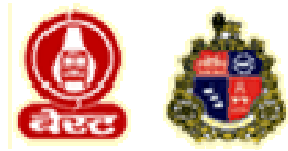


PETITION

for

**TRUE-UP of FY 2008-09, ANNUAL PERFORMANCE
REVIEW for FY 2009-10**

And ARR and TARIFF PROPOSAL for FY 2010-11



**Brihan Mumbai Electric Supply & Transport
Undertaking**

(BEST Undertaking)



Executive Summary

Background

BEST is submitting this Annual Performance Review (APR) Petition for FY 2009-10 and ARR and tariff proposal for FY 2010-11 as per Regulation 17 of MERC (Terms and Conditions of Tariff) Regulations, 2005. BEST is also submitting the Annual Accounts for the period 1st April 2008 to 31st March 2009 audited by the municipal auditors for the purpose of true up of expenses and revenue for FY 2008-09.

Revised Aggregate Revenue Requirement (ARR) of BEST for FY 2009-10 is estimated after considering the actual expenses till September 2009. Based on the estimates of FY 2009-10, ARR of FY 2010-11 has been projected.

Complying with the Tariff Regulations, BEST is submitting the following data for this Annual Performance Review:-

- a. True-up of expenses and revenue for the year FY 2008-09 based on audited accounts.
- b. Comparison of the revenue, expenses and performance of BEST of FY 2008-09 with those approved by the MERC in the APR order dated 15th June 2009.
- c. Based on the revised estimates of FY 2009-10 and other factual considerations, projections for the year FY 2010-11 have been finalized.

True Up for FY 2008-09

Based on the audited accounts of BEST the true up amount for FY 2008-09 is determined as (-)Rs.27.39 crores. BEST expenditure in Power Purchase cost is less than that approved by Hon'ble Commission. True up for FY 2008-09 and the variation in actual expenditure vis-à-vis the approval of the Commission in tariff order is summarized below.



(Amount in Rs. Crore)

Particulars	MERC Approved	BEST Actual	Difference
	(A)	(B)	(C)=(A-B)
Power Purchase Expenses	2327.05	2209.28	117.77
Operation & Maintenance Expenses	242.72	258.77	-16.05
<i>Employee Expenses</i>	142.94	158.65	-15.71
<i>Administration & General Expenses</i>	72.51	74.80	-2.29
<i>Repair & Maintenance Expenses</i>	27.28	25.32	1.96
Depreciation, including advance against depreciation	42.78	43.4	-0.62
Interest on Long-term Loan Capital	14.83	32.44	-17.62
Interest on Working Capital (Normative)	3.94	10.87	-6.93
Interest on Working Capital (Actual)	0	12.36	-12.36
Interest on Consumer security deposits	14.13	12.94	1.19
Bad Debts Written off	0.04	0	0.04
SLDC Charges	0.74	0.74	0
Transmission Charges paid to Transmission Licensee	109.61	106.61	3
Stand-by charges	108.78	114	-5.22
Reduction of cost (DSM)	-3.38	0	-3.38
Contribution to contingency reserves	3.11	6.45	-3.34
Other expenses	0	10.87	-10.87
Incentive on reduction of Distribution loss	0	25.23	-25.23
Total Expenditure	2864.35	2843.98	20.37
Return on Equity	100.53	108.81	-8.28
Return as Interest on Internal Funds	4.91	4.91	0
Gross Revenue Requirement	2969.79	2957.70	12.09
Other Income	-55.53	-70.83	15.3
Net Aggregate Revenue Requirement	2914.26	2886.87	27.39



Particulars	FY 2008-09 (in Rs Crore)		
	MERC Approved	BEST Actual	True -up Amount
	A	B	C=B-A
Net ARR	2914.26	2886.87	-27.39
Revenue from Sale of Power	2832.28	2832.28	0.00
Revenue Gap of FY 2008-09	81.98	54.59	-27.39

Provisional Truing up for FY 2009-10

Provisional truing up requirement for FY 2009-10 has been estimated after considering the actual O&M expenses, Power Purchase, Sales and Capex related expenses till September 2009.

Provisional Truing up requirement for FY 2009-10 and the variation in estimated expenditure and revenue vis-à-vis the approval of the Commission in tariff order is summarized below:

Computation of ARR for FY 2009-10

Rs. crore

Particulars	MERC Approved for FY 2009-10	BEST Projection for FY 2009-10	Difference
	(A)	(B)	(C)=(A-B)
Power Purchase Expenses	1477.56	1784.22	-306.66
Operation & Maintenance Expenses	258.97	279.36	-20.39
<i>Employee Expenses</i>	<i>153.39</i>	<i>170.45</i>	<i>-17.06</i>
<i>Administration & General Expenses</i>	<i>76.89</i>	<i>79.39</i>	<i>-2.5</i>
<i>Repair & Maintenance Expenses</i>	<i>28.69</i>	<i>29.52</i>	<i>-0.83</i>
Depreciation, including advance against depreciation	45.3	46.56	-1.26
Interest on Long-term Loan Capital	19.42	19.17	0.25
Interest on Working Capital (Normative)	8.14	12.97	-4.83
Interest on Working Capital (Additional)	0	8.04	-8.04



Particulars	MERC Approved for FY 2009-10	BEST Projection for FY 2009-10	Difference
	(A)	(B)	(C)=(A-B)
Interest on Consumer security deposits	15.54	12.46	3.08
Bad Debts Written off	0.04	0.15	-0.11
SLDC Charges	0.53	0.53	0
Under Recovery of TPC	0	0	0
Transmission Charges paid to Transmission Licensee	91.38	91.38	0
Stand-by charges	112.13	112.13	0
Contribution to contingency reserves	3.28	7.18	-3.9
Other expenses	0	56.26	-56.26
Incentive on reduction of Distribution loss	0		0
Total Expenditure	2032.29	2430.40	-398.11
Return on Equity	103.41	114.66	-11.25
Return as Interest on Internal Funds	5.21	5.19	0.02
Gross Revenue Requirement	2140.91	2550.25	-409.34
Other Income	-55.53	-71.15	15.62
Net Revenue Requirement	2085.38	2479.10	-393.72

Computation of Revenue Gap for FY 2009-10

Particulars	FY 2009-10 (in Rs Crore)		
	MERC Approved	FY 2009-10 Estimated	True -up Amount
	A	B	C=A-B
Net Revenue Requirement	2085.38	2479.10	-393.72
Revenue-Gap for FY 2007-08	225.79	225.79	0
Revenue - Gap of FY 2008-09	392.22	430.98	-38.76
Net Aggregate Revenue Requirement	2703.39	3135.87	-432.5
Revenue from Sale of Power	2704.99	2699.50	5.49
Add: estimated FAC revenue from consumers		200.87	-200.87
Total estimated revenue of FY 2009-10	2704.99	2900.37	-195.38
Revenue Gap of FY 2009-10	-1.60	235.50	-237.10

Projections for FY 2010-11

Based on the estimates of FY 2009-10 and other factual considerations, revised projections for the year FY 2010-11 has been finalized.

Estimated Revenue Gap in FY 2010-11 is derived from the estimated expenditure and expected revenue based on realistic projections.

Computation of ARR for FY 2010-11

Particulars	BEST Projection for FY 2010-11
	Rs. Crore
Power Purchase Expenses	2014
Operation & Maintenance Expenses	301.11
<i>Employee Expenses</i>	182.84
<i>Administration & General Expenses</i>	84.15
<i>Repair & Maintenance Expenses</i>	34.12
Depreciation, including advance against depreciation	47.25
Interest on Long-term Loan Capital	30.12
Interest on Working Capital (Normative)	5.72
Interest on Working Capital (Additional)	5.73
Interest on Consumer security deposits	15.77
Bad Debts Written off	0.15
SLDC Charges	1.14
Transmission Charges paid to Transmission Licensee	95.9
Stand-by charges	112.13
Contribution to contingency reserves	7.87
Other expenses	57.26
Total Expenditure	2694.13
Return on Equity	121.5
Return as Interest on Internal Funds	5.79
Gross Revenue Requirement	2821.42
Other Income	-71.49
Net Aggregate Revenue Requirement	2749.93



Computation of Stand alone Revenue Gap in FY 2010-11

Particulars	FY 2010-11
	(in Rs Crore)
Net ARR	2749.93
Revenue from Sale of Power	2797.74
Revenue Gap of FY 2010-11	-47.81

Power Purchase

BEST procure power mainly from TPC-G. The revised Power purchase expenses for FY 2009-10 and projection for FY 2010-11 are summarized below:

Summary of Power Purchase Expense

Particulars	BEST Revised Projection for FY 2009-10		Unit Rate Rs./unit	BEST Projection for FY 2010-11		Unit Rate Rs./unit
	MU	Rs. Crore		MU	Rs. Crore	
TPC-G: Thermal including unit 4 and Hydel	4559	1536	3.37	4716	1669	3.54
TPC-G: Unit 8	622	209	3.36	678	239	3.53
Fixed cost of TPC-G		325		0	369	0.00
RPS	195	88	4.52	105	45	4.28
Additional PP	188	103	5.46			
Sales from BEST share	-702	-475	6.76	-453	-268	5.91
Standby charges		112			112	
Less Hydel Rebate		-40			-40	
Sub Total (Power Purchase)	4862	1859	3.82	5046	2126	4.21
Transmission Charges		91			95.9	
SLDC Charges		0.53			1.14	
Payment as per case no. 111 of 2008 (MERC Order dated 28th May,2009)		31				
Credit received from M/s TPC-G		-1.46				
Refund in case no. 26 of 2008(MERC Order dated 2nd Feb,2009)		7.86				
Total	4862	1988	4.09	5046	2223	4.41

Energy Balance

BEST has computed energy balance based on sales forecast, transmission and distribution losses for FY 2008-09, FY 2009-10 and FY 2010-11. BEST has considered normative Intra-State Transmission losses at 4.85% for FY 2009-10 and FY 2010-11. Based on the Distribution loss trajectory as approved by Hon'ble Commission BEST has considered distribution loss of 10% for FY 2009-10. BEST has also considered the distribution loss for FY 2010-11 as 10 % for the purpose of determining energy balance.

The Energy Balance for all three years is tabulated below:

Energy Balance for BEST

Particulars	FY 2008-09 Actual	FY 2009-10 Revised Projection	FY 2010-11 Forecasting
Energy Sale (MU)	4103	4164	4321
Distribution loss (in %)	9.29%	10%	10%
Energy Purchase at T-D interface(MU)	4523	4627	4801
InSTS losses (%)	4.86%	4.85%	4.85%
Energy purchase at G-T interface(MU)	4754	4862	5046

Sales Projection

FY 2009-10

BEST has considered actual sales for H1 of FY 2009-10. For the purpose of estimating the sales projection for H2 of FY 2009-10, BEST has adopted the method which is similar to the one that was adopted in the previous APR petition of FY 2008-09. It has computed



averages of monthly energy input over a horizon of 15-year period vis a vis the total annual power purchase as base. Assuming that the percentage of energy procured during a particular month and the amount of energy sold in that month follow a similar trend, projections for H2 of FY 09-10 has been made.

FY 2010-11

The Growth considered for FY 2010-11 is arrived by taking in to consideration the 5-year CAGR i.e. 3.77%. Total sales projection is shown below

Particulars	Actual	Revised Projection	Projection
	FY 2008-09	FY 2009-10	FY 2010-11
Total BEST Consumer Sales (MUs)	4103	4164	4321

Distribution loss Reduction Incentive Calculation

- ✓ BEST has achieved the Distribution loss level of 9.29% for FY 2008-09 as against the MYT trajectory of 10.5% set by MERC.
- ✓ Lower distribution loss of 9.29% has resulted in reduction of 1.21% than approved which translates to Revenue of Rs 37.84 crore in line with methodology adopted by Hon'ble Commission.
- ✓ Claim of Rs 25.23 Crore (2/3rd of Rs 37.84 Crore) as incentive is considered in true-up of FY 2008-09.
- ✓ Out of this amount Rs 12.61 Crore is to be retained by BEST, and remaining Rs 12.61 Crore needs to be transferred to special reserves.

Summary of Total Revenue Gap for FY 2010-11

Based on true-up requirement of FY 2008-09, provisional true-up of FY 2009-10 and projected gap of FY 2010-11, BEST is in revenue deficit of **Rs. 173.85 crore**.



S.No.	Particulars	Rs Crore	%
1	True Up requirement of FY 2008-09	-27.39	-0.98%
2	Provisional True up of FY 2009-10	237.10	8.47%
3	Revenue Gap of FY 2010-11	-47.81	-1.71%
4	Impact of Review Order in case no. 44 of 2009	11.95	0.43%
5	Total Revenue(+) Gap/ (-) Surplus	173.85	6.21%

Tariff Schedule

The expected revenue for FY 2010-11 has been estimated by applying the existing tariff to the projected sales and consumer related data as per segregation provided by Hon'ble Commission in its previous tariff order dated 15th June 2009. As given in table above, BEST's revenue gap to be recovered from tariff of FY 2010-11 is **Rs. 173.85** crore, which requires an increase of **6.21%** in existing tariff. BEST would like to humbly submit before Hon'ble Commission that BEST has taken following consideration while determining proposed tariff for FY 2010-11

1. No increase proposed for residential categories up to 300 units.
2. No increase in demand charge proposed for any category.
3. For Industrial categories increase in energy charge proposed for high end consumers.
4. BEST has proposed change in tariff, in accordance with the provisions of the EA 2003, Tariff Policy and previous Orders of the Commission.

The proposed tariff schedule along with existing tariff and comparison of the same is given below.

The detailed revenue computation has been given in Form 14 of the APR Formats specified by the Commission.



Comparison of Existing & proposed LT Tariff Schedule

Tariff Category	Slab	Components of tariff		Variable charge (Rs./ kWh)	Components of tariff		Variable charge (Rs./ kWh)	Increase in tariff (%)	
		Single/ Three Phase meter (Rs./ connection / month)	Demand charge (Rs./ kVA/ month)		Single/ Three Phase meter (Rs./ connection / month)	Demand charge (Rs./ kVA/ month)			
		Existing Tariff			Proposed tariff			Demand Charges	Variable Charges
LT category									
BPL	0-30	3		0.4	3		0.4	0%	0%
LT-I	0-100	30		1.8	30		1.8	0%	0%
	101-300	50 & 100		3.7	50 & 100		3.7	0%	0%
	301-500	50 & 100		5.9	50 & 100		6.8	0%	15%
	>500	100		7.9	100		9.2	0%	16%
LT-II A	0-300	200		5.1	200		5.5	0%	8%
	301-500	200		6.8	200		7.15	0%	5%
	501-1000	200		7.9	200		8.5	0%	8%
	>1000	200		8.3	200		9.2	0%	11%
LT-II B	all units		150	8.9		150	9.3	0%	4%
LT-II C	all units		150	9.8		150	10.3	0%	5%
LT-III	0-300	250		4.3	250		4.3	0%	0%
	301-500	300		5.8	300		5.8	0%	0%
	501-1000	350		6.6	350		6.6	0%	0%
	>1000	350		7.5	350		8.35	0%	11%
LT-IV A	all units		150	7.19		150	7.5	0%	4%
LT-IV B	all units		150	7		150	7.25	0%	4%
LT - V	all units	300		12.92	300		14	0%	8%
LT-VI #	all units		150	6.09		150	6.2	0%	2%
LT-VII	all units	150		2.85	150		3	0%	5%



Tariff Category	Slab	Components of tariff		Variable charge (Rs./ kWh)	Components of tariff		Variable charge (Rs./ kWh)	Increase in tariff (%)	
		Single/ Three Phase meter (Rs./ connection / month)	Demand charge (Rs./ kVA/ month)		Single/ Three Phase meter (Rs./ connection / month)	Demand charge (Rs./ kVA/ month)			
		Existing Tariff			Proposed tariff			Demand Charges	Variable Charges
LT category									
(A)									
LT-VII(B)	all units	150		10.59	150		10.59	0%	0%
LT-VIII	all units	100		2.66	100		2.66	0%	0%

Note: Terms and Condition of ToD tariff remains unchanged.

Comparison of Existing & proposed HT Tariff Schedule

Tariff Category	Slab	Components of tariff		Variable charge (Rs./ kWh)	Components of tariff		Variable charge (Rs./ kWh)	Increase in tariff (%)	
		Single phase meter (Rs./ connection / month)	Demand charge (Rs./ kVA/ month)		Single phase meter (Rs./ connection / month)	Demand charge (Rs./ kVA/ month)			
		Existing Tariff			Proposed tariff			Demand Charges	Variable Charges
HT category									
HT-I	all units		200	5.81		200	6.4	0%	10%
HT-II	all units		200	6.36		200	6.36	0%	0%
HT-III	all units		200	3.61		200	4.1	0%	14%
HT-IV	all units		200	9		200	9		0%

Note: Terms and Condition of ToD tariff remains unchanged.



**Cross Subsidy across various Consumer Categories as per the proposed tariff for
FY 2010-11**

Category	Slabs	Projecte d Average Cost of Supply for FY 2010-11 (Rs/kWh)	Average Billing Rate (Rs/Kwh)		Ratio of Average Billing Rate to Projected Average Cost of Supply (%)			% Increase in Averag e Billing Rate
			Existing Tariff	Propo sed Tariff	APR Order for FY 09	Existin g Tariff	Propose d Tariff	
LT Category								
LT-I BPL	0-30	6.88	0.50	0.50	19%	7%	7%	0%
LT-I Residential			4.41	4.79	67%	64%	70%	9%
LT-II A Comml. Up to 20 kW			7.32	7.89	115%	106%	115%	8%
LT-II B comml. > 20 kW and <= 50 kW	all units		9.38	9.78	149%	136%	142%	4%
LT-II C comml. > 50 kW	all units		10.32	10.82	163%	150%	157%	5%
LT-III Indl. Up to 20 kW			6.74	7.01	106%	98%	102%	4%
LT-IV A Indl. > 20 kW and <= 100 kW	all units		7.87	8.18	125%	114%	119%	4%
LT-IV B Indl. > 100 kW	all units		7.47	7.72	118%	109%	112%	3%
LT - V Advt. and Hoarding	all units		13.74	14.82	214%	200%	215%	8%
LT-VI streetlight	all units		6.79	6.90	104%	99%	100%	2%
LT-VII (A) Temp. religious	all units		2.89	3.04	45%	42%	44%	5%
LT-VII(B) Temp. Others	all units		10.62	10.62	168%	154%	154%	0%
LT-VIII Cremation and Burial Grounds	all units		2.67	2.67	42%	39%	39%	0%
HT category								
HT-I Insudtry	all units	6.88	6.31	6.90	101%	92%	100%	9%
HT-II commercial	all units		6.92	6.92	109%	101%	101%	0%
HT-III Group Housing	all units		4.32	4.81	69%	63%	70%	11%



PRAYERS

BEST Undertaking prays to the Honourable Commission to

- a) Approve total recovery of ARR of FY 2010-11 Provisional true-up amount of FY 2009-10, the true-up amount of FY 2008-09 and other claims as proposed by BEST.
- b) Approve proposed category-wise tariff revision for FY 2010-11.
- c) Consider ceiling distribution loss of 10% for FY 2010-11.
- d) Approve the tariff philosophy suggestions requested by BEST.
- e) Any errors/omissions may please be condoned, and opportunity be given to rectify the same
- f) Permit BEST to file additional data/information as may be necessary



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List of Abbreviations

BEST	Brihan Mumbai Electric Supply and Transport Undertaking
A.C.	Alternating Current
A&G	Administrative & General
APDRP	Accelerated Power Development and Reforms Program
ARR	Aggregate Revenue Requirement
ATE	Appellate Tribunal for Electricity
CAGR	Compounded Annual Growth Rate
COS	Cost of Supply
CWIP	Capital Works in Progress
CGRF	Consumer Grievance Redressal Forum
CPI	Consumer Price Index
DSM	Demand Side Management
DSS	Distribution Sub-Station
DG	Diesel Generators
DPDC	District Planning and Development Council
DPR	Detailed Project Report
EA 2003	The Electricity Act, 2003
EPA	Energy Purchase Agreement
FY	Financial Year
FBSM	Final Balancing Settlement Mechanism
FAC	Fuel Adjustment Cost
H1	First half of the financial year
H2	Second half of the financial year
HT	High Tension
IT	Information Technology
IBSM	Interim Balancing Settlement Mechanism
IDC	Interest During Construction
KV	Kilovolt
KWh	Kilowatt Hr
KW	Kilowatt
KVA	Kilo Volt Ampere
LT	Low Tension
LoI	Letter of Intent
MCGM	Municipal Corporation of Greater Mumbai
MYT	Multi Year Tariff
MD	Maximum Demand
MERC	Maharashtra Electricity Regulatory Commission
MOP	Ministry of Power
MMRDA	Mumbai Metropolitan Region Development Authority
M Tax	Maharashtra Tax
MSETCL	Maharashtra State Electricity Transmission Co. Ltd.
MSEDCL	Maharashtra State Electricity Distribution Co. Ltd.
MU	Million Units
O&M	Operation and Maintenance
PF	Power Factor
PRC	Pay Revision Committee



RE	Revised Estimates
R&M	Repair and Maintenance
T&D	Transmission and Distribution
TOD	Time of Day
TPC- G	Tata Power Company limited (Generation)
Unit	1kilo-watt-hour of energy
VRS	Voluntary Retirement Scheme
YOY	Year on Year
WPI	Wholesale Price Index



1 Background

1.1 Overview of Brihan Mumbai Electric Supply & Transport Undertaking (BEST)

The erstwhile Bombay Electric Supply & Tramways Company (BEST) started supplying electricity to the Bombay city in 1905. Until 1926, the BEST had been generating its own electricity for distribution to its consumers. Later, the BEST started purchasing electricity from M/s Tata Electric Company.

In 1947, the Company was municipalised and came to be known as Bombay Electric Supply & Transport Undertaking ('BEST Undertaking' or 'Undertaking'). The Undertaking is now well known in India for providing best cost effective electricity with minimum interruptions and at proper voltage. It is also known for the quick restoration of supply in the event of any faults developing in the distribution system. In the sixty two years with a municipal status, the number of substations has increased from 247 to 2068; the length of underground cables from 1,263 kilometres to 9,635 kilometres; the number of consumers from 1.08 lakhs to 9.80 lakhs. The number of street lamps maintained for Municipal Corporation of Greater Mumbai (MCGM) has increased from 2,215 to 40,454 during this period.

Mumbai city is considered as the financial capital of the country and the license area of BEST Undertaking includes the financial district of Mumbai. For effective working of the financial hub, BEST Undertaking as the distribution licensee has the challenging task of providing high quality and reliable power to all its consumers.

BEST Undertaking adheres to high standards of maintenance of its equipments in the system, in order to provide efficient services to its consumers. The high standard of maintenance carried out is clear from the Table 1 on the next page which shows the % failure rate of Distribution transformer during last three years.

Table 1 Distribution Transformer Failure Rate for last three years

Particulars	No. of Transformers	No. of Transformers failed	% Failure
FY 2007-08	2776	30	1.08%
FY 2008-09	2827	25	0.88%
FY 2009-10 (till Oct 09)	2853	22	0.77%

BEST maintains the efficient and high standard in the upkeep of the distribution network. BEST also maintains high standard in operation and services. Its reliability of supply is among the best in the country.

The Table 2 (Table showing reliability indices of FY 2008-09) below depicts the reliability indices for FY 2008-09 of BEST. These indices clearly indicate that BEST has been able to maintain its network at a high level of performance despite the unique challenges of supplying power through completely underground cable network in the congested city like Mumbai where footpaths are dug up frequently by various utilities resulting in damages to underground cable and getting permission for excavation is big hurdle in repairing the underground cables.

Table 2 Table showing reliability indices of FY 2008-09

Month	FY 2008-09		
	SAIDI (in min.) ¹	SAIFI ²	CAIDI (in min.) ³
April - 08	12.82	0.42	30.45
May - 08	10.95	0.36	30.1
June - 08	21.36	0.46	46.45
July - 08	18.48	0.42	44.45
August -08	15.44	0.37	41.36



Month	FY 2008-09		
	SAIDI (in min.) ¹	SAIFI ²	CAIDI (in min.) ³
September - 08	11.64	0.26	45.59
October-08	14.56	0.42	34.7
November - 08	9.41	0.23	41.74
December-08	8.52	0.24	35.31
January - 09	9.11	0.27	33.85
February - 09	6.91	0.24	28.49
Mar-09	10.42	0.36	29.25
YTD for FY 2008-09	149.62	4.05	36.94

1 SAIDI stands for System Average Interruption Duration Index

2 SAIFI stands for System Average Interruption Frequency Index

3 CAIDI stands for Customer Average Interruption Duration Index

BEST has made sustained efforts for improving its distribution system and facilities for giving better service to its consumers. For maintaining redundancy in the system to provide an efficient and reliable service to its consumers and to meet the increasing load requirements in its area, BEST has commissioned a 110kV receiving substation, 2 nos. of 33kV receiving substations and 51 nos. of 11kV distribution substations from April 2008 to October 2009. Commissioning of these substations has added 200 MVA additional capacity at its 110kV substations, 84 MVA capacities at its 33 kV substations and 88 MVA capacity at its 11kV substations. For strengthening its cable network BEST has laid 22 Kms of 33 kV cables, 42 Kms of 11kV cables and 270 Kms of LT cables in its area of supply during FY 2008-09.

During the FY 2008-09, BEST has added four more bill collection counters (at Pathakwadi, Chandan wadi, Walkeshwar and Backbay). In addition to the above, one service provider has also been added during the year for collection of electricity bill amount.

With the development of Mill lands where high end housing societies and posh malls are being developed, BEST is now receiving number of requests for concentrated loads for



such plots. Considering the load density of the plots, it has become necessary to upgrade both, the transforming voltages and capacities of distribution transformers. Accordingly BEST proposes to commission 33/0.415 kV transformer of 3.2 MVA capacity near such load centre on trial basis and after monitoring the performance of the same BEST will be commissioning more numbers of such substations. Introduction of 33/0.415 kV transformer will avoid the double transformation i.e. 33/11 kV and 11 kV/415 V by which the space requirement will be reduced drastically, eliminate the 11 kV network and minimize the length of LV (415 V) cable to help to control the distribution losses. Besides this, it would also reduce the number of substations for meeting the load requirements.

BEST is also making all round efforts to reduce the loss in the transformers. As part of this effort BEST is procuring distribution transformer with amorphous cores where the no load loss is about 50% that of conventional CRGO core transformers.

For installation of conventional substations to meet the additional load on account of new developments in the present system, BEST encounters problems in acquiring space for distribution substations (DSS). Further, commissioning of conventional DSS equipments takes comparatively more time than package sub stations due to various jobs involved in commissioning of conventional sub stations such as interconnection between transformer and switch gear, interconnection between HV switch gears etc. BEST has therefore procured 4 package type compact DSS on trial basis. Introduction of such package type DSS enables to commission distribution substations with minimum space and reduces the time of commissioning of DSS, so that supply to the new consumers can be released at the earliest.

BEST has also procured 10 DG sets of various ratings to restore the supply to our esteemed customers in case of any major break down at BEST distribution substations.

For procuring sufficient power to meet the present and future requirements, BEST has initiated the process for procuring 400 MW of power through bid process, for which it had published an advertisement in leading newspapers. Arising out of BEST's



discussion with M/s. Tata Power Co. (TPC-G) for getting additional power from its existing stations, M/s TPC vide their letter dated 09/11/2009 offered additional 100 MW from existing facilities from April 1, 2010 onwards at the same terms and conditions as per existing PPA and rates to be determined by the Commission the same is annexed as Appendix no. 11. BEST is exploring the possibility of procuring power for its long term purpose through joint efforts with M/s MSEDCL who has already initiated a tariff based competitive bidding process for procurement of power under the guidelines issued by Ministry of Power (Govt. of India). M/s MSEDCL has consented to BEST's request. Further to this development, BEST's long-term power procurement through competitive bidding process has been kept in abeyance.

As a part of its efforts to fulfil the renewable power obligation, BEST has entered into Energy Purchase Agreement (EPA) as per terms and condition prescribed by MERC with M/s. Spark Green Energy, to procure energy from their 2 units of 25 MW each plant which is based on biomass to be established at Ahmednagar and Satara.

BEST initiated implementation of Information Technology (IT) in its operational activities vis-a-vis connection management, billing, revenue management, customer relationship management (CRM), Meter management, Assets management, network management, consumer indexing, load forecasting, load flow analysis (ETAP Software), etc. and these projects are in their advance stage of implementation and are expected to be completed in this financial year. For lodging supply interruption complaints, BEST is establishing an Interactive Voice Response System (IVRS) based call management centre, which also is expected to be commissioned in this financial year.

BEST had taken up a project of digitization of its underground cable records. The cable records were maintained in cadastral survey sheets (in physical form) and these maps about 800 in numbers were constantly being updated by a team of about 100 draughtsmen. The cadastral survey sheets contain all the information regarding BEST cables (both HV & LV), Distribution Pillars, Substations and Receiving Substations. The maps also contain land-base of Mumbai. The maps being on plastic sheets, used to get deteriorated and did not have provision for enlargement and showing details. The

updating / recovery of data from these plans were laborious as we had to carry out correction manually and take prints of the relevant portion of a particular drawing of our interest for carrying out day to day activities. The digitization project taken up by BEST is for overcoming the difficulties faced by converting these entire manual drawing into a seamless digitized map incorporating all the information presently available in the map and also to provide instant access to other information such as the details of the cable, its laying date, the details of the substation etc. The project is now almost completed and maps are now available in computer terminals and the updating/recovery etc. has become fast. The work remaining is only correction of the data of some of the digitized maps.

BEST adopted stringent measures for detecting theft of electricity, pilferage, etc. The efforts being taken has helped to bring down the distribution loss besides increasing amount recovered each year by the Vigilance department. The table 3 given below shows the details of vigilance cases detected and amount recovered (Rs. Lakhs) during last three years.

Table 3 Table showing details of vigilance cases

S. No.	Financial Year	No. of cases detected	Amount recovered (Rs. Lakhs)
1	FY2006-07	658	967.56
2.	FY 2007-08	1359	1761.60
3.	FY 2008-09	1173	2002.83
4.	FY 2009-10 (up to Oct -09)	834	1460.54

For redressal of consumer grievances a Consumer Grievance Redressal Forum (CGRF) is working in the BEST Undertaking from June, 2004 onwards. In order to give easier and quick response to consumer grievances through CGRF, Its approachability has been enhanced with hosting of a dedicated website (www.cgrfbest.org.in), where complaints can be registered online. This dedicated website was inaugurated for public use on 14th August, 2009.

1.2 Special Status of BEST Undertaking

BEST is an Undertaking of BhrianMumbai MahanagarPalika and is in the business of providing electricity in the old city limits and public transport (Bus transport) covering the entire city and suburbs and some areas of the Mumbai Metropolitan region. BEST is recognised as a 'Local Authority' under the Electricity Act 2003. Historically there was common administration set up for both the business activities. Before the enactment of Electricity Act 2003, the Electricity Supply Act 1948 was in existence and as per the Sixth schedule of the said Act, BEST Undertaking was required to file a return. It is mentioned in the schedule that the Reasonable Return should not exceed beyond 15%. Further if the clear profit of the licensee in any year of account is in excess of the amount of Reasonable return, 1/3rd of such excess (not exceeding 5%) of the amount of Reasonable return shall be at the disposal of the Undertaking. If it is still in excess then one-half is required to be appropriated to a reserve and remaining half shall either be distributed in the form of proportional rebate on the amounts collected from the sale of electricity and meter rentals or carried forward in the accounts of the licensee for distribution to the consumers in future, in such manner as the State Government may direct. However, being a 'Local Authority' and with an objective of providing better and essential services to the citizen of Mumbai for Electric Supply & Transport as a social obligation whatever surplus earned under the Electric Supply Division was subsidising the transport business of the Undertaking. Since last few years, there have been revenue gaps in the electric supply business as per APR's approved by the Commission and therefore electric supply branch has not been subsidising transport business of the Undertaking during this period.

1.3 Filings based on Multi Year Tariff (MYT) Principles

Section 61 of the Electricity Act, 2003 empowers the State Commission to specify the terms and conditions for the determination of tariff and specifies that in doing so, the Commission shall inter alia be guided by Multi-Year Tariff principles. In exercise of powers conferred under clause (zd), (ze) and (zf) of Section 181 (2) read with Sections 61 and 62 of the Electricity Act 2003 (36 of 2003) and all other enabling powers in that

behalf, the Maharashtra Electricity Regulatory Commission has notified the MERC (Terms and Conditions of Tariff) Regulation, 2005 (“Regulation”).

The Regulation applies to all the Distribution Licensees in the State. The Regulation also provides procedure for filing under Multi-year Tariff principles. The MYT period is defined as the Control Period. The Hon’ble Commission in its order dated 20th December, 2005 has defined first Control Period as three year period starting FY 2007-08 and continuing till the end of FY 2009-10. In addition the Hon’ble Commission vide its e-mail dated Dec 3, 2009 has directed to all utilities to file tariff proposals/petition for FY 2010-11, also Hon’ble Commission has postponed 2nd MYT Control period by one year. The Regulation have laid out the principles of Annual Performance Review (APR) for each year of the control period and the tariff proposal for the subsequent year.

The current filing follows the principles laid down under this Regulation for truing-up of FY 2008-09, annual performance review of FY 2009-10 and tariff proposal for FY 2010-11. Some of the key features of the Regulation are:

- Filing details of a Resource Plan (to be adopted in the Multi-year and Annual filings as part of performance review for each of the years of the Control Period) specifying the following:
 - Review of Sales Forecast and Load Forecast;
 - Power Procurement Plan; and
 - Capital Investment Plan for ensuing year of the control period
- Estimation of Operation and Maintenance expenses (comprising of Employee expenses, Administration & General expenses and Repair & Maintenance expenses) for the control period
- The Distribution licensee shall be subject to an Annual Performance Review (APR) during the control period
- The Regulation also specifies the “controllable” and “uncontrollable” elements, and the treatment to be offered when truing of ARR takes place



1.4 Filing Contents

The filing is structured in the following way:

Chapter 1: Background

Chapter 2: Truing-up for FY 2008-09

Chapter 3: Sales Forecast for FY 2009-10 and FY 2010-11

Chapter 4: Power Purchase Projection for FY 2009-10 and FY 2010-11

Chapter 5: Fixed Cost Projection for FY 2009-10 and FY 2010-11

Chapter 6: Revenue Gap Computation at existing tariff

Chapter 7: Tariff Philosophy and Tariff Proposal for FY 2010-11

1.5 Introduction

BEST is submitting this Annual Performance Review Petition for FY 2009-10, the third year of the first Control Period of FY 2007-08 to FY 2009-10, based on the **Audited Accounts of FY 2008-09**, actual O&M expenses till September 2009 and Power Purchase, Sales and Capital Expenditure till September 2009. In this petition BEST is also submitting revised projections for the FY 2010-11.

BEST submitted its petition for Annual Performance Review for FY 2008-09 according to the provisions of the MERC (Terms and Conditions of Tariff) Regulations, 2005 and Honourable Commission approved detailed ARR and issued Tariff Order for BEST. While approving the ARR and issuing the tariff order the Honourable Commission has undertaken truing up for FY 2007-08 as per audited accounts and also made a provisional truing up for FY 2008-09 considering the revised estimates for FY 2008-09. Therefore, BEST's submission in this petition for truing-up of FY 2008-09 has been based on the provisional truing-up approved by the Commission.

1.6 Provisions of Law

1.6.1 Annual Performance Review

BEST hereby submits its petition for Annual Performance Review of FY 2009-10 as per clause 17.1 and 17.3 of the tariff regulations, which are reproduced below:

Regulation 17.1

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

Regulation 17.3

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

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

1.6.2 Specific trajectory for certain variables

Clause 16 of the Tariff Regulations states that the “. Commission may stipulate a trajectory, which may cover one or more control periods, for certain variables...” It further states that “...Provided that the variables for which a trajectory may be stipulated include, but are not limited to, generating station availability, station heat rate, transmission losses, distribution losses and collection efficiency”

1.6.3 Controllable and Un-controllable factors

Clause 17.6 of the Tariff Regulations details the controllable and un-controllable factors. The uncontrollable factors as listed in the Tariff Regulations are as follows:

- a) Force Majeure Events;*
- b) changes in law, judicial pronouncements and Orders of the Central Government, State Government or Commission;*
- c) economy-wide influences, such as unforeseen changes in inflation rate, market-interest rates, taxes and statutory levies.*

Similarly the Controllable factors as listed in the regulations are as follows:

- a) Variations in capital expenditure on account of time and/ or cost overruns / efficiencies in the implementation of a capital expenditure project not attributable to an approved change in scope of such project, change in statutory levies or force majeure events;*
- b) Variations in technical and commercial losses, including bad debts;*



-
- c) *Variations in the number or mix of consumers or quantities of electricity supplied to consumers as specified in the first and second proviso to clause of Regulation 17.6.1;*
 - d) *Variations in working capital requirements;*
 - e) *Failure to meet the standards specified in the Standards of Performance Regulations, except where exempted in accordance with those Regulations;*
 - f) *Variations in labour productivity;*
 - g) *Variations in any variable other than those stipulated by the Commission under Regulation 15.6 above, except where reviewed by the Commission under the second proviso to this Regulation 17.6.*

Section 61 & Section 62(d) of Electricity Act 2003 empowers the Hon'ble Commission to determine tariff for retail sale of electricity for BEST.

BEST is presently submitting this petition according to the aforementioned provisions of the MERC (Terms and conditions of Tariff Regulations), 2005 and on the basis of actual performance of FY 2008-09 and H1 of FY 2009-10.

2 Truing up for FY 2008-09

2.1 Summary

The accounts of BEST for the period 1st April 2008 to 31st March 2009 have been approved by the BEST Committee and audited by the Municipal Auditors/External Auditors vide report dated 27th November, 2009. The Audited account of BEST is attached along with petition as Appendix no. 1&2

BEST proposes true-up of its expenses and revenues based on the accounts audited by the Municipal auditors.

The variation in actual expenses for FY 2008-09 based on Audited Accounts with respect to expenses approved by the Hon'ble Commission in the Order dated 15th June 2009 on APR of FY 2008-09 is detailed out in subsequent sections. Summary of truing up requirement is shown in Table-4 below.

Table 4: Summary of Truing Up For FY 2008-09

(Amount in Rs. Crore)

Particulars	MERC Approved	BEST Actual	Difference
	(A)	(B)	(C)=(A-B)
Power Purchase Expenses	2327.05	2209.28	117.77
Operation & Maintenance Expenses	242.72	258.77	-16.12
<i>Employee Expenses</i>	142.94	158.65	-15.71
<i>Administration & General Expenses</i>	72.51	74.80	-2.29
<i>Repair & Maintenance Expenses</i>	27.28	25.32	1.96
Depreciation, including advance against depreciation	42.78	43.4	-0.62
Interest on Long-term Loan Capital	14.83	32.44	-17.62



Particulars	MERC Approved	BEST Actual	Difference
	(A)	(B)	(C)=(A-B)
Interest on Working Capital (Normative)	3.94	10.87	-6.93
Interest on Working Capital (Actual)	0	12.36	-12.36
Interest on Consumer security deposits	14.13	12.94	1.19
Bad Debts Written off	0.04	0	0.04
SLDC Charges	0.74	0.74	0
Under Recovery of TPC	0	0	0
Transmission Charges paid to Transmission Licensee	109.61	106.61	3
Stand-by charges	108.78	114	-5.22
Reduction of cost (DSM)	-3.38	0	-3.38
Contribution to contingency reserves	3.11	6.45	-3.34
Other expenses	0	10.87	-10.87
Incentive on reduction of Distribution loss	0	25.23	-25.23
Total Expenditure	2864.35	2843.98	20.37
Return on Equity	100.53	108.81	-8.28
Return as Interest on Internal Funds	4.91	4.91	0
Gross Revenue Requirement	2969.79	2957.70	12.09
Other Income	-55.53	-70.83	15.3
Net Aggregate Revenue Requirement	2914.26	2886.87	27.39

Particulars	FY 2008-09 (in Rs Crore)		
	MERC Approved	BEST Actual	True -up Amount
	A	B	C=B-A
Net ARR	2914.26	2886.87	-27.39
Revenue from Sale of Power	2832.28	2832.28	0.00
Revenue Gap of FY 2008-09	81.98	54.59	-27.39



Hence, BEST requests the Hon'ble Commission to approve true-up of the reduction in Revenue Gap by Rs **27.39 Crore** for FY 2008-09.

It may be noticed that total amount carry forward for FY 2009-10 and FY 2010-11 after truing up of FY 2008-09 is Rs. 403.59 crore (= 54.59+72.62+276.38) and the details are as shown below:

1. Gap carried forward from FY 2008-09 stand alone ARR is Rs. 54.59 crore.
2. Amount pertaining to FY 2004-05 and FY 2005-06 (RoE) is Rs. 72.62 crore.
3. True-up for FY 2006-07 of Rs. 276.38 crore.

2.2 Truing-up Details

The paragraphs below explain the variations under different expenses heads.

2.2.1 Demand Assessment

In BEST's supply area, Residential and Commercial are the prominent categories in the consumer mix. In FY 2008-09, Residential category accounted for 43.34% and Commercial category 46.96% of the total energy sold while Industrial consumers accounting for 8.40% of the total energy sold.

The charts below graphically represent the sales mix for FY 2008-09(actual):

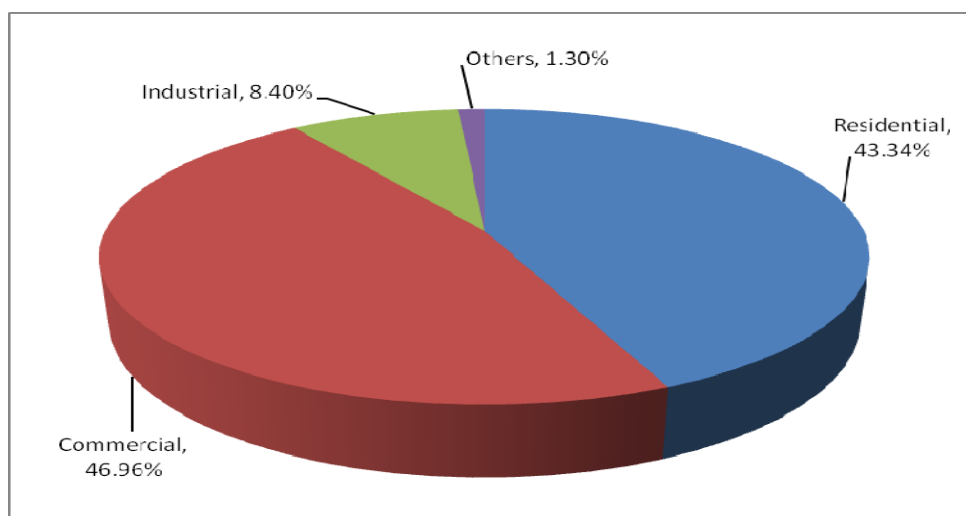


Figure 1: Consumer mix for FY 2008-09

BEST had submitted the APR and tariff petition for F.Y. 2008-09 wherein it has forecasted energy sales of 4086 MU and the Commission in the order approved 4103 MU

for FY 2008-09. The actual consumption has been recorded at 4103.15 MU as indicated in Table-5 below.

Table 5: Tariff Category wise energy consumption for FY 2008-09

Consumer Category	Energy consumption (in MUs)
BPL	0.04
LT-1	1732.79
LT-2	1608.30
LT-3	3.03
LT-4	73.04
LT-5	95.75
LT-6	29.44
LT-7	1.08
LT-8	22.63
LT-9	0.09
Total LT Category	3566.18
HT-1	175.99
HT-2	321.44
HT-3	39.55
Total HT-Category	536.97
Total HT+LT	4103.15

Sales of FY 2008-09 as compared to Sales of FY 2007-08 is showing a growth of **4.14%**.

2.2.2 Power Purchase expense for FY 2008-09

BEST has considered all sources of power purchase, while determining the trueing up requirement for FY 2008-09. BEST's power purchase expense has been considered source-wise as per Audited Accounts for FY 2008-09. Summary of Power Purchase expenses for FY 2008-09 are shown in Table 6 below:

Table 6: Summary of Power Purchase Expenses for FY 2008-09

Particulars	2 nd APR Petition		Provisional True-up (approved)		FY 2008-09 Actual	
	Quantum	Total Cost	Quantum	Total Cost	Quantum	Total Cost
	MU	Rs Crore	MU	Rs Crore	MU	Rs Crore
TPG-G (Unit 5 to Unit-7)	4655.67	2228.64	4655.67	2273.48	4399.3	1944.39
Hydel						
Unit-4					356.38	314.26
Unit-8					17.77	4.24
TPC - G sale (includes Banking)					-151.69	-60.23
Hydro incentive						5.04
Thermal incentive						12.22
Sub-total of PP from TPC-G	4655.67	2228.64	4655.67	2273.48	4621.76	2219.92
Additional (PP) / Sale						
<i>Bilateral Purchase</i>					462.75	394.84
<i>Pool imbalance units</i>					-373.75	-327.49
Net Additional (PP) / Sale	82.54	67.06	82.54	67.06	89	67.35
RPS	59.29	31.25	59.29	31.25	43.58	19.88
(less) Rebate - Hydel excess recovery		-44.84		-44.84		-44.85
IBSM/FBSM Settlement						-14.26
(less) Reduction of cost of DSM				-3.38		
(less) Surplus amount refunded by TPC-G as per MERC order						-38.76
Total Power Purchase (excluding Transmission, SLDC, Standby charges)	4797.5	2282.11	4797.5	2323.57	4754.34	2209.28
Stand-by charges paid to MSEDCL		108.78		108.78		114
Transmission charges paid to MSETCL		109.61		109.61		106.61
SLDC charges		0.74		0.74		0.74
Total Power Purchase	4798	2546.18	4797.5	2542.7	4754.34	2430.63

It may be observed that BEST power purchase cost in actual is less than Rs. 2323.57 crore approved by the Commission, and is only to Rs. 2209.28 crore (-Rs.117.67 crore). The

reduction in power purchase cost is because of firm power available from M/s TPC-G as per PPA signed between BEST and TPC-G and approved by Hon'ble Commission on November 6, 2007. During FY 2008-09 BEST power purchase requirement has reduced due to significant reduction in distribution loss as a result of Undertaking's concerted effort like increased vigilance activity, capital expenditure for strengthening the network, installation of new meters and taking various measures for energy auditing etc. to reduce the loss. The losses were reduced well below the trajectory prescribed by the Commission.

2.2.2.1 DSM EXPENSES

The Hon'ble Commission has approved Rs. 3.38 crores towards reduction of cost in the approved power purchase cost for FY 2008-09 through implementation of Demand Side Management (DSM) activities. BEST has made a beginning in the area of Energy Efficient lighting, water pumping, Street lighting, Combined Heat and Power (CHP) cycle generators etc. for developing DSM programmes Considering pre-requisites for DSM programme as mentioned above, it is felt that, it is too early to assign huge targets for reduction in costly power purchase through DSM. Details of DSM activities carried out during the year 2008-09 are placed at Appendix no. 12. Moreover we would like to bring the following facts to kind notice of Hon'ble the Commission.

1. The Commission has come-up with a draft discussion paper on regulatory framework for DSM only in May, 2009. As per the draft regulatory framework proposed by the Commission for DSM "*in maharashtra the DSM and DR (Demand Resources) potential determination studies are yet to be decided and there are limitation on data available for carrying out basic resources planning exercise. It is however envisaged that over next two three years regulation in the state will have necessary DSM/DR potential data as they would have conducted the required studies and exercises. Since no potential studies have been conducted yet it is not possible to specify any specific number as target for yearly cumulative savings at this juncture*

6.1. Existing Practice for capturing demand side resource

Hitherto, the choice of DSM programmes has been mostly ad-hoc and DSM programmes that are perceived as providing "quick-win" gains in terms of

*savings are being proposed or have been taken up for implementation. **The important point to note here is that, presently, there are no yearly targets that are being specified and no long-term budget commitments are being accorded for DSM activities.***

2. The Commission has brought up the draft guidelines for cost effective assessment of Demand Side Management measures and programmes in January, 2009 only and is yet to come out with the regulation in this regard.
3. BEST would like to bring to the notice of Hon'ble Commission that in terms of KWh requirement even though there is increase in last two years on YoY basis the Demand in KW in FY 2009-10 is less than that of FY 2007-08. To a great extent, this is due to Public awareness measures adopted by BEST such as conducting Street Plays, energy conservation week, essay competition of school children and putting advertisement etc.

In view of the facts stated above BEST request the Hon'ble Commission not to deduct the amount of Rs. 3.38 crores due to DSM activities from the power purchase expense of FY 2008-09.

Table 7: Summary of DSM Expenses for FY 2008-09

Sr. No	Particulars	MERC Approved (A)	FY2008-09 Actual (Audited) (B)	True-up Amount (B-A)
1	Reduction of Cost through DSM activities	(3.38)	0.00	(3.38)

2.2.2.2 DISTRIBUTION LOSS FOR FY 2008-09

The approved power purchase units for the FY 2008-09 are 4797.50 MUs as submitted by BEST in its APR petition. As compared to this the actual units purchased during the year is 4754.30 MUs.



Table 8: Comparison of Power purchase Units (Approved vs Actual) for FY 2008-09

Particulars	Approved after provisional Truing up	Actual for FY 2008-09
Sales (MU)	4103	4103.15
Energy Requirement at T - D interface (MU)		4523.28
Energy loss (MU)		420.13
Distribution loss (in %)	10.5%	9.29%
Transmission Losses (%)	4.85%	4.86%
Total Energy Purchased (MU)	4797.50	4754.30

2.2.3 Operation and Maintenance Expenses

2.2.3.1 EMPLOYEE EXPENSES

Employee Expense approved by the Hon'ble Commission and actual expense of BEST Undertaking as per audited accounts is shown below.

(Amount in Rs. Crore)

Table 9: Employee expenses for FY 2008-09

	2 nd APR petition	MERC Approved	Actual (Audited)
Gross Employee Expense	162.43	142.94	166.45
(less) establishment of CAS, T&E and St. Ltg. Dept.	7.37		7.80
Net Employee Expenses	155.06	142.94	158.65

The detail of head-wise expenses is as given below:

(Amount in Rs. Crore)

Particulars	APR Order	APR submission	Audited / Actual	Difference = (actual - APR)
Salary		37.42	45.02	+ 7.60
Dearness Allowance (DA)		31.66	33.22	+ 1.56
House Rent Allowance		9.04	9.03	- 0.01
Medical Allowance		0.34	0.35	+ 0.01
Travel Allowance		1.30	1.43	+ 0.13
Accumulated Leave Encashment		2.20	3.58	+ 1.38
Gratuity Allowance		3.14	3.28	+ 0.14
Retirement Payment		4.36	5.29	+ 0.93



Particulars	APR Order	APR submission	Audited / Actual	Difference = (actual - APR)
Ex-Gratia Payments		6.73	6.84	+ 0.11
Gratuity / Relief / Wage Settlement		6.16	0.40	- 5.76
DA for next Agreement Period (2006-11)		33.68	31.66	- 2.02
Expenses/Retrenchment Compensation		0.08	0.20	+ 0.12
Medical Benefit		5.82	4.79	- 1.03
Pension Fund Contribution		13.84	13.87	+ 0.03
Gratuity Payment		5.00	5.85	+ 0.85
Bus token / passes		1.66	1.64	- 0.02
Employee Expenses		162.43	166.45	+ 4.02
Expenses Capitalised				
Establishment of CAS, T&E & ST.LTG. Dept.		7.37	7.80	+ 0.43
Employee Expenses	142.94	155.06	158.65	+ 3.58

Details of head-wise expense under employee expenses have been furnished in Form 3.1 of APR formats. The increase in Employee expense is due to the following:

- In case of Basic Salary at the time of APR submission for FY 2008-09, BEST miscalculated the basic salary expense, hence under estimated the expenses on Basic Salary, as such the actual cost under this item is found increased.
- In case of Leave encashment & DA it has increased due to the payment of difference in Leave encashment for the last agreement period to the staff members
- A comparison of the change in Employee expenses between FY 07-08 at Rs. 150.35 crores, and the actual cost of Rs. 158.65 crores for FY 08-09 has shown an increase of only 5.52%. As per the Hon'ble Commission's order dated 15.6.2009, increase on account of inflation is allowed 7.31%, if the expense is escalated by 7.31% on the actual employee expenses of FY 2007-08 then the employee expense rise to Rs. 161.34 crore, whereas, BEST has incurred an actual of Rs. 158.65 crore. However, if the actual cost of employees is compared with approved cost, it has increased by 10.99%.



The Hon'ble Commission in the Order on ARR for FY 2006-07 had approved PRC impact of Rs. 79.30 crore. As per the order of MERC, this expenditure shall be claimable by BEST based on the actual payment in the respective financial year. Details of the same are given below:

Particulars	Amount (in Rs. crore)
Interim Relief paid prior to 2004-05	27.09
Interim Relief paid in 2004-05	9.17
Interim Relief paid in 2005-06	9.17
Interim Relief paid in 2006-07	15.89
Paid in 2007-08 to Ex-employees	5.05
Paid in 2008-09 to Ex-employees	0.40
Balance to be paid in future	12.53
Total	79.30

Regarding the balance amount of Rs. 12.53 crores to be paid, BEST informs the Hon'ble Commission that this balance payment pertaining to the ex-employees shall be claimed as and when it is paid to these employees.

BEST requests the Hon'ble Commission to true-up the employee expense for FY 08-09 as per actual.

2.2.3.2 A&G EXPENSES

A&G Expense approved by the Hon'ble Commission and actual expense incurred by BEST as per audited accounts is shown in table 10 below.

(Amount in Rs. Crore)

Table 10: Administrative and General expenses for FY 2008-09



Particular	2 nd APR submission	MERC Approval	Actual (Audited)
Gross A&G Expense	83.53	72.51	74.80
Net A&G Expense	83.53	72.51	74.80

The detail of head-wise expenses is as given below:

(Amount in Rs. Crore)

Particulars	APR Order	APR petition	Audited / Actual	Difference = (actual - APR petition)
Rent Rates & Taxes		4.35	3.05	-1.30
Insurance		0.09	0.14	+ 0.05
Telephone & Postage, etc.		2.60	2.23	- 0.37
Legal charges & Audit fee		0.50	1.30	+ 0.80
Professional, Consultancy, Technical fee		1.80	0.79	- 1.01
Electricity charges		4.65	5.24	+ 0.59
Security arrangements		5.43	5.70	+ 0.27
Printing & Stationery		3.82	2.42	- 1.40
Advertisements		0.46	0.68	+ 0.22
License Fee and other related fee		1.41	1.27	- 0.14
Vehicle Running Expenses		0.31	0.22	-0.09
Bank Charges		0.08	0.64	+ 0.56
Contingency Reserve Fund		6.26	0.00	(-) 6.26
Property Insurance Fund		6.26	5.66	- 0.60
Other cost		9.99	10.26	.27
Share of General Administration Expenses		35.52	35.20	- 0.32
Gross A&G Expenses	72.51	83.53	74.80	-8.73

Details of head-wise expense under A&G expenses have been furnished in Form 3.2 of APR formats.

There has been a marginal decrease in A&G expenses compared to BEST estimates in APR Petition of FY 2008-09 as shown in the above referred table mainly because of consideration of Prompt payment discount / rebate on advance payment under a separate main head in the ARR table as “Other expense”. The details of other expense are shown separately in Form 9 of APR format. BEST has considered this appropriation based on methodology adopted by Commission for Non-tariff income. At the same time “Other expense” i.e. prompt payment discount / rebate on advance payment/Power Factor Incentive are also based on rates determined by the Hon’ble Commission. As the quantum of the cases calling for such receipts and rebates are beyond the control of Undertaking and arrived at as per the Commission’s tariff order, it is suggested that this expenses incurred from heads other than sale of energy (based on Commission’s tariff order) should be put in separate head instead of A&G expense.

The major component in A&G expense is under the head ‘Other Cost’ which is at Rs. 10.33 crore in actual against the estimated cost of Rs. 9.99 crore as submitted in the APR petition. The break-up of other cost is as given below:

(Amount in Rs. Crore)

Particulars	APR petition	Actual / Audited	Difference = (Actual - APR petition)
Clothing	0.29	0.3	0.01
Contingencies	0.08	0.16	0.08
Accident compensation to staff	0.1	0.15	0.05
Consumer advisory services	0.06	0.05	-0.01
Miscellaneous and general expenses	4.97	9.21	4.24
Motor vehicle and third party insurance fund	0.01	0.01	0
Free issue of petrol to Officers	0.6	0.51	-0.09
Provision for obsolescence of stores	0.03	0.03	0

Particulars	APR petition	Actual / Audited	Difference = (Actual - APR petition)
Prompt payment Discount / Rebate on Advance payment*	4.00		-4.00
TPTCL Service Charges	0.2	0.2	0
(less) other cost of CAS & Street lighting Dept.	(0.35)	(0.36)	(0.01)
Total	9.99	10.26	.27

*(Note: the actual expense under the head "Prompt payment discount / rebate on advance payment" is claimed under the head "Other expense")

2.2.3.2.1 SHARE OF GENERAL ADMINISTRATION INCLUDING A&G EXPENSE

In the FY 2007-08, the allocation of General Administration expense between the Electric Supply division and the Transport division was as shown below table.

Table 11: Percentage Share of General Administration in A&G expense for FY 2007-08

Particulars	Transport	Supply
Security & Vigilance	69%	31%
Civil Engineering Department	55%	45%
Time keeping, Personnel, Welfare, Medical etc.	81%	19%
EDP Department	40%	60%
Legal Audit & Cash	50%	50%



The revised allocation of General Administration Dept. between Electric Supply & Transport Division as per number of staff members deployed in each division in FY 2008-09 is as under.

Particulars	Transport	Supply
Security & Vigilance	62%	38%
Civil Engineering Department	55%	45%
Time keeping, Personnel, Welfare, Medical etc.	80%	20%
EDP Department	40%	60%
Legal Audit & Cash	50%	50%

The details of share of General Administration Expenses to Supply Division for F.Y. 2008-09 are as under :-

(Amount in Rs.crores)

S.no.	Particulars	APR petition Submission	Actual
1	Honorarium payable to BEST Committee members, Internal Audit, Legal, M.M. Establishment, PRO, Accounts, Cash.	6.90	5.64

S.no.	Particulars	APR petition Submission	Actual
2	Security & Vigilance Establishment	5.43	5.70
3	Civil Engineering and Drawing office Establishment	1.15	1.07
4	Time Keeping, Personnel, Welfare, Medical, Ex-gratia payment in lieu of bonus contingencies, VRS impact, Interim D.A., Wage Settlement, Amenities to Staff	9.33	9.10
5	EDP Establishment	3.38	3.00
6	Internal Transport Establishment	0.30	0.31
7	Repair and Maintenance, insurance, Miscellaneous, External Audit Charges, Interest Charges, Telecom and Electronics, Provision for Property Insurance Fund, Miscellaneous loan charges	14.46	16.08
	Gross Total	40.95	40.90
	(less)		
8	Security arrangement (form No. 3.2)	5.43	5.70
9	Gratuity (form No. 3.1)	0.00	0.00
	Net Total:	35.52	35.20

BEST would like to submit that compared to FY 2007-08 A&G expenses the expense towards security arrangement has increased about 16%, electricity charge 36% and property insurance by 34%. However the Hon'ble commission has considered only 6.04% increase due to inflation factor. Higher Security arrangement is required considering higher threat perception in FY 2008-09 to vital installations like DSS/RSS of BEST from anti social elements and also tighter security arrangement in wake of 26/11 attacks. The higher allocation for security can be seen from table showing the share of General Administration for FY 07-08 and FY 08-09. Further to this the Electricity charges



and insurance are uncontrollable factors and hence requests the Commission to approve as per actual.

BEST has incurred actual net A&G expenditure of Rs 74.80 Crore as compared to Rs 72.51 Crore approved by the Hon'ble Commission. In view of above BEST requests True-up amount of Rs. 2.36 Crore under this head.

2.2.3.3 R&M EXPENSES

R&M Expense approved by the Hon'ble Commission and actual expense incurred by BEST as per audited accounts are shown below.

(Amount in Rs. Crore)

Table 12: Repair and Maintenance expenses for FY 2008-09

	MERC Approval	APR petition submission	Actual (Audited)
Net R&M Expense	27.28	33.42	25.32

BEST would like to submit that certain items of other cost pertaining to 'A&G expenses' were allocated to in 'R & M Expenses' as per the MERC's Order dated 6.6.2008. Accordingly, we have regrouped the R & M Expenses item wise and same are compared with our APR petition submission. The details of the same are as under -

(Amount in Rs. Crore)

S.no.	Particulars	APR Order	APR petition submission	Actual / Audited	Difference = (actual - APR petition)
1.	Central Office and Service of Office Equipment etc.		0.92	0.55	- 0.37

S.no.	Particulars	APR Order	APR petition submission	Actual / Audited	Difference = (actual - APR petition)
2.	Material		2.50	1.95	-0.55
3.	Stock Adjustment		0.03	0.04	+ 0.01
4.	Dead Stock		0.65	0.27	- 0.38
5.	Repairs & Maintenance R&D S/S		7.00	6.78	-0.22
6.	Building (Civil)		-	-	0.00
7.	Mains Aerial		10.08	8.95	- 1.13
8.	Meter Installation		2.09	1.09	- 1.00
9.	Meter Testing		2.95	0.33	- 2.62
10.	Reinstatement Charges		7.20	5.36	-1.84
	Total	27.28	33.42	25.32	- 8.10

The Hon'ble Commission in the APR order for FY 08-09 has approved R&M expense of Rs. 27.28 crore, however, it has not provided any itemwise breakup in the APR order. BEST has incurred R & M Expenses of Rs. 25.32 crores which is well within the approved cost of Hon'ble Commission.

2.2.4 Depreciation

Depreciation Expense approved by the Hon'ble Commission and actual depreciation expense according to MERC (Terms and Conditions of Tariff) Regulations, 2005 is shown below.

The Hon'ble Commission had approved Depreciation expenses of Rs. 42.78 Crore also, the Hon'ble Commission did not approve any Advance against Depreciation for FY 2008-09 as the Commission did not envisage loan repayment in excess of depreciation expense.

The Hon'ble Commission in the APR Order for FY 2008-09 has computed depreciation at the rate of 3.44% on the Opening Gross Fixed Assets of F.Y. 2008-09 of Rs. 1244.08 crores

amounting to Rs. 42.78 crores. However, BEST humbly submits that as per its Books of Account the said depreciation item wise on the Opening Gross Fixed Assets amounts to Rs. 43.40 crores. BEST would further like to submit that it has already submitted cost benefit analysis of capital scheme of FY 2007-08 vide letter no. ESO/DGM(ES)/DCEPL/643/2009 dated 22/12/2009 annexed along with this petition as Appendix no. 8 as required by the Commission. Therefore BEST has claimed the depreciation as per its opening GFA with capitalization of FY 2007-08. The Hon'ble Commission is requested to true-up the depreciation expense of Rs. 43.40 crore at actual.

(Amount in Rs. Crore)

Table 13: Depreciation claim for FY 2008-09

Particulars	MERC Approval	Actual (Regulatory)
Depreciation	42.78	43.40

2.2.5 Capital Expenditure

The Actual Capitalised Expenditure & Capitalisation incurred by BEST against the Revised Estimates for F.Y. 2008-09 is given below :-

(Amount in Rs. Crore)

Table 14: Capital expenditure and capitalisation for FY 2008-09

S.no.	Project schemes	Capital Expenditure		Capitalisation	
		APR Submission	Actual	APR Order	Actual
1	New receiving station of 33-22 / 11 kV	70.27	28.33		21.13
2	Augmentation and replacement at existing RSS	10.32	12.47		10.83
3	New Distribution substation and augmentation & alteration to existing DSS	52.12	33.86		33.86
4	Extension of Distribution network (Laying of HV & LV cable)	33.06	34.99		34.97
5	SCADA, Digitisation & Communication	54.27	0.01		0.00
6	Energy Meters	24.90	13.92		13.92
7	Street lighting (lamps & cables)	2.75	1.10		1.10
8	Furniture, office equipment, Tools, Civil engineering works, Motor works, Share of G.A. expenses	21.00	6.75		6.75
	Grand Total	268.69	131.43	69.00	122.56

The Hon'ble Commission approved capitalisation amount of Rs. 69 crore against BEST's request for Rs. 129.24 crore. BEST informs the Hon'ble Commission that the actual capitalisation achieved in FY 2008-09 is Rs. 122.56 crore.

BEST humbly requests to approve the above capitalisation of Rs. 122.56 crore for FY 2008-09.

BEST would like to inform Hon'ble Commission that it has already submitted Detailed Project Report (DPR) for FY 2008-09, BEST has also submitted progress report vide its letter dated 05 Oct, 2009 Copy of the same is attached along with this petition as

Appendix no. 9. BEST would further like to mention that cost-benefit analysis of FY 2008-09 is being submitted.

The detail of the CWIP is as given below:

(Figures in Rs. Crores)

Table 15: Trend of CWIP and Capex since FY 2000-01 to FY 2008-09

Year	Opening CWIP	Capex in the Year	Total Works Capitalized	Works Capitalized from CWIP	Closing CWIP
FY 2000-01	12.69	59.85	52.36	5.2	20.18
FY 2001-02	20.18	71.59	82.69	16.58	9.08
FY 2002-03	9.08	59.83	63.86	7.06	5.05
FY 2003-04	5.05	61.1	59.80	2.92	6.35
FY 2004-05	6.35	73.40	69.64	5.59	10.11
FY 2005-06	10.11	63.49	63.77	8.19	9.83
FY 2006-07	9.83	99.69	73.87	7.61	35.65
FY 2007-08	35.65	121.12	143.55	28.36	13.22
FY 2008-09	13.22	118.21	122.56	9.16	8.87

2.2.6 Funding of Capital expenditure

BEST inform the Hon'ble commission that in FY 2008-09 it has incurred a Capex of Rs. 131.43 crores, out of which Rs.122.56 crores has been capitalised and the balance part of Rs. 8.87 crores is the CWIP. The position of funding undertaken by BEST for Capex is as given below:

(Figures in Rs. Crores)

Table 16: Funding and interest computation for H1 of FY 2008-09



FY 2008-09 (H1)					
Particulars	Opening Balance	Addition	Repayment	Closing Balance	Interest as per Form No.5
Public Loan	3.49	0.00	0.00	3.49	0.20
MMRDA (Mega city Project)	1.79	0.00	0.99	0.80	0.03
DPDC	2.24	0.00	0.00	2.24	0.00
APDRP Loan	37.98	0.00	0.00	37.98	0.00
Short Term Financial Assistance	150.00	25.00	0.00	175.00	4.82 (Canara Bank) + 3.89 (Vijaya Bank)
Total	195.50	25.00	00.99	219.51	8.94

The interest expense in H2 as submitted in 2nd APR Petition of FY 2008-09

(Figures in Rs. Crores)

FY 2008-09 (H2)					
Particulars	Opening Balance	Addition	Repayment	Closing Balance	Interest as per Form No.5
Public Loan	3.49	0.00	0.75	2.74	0.20
MMRDA (Mega city Project)	0.80	0.00	0.40	0.40	0.03
DPDC	2.24	0.00	0.16	2.08	0.32
APDRP Loan	37.98	0.00	3.75	34.23	3.58
Short Term Financial	175.00	60.00	0.00	235.00	3.47 (Canara



FY 2008-09 (H2)					
Particulars	Opening Balance	Addition	Repayment	Closing Balance	Interest as per Form No.5
Assistance					Bank) + 4.32 (Vijaya Bank) + 3.75 (Union Bank)
Total	219.51	60.00	5.06	274.45	15.68

BEST informs the Hon'ble Commission that in H2 of FY 08-09, against the APR petition submission BEST has raised additional loan, to make payment of Rs. 50 crores of Vijaya Bank. However, BEST has strived to comply within the normative debt equity ratio of 70:30 against the capitalized amount i.e. 70% of Rs. 122.56 crore which works out to Rs. 85 crs.

Actual Position of F.Y. 2008-09 (H2) is as under:

(Figures in Rs. Crores)

Table 17: Funding and interest computation for H2 of FY 2008-09

FY 2008-09 (H2)					
Particulars	Opening Balance	Addition	Repayment	Closing Balance	Interest as per Form No.5
Public Loan	3.49	0.00	0.75	2.74	0.20
MMRDA (Mega city Project)	0.80	0.00	0.40	0.40	0.03
DPDC	2.24	0.00	0.16	2.08	0.32
APDRP Loan	37.98	0.00	0.00	37.98	3.58
Short Term Financial Assistance	175.00	110.00	50.00	235.00	6.65 (Canara Bank) + 12.72 (Vijaya Bank)



FY 2008-09 (H2)					
Particulars	Opening Balance	Addition	Repayment	Closing Balance	Interest as per Form No.5
Total	219.51	110.00	55.06	278.20	23.50
Total Interest of H1 & H2					32.44

BEST informs Hon'ble Commission that during H2 of FY 2008-09 the additional loan amount of Rs. 85 crores & Rs. 25 crores has been raised from Vijaya Bank and Canara Bank respectively at an Interest rate of 10.50% per annum. Since BEST has already raised a loan of RS. 25 crore in H1 of FY 2008-09 and considering repayment of Rs. 50 crore to Vijaya bank the effective loan raised in FY 08-09 is Rs. 85 crore which is equivalent to 75 % of total capex during the year.

BEST informs the Hon'ble Commission that during the Technical Validation session on Annual Performance Review Petition for F.Y. 2008-09, the Commission had asked the clarification in respect of raising of short term loans for Capital scheme instead of long term loan. BEST had informed the Hon'ble Commission that, it being a 'Local Authority' and governed by MMC Act it has to adhere to the stringent provisions of MMC Act 1888. Specifically, for raising any long term loan it has to follow the provisions of Section 106 & procedures lay under the said Act i.e. approval of BEST Committee & the Brihan Mumbai Municipal Corporation (BMC) and later the Government of Maharashtra's (GoM) approval, which is a very time consuming activity. BEST wishes to sensitise, the fact that certain projects which were in pipeline required immediate funding, thus BEST Undertaking had no alternative but to go for Short Term Financial Assistance for incurring the Capex. Till the approval for raising the long term debt is received from State Government, BEST plans to roll over through these short term loans there by effectively using it as a long term funds.

The Hon'ble Commission heard BEST views and directed BEST to take-up the matter with the State Government for getting exemption for the permission for raising such long term loans. BEST informs the Hon'ble Commission that it has already initiated steps in this matter and the approval of the BEST Committee and Corporation has already been obtained vide BCR No.215 dated 10/9/09 and CR no. 746 dated 5/11/2009 respectively as given in Appendix no. 6. Now it will be forwarded to the GoM for necessary action in respect of amendment to the MMC Act, 1888. Till all approvals are in place, the present arrangement of short term loan for funding to undertake Capital Scheme of BEST may please be permitted.

Interest during Construction (IDC):

BEST informs the Hon'ble Commission that the IDC for the F.Y. 2006-07 has now been brought in the Books of Account amounting to Rs. 1.55 crore. Thus the Capitalisation amount of Rs. 122.56 crore is inclusive of IDC amount of Rs. 1.55 crore. BEST informs the Hon'ble Commission that the IDC for the F.Y. 2007-08 is Rs. 11.05 crs, however, in the APR order for FY 2007-08, the Hon'ble Commission has not approved any amount under IDC for FY 2007-08, due to this reason the IDC for the F.Y. 2007-08 is not brought in the Books of Account in the F.Y. 2008-09. However BEST would like to submit that even though it has not consider actual IDC of FY 2007-08 in this petition, the same will be claimed by BEST after approval of cost benefit analysis of capital scheme of FY 2007-08 which is already submitted vide letter no. ESO/DGM(ES)/DCEPL/643/2009 dated 22/12/2009 annexed along with this petition as Appendix no. 8. The IDC calculation for FY 2008-09 is given below:

Table 18: IDC computation for FY 2008-09

(Figures in Rs. Crores)

Scheme	Name of the Scheme	CWIP	Addi cap.	Total	Completed	Balance	70% debt	IDC
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Head code		2008-09	expenditure during FY08-09	(3+4)	during FY08-09	c/f to FY09-10	ratio of Completed work =.7*c ol.6	11.% for 1 year
1	2	3	4	5	6	7	8	9
47/2	New Receiving Station of 33-22/11 kv	11.16	17.18	28.34	21.13	7.21	14.79	1.63
47/1	Augmentation and replacement at RSS	1.67	10.79	12.46	10.83	1.63	7.58	0.83
47/3	New DSS Augmentation & Alteration	0.00	33.86	33.86	33.86	0.00	23.70	2.61
48/13&14	Laying of HV & LV Cable	0.38	34.61	34.99	34.97	0.02	24.48	2.69
Non DPR	Scada	0.01	0.00	0.01	0.00	0.01	0.00	0.00
	Energy Meter	0.00	13.92	13.92	13.92	0.00	9.74	1.07
Non DPR	Street Lighting	0.00	1.10	1.10	1.10	0.00	0.77	0.08
Non DPR	Furniture, Office Equip , Tools, MV & SHARE GA	0.00	6.75	6.75	6.75	0.00	4.73	0.52
	TOTAL	13.22	118.21	131.43	122.56	8.87	85.79	9.44

2.2.7 Interest on Working Capital

BEST has submitted the following in its APR Petition for FY 2008-09 as Interest on working capital:

FY 2008-09 (H1)



(Amount in Rs. Crore)

Name of the Bank	Opening Balance	Rate of Interest	Amount raised	Amount paid during the year	Interest	Balance at the end of the year
Canara	92.00	11.25	0.00	0.00	5.17	92.00
Canara O.D.	150.00	13.00	0.00	0.00	7.99	150.00
Vijaya Bank	0.00	10.50	75.00	0.00	3.40	75.00
Union Bank	0.00	11.25	50.00	50.00	3.05	0.00
Total	242.00		125.00	50.00	19.61	317.00

FY 2008-09 (H2)

(Amount Rs. in Crore)

Name of the Bank	Opening Balance	Rate of Interest	Amount raised	Amount paid during the year	Interest	Balance at the end of the year
Canara	92.00	13.75	0.00	0.00	6.72	92.00
Canara O.D.	150.00	13.00	0.00	0.00	7.99	150.00
Vijaya Bank	75.00	10.50	0.00	75.00	4.21	0.00
Bank of Mah.	0.00	11.25	50.00	50.00	1.62	0.00
Total	317.00		50.00	125.00	20.54	242.00

The Actual IWC incurred by BEST in H1 for FY 2008-09 is as given below:

(Amount Rs. in Crores)

Name of the Bank	Opening Balance	Rate of Interest	Amount raised	Amount paid during the year	Interest	Balance at the end of the year
Canara	92.00	11.25	0.00	0.00	5.17	92.00
Canara O.D.	150.00	13.00	0.00	0.00	7.99	150.00
Total	242.00		0.00	0.00	13.16	242.00

And the actual IWC incurred by BEST in H2 for FY 2008-09 is as given below:

(Amount in Rs. Crore)

Name of the Bank	Opening Balance	Rate of Interest	Amount raised	Amount paid during the year	Interest	Balance at the end of the year
Canara	92.00	13.75	0.00	0.00	4.96	92.00
Canara O.D.	150.00	10.50	75.00	0.00	2.89	225.00*
Bank of Mah.	0.00	12.00	100.00	00.00	1.08	100.00
Bank of Raj.(OD)	0.00	13.00	50.00	00.00	1.14	50.00*
Total	242.00		225.00	0.00	10.07	467.00

* Rs. 225 crs and Rs. 50 crs. are sanctioned limit

BEST in the formats at Form 5 of the APR petition, has computed the IWC on normative basis as Rs. 10.87 crs, however, the actual IWC incurred by BEST is Rs. 23.23 crores (i.e. Rs. 13.16 crores + Rs. 10.07 crores) as stated above. The Hon'ble Commission is requested to approve the Interest on working capital at the actual amount of Rs. 23.23 crore.

In H1 of F.Y. 2008-09, BEST had to incurred additional expenses towards the External power purchase wherein the approved rate was Rs. 5.50 per unit, however, in actual the BEST has paid Rs.9.39 per unit. Further to this TPC-G fuel cost had also increased exorbitantly due to global rise in fuel price. This resulted in additional cost towards fuel cost FY 2008-09. The fuel cost couldn't be recovered from consumers completely due to 10% cap in FAC. Further it is to be mentioned that BEST had filed a petition before Hon'ble Commission in case no.59 of 2008 in this regard and the Commission had allowed BEST to recover the same through a surcharge. Due to this reason, BEST faced cash crunch for the Working Capital and there is no alternative but to borrow funds from financial institution to run the business as well as avail the Overdraft Facility from Banks.

2.2.8 Interest on consumer security deposit

The Interest on Consumer security deposit for FY 2008-09 is as given below:

(Amoun in Rs. Crore)

Table 19: Interest on consumer security deposit for FY 2008-09

Particulars	APR Order	APR petition submission	Actual
Projected Consumer Security deposit (in Rs. crore)		214.03	207.63
Rate of Interest claimed		6%	6%
Interest on consumer security deposit (in Rs. crore)	14.13	12.84	12.94

BEST informs the Hon'ble Commission that at an interest rate of 6% p.a. as approved in the APR order, the interest on consumer security deposit works out to Rs. 12.45 crore on a deposit amount of Rs. 207.63 crs. However, in the Books of Account actual Interest on Consumer Deposit is booked Rs. 12.94 crs. The difference of Rs 0.49 crore is due to payment of interest of earlier years paid in the FY 2008-09.

BEST informs that the Hon'ble Commission in the APR order for FY 2008-09, dated. 15.6.2009 at Page No. 117, has considered 10% increase in the Consumer Security Deposit amount over F.Y. 2007-08 and has approved the interest on Consumer Deposit by taking into account the said 10% increase in the Consumer Security Deposit.

BEST has assessed the position of Consumer Deposit amount as on 1.4.2009 at Rs. 207.63 crore as per its billing cycle. However, as per the MERC's Regulations, BEST is eligible to retain Consumer Deposit amount to the extent of Rs. 262.88 crore and has initiated measures to recover the balance amount of Rs.55.25 crore from the consumers.

2.2.9 Contribution to Contingency Reserves

The Contribution to contingency reserve for FY 2008-09 is as given below:

(Amount in Rs. Crore)

Table 20: Contribution to contingency reserve for FY 2008-09

Particulars	APR Order	APR petition submission	Actual
Contribution to contingency reserve	3.11		6.45

Under Section 3.14 i.e. Non-Tariff Income of APR order for FY 2008-09 dated 15/6/09, the Hon'ble Commission has ordered that Interest on Contingency Reserve Investment have been considered as 'Nil' by BEST and hence the Commission has considered the interest on Contingency Reserve Investment @7% on average balance of Contingency

Reserve during the year. Due to this, the non-tariff income has been increased from Rs. 51.66 crores to Rs.55.53 crores i.e. Rs. 3.87 crores.

BEST informs the Hon'ble Commission that the balance under the Contingency Reserve has not been separately invested by the BEST; however, the said amount has been utilized for acquiring the assets of the Supply Division. BEST would like to draw the attention of Hon'ble Commission in Case No. 4 of 2004 in the matter of determination of Annual Revenue Requirement and Tariff for F.Y. 2004-05 & 2005-06 for BEST, the Hon'ble Commission in the Tariff Order dt. March 9, 2006, had determined the Notional equity under Section 23 at Page No. 81,

BEST does not have equity in traditional sense, the funding for capitalization is mainly done through internal sources with the approval of the BEST Committee and Municipal Corporation as per the Section 460 II of MMC Act, 1888. The Contingency Reserve is one of the internal source which is used for funding the Capital expenditure. Taking into account this historical background, the Commission has calculated the notional equity by taking into account the Gross Fixed Asset for the financial year 2004-05 including WIP and thereafter, deducted contribution made by the consumer, Government Assistance and accumulation depreciation till the end of financial year 2004-05 and actual debt / loan which give the equity balance at the end of the year. Thereafter considering annual allowable capital cost of Rs. 69 crores for that year, 30% normative equity was deducted which resulted into determining the Opening equity for the year of the Undertaking."

In addition BEST informs that till the FY 2006-07, the Hon'ble Commission has allowed the provision under the Contingency Reserve as A&G Expenses, as BEST is not governed by the Companies Act 1956 and as per Appellate Tribunal Order dated 18th August 2006, at para 76 on page no.47 & 48,

"it has been clearly directed that it is not absolutely essential to maintain the accounts in the format prescribed for entities governed by the Companies Act, 1956 but it is an requirement as per the statutory regulation that the Appellant has to comply when approval of ARR is sought for and tariff is to be determined by the Regulatory Commission."



BEST humbly pray before Hon'ble Commission for a favourable dispensation on this matter.

However, BEST would like to inform to Hon'ble Commission that abiding by the Regulation, BEST has invested Rs. 6.45 crore in Government Securities for FY 2008-09, and document in this regard is attached in Appendix no. 7.

2.2.10 Non-tariff Income

The detail of the Non tariff income of BEST is as under:

(Amount in Rs. Crore)

Table 21: Non-tariff Income for FY 2008-09

S. No	Particulars	FY 2008-09		
		Order	APR submission	Actual
1	Customer Charges/ Contract Charges	0.00	5.85	7.66
2	Other receipts			
a	Sales Service - Electricity Duty Collection Charges	0.00	0.05	0.04
b	Sales Service - Other Receipts	0.00	17.25	26.27
3	MISC (Rent of Buildings, Advertisement Receipts)	0.00	25.10	30.78
4	Share of Receipt of General Administration	0.00	1.88	6.08
	Total	55.53	50.13	70.83

Detailed reasoning for increase in the non-tariff income (item-wise) is as under:

- a) Contract Charges: The total revenue under the Contract charges is Rs. 16.37 crore and as against this, the expenditure is Rs.8.71 crore, thus the net Income under the Contract charges is Rs. 7.66 crore. BEST in its APR petition had proposed an

income of Rs. 5.85 crore, this net increase of Rs. 1.81 crore is mainly due to higher estimate of expenditure under the said activity.

- b) Electricity Duty Collection Charges: The same is reduced by Rs.0.01 crore which is very meager.
- c) Other Receipts: This mainly consists of Delayed Payment Charges @ 0.5% per week in consumer electricity bill and reconnection charges, cut-out charges, requisition charges, checking & testing of meters etc. As per the submission, it is estimated as Rs. 17.25 crore, as against this BEST received Rs. 26.27 crore i.e. net increase Rs.9.02 crore. The said net increase is mainly because of recovery of Delayed Payment Charges from the consumers.
- d) Misc. (Rent of Bldgs., Advertisement Receipts & Discounts): The net increase in the said receipts is Rs. 5.68 crs. (i.e. Rs. 30.78 crs. less Rs. 25.10 crs.). The major increase is in Advertisement Receipts amounting to Rs. 2.54 crs. and under Discount amount which consists of bulk power purchase received from TPC-G & discount received from various suppliers and penalties recovered from the suppliers amounting to Rs. 3.14 crore.
- e) Share of G.A.: The net increase in the share of G.A. receipts is Rs. 4.20 crs. (i.e. Rs. 6.08 crs. less Rs. 1.88 crs.) this is mainly on account of sale of scrapped material (net) and rent received on land & building.

2.2.11 Other expenses

BEST has incurred the other expenses during FY 2008-09 on the rebate on advance payment. Rebate on advance payment has increased from the APR petition amount of Rs. 4 crore to actual amount of Rs. 10.8 crore

Table 22: Other expenses for FY 2008-09

Rs. crore

S.	Particulars	FY 2008-09
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No		APR submission	Actual	Difference = Actual - APR submission
1	Rebate on advance payment	4.00	10.80	6.80
2.	Power Factor Incentive	0.00	0.07	0.07

BEST has booked the above expense under the head A&G expenses in its Audited accounts, however, since these pertains to activities related to increase in Rebate on advance payment made by consumers; BEST requests the Hon'ble Commission to approve the above expenses as it has incurred at actual.

2.2.12 Return applicable to BEST

BEST submits before the Hon'ble Commission that it is eligible for Return on Equity and Returns as Interest on Internal Funds. BEST has a capitalised expenditure of Rs. 122.56 crore in FY 2008-09 against Hon'ble Commission approval of Rs. 69 crore in its APR order for FY 08-09.

BEST has also considered the Opening equity as per actual capitalisation and equity contribution during FY 2007-08. The cost benefit analysis as directed by Commission in case no. 118 of 2008 has been submitted vide letter no. ESO/DGM(ES)/DCEPL/643/2009 dated 22/12/2009 and copy of the same is annexed along with this petition as Appendix no. 8 Based on this, opening equity is considered as Rs. 663.95 crore. The Return on Equity for FY 08-09 is as given below:

Table 23: Return on Equity for FY 2008-09

Rs. crore				
S.No.	Particulars	Reference	Order (FY 2008-09)	Actual / Audited
1	Regulatory Equity at the beginning of the year		619.76	663.95

S.No.	Particulars	Reference	Order (FY 2008-09)	Actual / Audited
2	Allowable Capital Expenditure including IDC		69	122.56
	(less) Consumer contribution		7	9.72
	(less) Government Assistance		5	4.78
	Net allowable Capital cost		57	108.06
3	Equity portion of capital expenditure		17.1	32.42
4	Regulatory Equity at the end of the year		636.86	696.37
	Return Computation			
5	Return on Regulatory Equity at the beginning of the year	16%*(1)	99.16	106.23
6	Return on Equity portion of allowable capital expenditure	16%*(3)/2	1.37	2.59
7	Total Return on Regulatory Equity	(5)+(6)	100.53	108.83

BEST is also eligible for Return as Interest on Internal Funds (IIF), the IIF for FY 08-09 is Rs. 4.91 crore similar to the amount as proved in the APR order by Hon'ble Commission.

S.No.	Particulars	APR Order	Actual / Audited
1	Return as Interest on Internal Funds (IIF)	4.91	4.91

The Returns as eligible for BEST is as given below:

S.No.	Particulars	APR Order	Actual / Audited
1	Return on Equity	100.53	108.82
2	Return as Interest on Internal Funds (IIF)	4.91	4.91
	Total Returns	105.44	113.73

2.2.13 Reconciliation for FY 2008-09

BEST has reconciled the amount after reconciliation as per the book of accounts for FY 2008-09. BEST would like to submit that the difference is only (-) 0.42 crores. The detail of the reconciliation is submitted in Appendix no. 3

2.2.14 Incentive on reduction of Distribution loss

BEST has achieved an actual distribution loss of 9.29% against the MYT trajectory of 10.5% distribution loss as approved by Hon'ble Commission. Hence it is eligible for claiming incentive on reduction of Distribution loss. The incentive for FY 2008-09 on account of reduction in distribution loss is as given below:

Table 24: Incentive calculation on reduction of distribution loss for FY 2008-09

Particulars	Units	Amount
Normative Distirbution loss	%	10.50%
Normative Sales considering same Energy input	MU	4048.33
Actual Sales in FY 2008-09	MU	4103.15
Additional (lower) sales due to actual distribution loss	MU	54.82
Actual Revenue for the year	Rs. Crore	2832.28
Average billing rate	Rs / unit	6.90
Additional (lower) revenue due to actual distribution loss being the Incentive component	Rs. Crore	37.84
Amount retained by BEST (2/3rd of above incentive)	Rs. Crore	25.23

As permitted under MERC (Terms and conditions of Tariff Regulation - 2005), BEST humbly requests the Hon'ble Commission to permit 2/3rd of above incentive of Rs. 25.23 crore.

2.2.15 True-up of Aggregate Revenue Requirement of FY 2008-09

The Aggregate Revenue Requirement at actual is Rs. 2886.87 crore, against which the Revenue from Sale of Power to consumers is Rs. 2832.28 crore. Hence, in FY 2008-09,



BEST has incurred a Revenue Gap of Rs. 54.59 crore. True-up of headwise revenue requirement is given below:

Table 25: True-up of Aggregate Revenue Requirement for FY 2008-09

(Amount in Rs. Crore)

Particulars	MERC Approved	BEST Actual	Difference
	(A)	(B)	(C)=(A-B)
Power Purchase Expenses	2327.05	2209.28	117.77
Operation & Maintenance Expenses	242.72	258.77	-16.12
Employee Expenses	142.94	158.65	-15.71
Administration & General Expenses	72.51	74.80	-2.29
Repair & Maintenance Expenses	27.28	25.32	1.96
Depreciation, including advance against depreciation	42.78	43.4	-0.62
Interest on Long-term Loan Capital	14.83	32.44	-17.62
Interest on Working Capital (Normative)	3.94	10.87	-6.93
Interest on Working Capital (Actual)	0	12.36	-12.36
Interest on Consumer security deposits	14.13	12.94	1.19
Bad Debts Written off	0.04	0	0.04
SLDC Charges	0.74	0.74	0
Under Recovery of TPC	0	0	0
Transmission Charges paid to Transmission Licensee	109.61	106.61	3
Stand-by charges	108.78	114	-5.22
Reduction of cost (DSM)	-3.38	0	-3.38
Contribution to contingency reserves	3.11	6.45	-3.34
Other expenses	0	10.87	-10.87
Incentive on reduction of Distribution loss	0	25.23	-25.23
Total Expenditure	2864.35	2843.98	20.37
Return on Equity	100.53	108.81	-8.28

Particulars	MERC Approved	BEST Actual	Difference
	(A)	(B)	(C)=(A-B)
Return as Interest on Internal Funds	4.91	4.91	0
Gross Revenue Requirement	2969.79	2957.70	12.09
Non tariff Income	-55.53	-70.83	15.3
Net Aggregate Revenue Requirement	2914.26	2886.87	27.39

2.2.16 Revenue Gap / (Surplus)

Hon'ble Commission in its order dated 15th June 2009 on APR of FY 2008-09 had approved a revenue gap of Rs 81.99 Crore. Hon'ble Commission had approved revenue from sale of power as Rs. 2832.28 Crore

Table 26: Revenue Gap for FY 2008-09

(Amount in Rs. Crore)

Particulars	FY 2008-09 (in Rs Crore)		
	MERC Approved	BEST Actual	True -up Amount
	A	B	C=B-A
Net ARR	2914.26	2886.87	-27.39
Revenue from Sale of Power	2832.28	2832.28	0.00
Revenue Gap of FY 2008-09	81.98	54.59	-27.39

Hence, BEST requests the Hon'ble Commission to approve true-up of the reduction in Revenue Gap by Rs **27.39 Crore** for FY 2008-09.



3 Sales Projection for FY 2009-10 and for FY 2010-11

3.1 Sales Projection for FY 2009-10

In the order for APR petition of FY 2008-09, the Hon'ble Commission approved the forecasted energy sales of 4257 MU for FY 2009-10. This was based on past trend in consumer and sales growth. However, the actual energy sale during the first half (till Sep-09) of FY 2009-10 has been recorded at 2183.85 MUs.

The energy consumption in FY2009-10 for the period April-09 to Sep-09, based on the new tariff slabs issued in the APR orders dt. 15th June 2009 as given table 27 below:

Table 27: Actual category wise sales during H1 of FY 2009-10

Category	Slabs	Units Sold (MU)
BPL	0 - 30	0.04
LT-1	0 - 100	343.61
	101 - 300	293.71
	301 - 500	92.62
	> 501	202.23
LT2 (a)	0 - 300	200.86
	301 - 500	60.34
	501- 1000	78.24
	> 1000	120.78
LT2 (b)	all units	132
LT2 (c)	all units	268.5
LT-3	0 - 300	9.8
	301 - 500	4.3
	501- 1000	6.6
	> 1000	9.7
LT-4 (a)	all units	27.2



Category	Slabs	Units Sold (MU)
LT-4 (b)	all units	24.7
LT-5	all units	1.3
LT-6	all units	11.6
LT-7a	all units	0.0231
LT-7b	all units	14.8
LT-8	all units	0.6
LT Category Total		1903.53
HT Category		
HT - I	all units	75.7
HT - II	all units	188
HT - III	all units	16.4
HT - IV	all units	0.18
HT Category Total		280.3
Total		2183.85

For the purpose of estimating the sales projection for H2 of FY 2009-10, BEST has adopted the method which is similar to the one that was adopted in the APR petition of FY 2008-09. It has computed averages of monthly energy input over a horizon of 15-year period vis a vis the total annual power purchase as base. Assuming that the percentage of energy procured during a particular month and the amount of energy sold in that month follow a similar trend, projections for H2 of FY 09-10 can be made based on the actual sales of H1 in a proportionate manner (i.e. using the percentage consumption trends as given at Table 28). BEST has utilised the information as observed for over the 15-year period. This methodology ensures that the historical trend in actual consumption is captured in the projections while at the same time the seasonality of consumption is also taken into account.

Table 28: Percentage monthly power purchase as over a 15-year horizon and in FY 2008-09

Month	5 Yr Avg	8 Yr Avg	10 Yr Avg	13 Yr Avg	15 Yr Avg	FY 2008-09
APR	8.68%	8.63%	8.63%	8.59%	8.57%	8.73%
MAY	9.21%	9.21%	9.15%	9.14%	9.13%	9.33%
JUN	8.86%	8.82%	8.83%	8.87%	8.90%	8.66%
JUL	8.78%	8.78%	8.77%	8.82%	8.80%	8.89%
AUG	8.43%	8.42%	8.49%	8.53%	8.55%	8.37%
SEP	8.47%	8.45%	8.47%	8.50%	8.49%	8.44%
Sum of H1	52.43%	52.33%	52.34%	52.45%	52.45%	52.42%
OCT	9.01%	9.11%	9.14%	9.10%	9.11%	8.90%
NOV	8.22%	8.24%	8.26%	8.27%	8.25%	8.13%
DEC	7.83%	7.80%	7.77%	7.75%	7.72%	8.08%
JAN	7.22%	7.24%	7.26%	7.24%	7.22%	7.33%
FEB	6.88%	6.87%	6.87%	6.84%	6.88%	6.74%
MAR	8.40%	8.41%	8.36%	8.36%	8.37%	8.40%
Sum of H2	47.57%	47.67%	47.66%	47.55%	47.55%	47.58%

The total sale approved by the Commission for the FY 2009-10 is 4257 MU. On comparing the actual consumption during H1 of FY 2009-10 with the approved energy sale (on a proportionate basis as shown in table 29 below), it is observed that approved consumption of 4257 MU would not materialise, as consumption till Sep-09 contributed to 52.45% over a 15-year horizon and to 52.42% observed for FY 08-09. A comparison of the Hon'ble Commission approved yearly Energy sale and its proportional consumption over a 15-year horizon for H1 vs the Actual achieved till Sep-09 for FY 09-10 is as given below:

Table 29 : Comparison of Energy consumption for H1 of FY 2009-10 against Approved APR projection (on Proportionate basis)

Tariff category	SLABS	FY 2009-10 approved MU (APR of FY 08-09)	FY 2009-10 (Proportionate 52.45%) till Sep-09	Tariff Category	SLABS	FY 2009-10 Actual till Sep-09 (MUs)
BPL	0-30	0.04	0.02	BPL	0-30	0.04
LT - I	0-100			LT-I	0-100	343.61
	101-300				101-300	293.71
	301 - 500				301-500	92.62
	> 500				>500	202.23
Total LT I		1774	930.41	Total LT I		932.17
LT - IIA (Commercial 0-20 kW)	0-300			LT-II A	0-300	200.86
	301-500				301-500	60.34
	501-1000				501-1000	78.24
	> 1000				>1000	120.78
Total LT II A		974	510.83			460.23
LT - IIB (Commercial >20 kW & < 50 kW)		172	90.21	LT - IIB (Commercial >20 kW & < 50 kW)		132
LT IIC (Commercial > 50 kW)		564	295.80	LT IIC (Commercial > 50 kW)		268.5
LT - III (Industry < 20 kW)	0-300			LT - III (Industry < 20 kW)	0-300	9.8
	301-500				301-500	4.3
	501-1000				501-1000	6.6
	> 1000				> 1000	9.7
Total LT III		77	40.38			30.4
LT - IV A (Industry >20 kW & < 100 kW))		46	24.13	LT - IV A (Industry >20 kW & < 100 kW))		27.2
LT - IV B (Industry >100 kW)		48	25.17	LT - IV B (Industry >100 kW)		24.7
LT - V Advertisements & Hoardings		2	1.05	LT - V Advertisements & Hoardings		1.3
LT - VI Streetlights		23	12.06	LT - VI Streetlights		11.6
LT - VII A	All units	0.06	0.03	LT-VI	all units	0.0231



Tariff category	SLABS	FY 2009-10 approved MU (APR of FY 08-09)	FY 2009-10 (Proportionate 52.45%) till Sep-09	Tariff Category	SLABS	FY 2009-10 Actual till Sep-09 (MUs)
Temporary Religious						
LT - VII B Temporary Others	All units	19	9.96	LT-VII	all units	14.8
LT - VIII (Crematorium & Burial Grounds)	All units	1	0.52	LT-VIII	all units	0.6
Total LT		3699	1940.01	Total LT		1903.53
HT - I Industry	All units	178	93.36	HT-II	all units	75.7
HT - II Commercial	All units	321	168.35	HT-I	all units	188
HT - III Group Housing	All units	59	30.94	HT-III	all units	16.8
HT - IV Temp. Supply				HT-IV		0.18
Total		4257	2232.67	Total		2183.85

From the 15-year average in table 29, it can be observed that by H1 of the year, BEST bills 52.45% of the overall annual sales during the year. BEST has arrived at the estimated sales figure for the balance period of FY 2009-10 at 1980.08 MUs (H2 of FY 09-10); (Sales for H2 of FY 2009-10 = Sales in H1 divided by 52.45% * 47.55% = (2183.9/52.45%)*47.55% = 1980.08 MUs.)

Thus, for the FY 09-10, the total sales based on actual of H1 and the projections for H2 comes to 4163.93 MUs as shown in Table 30 below:



Table 30: Projected sales for FY 2009-10 (figures in MU)

Tariff category	Slabs	FY 2009-10 approved MU (APR 09-10)	Tariff Category	Slabs	Energy sale forecast of FY 2009-10 (actuals of H1 & projection of H2)
BPL	0-30	0.04	BPL	0-30	0.08
LT - I	0-100		LT-I	0-100	655.16
	101-300			101-300	560.01
	301 - 500			301-500	176.60
	> 500			>500	385.59
Total LT I		1774	Total LT I		1777.36
LT - IIA (Commercial 0 - 20 kW)	0-300		LT-II A	0-300	382.97
	301-500			301-500	115.06
	501-1000			501-1000	149.19
	> 1000			>1000	230.30
Total LT II A		974	Total LII A		877.52
LT - IIB	all units	172	LT - IIB	all units	251.62
LT - IIC	all units	564	LT - IIC	all units	512.03
LT - III (Industry < 20 kW)	0-300		LT-III (Industry < 20 kW)	0-300	18.74
	301-500			301-500	8.13
	501-1000			501-1000	12.59
	> 1000			>1000	18.54
Total LT III		77	Total LT III		58.01
LT - IV A (Industry > 20 kW & < 100 kW)	all units	46	LT - IV A (Industry > 20 kW & < 100 kW)	all units	51.78
LT - IV B (Industry > 100 kW)	all units	48	LT - IV B (Industry > 100 kW)	all units	47.17
LT - V Hoardings & Advertisement	all units	2	LT - V Hoardings & Advertisement	all units	2.39
LT - VI Streetlights	all units	23	LT - VI Streetlights	all units	22.15
LT - VII A (Temporary Religious)	all units	0.06	LT - VII A (Temporary Religious)	all units	0.04
LT - VII B (Temporary others)	all units	19	LT - VII B (Temporary others)	all units	28.16

Tariff category	Slabs	FY 2009-10 approved MU (APR 09-10)	Tariff Category	Slabs	Energy sale forecast of FY 2009-10 (actuals of H1 & projection of H2)
LT - VIII (crematorium & burial grounds)	all units	1	LT - VIII (crematorium & burial grounds)	all units	1.13
Total LT		3699	Total LT		3629.44
HT - I Industry	all units	178	HT-II	all units	144.36
HT - II Commercial	all units	321	HT-I	all units	358.46
HT - III Group Housing	all units	59	HT-III	all units	31.33
HT - IV	All units		HT - IV	all units	0.34
Total		4257	Total		4163.93

(Note: The sales projection for H2 of FY 2009-10 has been allocated based on the percentage weightage given in Table 28 above.)

The revised sales projection for FY 2009-10 is 2.19% lower than what was approved by the Hon'ble Commission last year, the reasons for reduction are explained below.

- Continued efforts by BEST to create social awareness have led to a conscious reduction in consumption.
- BEST's estimated increased demand in energy sale from the re-development of mill land area. However due to slow down in economy, real estate development has not taken place as expected in FY 2009-10, and the load has not materialised.

3.2 Sales Projection for FY 2010-11

Nevertheless, for projecting sales growth rate for the year FY 2010-11, BEST has analysed the 5-year CAGR, 3-year CAGR and the year-on-year growth. The growth analysis for various time periods is as given below in table 31



The CAGR of BEST for last five years as shown in the Table 31 below is 3.77%.

Table 31: Growth pattern observed over a 5-year period for Energy Sales (in MU)

Tariff Category	Slabs	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	5-year CAGR	3-year CAGR	Y-o-Y growth	Growth considered
BPL	0-30	2.2090	2.1738	2.1605	2.0636	0.1007	0.038	-55.62%	-74%	-62.22%	0%
LT-I	0-100	615.24	625.55	637.09	653.04	680.54	672.92	1.81%	2%	-1%	2%
	101-300	430.92	443.75	463.75	491.82	516.35	538.73	4.57%	5%	4%	5%
	301-500	114.26	119.27	124.9	131.89	145.29	154.77	6.26%	7%	7%	7%
	>500	277.34	294.4	292.68	302.71	328.37	366.37	5.73%	8%	12%	8%
LT-II A	0-300	350.30	366.04	368.41	390.16	406.32	391.65	2.26%	2%	-4%	2%
	301-500	88.66	96.05	93.9	104.21	108.39	115.38	5.41%	7%	6%	6%
	501-1000	115.22	128.92	120.13	139.33	139.64	153.87	5.96%	9%	10%	8%
	>1000	313.88	483.51	329.23	522.94	299.07	344.87	1.90%	2%	15%	8%
LT-II B	all units	105.42	61.59	135.27	74.01	154.31	133.61	4.85%	0%	-13%	0%
LT-II C	all units	317.40	216.71	357.68	251.93	490.95	468.9	8.12%	9%	-4%	0%
LT III	0-300	24.95	24.77	24.21	22.92	25.04	20.91	-3.47%	-5%	-16%	0%
	301-500	8.09	8.22	8.21	7.74	9.32	9.21	2.64%	4%	-1%	0%
	501-1000	10.50	10.89	11.05	10.34	14.18	14.69	6.95%	10%	4%	0%
	>1000	10.32	11.25	11.64	10.58	28.7	28.23	22.29%	34%	-2%	0%
LT - IV A	all units	103.65	107.83	109.27	117.26	57.2	47.85	-14.33%	-24%	-16%	0%
LT - IV B	all units	8.15	7.31	6.47	6.64	44.36	47.9	42.50%	95%	8%	8%
LT V	all units	1.95	4.11	1.74	1.55	2.28	3.03	9.18%	20%	33%	25%
LT-VI	all units	37.28	36.63	36.58	38.8	29.66	29.44	-4.61%	-7%	-1%	0%
LT - VII	all units	0.79	0.53	0.51	0.5	0.07	0.09	-35.53%	-44%	32%	10%



Tariff Category	Slabs	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	5-year CAGR	3-year CAGR	Y-o-Y growth	Growth considered
A											
LT - VII B	all units	21.54	21.61	22.79	30.73	21.48	22.63	1.00%	0%	5%	5%
LT-VIII	all units	1.38	1.15	1.07	1.24	1.05	1.08	-4.86%	0%	3%	3%
HT-I	all units	163.47	158	151.98	137.39	182.81	175.99	1.49%	5%	-4%	0%
HT-II	all units	260.63	262.29	290.11	308.43	299.31	321.44	4.28%	3%	7%	6%
HT-III	all units	27.05	31.7	32.52	31.26	35.01	39.55	7.89%	7%	13%	8%
HT -IV	all units										0%
Total		3410.59	3524.25	3633.37	3789.48	4019.78	4103.15	3.77%	4.14%	2.1%	3.78%



The following approach has been adopted to undertake Sales Projection for FY 10-11:

1. The Overall Growth rate considered for FY 2010-11 is 5-year CAGR equal to 3.77%.
2. The Growth rate for different categories considered for FY 2010-11 is arrived by taking in to consideration the 5-year CAGR, 3-year CAGR and YoY growth along with the practical considerations and historical trends. Generally -ve CAGR or -ve YoY growth are considered as zero growth.
3. It is observed that conventional industries are shifting from the BEST licensed area of supply. However IT based industries is coming in BEST licensed area. Considering this fact except for higher tariff categories for industries i.e. LT IV B all the industrial category growth rate is considered as zero.
4. For residential category consumers 5-year CAGR growth rate is considered. However considering the present trend of mill lands being developed in to posh residential and high end commercial premises in BEST licensed area, the growth rate for such categories are considered based on practical considerations.

With the above proposition the projected Sales for FY 2010-11 is as given in table 32 below:

Table 32: Energy Sale projections for FY 2010-11(in MU)

Tariff Category	Slabs	FY 2010-11
BPL	0-30	0.083
LT-I	0-100	667.23
	101-300	587.83
	301-500	188.49
	>500	416.44
LT-II A	0-300	390.63
	301-500	121.96
	501-1000	161.12

Tariff Category	Slabs	FY 2010-11
	>1000	248.72
LT-II B	all units	251.62
LT-II C	all units	512.03
LT III	0-300	18.74
	301-500	8.13
	501-1000	12.59
	>1000	18.54
LT - IV A	all units	51.78
LT - IV B	all units	50.94
LT V	all units	2.99
LT-VI	all units	22.15
LT - VII A	all units	0.05
LT - VII B	all units	29.57
LT-VIII	all units	1.16
HT-I	all units	144.36
HT-II	all units	379.96
HT-III	all units	33.84
HT-IV	all units	0.35
Total		4321.32

Residential: The residential consumption is expected to grow further in the ensuing year based on an increase in population residing in the island city, vertical growth of the city, growth in per capita income and changing lifestyle with regard increased usage of electronic gadgets.

Commercial: The commercial consumption is expected to grow due to increased commercial activity. South Mumbai, being a commercial area to a large extent, the demand growth is expected to continue growing at an increasing YOY rate during the projection period.

4 Power Purchase Projection for FY 2009-10 and FY 2010-11

4.1 BEST Share in TPC Generation

BEST procures power primarily from the Tata Power Company Limited (TPCL) to meet its demand. The receiving voltages for BEST are 110 kV and 22/33 kV. BEST has a PPA with TPC-G for 800 MW of generation capacity; the same has been approved by the Hon'ble Commission as per order dated 6th Nov 2007. During FY 2008-09, TPC-G commissioned its Unit-8 of 250 MW. As per the PPA the capacity allocated to BEST from Unit 8 is 100 MW. It is also to be noted that subsequent to Unit-8 getting commissioned, Unit-4 would be available as contingency Unit, therefore net capacity available for BEST would be 832.5 MW. BEST has made all its procurement projections for FY 2009-10 based on allocation of generation capacity of 832.5 MW from TPC-G as per the PPA.

The net capacity as per the PPA will become 832.5 MW as given in table 33 below

Table 33: BEST share in TPC Generation (in MW)

Tata Power Generating Stations	Installed Capacity	BEST Share	BEST Share
	MW	%	MW
Unit-4	150	45.02	
Unit-5	500	45.02	225
Unit-6	500	45.02	225
Unit-7	180	45.02	81
Unit-8	250	40.00	100
Hydel	447	45.02	201.5
Total	2027		832.5

4.2 Distribution Loss

For FY 2009-10, BEST in its APR petition for FY 2008-09 had proposed revised distribution loss target of 10.5% against which the Hon'ble Commission approved 10% as provided in the loss reduction trajectory in MYT order. Actual distribution loss in first half of FY 2009-10 is 9.21%. Even though for the first half i.e. H1, the distribution loss is lower than the trajectory, it would not be prudent to continue with the same loss level for the rest of the year as the distribution loss are required to be considered per annum, which takes into consideration the loading and seasonal variations. BEST has taken 10% as distribution losses in its computation as approved by the Commission for FY 2009-10 and the same has been retained for FY 2010-11. BEST humbly requests the Hon'ble Commission to consider 10% as benchmark Distribution loss level during the next year.

4.3 Energy Balance for FY 2009-10 and FY 2010-11

The Power purchase is primarily derived from the Energy balance attained during the year. The Hon'ble Commission in the APR for FY 08-09 has approved for FY 2009-10 Energy Sale of 4257 MU, distribution loss of 10% and approved energy purchase to the extent of 4971 MU. However based on actual Sales in first half of FY 2009-10 and estimated sales for FY 2009-10 and FY 2010-11, BEST projects the estimated energy balance for FY 2009-10 and FY 2010-11 as follows:

Table 34: BEST energy balance for the FY 2009-10 and FY 2010-11.

Particulars	FY 2009-10 Revised Projection	FY 2010-11 Forecasting
Energy Sale	4164	4321
Distribution loss (in %)	10%	10%
Energy Purchase at T-D interface	4627	4801
InSTS losses	4.85%	4.85%
Energy purchase at G-T interface	4862	5046

4.4 Power Purchase Projection for FY 2009-10

4.4.1 Analysis of Power Purchase during first half of FY 2009-10

BEST has analysed its power purchase requirement and availability during first half of FY 2009-10 based on energy data available from SLDC. The sales during H1 of FY 2009-10 have dropped by about 2.19%. This has a direct bearing on power purchase requirement of BEST. Table 35 given below gives data about power requirement by BEST and availability by TPC-G during First half of H1. The TPC (G) allocation given in table 35 is including 32.73 MUs specifically generated for sale during early morning peak to outside parties, which wouldn't have been generated in normal case and therefore is to be considered as additional generation not considered by Commission. Hence as per Commission's allocation for H1 from TPC-G surplus generation are only 67.11 Mus as against 397 Mus approved by Commission.

Table 35: BEST energy requirement vis-a-vis energy available from TPC-G in H1 of FY 2009-10.

Power Purchase for FY 2009-10	MERC Approved for FY 2009-10	BEST Requirement as per SLDC	TPC actual allocation to BEST	Difference
Month	MU	MU	MU	MU
	A	B	C	D=C-B
Apr-09	428.95	424.32	459.26	34.94
May-09	456.82	432.23	478.53	46.30
Jun-09	439.31	439.55	409.28	-30.27
Jul-09	436.26	402.36	409.15	6.79
Aug-09	418.15	410.84	453.53	42.69
Sep-09	418.48	408.86	408.26	-0.60
Total H1	2597.97	2518.17	2618.00	99.84

It is to be pointed out that the figure of 99.84 MUs in table above also includes 32.73 MUs specifically generated for contracted sale and which was not considered by MERC in the original PLF considered by MERC. It is evident from the above table that in the month of June, 2009 and September, 2009, overall TPC-G generation was not sufficient to meet the

requirement of BEST despite reduction in demand of BEST. Hence BEST submits before the Hon'ble Commission that apart from overall shortages in certain months as indicated in table above, BEST had to face shortage during peak hours, between 10 hrs and 18 hrs on a daily basis on MW basis. To bridge this gap BEST had to purchase power from external sources. It is to be reiterated that BEST faces peak shortage on daily basis and TPCG allocation is not sufficient to meet its daily peak.

BEST has also compared the cost approved by the honourable Commission vis-a-vis actual cost incurred during first half of FY 2009-10. Although Hon'ble Commission has not explicitly stated power purchase cost in H1 and H2 of FY 2009-10 in the APR order for FY 08-09, but had approved monthwise power purchase requirement.. The Hon'ble Commission had approved power purchase quantum of 52.26% during H1 of FY 2009-10 and the same has been considered by BEST for arriving at comparison as summarised in the table below:

Table 36: BEST Power Purchase cost vis-a-vis approved by the Commission in H1 of FY 2009-10.

Particulars	MERC Approved for H1 of FY 2009-10		Unit Rate	BEST Actual for H1 of FY 2009-10		Unit Rate	Difference	
	MU	Rs. Crore	Rs./unit	MU	Rs. Crore	Rs./unit	MU	Rs. Crore
TPC-G: Thermal including unit 4 and Hydel	2460	786	3.20	2354	793	3.37	106	-7
TPC-G: Unit 8	379	40	1.05	264	89	3.36	115	-49
Fixed Charge of TPC-G including Unit 8		163			163			0
RPS	156	59	3.80	54	19	3.53	103	40
Additional PP				150	82	5.46	-150	-82
Sales from BEST share	-397	-278	7.00	-303	-205	6.76	-94	-73
Standby charges		56			57			-1
Less Hydel Rebate		-20			-20			0
Sub Total (Power Purchase)	2598	806	3.14	2518	977	3.88	80	-171

It can be observed from above table that during H1 of FY 2009-10, there is huge reduction in quantum of power available from Unit 8 i.e. about 115 MU less than approved, at the same time the power purchase cost for Unit 8 has gone-up by about 49 crore from approved. Also power available from RPS was only 54 MU as against the approved energy purchase of 156 MU for H1. To mitigate its energy requirement especially during the peak demand period, BEST has procured 150 MU through external sources, which costed Rs. 82 crore. The Hon'ble Commission had not approved any power purchase quantum (MU) and cost (Rs. Crore), against BEST submission from external power purchase of 433.12 MU costing 355.16 crore its APR Petition of FY 2008-09. Therefore the overall increase in power purchase cost for first half of FY 2009-10 is Rs. 171 crore as approved by the Commission.

Based on the actual power purchase cost and quantum incurred in H1, BEST has revised its power purchase requirements for FY 2009-10.

4.4.2 TPC -G generation for FY 2009-10

Assumption for Power Purchase projection from TPC-G

- Actual Power Purchase quantum (MU) and cost (Rs. Crore) considered for first half of FY 2009-10 i.e. April, 2009 to September, 2009.
- Projection for Power Purchase Quantum for Second half is based on TPC-G APR order in case no. 111 of 2008 along with BEST APR Order in case no. 118 of 2008.
- Projection for Power Purchase quantum in H2 of FY 2009-10 has been adjusted after considering the likely outage of Unit 5.

The Unit-wise Availability as approved by the Commission in APR Order for FY 2009-10, is shown in the Table below:

Generating Station Stations	Installed Capacity	BEST Share	BEST Share	MERC approved Availability	MERC approved PLF
	MW	%	MW	%	%
Unit-4	150	45.02	67.5	99	6



Generating Station Stations	Installed Capacity	BEST Share	BEST Share	MERC approved Availability	MERC approved PLF
	MW	%	MW	%	%
Unit-5	500	45.02	225	92	91
Unit-6	500	45.02	225	99	89
Unit-7	180	45.02	81	91.1	90

It is evident from the table that Availability for Unit 5 has been considered 92% by commission in TPC-G APR Order in case no. 111 of 2008. Also in the said order the Commission has opined that:

“Trombay Unit-4, which was shown as standby from October 1, 2008 in the APR Order, continued to operate on account of delay in commissioning of Unit-8 and also on account of Unit-6’s outage in January-February 2009, which resulted in higher generation from Unit-4.”

d) BEST assumes that Unit 5 will remain out for annual maintenance during January, 2010 as per the normal practice. Following table illustrates the actual average generation and average cost per unit for Unit 4 and Unit 5 for first half of FY 2009-10:

Month	Unit 4 (Actual for H1)			Unit 5 (Actual for H1)		
	MUs	Rs. Crore	Rs./unit	MUs	Rs. Crore	Rs./unit
April,2009	5.41	2.94	5.43	340.5	109.76	3.22
May,2009				356.26	110.73	3.11
June,2009	7.34	4.51	6.14	256.43	89.88	3.51
July, 2009				324.94	101.88	3.14
August, 2009				356.33	100.76	2.83
September, 2009				320.45	97.56	3.04
Average	2.13	1.24	5.84	325.82	101.76	3.12

BEST has considered 325.82 MUs (average monthly generation of H1) less Generation from TPC-G Unit -5 of which BEST share is 146.68 MUs. BEST assumes that as and when Outage of Unit 5 happens there would be partly

supplementary generation from Unit 4 during those periods. However BEST doesn't envisage any excess share from generation of Unit 4 over and above 33 MU (higher cost) already approved by Hon'ble Commission. In such a scenario there would be net reduction of 146.68 MUs from BEST share in TPC-G power stations in H2 of FY 2009-10.

- e) BEST has estimated ex-bus quantum of power (MU) available from Unit 8 as 358 MU during second half of FY 2009-10 as estimated in BEST order .i.e. in case no. 118 of 2008.
- f) Power Purchase cost for TPC-G stations has been arrived based on actual cost incurred in H1 of FY 2009-10.

4.4.3 RPS Purchase

Quantum for RPS Power Purchase in H2 of FY 2009-10 has been considered based on offer received and LoIs (Letter of Intent) issued for supply of power during H2 of FY 2009-10. BEST Projects 141MU of RPS Purchase costing Rs. 69 crore during H2 of FY 2009-10.

4.4.4 Additional Purchase

BEST would like to submit that the Hon'ble Commission in the APR Order for FY 08-09 of BEST (case no. 118 of 2008) had projected surplus energy to the tune of 760 MUs. This was based on overall surplus estimated on KWh generation basis. However many a times during the peak demand periods BEST had to procure power from sources other than TPC-G to fulfil demand of its consumers.

BEST had experienced the maximum monthly peak shortfall in tune of 164 MW in the month of September during H1 of FY2009-10. Also minimum peak shortfall experienced during H1 was 46 MW in the month of August, 2009. Therefore BEST was required to procure 150 MUs from external sources to tide on the peak time shortage. The average typical day deficit (MW) for H1 of FY 2009-10 based on actual metered data is given in table below:



Month	Typical working day	Peak Demand at T<>D	Grossed Up Drawl at InSTS	TPC- G Allocation	Surplus (+ve)/ Shortfall (-ve)
		MW	MW	MW	MW
A	B	C	D	E	F=E-D
Apr-09	2 nd April	848	891	770	-122
May-09	5 th May	817	859	759	-99
Jun-09	18 th June	862	906	745	-161
Jul-09	31 st July	781	821	702	-119
Aug-09	11 th Aug	786	826	780	-46
Sep-09	30 th Sep	817	859	694	-164

In a similar manner to meet peak time shortage in H2 of FY 2009-10, BEST estimates that it will have to absorb 38 MUs.

Therefore energy deficit during H2 of FY 2009-10 has been considered to be procured under the short term route during H2. The power purchase rate has been considered equivalent to actual of H1 of FY 2009-10.

4.4.5 Sales from surplus power available

The Hon'ble Commission, approved energy sale of 760 MUs for FY 2009-10 by BEST, which would result in to a revenue realisation of Rs. 532 crore at an average realisation rate of Rs 7/KWh. However during H1 of FY 2009-10 actual sales due to pool imbalances and TPC-G sales including banking were to the extent of 270.72 MU and 32.73 MU respectively, and the revenue realisation was Rs. 205.24 crores (Rs. 178.85 crore + Rs. 26.39 crore). Based on actual of H1 and estimated surplus power available with BEST, the sales in H2 has been revised to the tune of 398 MUs (subject to full capacity of TPC-G including Unit 8 being available) and at the actual rate realised in H1, it is estimated to result in revenue realisation to the extent of Rs. 270 crore in H2 of FY 2009-10.

4.4.6 Transmission charges and Standby Charges

Standby charges and transmission charges are as approved in APR order in case no. 118 of 2008.

4.4.7 Payment of Rs. 7.86 crore to TPC-G

In accordance with the review order issue by Hon'ble MERC in case no. 44 of 2009 dated 15th December, 2009. Wherein Commission ruled that

"The Commission, in its Orders in Case No. 46 of 2008 and Case No. 113 of 2008, has elaborated on the amount pertaining to sharing of surplus, to be recovered from each Mumbai distribution licensee along with the methodology for the same. However, the Commission has inadvertently not considered the same in BEST's APR Order for FY 2009-10, and to that extent, BEST's revenue requirement for FY 2009- 10 has been understated. The Commission shall consider this impact of Rs. 7.86 Crore in BEST's APR Order for FY 2009-10, provided BEST includes the impact in its APR Petition"

Therefore BEST has included Rs. 7.86 crore in Power purchase expense of FY 2009-10. Hence BEST humbly submits before Commission to kindly approve the same.

4.4.8 Miscellaneous charges

BEST has also considered the Payment as per case no. 111 of 2008 (MERC Order dated 28th May,2009) and Credit received from M/s TPC-G on 22nd June, 2009 (for energy sold outside licensed area for the period April 2007 to June 2007) of Rs. 31 crore and (-)Rs. 1.46 crore respectively in power purchase cost of FY 2009-10.

4.4.9 Power Purchase Quantum and Cost for FY 2009-10 for BEST Undertaking

As explained in the above paragraphs the final Power Purchase Quantum and Cost projected for FY 2009-10 is as given in Table 37 below. The table below contains six months actual and six months projected as well as FY 2009-10 revised projection of BEST.



Table 37: Projected power purchase expenses for FY 2009-10.

Particulars	MERC Approved for FY 2009-10		Unit Rate Rs./unit	BEST Actual for H1 of FY 2009-10		Unit Rate Rs./unit	BEST Projection for H2 of FY 2009-10		BEST Revised Projection for FY 2009-10		Unit Rate Rs./unit
	MU	Rs. Crore		MU	Rs. Crore		MU	Rs. Crore	MU	Rs. Crore	
TPC-G: Thermal including unit 4 and Hydel	4707	1504	3.20	2354	793	3.37	2206	743	4559	1536	3.37
TPC-G: Unit 8	726	76	1.05	264	89	3.36	358	120	622	209	3.36
Fixed cost of TPC-G		325			163			162		325	
RPS	299	114	3.80	54	19	3.53	141	69	195	88	4.52
Additional PP				150	82	5.46	38	21	188	103	5.46
Sales from BEST share	-760	-532	7.00	-303	-205	6.76	-398	-270	-702	-475	6.76
Standby charges		112			57			55		112	
Less Hydel Rebate		-40			-20			-20		-40	
Sub Total (Power Purchase)	4972	1559	3.14	2518	977	3.88	2344	882	4862	1859	3.82
Transmission Charges		91			47.40			44		91	
SLDC Charges		0.53			0.26			0.27		0.53	
Payment as per case no. 111 of 2008 (MERC Order dated 28th May,2009)/Impact of ATE Judgement		31			12.24			18.76		31	
Credit received from M/s TPC-G					-1.46					-1.46	
Refund in case no. 26 of 2008(MERC Order dated 2nd Feb,2009)					3.14			4.72		7.86	
Total	4972	1682	3.38	2518	1039	4.12	2344	950	4862	1988	4.09

It can be observed that due to less power generation by Unit-8, non-availability of RPS Power and likely outage of Unit -5 and external power to be procured during the peak demand capacity shortfall, the surplus scenario for BEST in FY 09-10 as envisaged by the Hon'ble Commission in the APR order for FY 08-09 will not materialize. In addition there will be an increased power purchase cost burden of Rs. 306 crore (Rs.1988cr - Rs. 1682 cr.) during FY 2009-10 vis-a-vis approved power purchase cost.

4.4.10 FAC Cost

BEST procures power mainly from TPC-G generating Stations. The FAC cost paid to TPC-G during H1 of FY 2009-10 is Rs. 76.10 crore and BEST estimates that for H2 of FY 2009-10 FAC payable to TPC-G will be in tune of Rs. 89.09 crore. The higher FAC charge in H2 of FY 2009-10 is on account of higher H2 energy generation considered from Unit-8.

4.4.11 Monthly Power Purchase comparison actual vs approved in H1 of FY 2009-10 and estimation for H2 of FY 2009-10

BEST has compared actual Power Purchase by BEST during first half of FY 2009-10 vis-a-vis approved values by the Commission and details are given in table below:

Particulars	MERC Approved for FY 2009-10	BEST Actual for of FY 2009-10	Difference
	MU	MU	MU
Apr-09	428.95	424.32	-4.63
May-09	456.82	432.23	-24.59
Jun-09	439.31	439.55	0.24
Jul-09	436.26	402.36	-33.9
Aug-09	418.15	410.45	-7.7
Sep-09	418.48	408.29	-10.19
Sub total H1 FY 2009-10	2597.97	2517.2	-80.77
Oct-09	453.64	426.12	-27.52
Nov-09	411.31	404.56	-6.75



Particulars	MERC Approved for FY 2009-10	BEST Actual for of FY 2009-10	Difference
	MU	MU	MU
Dec-09	385.57	400.37	14.80
Jan-10	359.99	363.60	3.61
Feb-10	343.74	333.83	-9.91
Mar-10	419.01	416.31	-2.70
Total	4971.23	4862.41	-109.23

It can be observed that during H1 of FY 2009-10, BEST procured 80.77 MUs less power in comparison to monthly power purchase quantum approved by the Hon'ble Commission. BEST would like to submit before the Hon'ble Commission that it has estimated monthly power purchase requirement after grossing-up of sales at G<>T interface, and the input energy required is estimated to be 4862 MU. Out of this BEST has already procured 2517.2 MU and balance is proposed to be procured in remaining months of FY 2009-10. BEST has proportionately projected revised month wise energy procurement in line with its actual power procurement requirement in H2 of FY 2008-09. **BEST would also like to bring to the notice that of the Hon'ble Commission that Commission had envisaged availability of 359.99 MU in January, 2010, mostly out of TPC-G Generation, which is unlikely to materialize in the wake of planned outgo of Unit-5 of TPC-G.**

4.5 Power Purchase Projection for FY 2010-11

As outlined above BEST has total allocated capacity of 832.5MW from TPC-G stations. In addition BEST would like to inform to the Hon'ble Commission that TPC-G has offered additional allocation of 100 MW from its existing stations to BEST starting from April 1, 2010 vide TPC-G letter dated 9/11/2009. BEST has accepted the offer and proceeding to enter in to a PPA with TPC-G in this regard annexed are TPC-G offer letter and BEST acceptance letter as Appendix no. 11. Subsequent to signing of PPA, BEST will submit the PPA before Hon'ble Commission for its kind approval. In the meantime BEST has considered the 100 MW for projection purpose during FY 2010-11.



BEST has entered in to an EPA with renewable energy source to fulfil its obligation under RPS. The available capacity under RPS will be of 45 MW from November, 2010 onwards. This has increased the power availability to 977.5 MW as per its PPA and EPA.

Table 38: BEST allocated Generation capacity in FY 2010-11 (in MW)

Tata Power Generating Stations	Installed Capacity	BEST Share	BEST Share
	MW	%	MW
Unit-4	150	45.02	67.5
Unit-5	500	51.17	256
Unit-6	500	51.17	256
Unit-7	180	51.17	92
Unit-8	250	40.00	100
Hydel	447	51.17	229
Sub-total	2027		932.5
Spark Green (RPS source)			45
Total	2027		977.5

Based on the above the net generation capacity available to BEST during FY 2010 -11 from allocated generating stations is given below:

Table 39: Energy availability for FY 2010-11

Allocated Generating Stations	BEST Share	BEST Share	Availability	PLF	Gross Generation	Auxiliary Consumption	Net Generation for FY 2010-11
	%	MW	%	%	MU	%	MU
Unit-4*	45.02	67.5					
Unit-5	51.17	256	92	85	1905	5.5	1800
Unit-6	51.17	256	99	85	1905	3.5	1838
Unit-7	51.17	92	91.1	85	686	2.75	667
Unit-8	40.00	100	90	85	745	9	678



Allocated Generating Stations	BEST Share	BEST Share	Availability	PLF	Gross Generation	Auxiliary Consumption	Net Generation for FY 2010-11
	%	MW	%	%	MU	%	MU
Hydel ¹	51.17	229			767.49	0.50	411
Spark Green (RPS)		45	90	70	115	9	105
Total		977.5			6123		5499

*standby power stations

However BEST would like to submit that based on its sales forecast and grossing up of the energy requirement considering a Distribution loss of 10% and normative transmission loss of 4.85%, BEST estimates that its gross energy requirement for FY 2010-11 will be 5046 MUs as shown in energy balance Table 34 above.

4.5.1 Projection for Peak Demand and shortage

BEST submits to the Hon'ble Commission that despite considering the allocation from TPC-G to the extent 932.5 MW, BEST shall continue to face shortage during peak periods. The peak time shortage of power projected by BEST in MW and MU terms is depicted in the Table 40 below.

The peak availability from TPC-G is calculated as 757 MW at T<>D interface. In addition there will be availability of 45 MW from M/s Spark Green from November, 2010 onwards, resulting in total peak availability of 792 MW. This has been computed after assuming auxiliary consumption of 4.5% and peak availability of 85% from TPC-G stations. The shortfall in energy requirement (MU) has been calculated based on a 4-hour peak time requirement everyday of the month. Hence peak time energy shortfalls of 194 MUs have been estimated for purchase from external sources. BEST would like to submit before the Hon'ble Commission that though it has calculated the quantum of peak time energy requirement which is likely to incur in FY 2010-11 but it has not considered the

¹ Generation from Hydro stations of TPC-G has been considered for 7 hrs out of the total allocated hrs of generation of 13 hrs for BEST (i.e. 411 MU = 7/13*764 MU)

cost of external power purchase in power purchase cost. The non-inclusion of power purchase cost is based on the fact that this quantum (194MU) lies well within the 5% short term power purchase allowed by Hon'ble Commission as per MERC terms and condition of tariff regulation, 2005. However any variation will be adjusted through mechanism available in regulation.

Table 40: Estimation of Demand (in MW) for FY 2010-11

Month	Energy Requirement at In STS	Energy Requirement at T-D Interface	Demand in MW In STS	Peak Availability of TPC-G (MW)	Peak Shortfall (MW)	Peak Shortfall (Mus)
Apr-10	432.59	411.61	924	757	167	20
May-10	460.82	438.47	985	757	228	28
Jun-10	449.03	427.25	960	757	203	24
Jul-10	444.26	422.71	949	757	192	24
Aug-10	431.24	410.33	922	757	165	20
Sep-10	428.63	407.84	916	757	159	19
Oct-10	459.48	437.19	982	757	225	28
Nov-10	416.46	396.26	890	792	98	12
Dec-10	389.42	370.53	832	792	40	5
Jan-11	364.58	346.90	779	792	-13	0
Feb-11	347.27	330.42	742	792	-50	0
Mar-11	422.43	401.94	903	792	111	14
TOTAL	5046	4801				194

4.5.2 Power Purchase Cost for FY 2010-11 for BEST Undertaking

BEST has considered final Power Purchase Quantum for procurement as explained in the above paragraphs for FY 2010-11. BEST has assumed 5% escalation in power purchase cost from actual of H1 of FY 2009-10; Also an escalation of 5% has been considered in transmission charges. SLDC charges have been considered as Rs. 1.1378 crore as per letter submitted by MSLDC to MERC dated 27th Nov, 2009. The details of power purchase cost estimation are given in Table 41 below.

Table 41: Projected power purchase expense for FY 2010-11

Particulars	BEST Projection for FY 2010-11		Unit Rate
	MU	Rs. Crore	Rs./unit
TPC-G: Thermal and Hydel excluding Unit-8	4716	1669	3.54
TPC-G: Unit 8	678	239	3.53
Fixed cost of TPC-G		369	
RPS	105	45	4.28
Additional PP			
Sales from BEST share	-453	-268	5.91
Standby charges		112	
Less Hydel Rebate		-40	
Sub Total (Power Purchase)	5046	2126	4.21
Transmission Charges		95.9	
SLDC Charges		1.14	
Total	5046	2223	4.41

In the above table, regarding surplus sales, BEST would like to bring to the kind notice of the Hon'ble Commission that its power purchase quantum contracted against approved power purchase agreement is not sufficient to meet peak time shortages and therefore it has become incumbent upon BEST to buy power from outside sources on short term basis as explained in section 4.5.1. This has not been taken into account by the Commission in the previous two tariff orders. However it has been observed that Hon'ble Commission has been factoring only sales of surplus based on Unit (KWh) on balancing basis that is likely to be available with the Undertaking due to contracted capacities as per approved PPA and sales thereof. The same methodology has been adopted by BEST in current APR Petition for Power purchase cost projection for FY 2010-11. However BEST would like to bring to the kind notice of Hon'ble Commission that in the previous financial year and also in H1 of FY 2009-10, the surplus sales has not materialized to the extent as envisaged by the Hon'ble Commission and it is major factor



causing revenue gaps. In order to cover consequent variation in power purchase cost due to likely scenario of additional power purchase to meet its peak time shortage and non-realization of estimated surplus if any due to factors beyond Undertaking's control, it will become incumbent upon undertaking to recover the resultant variation in power purchase cost through remedies available in tariff regulations.

Power Purchase cost for FY 2010-11 estimated as Rs. 2223 crore, BEST requests the Hon'ble Commission to approve the above power purchase expense of Rs. 2223 crore for FY 2010-11.

5 Other Cost and Capital expenditure Projection for FY 2009-10 and FY 2010-11

5.1 Operation and Maintenance Expenses

Operation and Maintenance Expenses comprises of three expenditure heads

- a) Employee Expenses
- b) Administrative and General Expenses and
- c) Repair and Maintenance Expenses

As part of the Annual Performance Review Petition, BEST has revised the estimates of O&M expenses for FY 2009-10 based on actual O&M expenses during April 2009 to September 2009 and other factual considerations. Also based on the similar projection methodology BEST has forecasted O&M expenses for FY 2010-11. The computations of projections for the year have been shown in detail in the corresponding data forms enclosed with the petition.

5.1.1 Employee Expenses

Table 42: Break up of Employee Expenses of FY 2009-10 and FY 2010-11

(Amount in Rs. Crore)

S.No.	Particulars	FY 2009-10		FY 2010-11
		April - March (Estimated)	Order	Estimate
1	Basic Salary	50.88		54.59
2	Dearness Allowance (DA)	69.67		74.76
3	House Rent Allowance	9.69		10.39
4	Conveyance Allowance	0.37		0.39
5	Leave Travel Allowance	1.53		1.64



S.No.	Particulars	FY 2009-10		FY 2010-11
		April - March (Estimated)	Order	Estimate
6	Earned Leave Encashment	3.84		4.12
7	Medical Allowance	3.51		3.76
8	Overtime Payment	5.67		6.08
9	Bonus/Ex-Gratia Payments	6.84		7.34
10	Interim Relief / Wage Settlement (Ex-employee)			0.00
11	Interim DA for next Agreement Period (2006-09)			0.00
12	VRS Expenses/Retrenchment Compensation	3.92		4.20
13	Special Benefit to Employees			0.00
14	Provident Fund Contribution	14.88		15.96
15	Gratuity Payment	6.27		6.72
16	Cost of bus token / passes	1.75		1.87
17	Less:Estb. Of CAS ,T&E & ST.LTG. Dept.	(8.37)		(8.98)
18	Net Employee Expenses	170.45	153.39	182.84

The position of Employee Expenses against our submission item wise is given below :-

(Amount in Rs. Crore)

Sr. No.	Particulars	FY 2009-10				FY 2010-11
		2 nd APR Submission	Actual upto Sept.	October to March	Revised Submission	Forecasting
1	Basic Salary	41.16	23.88	27.00	50.88	54.59



Sr. No.	Particulars	FY 2009-10				FY 2010-11
		2 nd APR Submission	Actual upto Sept.	October to March	Revised Submission	Forecasting
2	Dearness Allowance (DA)	34.83	26.34	43.33	69.67	74.76
3	House Rent Allowance	9.94	1.72	7.97	9.69	10.39
4	Conveyance Allowance	0.37	0.11	0.26	0.37	0.39
5	Leave Travel Allowance	1.43	0.63	0.90	1.53	1.64
6	Earned Leave Encashment	2.42	0.60	3.24	3.84	4.12
8	Medical Allowance	3.45	0.61	2.90	3.51	3.76
9	Overtime Payment	4.80	0.08	5.59	5.67	6.08
10	Bonus/Ex-Gratia Payments	7.40	0.00	6.84	6.84	7.34
11	Interim Relief / Wage Settlement	6.78	0.00	0.00	0.00	0.00
12	Interim DA for next Agreement Period (2006-11)	37.05	0.00	0.00	0.00	0.00
13	VRS Expenses/Retrenchment Compensation	0.09	1.28	2.64	3.92	4.20
14	Special Benefit	6.40	0.00	0.00	0.00	0.00
15	Provident Fund Contribution	15.22	6.60	8.28	14.88	15.96
16	Gratuity Payment	5.50	2.89	3.38	6.27	6.72
18	Cost of bus token / passes	1.83	0.78	0.97	1.75	1.87
17	Gross Employee Expenses	178.67	65.52	113.30	178.82	191.82
18	Less: Expenses Capitalised					
19	Less: Establishment of CAS, DSM, T&E & ST.LTG. Dept.	7.37	3.81	4.56	8.37	8.98
20	Net Employee Expenses	171.30	61.71	108.74	170.45	182.84



The detailed assumption for working of employee expenditure for F.Y. 2009-10 & 2010-11 is as under :-

- a) Salaries, wages & allowances - Based on number of employees on roll of the Undertaking as on 1st April of the current year.
 - b) Dearness Allowance - The calculations are based on the last three yrs trend of fixed average DA Index i.e. Mumbai Consumer Price Index. In order to fix and adopt DA payable to staff, the data of last 3 years DA Index is analysed to find out average monthly increase in DA index and thereafter fixed DA Index of future year is determined. The payment of Variable Dearness Allowance will be made as per the formula linked with base figure 9839 from 1.4.2009 to the employees of Electric Supply Branch. However, the Dearness Allowance is one of the important components which is uncontrollable factor in case of employee expenses.
 - c) Contribution to PF - Calculated on 12% of Basic Pay + DA
 - d) Gratuity - Based on the estimated number of staff likely to retire
 - e) Cost of bus token & passes - Calculated at Rs. 173/- per person per month
 - f) LTA - Calculated on basis of the Basic Pay on a grading scale.
- i) As per the order of MERC dated 15.6.2009, the Commission had considered an increase of around 7.31% per annum of account of inflation factor corresponding to the increase in the Consumer Price Index on approved cost of F.Y. 2007-08. The employee expenses for F.Y. 2009-10 is approved as Rs. 153.39 crs., however, the Commission have not given any itemwise breakup for the same. The revised Employee expenses are Rs. 170.45 crores as against Rs. 171.30 crores as per earlier submission. If we escalate the Employee expenses @ 7.31% on the actual Employee cost of Rs. 158.65 crores, it works out to Rs. 170.24 crs. and our revised estimate expenditure is Rs. 170.45 crores which is slightly more by Rs. 0.21 crs.

ii) It is to be noted that the Interim D.A. for the next agreement period is now merged regularly paid as DA expenses. BEST has discontinued the interim DA payment for the next agreement period. Therefore contrary to 2nd APR submission i.e. combination of DA and interim DA Rs.71.88 crore (Rs. 34.83 crore +Rs. 37.05 crore) , BEST has projected only the DA (Dearness Allowance) for FY 2009-10 and FY 2010-11. Hence the expenditure on Dearness Allowance is shown as Rs. 69.67 crores for FY 2009-10 & Rs. 74.76 crs for FY 2010-11. In addition to this, the Special Benefit to the Employees is discontinued from the financial year 2009-10 hence it is considered as zero in projections.

iii) In addition it is humbly submitted before Hon'ble Commission that Interim Relief payment already due but not paid to ex-employees as per last agreement will be claimed as and when it is paid to the ex-employees, as such presently same is considered as zero.

5.1.2 Administrative and General Expenses

The Hon'ble Commission has approved the A&G expenses of Rs. 76.89 Cr in FY 2009-10 in BEST APR Order. The revised expenses projected for FY 2009-10 and FY 2010-11 is presented below in Table 43. The estimates are as per the Revised Budget Estimates of FY 2009-10 & 2010-11 submitted to the BEST Committee and Corporation which is approved by BEST Committee.

The position of Administration & General Expenses for F.Y. 2009-10 & 2010-11 is given below.

Table 43: Projected A&G expenses (amount in Rs. Crore)

	FY 2009-10	FY 2010-11



Particulars	2 nd APR Submission	Upto September	October to March	Revised Submission	Forecasting
		Actual	Projection		
Rent Rates & Taxes	4.60	1.43	1.80	3.23	3.42
Insurance	0.09	0.00	0.14	0.14	0.16
Telephone & Postage, etc.	2.71	0.44	1.92	2.36	2.50
Legal charges & Audit fee	0.75	0.84	0.53	1.37	1.45
Professional, Consultancy, Technical fee	1.80	0.11	0.72	0.83	0.88
Electricity charges	5.20	2.55	3.00	5.55	5.88
Security arrangements	5.62	3.22	2.82	6.04	6.40
Printing & Stationery	3.89	1.15	1.41	2.56	2.71
Advertisements	0.52	0.19	0.53	0.72	0.76
License Fee and other related fee	1.42	0.08	1.26	1.34	1.42
Vehicle Running Expenses	0.32	0.23	0.23	0.46	0.48
Training	0.00	0.00	0.00	0.00	0.00
Bank Charges	0.08	0.17	0.35	0.52	0.55
Contingency Reserve Fund	7.32	0.00	0.00	0.00	0.00
Property Insurance Fund	7.32	0.00	6.00	0.06	6.36
Others	10.25	2.42	8.53	10.95	11.61
Share of General Administration Expenses	36.81	8.01	29.31	37.32	39.57
Net A & G	88.70	20.84	58.55	79.39	84.15

As per the BEST APR order by MERC dated 15th June 2009, the Administrative & General Expenses is approved as Rs. 76.89 crs. For FY 2009-10, however, the order does not provide any item wise breakup for the same. The Hon'ble Commission has

considered an increase of around 6.04% per annum on account of inflation factor, corresponding increase in the WPI and CPI on the approved cost of F.Y. 2007-08. The revised A & G Expenses are Rs. 79.39 crores as against Rs. 88.70 crores as per earlier submission. BEST has escalated the A & G Expenses @ 6.04% on the actual A&G cost of Rs. 74.87 crores, it works out to Rs. 79.39 crore and the revised estimates of Rs. 79.39 crores which is in line with the Commission's approved escalation rate. Major increase under the A & G Expenses is observed in security arrangement, Electricity charges, and insurances. High security cost is due to high level of security arrangement for the receiving substations and other vital installation of distribution system, as continuous threat is perceived in Mumbai Region. Security arrangement was high tend in wake of 26/11 attacks also. Further to this BEST would like to submit that the Electricity charges and insurance are uncontrollable factors and hence requests the Commission to approve the nominal increase considered in this. The detailed break-up of Other Cost is given below:

5.1.2.1 THE BREAK-UP OF OTHER COST:

(in Rs. crores)

Particulars	FY 2009-10				F.Y. 2010-11
	2 nd APR Submission	Actual upto Sept.	October to March	Total	
Clothing	0.29	0.22	0.22	0.44	0.44
Contingencies	0.08	0.00	0.10	0.10	0.11
Accident compensation to staff	0.10	0.03	0.08	0.11	0.11
Consumer advisory services	0.06	0.05	0.05	0.10	0.10
Rebate on advance payment (Prompt Payment Discount)	4.00	0.00	0.00	0.00	0.00
Miscellaneous and	5.43	1.90	8.01	9.91	10.51



Particulars	FY 2009-10				F.Y. 2010-11
	2 nd APR Submission	Actual upto Sept.	October to March	Total	
general expenses					
Motor vehicle and third party insurance fund	0.01	0.00	0.01	0.01	0.01
Free issue of petrol to Officers	0.65	0.22	0.48	0.70	0.75
Provision for obsolescence of stores	0.03	0.00	0.03	0.03	0.03
(less) other cost of CAS & Street lighting Dept.	(-) 0.40	(-) 0.00	(-) 0.45	(-)0.45	(-)0.45
Total	10.25	2.42	8.53	10.95	11.61

5.1.2.2 SHARE OF GENERAL ADMINISTRATION IN A&G EXPENSES:

For the financial year 2008-09, the allocation of General Administration between the Electric Supply division and the Transport division was as shown below table.

Particulars	Transport	Supply
Security & Vigilance	62%	38%
Civil Engineering Department	55%	45%
Time keeping, Personnel, Welfare, Medical etc.	80%	20%
EDP Department	40%	60%
Legal Audit & Cash	50%	50%

The above referred ratio is also made applicable for F.Y. 2009-10 and 2010-11 while estimating the Share of General Administration.



The details of Allocation of General Administration to Supply Division for F.Y. 2009-10 & 2010-11 are as under :-

(figures in Rs.crores)

Sr. No.	Particulars	2008-09 (Actual)	2009-10 (Estimate)	2010-11 (Forecast)
1	Honorarium payable to BEST Committee members, Internal Audit, Legal, M.M. Establishment, PRO, Accounts, Cash.	5.64	7.26	7.60
2	Security & Vigilance Establishment	5.70	7.74	8.20
3	Civil Engineering and Drawing office Establishment	1.07	1.28	1.34
4	Time Keeping, Personnel, Welfare, Medical, Ex-gratia payment in lieu of bonus contingencies, VRS impact, Interim D.A., Wage Settlement, Amenities to Staff	9.10	6.65	5.14
5	EDP Establishment	3.00	3.63	3.84
6	Internal Transport Establishment	0.31	0.34	0.36
7	Repair and Maintenance, insurance, Miscellaneous, External Audit Charges, Interest Charges, Telecom and Electronics, Provision for Property Insurance Fund, Miscellaneous loan charges	16.08	18.76	22.08
	Total	40.90	45.06	47.77
	Less			
8	Security arrangement (form No. 3.2)	5.70	7.74	8.20
9	Gratuity (form No. 3.1)	0.00	0.00	0.00
	Total:	35.20	37.32	39.57

5.1.2.3 CONTINGENCY RESERVE:

The MERC (Terms and Conditions of Tariff) Regulations, 2005, has provided for contribution to contingency reserves, as a revenue expense, to be computed as 0.25% to 0.5% of opening GFA, as follows:

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

As per the BEST APR order of MERC dated 15th June 2009, at Page No. 109 the Hon’ble Commission has considered Opening Gross Fixed Assets for the calculation of Contingency Reserve amount. The opening Gross fixed asset for F.Y. 2009-10 is Rs. 1435.21 crores as per the Form No. 4 and Contribution towards the Contingency Reserve @ 0.5% on the Opening G.F.A. is Rs. 7.18 crores. Similarly the Opening G.F.A. for F.Y. 2010-11 is Rs. 1575.01 crores and Contribution towards the Contingency Reserve @ 0.5% on the Opening G.F.A. is Rs. 7.87 crores for F.Y. 2010-11. BEST would like to outline that as stipulated in MERC terms and condition of tariff regulation, 2005 , it will invest the contingency reserves.

5.1.3 Repair and Maintenance expenses

The revised R&M expenditure for FY 2008-09 is Rs 33.42 Cr. And For FY 2009-10 the projected R&M expenditure is Rs 34.70 Cr as shown in Table 44 below:



Table 44: R&M expenses for FY 2009-10 and FY 2010-11 (Rs. Cr)

Sr.No.	Particulars	As per submission	Actual upto Sept.	October to March	Total	2010-11
1.	Central Office and Service of Office Equipment etc.	0.98	1.71	1.00	2.71	2.75
2.	Material	1.04	0.59	0.80	1.39	2.81
3.	Stock Adjustment	0.03	0.00	0.04	0.04	0.05
4.	Dead Stock	0.65	0.09	0.25	0.34	0.43
5.	Repairs & Maintenance R&D S/S	7.45	1.61	5.39	7.00	7.93
6.	Mains Aerial	10.53	4.80	6.31	11.11	12.58
7.	Meter Installation	2.30	0.95	0.93	1.88	2.38
8.	Meter Testing	3.80	0.04	0.47	0.51	0.64
9.	Reinstatement Charges	7.92	0.05	4.49	4.54	4.55
	Total	34.70	9.84	19.68	29.52	34.12

As per the APR order for FY 08-09 dated 15th June, 2009, the R & M Expenses is approved as Rs. 28.69 crs, however, the order does not provide any itemwise breakup for the same. As per the revised estimate for F.Y. 2009-10 the R & M Expenses will be Rs. 29.52 crores which is 2.05% of the Opening Gross Fixed Assets of Rs. 1435.21 crores. Similarly, for F.Y. 2010-11 the R & M Expenses is estimated to be Rs. 34.12 crores which is 2.16 % of the Opening Gross Fixed Assets of Rs. 1575.01 crores. BEST would like to submit that the R & M expenses for FY 2009-10 and FY 2010-11 is almost half of permissible limit of 4% of Opening GFA.



5.2 Capital Expenditure Requirement

5.2.1 Capital Expenditure for FY 2009-10 and FY 2010-11

The Actual Capital Expenditure & Capitalisation for first half of FY 2009-10 and our Revised Estimates for F.Y. 2009-10 & 2010-11 are given in Table 45 below :-

Table 45: Capital expenditure projections for FY 09-10 and FY 10-11 (amount in Rs. Crore)

Sr. No	Project schemes	F.Y. 2009-10		F.Y. 2009-10		F.Y. 2010-11
		As per 2 nd APR Submission	Capital Expenditure Revised	Actual Expenditure upto H1 (April - Sep 09)	Capitalization upto Sept-09	Capital Expenditure Forecast
1	New receiving station of 33-22 / 11 kV	44.79	23.50	5.93	0.22	12.63
2	Augmentation and replacement at existing RSS	11.35	11.21	3.84	0.06	18.73
3	New Distribution sub-station and augmentation & alteration to existing DSS	57.77	42.42	14.14	6.96	40.98
4	Extension of Distribution network (Laying of HV & LV cable)	36.36	28.50	9.50	5.21	51.90
5	SCADA, Digitisation & Communication	23.85	29.61	1.55	1.55	44.00
6	Energy Meters	23.79	30.15	6.20	6.20	39.50
7	Generation Plant	00.00	0.00	0.00	0.00	1.50
8	Street lighting (lamps & cables)	3.03	3.03	0.19	0.00	1.50
9	Furniture, office equipment , Tools	13.45	13.45	5.30	5.30	



Sr. No	Project schemes	F.Y. 2009-10		F.Y. 2009-10		F.Y. 2010-11
		As per 2 nd APR Submission	Capital Expenditure Revised	Actual Expenditure upto H1 (April - Sep 09)	Capitalization upto Sept-09	Capital Expenditure Forecast
	, Civil engineering works ,Motor Vehicle Share of G.A. expenses					7.33
	Grand Total	214.39	181.87	46.65	25.50	218.07

BEST proposes to capitalise Rs. 135 crore for FY 2009-10 & Rs. 150 crore for FY 2010-11 against projected Capital expenditure of Rs. 181.87 crore for FY 2009-10 and Rs 218.07 crs for FY 2010-11 respectively. Copy of DPR of capital expenditure schemes already submitted vide letters dated 16/07/2009 for FY 2009-10 is attached as Appendix no.-10 along with this petition.

BEST require the requisite Capital expenditure for creating sufficient redundancy in the network to give reliable and quality power to consumers, to meet Universal Supply Obligation and future growth in demand and also the introduction of IT/Automation to give better service and meet the Standard of Performance obligations as stipulated in MERC Regulation.

Details of Capital Expenditure over a period:

(figures in Rs.crores)

Year	Opening CWIP	Capex in the Year	Total Works Capitalized	Works Capitalized from CWIP	Closing CWIP
2000-01	12.69	59.85	52.36	5.2	20.18
2001-02	20.18	71.59	82.69	16.58	9.08
2002-03	9.08	59.83	63.86	7.06	5.05

Year	Opening CWIP	Capex in the Year	Total Works Capitalized	Works Capitalized from CWIP	Closing CWIP
2003-04	5.05	61.1	59.80	2.92	6.35
2004-05	6.35	73.40	69.64	5.59	10.11
2005-06	10.11	63.49	63.77	8.19	9.83
2006-07	9.83	99.69	73.87	7.61	35.65
2007-08	35.65	121.12	143.55	28.36	13.22
2008-09	13.22	118.21	122.56	9.16	8.87
2009-10*	8.87	190.74	135.00	5.87	55.74
2010-11*	55.74	273.81	150.00	50.00	123.81

* Estimates for FY 09-10 and FY 10-11

5.2.1 Funding of Capital Expenditure

BEST is committed towards its aim to serve its consumers with best services. The Financing Plan linked to the Capital Expenditure Plan is prepared based on the existing approved funding and the limitations in terms of infusion of equity or internal accrual. The funding as envisaged in the current and ensuing year is detailed in the following tables:

Table 46 Table showing Funding of Capital Expenditure for FY 2008-09 (actual) and projection for FY 2009-10 & FY 2010-11

(Figures in Rs.crores)

Funded By	2008-09 (Actual)	2009-10 (projection)	2010-11 (projection)
Consumer contribution	9.72	10.00	10.00
Government Grant	4.78	-	-

Funded By	2008-09 (Actual)	2009-10 (projection)	2010-11 (projection)
Financial Assistance from Banks	81.86	120.00	150.00
Internal Source	35.07	51.87	58.07
TOTAL	131.45	181.87	218.07

5.2.2 Interest for FY 2009-10 and FY 2010-11

The Total Capital Expenditure proposed for the FY 2009-10 is Rs.181.87 crores, out of which Rs.135.00 crores is proposed to be capitalized during current financial year. The remaining Rs. 55.74 crores including closing CWIP of FY 2008-09 of Rs. 8.87cr has been is carry forward to FY 2010-11 as opening CWIP. The details of the same are given below.

(Figure in Rs. Crores)

Table 47 Table showing Funding of Capital Expenditure for and interest in H1 of FY 2009-10

FY 2009-10 (H1)					
Particulars	Opening Balance	Addition	Repayment	Closing Balance	Interest as per Form No.5
Public Loan	2.74	0.00	0.00	2.74	0.00
MMRDA (Mega city Project)	0.40	0.00	0.40	0.00	0.01
DPDC	2.08	0.00	0.00	2.08	0.00
APDRP Loan	37.98	0.00	0.00	37.98	0.00
Short Term	235.00	125.00	135.00	225.00	



FY 2009-10 (H1)					
Particulars	Opening Balance	Addition	Repayment	Closing Balance	Interest as per Form No.5
Financial Assistance					6.38 (Canara Bank) + 1.00 (Vijaya Bank)
Total	278.20	125.00	135.40	267.80	7.39

BEST would like to submit that out of total outstanding Short Term Financial Assistance of Rs. 235 crs, Rs. 135 crs was due for repayment in the first half of FY.2009-10. Accordingly BEST has made the repayment the details of the same are as under:

During H1 of FY2009-10, BEST Undertaking was required to pay Rs. 25 crs to Canara Bank (Prime Corporate) as well as the Short Term Financial Assistance of Vijaya Bank amounting to Rs. 110 crs (Rs 25 crs & Rs 85 crs). The Short Term Financial Assistance was paid to Vijaya Bank in the month of April, 2009 & May, 2009 from the available funds of the BEST Undertaking. However, at the time of payment of Short Term Financial Assistance from Canara Bank which was @ 10.75%, there was insufficient fund. Due to this, additional Short Term Financial Assistance @7.25% was raised in the month of September, 2009 and accordingly the outstanding loan of Canara Bank (Prime Corporate) was paid. BEST would further like to submit that the Capital expenditure is proposed as Rs. 181.87 crs during FY 2009-10. In order to finance the same, Rs. 100 crs @ 7.25% was also raised in the first half of F.Y. 2009-10.

The details of interest calculation in H2 of FY 2009-10 are shown below:

(Figure in Rs. Crores)

Table 48 Table showing Funding of Capital Expenditure for and interest in H2 of FY 2009-10

FY 2009-10 (H2)					
Particulars	Opening Balance	Addition	Repayment	Closing Balance	Interest as per Form No.5
Public Loan	2.74	0.00	1.74	1.00	0.14
MMRDA (Mega city Project)	0.00	0.00	0.00	0.00	0.00
DPDC	2.08	0.00	0.16	1.92	0.32
APDRP Loan	37.98	0.00	0.00	37.98	3.58
Short Term Financial Assistance	225.00	120.00	161.88	183.12	4.54 (Canara Bank) 3.20 (Other Banks)
Total	267.80	120.00	163.78	224.02	11.78
Grand Total of Interest (H1+H2)					19.17

In the second half the repayment of Canara Bank loan funded @ 11.50% as short term finance is due on 18.12.09. Therefore it is necessary to raise Rs. 100 crores short term finance to maintain the liquidity for capital expenditure, the same loan is proposed to be raised @ 8% interest. However fund requiremen for meeting capex is Rs.120 crore (70% of Rs. 181.87 crore), therefore additional Rs. 20 crores will be raised to meet the funding for Capital expenditure of Rs. 181.87 crs. The details of the same are already given in Form No. 5.



The proposed financing for FY 2010-11 is as given below:

(figures in Rs. Crores)

Table 49 Table showing Funding of Capital Expenditure for and interest in FY 2010-11

FY 2010-11 (Proposed)					
Particulars	Opening Balance	Addition	Repayment	Closing Balance	Interest as per Form No.5
Public Loan	1.00	0.00	0.50	0.50	0.10
MMRDA (Mega city Project)	0.00	0.00	0.0	0.00	0.00
DPDC	1.92	0.00	0.16	1.76	0.30
APDRP Loan	37.98	0.00	0.00	37.98	3.58
Short Term Financial Assistance	183.12	150.00	63.12	270.00	4.54 (Canara Bank) 21.60 (from Other Banks)
Total	224.02	150.00	63.78	310.24	30.12
Total Interest					30.12

For the financial year 2010-11 it is proposed that the Capital expenditure will be Rs.218.07 crores. As against this it is estimated that Rs. 10 crores will be received under the Consumer Contribution and after deducting the 30% equity, the net funds will be required Rs. 145.65 crore, i.e. in approximation BEST would have to raise Rs. 150 crores.



5.2.3 Other Interest and Finance charges

As per estimation of FY 2009-10 the position of Interest on Working Capital for H1 (actual) & H2 (Proposed) is given as under:-

F.Y. 2009-10(H1)

(Rs. in Crores)

Name of the Bank	Opening Balance	Rate of Interest	Amount raised	Amount paid during the year	Interest	Balance as on 30.9.2009
Canara	92.00	10.50	0.00	5.75	3.81	86.25
Canara O.D.*	225.00	10.50	0.00	0.00	0.42	225.00
Bank of Maharashtra	100.00	12.00	0.00	50.00	4.94	50.00
Bank of Rajas.	50.00	12.00	0.00	50.00	0.37	0.00
Total:	467.00		0.00	105.75	9.54	361.25

* Rs. 225 crs is a sanctioned limit

F.Y. 2009-10(H2)

(Rs. in Crores)

Name of the Bank	Opening Balance	Rate of Interest	Amount raised	Amount paid during the year	Interest	Balance at the end of the year
Canara	86.25	10.50	0.00	5.75	4.53	80.50
Canara O.D.*	225.00	10.50	0.00	0.00	2.00	225.00
Bank of Mah.	50.00	12.00	00.00	50.00	4.94	0.00
Total	361.25		00.00	55.75	11.47	305.50
Total Int. of H1+H2					21.01	

* Rs. 225 crs is a sanctioned limit

F.Y. 2010-11 (Proposed)

(Rs. in Crores)

Name of the Bank	Opening Balance	Rate of Interest	Amount raised	Amount paid during the year	Interest	Balance at the end of the year
Canara	80.50	10.50	0.00	11.50	8.45	60.00
Canara O.D.	225.00	12.00	0.00	0.00	3.00	225.00
Total	305.50		0.00	0.00	11.45	285.00

In addition BEST would like to submit that the normative interest on working capital calculated based on MERC(term and condition of tariff) regulation, 2005for FY 2009-10 is Rs. 12.97 crore and for FY 2010-11 is Rs. 5.72 crore as given in form 5 of APR format. Therefore BEST has submitted additional interest on working capital of RS. 8.04 crore for FY 2009-10 and Rs. 5.73 crore for FY 2010-11d in APR petition.

5.2.4 Interest on Consumer deposits

The Revised Estimates for Interest on Consumer Deposit is given below.

(Rs. in Crores)

Table 50 Interest on consumer security deposit for FY 2009-10 and FY 2010-11

Particulars	F.Y. 2009-10		F.Y. 2010-11
	2 nd APR Submission	Revised Estimate	Submission
Projected Consumer Security deposit (in Rs. crore)	214.03	207.63	*262.88
Rate of Interest claimed	6%	6%	6%
Interest on consumer security deposit (in Rs. crore)	12.84	12.46	15.77

* In the Revised Estimate of F.Y. 2009-10 Rs. 55 crs Additional Consumer deposit is likely to be received.

The revised interest on consumer deposit is calculated as per the stipulated interest rate of 6% on net security deposit with BEST. The interest thus calculated comes out to be Rs. 12.46 crore for FY 2009-10 and 15.77 crore for FY 2010-11 respectively. BEST humbly submits to the Commission to approve the same.

5.3 Income Tax

As per the Income Tax Act under Section 10(20), the income of local authority is exempted. The said provision is reproduced as below:

10(20) the income of a local authority which is chargeable under the head "Income from house property", "Capital gains" or "Income from other sources" or from a trade or business carried on by it which accrues or arises from the supply of a commodity or services [(not being water or electricity) within its own jurisdictional area or from the supply of water or electricity within or outside its own jurisdictional area].

Explanation – For the purpose of this clause, the expression “local authority” means:

- i) Panchayat as referred to in clause (d) of article 243 of the Constitution; or
- ii) Municipality as referred to in clause (e) of article 243 P of the Constitution, or
- iii) Municipal Committee and District Board, legally entitled to, or entrusted by the Government with, the control or management of a Municipal or local fund, or
- iv) Cantonment Board as defined in Section 3 of the Cantonments Act, 1924 (2 of 1924)

5.4 Depreciation

BEST proposes to revise its estimates for depreciation for FY 2009-10 and FY 2010-11 based on the revised capital expenditure for FY 2009-10 and FY 2010-11. The

depreciation for the financial year 2009-10 on the Opening Gross Fixed Assets is Rs. 46.56 crores and for F.Y. 2010-11 it is Rs.47.25 crores. IDC for F.Y. 2009-10 is Rs. 10.40 crs and Rs. 11.55 crs for FY 2010-11. Details of depreciation are available in Form 4 of the APR petition. The Hon'ble Commission is requested to approve the same.

Table 51: Projected depreciation for 2009-10 & 2010-11

Particulars (in Rs. Crore)	FY 2009-10		FY 2010-11
	Approved	Revised estimate	Revised estimate
Depreciation	45.3	46.56	47.25

5.4.1 Advance against Depreciation

The provision for advance against depreciation has not been claimed in the ARR.

5.5 Other Expenses

BEST has proposed the other expenses during FY 2009-10 and FY 2010-11 as follows:

Table 52: Other expenses for FY 2009-10 and FY 2010-11

Rs. Crore

Particulars (in Rs. Crore)	FY 2009-10	FY 2010-11
	Revised estimate	Estimate
Prompt payment discount	12	13
Power Factor Incentive	44	44
DSM	0.26	0.26



BEST used to show the above expense under the head A&G expenses in its Audited accounts, however, as these expenses emanate from tariff order, so these are shown under head Other Expenses. The details are provided in APR form 9. BEST requests the Hon'ble Commission to approve the above expenses.

5.6 Non- Tariff Income

The details of the Non tariff income are as under:-

(in Rs. Crores)

Table 53: Projection of Non-tariff Income for 2009-10 & 2010-11.

Sr. No	Particulars	FY 2009-10				FY 2010-11
		Submission	Upto September	Oct. to March	Total	
1	Customer Charges/ Contract Charges	5.85	3.87	4.13	8.00	8.00
2	Sale & Repair of Lamps and Apparatus	0.00	0.00	0.00	0.00	0.00
3	Other receipts		-	-		
a	Sales Service - Other receipts	17.50	9.41	18.59	28.00	28.00
b	Electricity Duty Collection Charges	0.05	0.00	0.04	0.04	0.04
4	MISC (Rent of Buildings, Advertisement Receipts)	28.28	13.01	14.99	28.00	28.00
5	Share of Receipt of General	2.07	0.00	7.00	7.00	7.00



Sr. No	Particulars	FY 2009-10				FY 2010-11
		Submission	Upto September	Oct. to March	Total	
	Administration					
6	Interest on Contingency Reserve	0.00	0.00	0.11	0.11	0.45
	Total	53.75	26.29	44.86	71.15	71.49

BEST requests Hon'ble Commission to approve the above projected non-tariff income of Rs. 71.15 crore for FY 09-10 and Rs. 71.49 crore for FY 10-11. Details of the heads of non tariff income are as under:

Explanation

street lighting poles owned by BEST and maintenance charges for street lighting poles owned by MCGM. The said charges are fixed on per lamp basis. These charges are billed to individual wards of MCGM on monthly basis for the no. of

duity collected on behalf of Government of Maharashtra at a rate of Rs. 45 per 100 consumers.

ment charges (DPC) at a rate of 0.5% per week in consumer electric bill. In addition to this reconnection charges, requisition charges

uilding and land, Advertisement receipts and other receipts.

consists of the rent recovery from the staff/officers who are occupying the quarters of the Undertaking. In addition to this

Explanation

premises and offer given by the bidder.

consists of Advertisement Receipts received from highest bidder on monthly guaranteed revenue on Kiosks i.e. Advertisement discount on bulk power purchase of electricity received from TATA, cash discount received from various suppliers, per unit power purchased. The expenses in Form 1 reflect net power purchase cost and therefore incentive amount on power purchase administrative report differ to that extent.

Administration Receipts wherein interest on deposit and investment, sale of scrap material (net) rent of building and land, appri

5.7 Return

The Hon'ble Commission vide its order dated 8th November 2006 in regard to Case no. 32 of 2006 has allowed Interest at the rate of 16% in lieu of Return on Equity. BEST now proposes to charge the following returns as applicable under the MERC (Terms and conditions Regulation, 2005):

- Prescribed Return on Equity on 100% of the opening Regulatory Equity in the financial year
- Additional Return on Equity, as per prescribed rate, on 50% of the incremental Regulatory Equity deployed in that year in the electricity distribution business (based on the approved capital cost)
- Additional Interest on Internal funds (at the rate of 6%) deployed in that year in the electricity distribution business (based on approved capital cost)
-

5.7.1 Return on Equity

BEST has revised its estimates for FY 2009-10 and FY 2010-11 as Rs 114.66 Cr and Rs 121.50 Cr respectively. The details of the above calculations are given in table below.

Table 54 Estimation of RoE for the period FY 2009-10 to FY 2010-11
(amount in Rs. Crore)

S.No.	Particulars	Ref.	Previous Year (FY 2008-09)	Current Year (FY2009-10)		FY 2010-11
			April - March (Audited)	April - March (Estimated)	Provisional Approval	Forecast
1	Regulatory Equity at the beginning of the year		663.95	696.37	636.86	736.87
2	Allowable Capital Expenditure including IDC		122.56*	135.00	70.01	150.00
3	Equity portion of capital expenditure		32.42	40.50	18.9	45.00
4	Regulatory Equity at the end of the year		696.37	736.87	655.76	781.87
	Return Computation					
5	Return on Regulatory Equity at the beginning of the year	16%*(1)	106.23	111.42	101.9	117.90
6	Return on Equity portion of capital expenditure	16%*(3)/2	2.59	3.24	1.51	3.60

S.No.	Particulars	Ref.	Previous Year (FY 2008-09)	Current Year (FY2009-10)		FY 2010-11
			April - March (Audited)	April - March (Estimated)	Provisional Approval	Forecast
7	Total Return on Regulatory Equity	(5)+(6)	108.83	114.66	103.41	121.50

Note: *It includes IDC amount of 1.55 crores.

BEST requests Hon'ble Commission to approve the above Return on equity of Rs. 114.66 crore for FY 09-10 and Rs. 121.50 for FY 10-11.

5.7.2 Return on Internal Funds

BEST has revised its estimates of Interest on Internal funds for FY 2009-10 and FY 2010-11 as Rs 5.19 Cr and Rs 5.79 Cr respectively. The detailed computations are as given below:

Table 55 Estimation of Interest on Internal funds (figures in Rs. Cr)

S.no.	Particulars	Ref.	Previous Year (FY 2008-09)	Provisional Approval	Current Year (FY 2009-10)	Ensuing Year (FY 2010-11)
			(Actual / Audited)		(Revised Estimates)	(Forecast)
1	Capitalisation during the year including IDC		122.56	70.01	135.00	150.00
2	Less: Consumer Contb. Received during the year		9.72	7.00	10.00	10.00
3	Less: Govt. Grant Received during the year		4.78	5.00	0	0
4	Allowable Capital cost		108.06	58.01	125	140

S.no.	Particulars	Ref.	Previous Year (FY 2008-09)	Provisional Approval	Current Year (FY 2009-10)	Ensuing Year (FY 2010-11)
			(Actual / Audited)		(Revised Estimates)	(Forecast)
5	Cumulative Grants at the end of the year		81.75	86.75	86.53	96.53
6	Interest on Internal funds (at 6%)	6%	4.91	5.21	5.19	5.79
a)	Normative debt component		0	0	0	0
b)	On Government assistance at the start of the year		4.910	5.21	5.19	5.79

BEST requests Hon'ble Commission to approve the interest on internal funds at Rs. 5.19 crore for FY 09-10 and Rs. 5.79 crore for FY 10-11.

5.8 Annual Revenue Requirement

The standalone annual revenue requirement based on actual for FY 2008-09 and estimation for FY 2009-10 and FY 2010-11 arrived after summation of all the expenditure heads and revenue heads except revenue from sale of power, is as given in the Table below:

Table 56: Aggregate Revenue Requirement during FY 2008-09 and FY 2009-10

(Amount in Rs. Crore)

S. No.	Particulars	FY 2008-09	FY 2009-10	FY 2010-11
		Audited	Estimate	Forecast
1	Power Purchase Expenses	2209.28	1784.22	2013.99
2	SLDC Charges	0.74	0.53	1.14
3	Transmission Charges paid to Transmission Licensee	106.61	91.38	95.90
4	Stand-by charges	114	112.13	112.13
5	Operation & Maintenance Expenses	258.77	279.36	301.11
5.1	Employee Expenses	158.65	170.45	182.84
5.2	Administration & General Expenses	74.80	79.39	84.15
5.3	Repair & Maintenance Expenses	25.32	29.52	34.12

6	Depreciation, including advance against depreciation	43.4	46.56	47.25
7	Interest on Long-term Loan Capital	32.44	19.17	30.12
8	Interest on Working Capital (Normative)	10.87	12.97	5.72
9	Interest on Working Capital (Additional)	12.36	8.04	5.73
10	Interest on Consumer security deposits	12.94	12.46	15.77
11	Bad Debts Written off	0	0.15	0.15
12	Contribution to contingency reserves	6.45	7.18	7.87
13	Other expenses	10.87	56.26	57.26
14	Incentive on reduction of Distribution loss	25.23	0.00	0.00
	Total Revenue Expenditure	2843.98	2430.40	2694.13
15	Return on Equity Capital	108.81	114.66	121.5
16	Return as Interest on Internal Funds	4.91	5.19	5.79
	Gross Annual Revenue Requirement	2957.70	2550.25	2821.42
17	Less: Non Tariff Income	-70.83	-71.15	-71.49
	Net Annual Revenue Requirement	2886.87	2479.10	2749.93

5.9 Cost-of-supply

The average cost of supply during FY 2008-09 to FY 2010-11 for each year is as given Table 57 below:

FY 2008-09

Average cost of supply is as per audited accounts of BEST. This excludes arrears of previous years.

FY 2009-10

Average cost of supply for FY 2009-10 has been estimated after considering stand alone revised ARR of Rs. 2435.10 crore and adding arrears pertaining to FY 2007-08 and FY 2008-09 of Rs. 225.79 crore and Rs. 430.98 crore respectively as approved by the Commission in APR of FY 2008-09, which results in Rs. 3135.87 crore (= Rs. 2479.10 Cr.+Rs.225.79 Cr.+ Rs.430.98 Cr.). In order to arrive at Average Cost of Supply estimated sales of FY 2009-10 of 4163.9 MUs has been considered.

FY 2010-11

Average cost of supply for FY 2010-11 has been arrived after considering stand alone ARR of Rs. 2705.93 crore and adding true-up amount of FY 2008-09 and gap of FY



2009-10 of (-)Rs. 27.39 crore and Rs. 193.10 crore respectively. In addition amount allowed in review order in case no. 44 of 2009 is also considered, which results in Rs. 2971.59 crore (= Rs. 2749.93 Cr.-Rs.27.39 Cr.+ Rs.237.10 Cr.+Rs. 11.95 Cr.). In order to arrive at Average Cost of Supply estimated sales of FY 2010-11 of 4321.32 MUs has been considered.

Table 57 Average Cost of Supply

Particulars	FY 2008-09 (actual)	FY 2009-10 (estimated)	FY 2010-11 (estimated)
Net Revenue Requirement	2886.87	3135.87	2971.59
Units Sold (in MUs)	4103.15	4163.93	4321.32
Average Cost of Supply (Rs / kWh)	7.04	7.53	6.88

6 Revenue Gap Computation at existing tariff

The Revenue Gap is the difference between the Aggregate Revenue Requirement (ARR) and the revenue expected from the projected sales at the existing tariff. Details of revenue calculation from sale of power are attached in Form 13.1 & Form 13.2 of APR formats.

6.1 Revenue Gap after provisional Truing-up for FY 2009-10

The commission in the APR order of FY 2008-09 has approved revenue from sale of power as Rs. 2704.99 crores on sales of 4264 MUs for FY 2009-10. However in current APR Petition BEST has estimated revised sales to be 4163 MUs for FY 2009-10 and accordingly the estimated revenue as Rs. 2699.50 crores. In addition BEST would like to submit that during H1 of FY 2009-10, FAC amount collected from consumer is Rs. 111.78 crore. Also during H2 of FY 2009-10 BEST estimates to collect Rs. 89.09 crore in line with projected FAC amount payable to TPC-G. Based on the trend available in H1, the FAC payable to TPC-G will be to the tune of 89.09 crore, however the variation in power purchase cost on account of net realization of surplus if any would be recovered through mechanism provided in prevailing regulation. Therefore total revenue (sale of power and FAC revenue) projected for FY 2009-10 is Rs. 2900.37 crore (Rs. 2699.50 cr. +Rs111.78 cr. +Rs. 89.09 crore). Also while approving the expenditure heads, Net ARR approved for FY 2009-10 was Rs. 2703.39 crore, against this BEST submits revised projection of ARR for FY 2009-10 as Rs. 3135.87 crore. Therefore in revenue from sale of power there is deficit of Rs. 5.49 crore and net increase in expenses by Rs.432.5 crore. Therefore after considering FAC revenue of Rs. 200.87 crore, net revenue gap as per provisional true-up of FY 2009-10 comes out to Rs. 237.10 crores.

BEST has also considered opening gap as approved for FY 2007-08 in the tariff of FY 2009-10. However while considering opening gap of FY 2008-09, BEST has considered Rs. 430.98 crore (= 392.22+38.76) because it has already considered surplus amount refunded by TPC-G as per MERC order (Rs. 38.76 crore) in power purchase expense of FY 2008-09 in table no. 6.

The projected revenue and corresponding revenue gap at the existing tariff have been summarised in the table below:

Table 58: Projection of Revenue Gap during FY 2009-10

Particulars	FY 2009-10 (in Rs Crore)		
	MERC Approved	FY 2009-10 Estimated	True -up Amount
	A	B	C=A-B
Net Revenue Requirement	2085.38	2479.10	-393.72
Revenue-Gap for FY 2007-08	225.79	225.79	0
Revenue - Gap of FY 2008-09	392.22	430.98	-38.76
Net Aggregate Revenue Requirement	2703.39	3135.87	-432.5
Revenue from Sale of Power	2704.99	2699.50	5.49
Add: estimated FAC revenue from consumers		200.87	-200.87
Total estimated revenue of FY 2009-10	2704.99	2900.37	-195.38
Revenue Gap of FY 2009-10	-1.60	235.50	-237.10

6.2 Revenue Gap at Existing Tariff for FY 2010-11

BEST has applied the tariff approved by Honourable Commission in its APR order dated 15th June 2009 in case no. 118 of 2008. The revenue from existing tariff is projected to be Rs.2797.74 crore, where as Annual Revenue Requirement for FY 2010-11 has been estimated as Rs.2749.93 Crore.

Table 59: Projection of Revenue Gap during FY 2010-11

Particulars	FY 2010-11
	(in Rs Crore)
	A
Net ARR	2749.93
Revenue from Sale of Power	2797.74
Revenue Gap of FY 2010-11	-47.81

6.3 Other Claim

6.3.1 Impact of Review Order in case no. 44 of 2009

BEST would like to humbly submit before Hon'ble Commission that it had filed a review petition on 29th July, 2009 in case no. 44 of 2009 before the Commission in the matter of APR order dated 15th June, 2009 (case no. 118 of 2008). Based on said review petition the Commission has held a public hearing on 27th August, 2009. The Commission has issued Order on 15th December, 2009 with regard to review petition (case no. 44 of 2009). As allowed in the said order BEST includes the impact in the current APR petition and submits the following expenses as given in table below:

S. No.	Particulars	Rs. Crore
1	Inclusion of PF incentive in revenue from retail tariff for FY 2007-08	8.16
2	Computation of gains in respect of A&G expenses	3.79
	Total Impact of Review Order in case no. 44 of 2009	11.95

Therefore BEST accordingly submits before Hon'ble Commission that Commission may kindly allow Rs. 11.95 crore in current APR Petition of FY 2009-10.

Interest expense on actual long term loan and 30% normative equity

BEST has claimed actual interest expense and normative RoE based on Cape incurred in FY 2007-08 and loan and internal source used to fund the same. However Commission in the APR Order in case no. 118 of 2008 has disallowed the same in absence of cost-benefit analysis. Further the Commission in its Order on BEST's Review Petition in case no. 44 of 2009 ruled that

".....The Commission is of the view that any view on approval of actual capitalization of Rs. 156.15 Crore for FY 2007-08 can be taken only when BEST is able to submit the justification for the cape schemes as desired by the Commission. Based on BEST's submissions, the Commission shall consider the total debt and equity for the capitalization thus approved, as appropriate....."

BEST would like to submit that it has already submitted cost-benefit analysis of Capital Schemes executed in FY 2007-08 vide letter no. ESO/DGM (ES)/DCEPL/643/2009 dated 22/12/2009 annexed along with this petition as Appendix no. 8. BEST submit that the Commission may kindly consider the cost-benefit analysis of FY 2007-08 and allow the

actual capex and capitalisation incurred by BEST and subsequent expenses pertaining to Interest and RoE.

6.3.2 Claim of Power Factor Incentive for FY 2007-08 and FY 2008-09

BEST would like to submit before the Hon'ble Commission that in its tariff order in APR of FY 2007-08 the Commission directed BEST to provide power factor incentive to its consumers. In compliance to said directive BEST has provided power factor incentive to its consumers. While scrutinising the accounts the BEST has noticed that there is discrepancy in treatment of power factor incentive. The power factor incentives paid to consumer hadn't been shown as expenses instead booked under receivables. This consideration pertaining to power factor incentive started during FY 2007-08 onwards. BEST is conducting detailed audit of this discrepancy and would like to submit details to commission in due course. BEST will submit a separate petition seeking relief with regard to impact of power factor incentive treatment in due course, which commission may kindly allow in true-up exercise.

6.4 Summary of Revenue Gap of BEST

As per true-up of FY 2008-09, BEST gap has reduced by Rs. 27.39 crore leading to reduction in gap by (-) of 27.39 crore based on actual audited accounts, at the same time BEST has estimated net revenue gap of Rs. 237.10 crore from provisional true-up of FY 2009-10. Based on estimated revenue at existing tariff and estimated expenditure during FY 2010-11 BEST has forecasted a revenue surplus of Rs 47.81 crore. In summary BEST is in revenue deficit of **Rs. 173.85 crore**.

Table 60: Summary of Revenue Gap to be recovered from retail tariff of FY 2010-11

S.No.	Particulars	Rs Crore	%
1	True Up requirement of FY 2008-09	-27.39	-0.98%
2	Provisonal True up of FY 2009-10	237.10	8.47%
3	Revenue Gap of FY 2010-11	-47.81	-1.71%
4	Impact of Review Order in case no. 44 of 2009	11.95	0.43%
5	Total Revenue(+) Gap/ (-)Surplus	173.85	6.21%



7 Tariff Philosophy Suggestion and Tariff Schedule

Tariff Philosophy Suggestions

Power Factor Incentive

The Hon'ble Commission in the tariff order in case no. 118 of 2008 on BEST APR of FY 2008-09 has ruled that:

“Power Factor Incentive (Applicable for all HT categories, LT II (B), LT II (C) and LT IV categories)

Whenever the average power factor is more than 0.95, an incentive shall be given at the rate of 1% (one percent) of the amount of the monthly bill including energy charges, reliability charges, FAC, and Fixed/Demand Charges, but excluding Taxes and Duties for every 1% (one percent) improvement in the power factor (PF) above 0.95. For PF of 0.99, the effective incentive will amount to 5% (five percent) reduction in the monthly bill and for unity PF the effective incentive will amount to 7% (seven percent) reduction in the monthly bill.”

BEST would like to submit that it has already suggested scenarios and sought clarification from Hon'ble Commission in this regard in its letter dated 6th November, 2009 attached as Appendix no. 13 to enable it to give appropriate incentive to eligible consumers.

Hence BEST humbly submit before hon'ble Commission to clarify the ambiguity and consider its suggestion.

Tariff Schedule

The expected revenue for FY 2010-11 has been estimated by applying the existing tariff to the projected sales and consumer related data as per segregation provided by Hon'ble Commission in its previous tariff order dated 15th June 2009. As given in table above, BEST's revenue gap to be recovered from tariff of FY 2010-11 is **Rs. 173.85** crore, which



requires an increase of **6.21%** in existing tariff. BEST would like to humbly submit before Hon'ble Commission that BEST has taken following consideration while determining proposed tariff for FY 2010-11

1. No increase proposed for residential categories up to 300 units.
2. No increase in demand charge proposed for any category.
3. For Industrial categories increase in energy charge proposed for high end consumers.
4. BEST has proposed change in tariff, in accordance with the provisions of the EA 2003, Tariff Policy and previous Orders of the Commission.

The Proposed tariff schedule along with existing tariff and comparison of the same is given below in Table 61.

The detailed revenue computation has been given in Form 14 of the APR Formats specified by the Commission.

Table 61: Comparison of existing and proposed tariff for LT/HT tariff schedule

Comparison of Existing & proposed LT Tariff Schedule

Tariff Category	Slab	Components of tariff		Variable charge (Rs./ kWh)	Components of tariff		Variable charge (Rs./ kWh)	Increase in tariff (%)	
		Single/ Three Phase meter (Rs./ connection / month)	Demand charge (Rs./ kVA/ month)		Single/ Three Phase meter (Rs./ connection / month)	Demand charge (Rs./ kVA/ month)			
		Existing Tariff			Proposed tariff			Demand Charges	Variable Charges
LT category									
BPL	0-30	3		0.4	3		0.4	0%	0%
LT-I	0-100	30		1.8	30		1.8	0%	0%
	101-300	50 & 100		3.7	50 & 100		3.7	0%	0%
	301-500	50 & 100		5.9	50 & 100		6.8	0%	15%
	>500	100		7.9	100		9.2	0%	16%
LT-II A	0-300	200		5.1	200		5.5	0%	8%



Tariff Category	Slab	Components of tariff		Variable charge (Rs./ kWh)	Components of tariff		Variable charge (Rs./ kWh)	Increase in tariff (%)	
		Single/ Three Phase meter (Rs./ connection / month)	Demand charge (Rs./ kVA/ month)		Single/ Three Phase meter (Rs./ connection / month)	Demand charge (Rs./ kVA/ month)			
		Existing Tariff			Proposed tariff			Demand Charges	Variable Charges
LT category									
	301-500	200		6.8	200		7.15	0%	5%
	501-1000	200		7.9	200		8.5	0%	8%
	>1000	200		8.3	200		9.2	0%	11%
LT-II B	all units		150	8.9		150	9.3	0%	4%
LT-II C	all units		150	9.8		150	10.3	0%	5%
LT-III	0-300	250		4.3	250		4.3	0%	0%
	301-500	300		5.8	300		5.8	0%	0%
	501-1000	350		6.6	350		6.6	0%	0%
	>1000	350		7.5	350		8.35	0%	11%
LT-IV A	all units		150	7.19		150	7.5	0%	4%
LT-IV B	all units		150	7		150	7.25	0%	4%
LT - V	all units	300		12.92	300		14	0%	8%
LT-VI #	all units		150	6.09		150	6.2	0%	2%
LT-VII (A)	all units	150		2.85	150		3	0%	5%
LT-VII(B)	all units	150		10.59	150		10.59	0%	0%
LT-VIII	all units	100		2.66	100		2.66	0%	0%

Note: Terms and Condition of ToD tariff remains unchanged.



Comparison of Existing & proposed HT Tariff Schedule

Tariff Category	Slab	Components of tariff			Variable charge (Rs./ kWh)	Components of tariff			Increase in tariff (%)	
		Single phase meter (Rs./ connection / month)	Demand charge (Rs./ kVA/ month)			Single phase meter (Rs./ connection / month)	Demand charge (Rs./ kVA/ month)	Variable charge (Rs./ kWh)		
		Existing Tariff			Proposed tariff			Demand Charges	Variable Charges	
HT category										
HT-I	all units		200	5.81		200	6.4	0%	10%	
HT-II	all units		200	6.36		200	6.36	0%	0%	
HT-III	all units		200	3.61		200	4.1	0%	14%	
HT-IV	all units		200	9		200	9		0%	

Note: Terms and Condition of ToD tariff remains unchanged.



**Cross Subsidy across various Consumer Categories as per the proposed tariff for
FY 2010-11**

Category	Slabs	Projecte d Average Cost of Supply for FY 2010-11 (Rs/kWh)	Average Billing Rate (Rs/Kwh)		Ratio of Average Billing Rate to Projected Average Cost of Supply (%)			% Increase in Averag e Billing Rate
			Existing Tariff	Propo sed Tariff	APR Order for FY 09	Existin g Tariff	Propose d Tariff	
LT Category								
LT-I BPL	0-30	6.88	0.50	0.50	19%	7%	7%	0%
LT-I Residential			4.41	4.79	67%	64%	70%	9%
LT-II A Comml. Up to 20 kW			7.32	7.89	115%	106%	115%	8%
LT-II B comml. > 20 kW and <= 50 kW	all units		9.38	9.78	149%	136%	142%	4%
LT-II C comml. > 50 kW	all units		10.32	10.82	163%	150%	157%	5%
LT-III Indl. Up to 20 kW			6.74	7.01	106%	98%	102%	4%
LT-IV A Indl. > 20 kW and <= 100 kW	all units		7.87	8.18	125%	114%	119%	4%
LT-IV B Indl. > 100 kW	all units		7.47	7.72	118%	109%	112%	3%
LT - V Advt. and Hoarding	all units		13.74	14.82	214%	200%	215%	8%
LT-VI streetlight	all units		6.79	6.90	104%	99%	100%	2%
LT-VII (A) Temp. religious	all units		2.89	3.04	45%	42%	44%	5%
LT-VII(B) Temp. Others	all units		10.62	10.62	168%	154%	154%	0%
LT-VIII Cremation and Burial Grounds	all units		2.67	2.67	42%	39%	39%	0%
HT category								
HT-I Insudtry	all units	6.88	6.31	6.90	101%	92%	100%	9%
HT-II commercial	all units		6.92	6.92	109%	101%	101%	0%
HT-III Group Housing	all units		4.32	4.81	69%	63%	70%	11%



PRAYERS

BEST Undertaking prays to the Honourable Commission to

- a) Approve total recovery of ARR of FY 2010-11 Provisional true-up amount of FY 2009-10, the true-up amount of FY 2008-09 and other claims as proposed by BEST.
- b) Approve proposed category-wise tariff revision for FY 2010-11.
- c) Consider ceiling distribution loss of 10% for FY 2010-11.
- d) Approve the tariff philosophy suggestions requested by BEST.
- e) Any errors/omissions may please be condoned, and opportunity be given to rectify the same
- f) Permit BEST to file additional data/information as may be necessary.