,755

1.7.21 Estimated Gap for FY 2009-10 for Tata Power - D at existing Tariffs

The estimated revenue from Existing Tariffs and resultant gap is worked out as follows:

Table 1-41: Revenue at Existing Tariff (Net of FAC) – FY 2009-10

Categories	Energy (MUs)	Demand Charges	Energy Charges plus Reliability Charge	Power Factor Rebate	Revenue from TOD	Rs. Crores
						Total Revenue
LT I - Residential	84	2	48			50
- S1 (0-100 units)	3	0	0			1
- S2 (100-300 units)	24	1	9			10
- S3 (above 300 units)	17	0	10			10
- S4 (> 500 Units)	40	0	29			29
LT II - LT Commercial	294	15	205	(2)	3	222
- 0 -20 kW	19	1	10	-	-	10
- > 20 kW and <=50 kW	13	2	8	0	0	10
- > 50 kW	262	13	188	(2)	3	202
LT III - LT Industries below 20 kW Load	17	0	7			7
LT IV - LT Industries above 20 kW Load	177	5	90	(3)	1	93
HT I - Industries & CPP	567	14	276	(12)	2	279
- Industries	534	12	259	(11)	2	262
- Textiles	34	2	16	(1)		17
- CPP	-	-	-	-	-	-
HT II - Commercial	353	20	200	(8)	4	215
HT III - Public & Government	297	22	122	(7)	4	141
- Public	297	22	122	(7)	4	141
- 22kV	90	15	37	(3)	4	53
- 100kV	206	7	85	(4)		88
HT IV - Railways	849	31	348	(23)	-	356
- 22/33 kV	575	21	239	(15)		246
- 100kV	275	10	109	(9)		110
Total	2,638	108	1,296	(56)	14	1,362
Less: Prompt Discount						(14)
Net Revenue from Existing Tariffs	2,638	108	1,296	(56)	14	1,348

Based on the ARR and net revenue from existing tariffs for FY 2009-10, the resultant GAP works out to Rs. 406 Crores. The same is depicted in the table given below.

Table 1-42: Revenue GAP at Existing Tariffs – FY 2009-10

Sr. No.	Particulars	Rs. Crores
		FY 2009-10
I	Revenue from Sale of Power	1,348
1	Revenue from Demand Charges	108
2	Revenue from Energy Charges	1,296
3	Power Factor Rebate/ Penalty	(56)
4	Revenue from TOD Charges	14
5	Other Adjustments	(14)
II	Net Annual Revenue Requirement	1,755
III	(Gap)/ Surplus (I - II)	(406)

1.7.22 Break-up between Network and Supply Costs

The Network and Supply costs for FY 2009-10 for the purpose of determination of open access charges are segregated based on the assumptions considered earlier and provided in the table below:

Table 1-43: Break-up of Supply & Network Related Costs – Tata Power - D

				Rs. Crores	
Sr. No.	Particulars	FY 2009-10			Remarks
		Total	Network Cost	Supply Cost	
1	Power Purchase Expenses (TPC - G)	1,238		1,238	
2	Power Purchase Expenses (RPO)	65		65	
3	Power Purchase Expenses (Other Sources)	(238)		(238)	
4	Standby Charges Payable	65		65	
5	Transmission Charges Payable	65		65	
6	Operation and Maintenance Expenses	57	36	21	
6.1	Employee Expenses	23	13	10	
6.2	Administration & General Expenses	21	8	12	
	<i>Less: Brand Equity</i>	(2)		(2)	
6.3	Repair & Maintenance Expenses	14	14	0	
7	Depreciation including advance against depreciation	19	(5)	23	
8	Interest and Other Financial Charges	46	29	16	
8.1	Interest on Long Term Loan Capital	31	29	1	Allocated in proportion to the proposed capitalisation during the year
8.2	Interest on Working Capital and on consumer Security Deposits	15	-	15	Allocated entirely to Supply as the working capital is mainly on account of receivables from the consumers.
8.3	Other Finance Charges	1	-	1	
9	Bad Debts Written Off	4	-	4	
10	Income Tax	15	14	0	Allocated in proportion of RoE.
11	Contribution to Contingency Reserve	1	1	0	Allocated in Proportion of the GFA
12	Adjustment for profit/loss on account of controllable/un-controllable factors	-			
13	Expenses for DSM	7	-	7	
14	Allocation of LCC Cost	2	-	2	
15	Total Revenue Expenditure	1,344	76	1,268	
16	Return on Equity Capital	35	33	1	Allocated in Proportion of the GFA
17	Aggregate Revenue Requirement	1,379	110	1,269	
18	Less: Non Tariff Income	(1)	(1)	(0)	Allocated in Proportion of the GFA
19	Less: Income from Sale of Surplus Power	-	-	-	Allocated in Proportion of the GFA
20	Aggregate Revenue Requirement from Retail Tariff	1,380	110	1,269	

1.8 Tariff Proposal for FY 2009-10

This section outlines the net impact of the performance of Tata Power-D made in this submission and the gap arising out of the discussions in APR for Tata Power-G.

1.8.1 Revenue Gap in FY 2009-10

The overall revenue gap for FY 2009-10 along with revenue gap for FY 2008-09, revenue gap and surplus for FY 2007-08 and other past recoveries is tabulated as under:

Table 1-44: Revenue Gap in FY 2009-10

Particulars	Gap (Rs.Crores)
Annual Revenue Requirement for FY 2009-10	1,380
Revenue from Sale of Power at Existing Tariff	1,348
"Pure Gap" for FY 2009-10	31
Add: Past Recoveries and other gaps	
ATE Impact - Share of Tata Power-D	130
Sharing of Gains/losses for Tata Power-D for FY 2006-07	11
<i>Revenue Gap of Tata Power-D for FY08</i>	<i>149</i>
<i>Revenue Gap of Tata Power-D for FY09</i>	<i>21</i>
<i>Unrecovered FAC of Tata Power-D - FY08</i>	<i>36</i>
<i>Unrecovered FAC of Tata Power-D - FY09</i>	<i>7</i>
<i>Share of Tata Power-G Surplus for FY08</i>	<i>(14)</i>
<i>Share of Tata Power-G Gap for FY09</i>	<i>35</i>
Total for past Recoveries	375
Total Revenue Gap	406

As can be seen from the above table, the total revenue gap to be covered is Rs. 406 Crores. However we wish to submit that a large portion of the Gap is arising due to the recoveries of the past while the "Pure Gap" comprises only a small portion of the Gap.

If the gap is recovered in one year i.e. spread over one year's sale, it would entail a tariff hike of about Rs. 1.54 / kWh on an average. The overall increase would be of the order of 30%. This is not desirable by Tata Power-D. Hence, the philosophy for recovery of this gap is outlined in the following section.

1.8.2 Recovery in FY 2009-10

The Tariff proposal has been formulated by Tata Power-D with an endeavour to keep the impact on the consumers to the minimum possible and at the same time not defer a large portion of recovery lest it would bring pressure on the Tariff in the coming years. In this pursuit, it has adopted the following philosophy while proposing a Tariff:

Table 1-45: Revenue Gap to be recovered in FY 2009-10

	Base Case	Recovery Proposed (%)	Rs. Crores Recovery Proposed
ARR for FY 2009-10	1,380	100%	1,380
Add: Past Recoveries Being Sought	375		233
<i>ATE Impact</i>	<i>130</i>	<i>33%</i>	<i>43</i>
<i>Sharing of losses for FY07</i>	<i>11</i>	<i>100%</i>	<i>11</i>
<i>Revenue Gap for FY08</i>	<i>149</i>	<i>100%</i>	<i>149</i>
<i>Revenue Gap for FY09</i>	<i>21</i>	<i>0%</i>	<i>-</i>
<i>Unrecovered FAC - FY08</i>	<i>36</i>	<i>100%</i>	<i>36</i>
<i>Unrecovered FAC - FY09</i>	<i>7</i>	<i>100%</i>	<i>7</i>
<i>Share of Tata Power-G Gap for FY08</i>	<i>(14)</i>	<i>100%</i>	<i>(14)</i>
<i>Share of Tata Power-G Gap for FY09</i>	<i>35</i>	<i>0%</i>	<i>-</i>
Total Annual Revenue Requirement	1,755		1,612
Total Sales (MU)	2,638		2,638
Average Cost of Service (Rs./kWh)	6.65		6.11

1.8.3 Proposed Tariff in FY 2009-10

As can be seen from the above table, Tata power has attempted to minimise the Tariff hike despite having large quantum of under recovery of expenditure of the past. The Tariff hike proposed for Residential segment has been kept to as low as possible. Further the tariff hike to railways too has been kept to below the average hike proposed as the Railways are catering to the masses. In doing so, the tariffs proposed of other categories of consumers have been raised suitably to compensate this impact.

Considering the above, the Tariff Proposal for the individual categories is :

Table 1-46: Proposed Tariff for FY 2009-10

Consumer Categories & Consumption Slab	Fixed Charges			Existing Energy Charges (Rs./kWh)				Energy Charges (Rs./kWh)	% Increase in Tariff
	Units	Existing	Proposed	Energy Charge	Standby	Expensive Power	Total	Proposed	
LT I - Residential									
<i>Below Poverty Line</i>	<i>Rs. Per Month</i>	3.00	3.00	0.40	0.00	0.00	0.40	0.40	
- S1 (0-100 units)	<i>Rs. Per Month</i>	30.00	36.00	1.50	0.21	0.00	1.71	2.00	18%
- S2 (101-300 units)	<i>Rs. Per Month</i>	50.00	60.00	3.50	0.21	0.00	3.71	4.30	16%
- S3 (301-500 Units)	<i>Rs. Per Month</i>	50.00	60.00	5.20	0.21	0.30	5.71	6.60	16%
- S4 (> 500 Units)	<i>Rs. Per Month</i>	100.00	120.00	6.50	0.21	0.50	7.21	7.80	8%
LT II - Commercial									
<i>Upto 20 kW</i>	<i>Rs. Per Month</i>	150.00	180.00	4.25	0.21	0.50	4.96	6.00	21%
<i>>20kW and <= 50 kW</i>	<i>Rs. Per kVA Per Month</i>	150.00	180.00	5.20	0.21	0.50	5.91	7.00	18%
<i>> 50 kW</i>	<i>Rs. Per kVA Per Month</i>	150.00	180.00	6.20	0.21	0.75	7.16	8.50	19%
LT III - Industrial (Upto 20 kW)	<i>Rs. Per Month</i>	150.00	180.00	4.60	0.21	0.30	5.11	6.10	22%
LT IV - Industrial (> 20 kW)	<i>Rs. Per kVA Per Month</i>	150.00	180.00	3.60	0.21	0.30	4.11	5.00	20%
LT V - Advertisements & Hoardings, including floodlights and neon signs	<i>Rs. Per months</i>	200.00	200.00	13.55	0.27	2.50	16.32	16.32	
LT IX - Crematorium and Burial Grounds	<i>Rs. Per Connection Per Month</i>	200.00	200.00	2.00	0.21	0.30	2.51	2.51	
TOD Tariffs (In addition to above Base Tariffs) - Compulsory for LT II (b) & (c) and LT IV category and optional for LT II A and LT III Category									
<i>0600 hours to 0900 hrs</i>		0.00	0.00				0.00	0.00	
<i>0900 hours to 1200 hrs</i>		0.00	0.00				0.50	0.50	
<i>1200 hours to 1800 hrs</i>		0.00	0.00				0.00	0.00	
<i>1800 hours to 2200 hrs</i>		0.00	0.00				1.00	1.00	
<i>2200 hours to 0600 hrs</i>		0.00	0.00				(0.75)	(0.75)	
HT I - Industrial, Textiles & CPP	<i>Rs. Per kVA Per Month</i>	150.00	180.00	4.35	0.21	0.30	4.86	5.80	20%
HT II - Commercial	<i>Rs. Per kVA Per Month</i>	150.00	180.00	4.95	0.21	0.50	5.66	6.80	21%
HT III - Public & Government	<i>Rs. Per kVA Per Month</i>	150.00	180.00	3.60	0.21	0.30	4.11	5.10	24%
HT IV - Railways									
- 22/33 kV	<i>Rs. Per kVA Per Month</i>	150.00	180.00	3.65	0.21	0.30	4.16	4.90	19%
- 100kV	<i>Rs. Per kVA Per Month</i>	150.00	180.00	3.47	0.21	0.30	3.98	4.70	20%

1.8.4 Revenue at Proposed Tariff

The revenue likely to be collected from the Consumers of Tata Power-D has the following composition under the “Proposed Tariff”.

Table 1-47: Revenue at Proposed Tariff for FY 2009-10

Sr. No.	Particulars	Revenue (Rs. Crores)	Average Realisation (Rs/kWh)
Sales (MU)		2,638	
1	Revenue from Demand Charges	129	0.49
2	Revenue from Energy Charges	1,544	5.85
3	Power Factor Rebate/ Penalty	(56)	(0.21)
4	Revenue from TOD Charges	14	0.05
5	Other Adjustments (Prompt discount)	(16)	(0.06)
Revenue from Sale of Power		1,615	6.12

1.8.5 Impact of Tariff on consumer

At present the consumer of Tata Power–D is levied an average tariff of Rs 5.16 / kWh. In addition the consumer also pays an FAC of Rs 0.48 / kWh. The Hon'ble Commission on 28th November 2008 permitted Tata Power –D to levy an additional charge of Rs 0.27 / kWh for the period November 2008 to March 2009. Hence at present, the total tariff paid by the Consumer on an average works out to Rs. 5.86 /kWh.

The proposed average Tariff is Rs. 6.12 / kWh. Hence the net hike proposed by Tata Power –D over the total present tariff is Rs 0.21 / kWh and about Rs 0.48 /kWh without considering the additional charge of Rs 0.27 /kWh i.e. a hike of 9.5%.

Table 1-48: Comparison of Proposed Tariff with Existing Tariff

Sr. No.	Particulars	Rs./kWh
1	Average Existing Tariff	5.11
2	Existing FAC	0.48
3	Total Average Existing Tariff (1+2)	5.59
4	Additional Charge for unrecovered FAC for Apr 08 to Sept 08	0.27
5	Total Present Tariff (3+4)	5.86
6	Proposed Average Tariff	6.12
7	Rise over Total Average Existing Tariff (6 over 3)	9.5%
8	Rise over Total Present Tariff (6 over 5)	4.5%

1.8.6 Introduction of New Consumer Categories

Subsequent to the issue of the Special Conditions for Tata Power's Distribution license, it is expected that the current categories may not encompass all the purposes of supply. Hence based on the kind of applications received in the past and at present, it is proposed to increase the number of categories of consumers for Tata Power-D. The proposed additional categories are as follows:

Sr. No.	Category	Applicability	Proposed Tariff
1.	Temporary	Applicable to consumers requiring temporary connection as under: a) For public Religious functions b) For construction works, exhibitions, Circus, Film Shooting, Marriage, etc.	Two times the approved average cost of Supply
2.	HT – Group Housing Society	Applicable for HT residential consumption	10% lower than average rate of realisation for the Residential Category (LT - I)
3.	Railways – To include Metro Rail and Monorail	Applicable for Metro Rail and Monorail	At par with Railways Category (HT – IV)
4.	Street Lighting	Applicable for illuminating the Street	At par with that applicable to BEST and Rlnfra

1.8.7 Wheeling Charges and wheeling losses for FY 2009-10

The wheeling charges proposed for Tata Power –D network at Rs. 252 / kW / Month is as worked out below:

Table 1-49: Wheeling Charges - FY 2009-10

Particulars	Units	
Network Costs for FY 2009-10	Rs. Crores	110
Estimated peak for Tata Power -D network (measured at Consumer end)	MW	365
Wheeling Charges	Rs./kW/Month	252

The wheeling losses proposed are at 2.4 % as approved by the Hon'ble Commission in the previous tariff order.