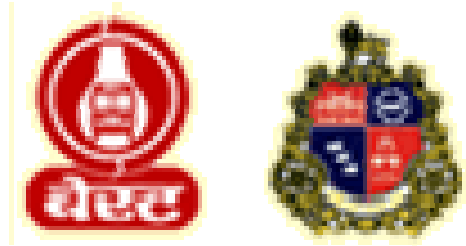


**BRIHANMUMBAI ELECTRIC SUPPLY
and
TRANSPORT UNDERTAKING (BEST)**



EXECUTIVE SUMMARY

OF

**Annual Performance Review for
FY 2008-09 & ARR for FY 2009-10 along with Truing Up
of Accounts for FY 2007-08**

TO

**Maharashtra Electricity
Regulatory Commission**

Executive Summary

Introduction

BEST has been supplying power to the island city of Mumbai efficiently and reliably for more than 100 years. The erstwhile Bombay Electric Supply & Tramways Company started supplying electricity to the city in 1905. Until 1926, the Company had been generating its own electricity for distribution to its consumers. Later, the Tata Electric Companies started supplying electricity to BEST. In 1947, the Company was taken over by the Municipal Corporation.

The Undertaking is now well known in India for its service of providing electricity with minimum interruptions, proper voltage and at reasonable cost. It is also known for the quick restoration of supply in the event of any faults developing in the distribution system. In the span of last sixty years, the number of substations increased from 247 to 2017; the length of underground cables increased from 1,263 kilometres to 9,528 kilometres and the number of street lamps has increased from 2,215 to 40,484. There are about 9.44 lakh consumers.

As recognition of BEST's consistent overall good performance in November 2008 BEST is awarded "Jury Award" (Indian Power Awards 2008)" for its overall performance by Council of Power Utilities, New Delhi

Filings based on Multi Year Tariff (MYT) Principles

Maharashtra Electricity Regulatory Commission (MERC) has made the "MERC (Terms and Conditions of Tariff) Regulations, 2005" which applies to all the Distribution Licensees in the State. As per this regulation, the electricity utilities are required to file petition for Annual Performance Review (APR) for the current year (FY 2008-09) and the Aggregate Revenue Requirement (ARR) for the ensuing year (FY 2009-10), which will form the basis for fixation of charges for retail sale of electricity for FY 2009-10.

**Revised Annual Performance Review of FY 2008-09 and Aggregate Revenue
Requirement Proposal for FY 2009-10**

Truing up FY 2007-08

Sales

Hon'able Commission vide its Order on APR of FY 2007-08 and Tariff determination for FY 2008-09 dated 6th June 2008, provisionally approved energy sales of 4239 MU for FY 2007-08 based on past trend in consumer and sales growth. However, the actual sales during FY 2007-08 have been 4023.94 MU. However sales figure for the month of April 2007 includes estimated 84.3 MUs, which were on account of change in the billing cycles (the same was also adjusted while estimating the sales for FY 2007-08 during the last APR process). Thus the adjusted sales figure comes at 3939.7 MUs (4024 MUs -84.3 MUs).

Distribution Loss

BEST has achieved low distribution losses by undertaking various measures including prudent network design, network up gradation, quality assurance on equipments vis-à-vis losses, optimum loading of the equipments and replacement of faulty meters and also increased vigilance and theft detection drives. The actual distribution losses for the FY 2007-08 are at 10.38% against approved losses of 11.00%.

Energy Balance for FY 2007-08

The table below shows as the the energy balance for the FY 2007-08.

Table showing Energy Balance for FY 2007-08

Particulars	Actual FY 07-08
Sales (MU)	4024
Less Adjustment (MU)	84.3
Net Sales (MU)	3939.7
Distribution loss (in %)	10.38%
Energy Requirement (MU) at T&D interface	4396.0
Transmission Losses (%)	4.54%
Total Energy Requirement (MU)	4605.95

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Power Purchase

During FY 2007-08 the actual sales against the projected sales as provisionally approved by the Commission in its Order on APR of FY 2007-08 and Tariff determination for FY 2008-09 dated 6th June 2008 has gone down by 7.05% and correspondingly the power purchase has gone down by 7.98% as compared to the approved units for FY 2007-08 . The approved power purchase units for the FY 2007-08 are 5005.38 MUs. As compared to this the actual units purchased during the year is 4715.74 MUs. Out of this 109.79 MUs were generated and sold by TPC on behalf of the BEST, thus the net requirement for BEST Consumers was 4605.95 MUs at the T&D interface.

Comparison of Power Purchase cost (Approved vs Actual) for FY 2007-08

Particulars	Approved Units	Approved power purchase expense (in Rs. Cr)	Per unit	Units billed	Actual power purchase expense (in Rs. Cr)	Per unit	% Change in Units billed	% Change Per Unit cost
	(MU)			(MU)				
TPC-G Existing (including True up)	4143.04	1426.1	3.44	4086.28	1481	3.62	-1.37%	5.03%
TPC-D (Short Term)	822.35	452.29	5.50	516	402.49	7.80	-37.25%	29.49%
RPS	40	20	5.00	3.67	1.67	4.55	-90.83%	-9.88%
Stand-by charges paid to MSEDCL		114.63			114.63			
Transmission charges paid to MSETCL		97.6			97.6			
SLDC charges		0.8			0.8			
Reduction in DSM		-5.39			0			
TPC FAC of Previous years		123.7			123.7			
Under Recovery of FAC		8			0			
Total	5005.39	2237.73	4.47	4605.95	2221.89	4.82		

TPC-G power purchase cost shown above includes Rs 115.24 Cr paid towards FAC

**Revised Annual Performance Review of FY 2008-09 and Aggregate Revenue
Requirement Proposal for FY 2009-10**

Transmission Charges

Hon'able Commission vide its Order on APR of FY 2007-08 and Tariff determination for FY 2008-09 dated 6th June 2008, provisionally approved transmission Charges of Rs 97.6 Cr for FY 2007-08 and the actual expenses have been Rs 97.6 Cr.

Standby Charges

Hon'able Commission vide its Order on APR of FY 2007-08 and Tariff determination for FY 2008-09 dated 6th June 2008, provisionally approved standby Charges of Rs 114.63 Cr for FY 2007-08 and the actual expenses have been Rs 114.63 Cr.

SLDC Charges

Hon'able Commission vide its Order on APR of FY 2007-08 and Tariff determination for FY 2008-09 dated 6th June 2008, provisionally approved transmission Charges of Rs 0.80 Cr for FY 2007-08 and the actual expenses have been Rs 0.80 Cr.

Operation & Maintenance (O&M) Expenses

The O&M expenses comprise of the Employee expenses, Administrative and General (A & G) expenses and Repairs and Maintenance (R & M) expenses and is summarized below:

Particulars	FY 2007-08	
	Approved	Actual Expenditure
Employee expenses	128.15	150.35
Administration & General expenses	81.91	76.26
Repair & Maintenance expenses	25.93	30.94
Total O & M Expenses	236	257.55

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Employee expenses

The employee expenses for FY 2007-08 has increased on account of wage settlement agreement, the BEST Committee vide BCR No. 347 dated 10.10.2007 and Agreement dated 7.11.2007 entered into the Agreement with the Bombay Electric Workers' Union for the employees engaged in the Electric Supply Industry for the period from 1.4.2006 to 31st March 2009.

Administration & General expenses

The increase is due to payment of RPS charges to MEDA for FY 2004-05.

Repair & Maintenance expenses

There has been slight increase in R&M expenditure this year. It is mainly due to underestimation of expenditure on Mains and Aerials head. However the expenditure of FY 2007-08 is less than the expenditure of FY 2006-07.

Income Tax

As per the Income Tax Act under Section 10(20), the income of local authority is exempted.

Capitalization for the period FY 2007-08 (Rs. Cr)

BEST is undertaking major works for augmentation of its distribution network. The investment is a part of the efforts of BEST to provide efficient and reliable electricity to its consumers. BEST during FY 2007-08 has tried hard to adhere to Commission's directions and has been successful in carrying out the works involving expenditure exceeding than provisionally approved by the Commission.

Capitalization for the period FY 2007-08 (Rs. Cr)

	Particular	Provisionally Approved during Truing up	Actual
1	Capitalization (including IDC)	89.88	156.15

**Revised Annual Performance Review of FY 2008-09 and Aggregate Revenue
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Depreciation

Depreciation is charged on the basis of straight-line method, on the fixed assets in use at the beginning of the year. The financing structure of BEST does not fall in the conventions as followed by Companies, therefore, for FY 2007-08 BEST has not claimed any advance against depreciation in the ARR. Commission provisionally approved Rs 41.64 Cr where as the actual depreciation for the year is Rs 40.39 Cr.

Advance against Depreciation

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

Bad debts write-off

Commission in its Order on APR of FY 2007-08 and Tariff determination for FY 2008-09 dated 6th June 2008 provisionally approved Rs 0.06 Cr as Bad Debts where as BEST during FY 2007-08 has written off only Rs 0.04 Cr

Interest on Loan Capital

BEST funds its expenditure from its internal funds as well as from external borrowings. BEST has taken public loans, MMRDA loans for the Mega-city Project, DPDC loan and APDRP Loans. The total interest paid during FY 2007-08 is Rs. 7.97 Cr.

Interest on Working Capital

The total interest on working capital during FY 2007-08 is Rs. 19.52 Cr. The total interest on working capital during FY 2007-08 on a normative basis is Rs 1.19 Cr.

Interest on Consumer Deposit

Interest on Consumer Security Deposit has been considered at 6% as has been approved by the Commission in its Tariff Order dated 6th June 2008. The consumer deposit for FY 2007-08 was Rs 214.03 Cr and the interest on consumer deposit for FY 2007-08 is Rs 12.84 Cr.

**Revised Annual Performance Review of FY 2008-09 and Aggregate Revenue
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Return on Equity

Commission in its Order on APR of FY 2007-08 and Tariff determination for FY 2008-09 dated 6th June 2008 provisionally approved Rs 101.15 Cr as ROE where as the actual ROE for FY 2007-08 is 102.91Cr.

Return on Internal Funds

Commission in its Order on APR of FY 2007-08 and Tariff determination for FY 2008-09 dated 6th June 2008 provisionally approved Rs 8.37 Cr as Return on Internal Funds where as the actual Return on Internal Funds for FY 2007-08 is 11.079 Cr.

Non-Tariff Income

The Hon'ble Commission has provisionally approved non-tariff income at Rs.46.18 Cr for FY 2007-08 where as the actual income has been Rs 51.66 Cr. This excess income is mainly because of increase in income from advertisement (Rs 3.74 Cr out of the total increase of Rs 5.48 Cr).

**Revised Annual Performance Review of FY 2008-09 and Aggregate Revenue
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Summary of Annual Revenue Requirement for FY 2007-08 (in Rs. Cr)

Sr. No.	Particulars	FY 2007-08	
		Order	Actual
1	Power Purchase Expenses	@ 1900.99	1885.15
2	Operation & Maintenance Expenses	235.98	257.55
a	Employee Expenses	128.15	150.35
b	Administration & General Expenses	81.91	76.26
c	Repair & Maintenance Expenses	25.92	30.94
3	Depreciation	41.65	40.39
4	Interest on Long-term Loan Capital	4.79	7.97
5	Interest on Working Capital (Normative)	4.64	1.26
5.1	Interest on Working Capital (Actual -Normative)	0.00	18.26
6	Interest on Consumer security deposits	12.46	12.84
7	Bad Debts Written off	0.06	0.04
8	Income Tax	0.00	0.00
9	Transmission Charges paid to MSETCL	97.61	97.61
10	Stand-by charges	114.63	114.63
11	Annual SLDC fees & Charges	0.80	0.80
12	FAC charges paid to TPC	123.70	123.70
13	Interest on Internal funds	8.37	11.079
14	Returns as Return on Equity	101.15	102.91
15	Total Revenue Requirement	2646.83	2674.19
16	(less) Non-tariff income	46.18	51.66
17	Annual Revenue Requirement	2600.65	2622.53

(@) Table showing details split of power purchase cost

Particular	Rs Cr
Total Cost approved by Commission (a)	2237.73
Less: Expenses Shown separately (b)	
Transmission Charges paid to MSETCL	97.61
Stand-by charges	114.63
Annual SLDC fees & Charges	0.80
FAC charges paid to TPC	123.70
Net Power Purchase Expenses (a-b)	1900.99

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In FY 2007-08, as per its audited accounts, BEST earned gross revenue of Rs. 2328.94 Cr less Rs 8.16 Cr for power factor incentive. Net revenue for FY 2007-08 is Rs 2320.78. Thus the Revenue gap for FY 2007-08 is

= Rs. (2622.53– 2320.78) Cr = Rs. (301.75) Cr.

APR for FY 2008-09 and ARR for FY 2009-10

Demand Forecast

Hon'able Commission vide its Order on APR of FY 2007-08 and Tariff determination for FY 2008-09 dated 6th June 2008, provisionally approved energy sales of 4363.37 for FY 2008-09 based on past trend in consumer and sales growth. However, the actual sales during the period April-08 to September-08 has been recorded at 2136.07 MUs. BEST is proposing a revised sales forecast for remaining months of the current year taking into account the trend seen in the actual sales in the first six months of the current year.

For the purpose, the sales projections have been based on the 6-year average of the percentage monthly power purchase vis a vis the total annual power purchase by BEST. The ratio of H1 to H2 is 52.26% : 47.74% . Thus the sales figure for the second half of FY 2008-09 is 1950.41 MUs. (Sales in H2 of FY 2008-09 = Sales in H1 divided by 52.26% * 47.74% (2135.09/52.26%)*47.74% = 1950.41 MUs.)

For projecting sales of FY 2009-10, BEST has taken the CAGR growth rate of last five years in energy sale as its base. Taking the CAGR (4.2 %) as its growth factor the estimated demand for the FY 2009-10 comes to be 4257.11 MU. This increased demand have been further apportioned to various tariff categories and slabs based on the individual growth rates assumed by BEST depending on past trend and current demand observed by BEST.

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Category wise units' consumption (figures in MUs)

Category	FY 2007-08 (actual)	FY 2008-09 (Estimated)			FY 2009-10 (Estimated)		
		(as approved in APR 07-08 Order)	(actual up to Sept-08 and forecast from Oct-08)	Y-o-Y growth	(as projected in the MYT petition)	(revised projection)	Y-o-Y growth
Residential	1724.23	1855.85	1770.90	2.7%	1819.32	1833.24	3.52%
Commercial	1885.65	2115.67	1929.00	2.3%	1906.19	2033.05	5.39%
Industrial	361.80	343.68	343.15	-5.15%	345.42	348.43	1.54%
Others	52.26	48.17	42.46	-18.8%	71.86	42.38	-0.19%
Total	4023.94	4363.37	4085.52	1.53%	4142.79	4257.11	4.20%

Distribution Loss

BEST has continued to maintain its distribution losses at lower levels in the FY 2008-09 also. In the first half of FY 2008-09, BEST billed a total of 2136.07 MUs as against an energy requirement of 2371.21 MUs at the T-D interface. The current distribution loss for the first half is 9.90%, which is well within the target limit of 10.5%. However for the purpose of estimation of energy requirement we have considered 10.5% distribution losses, which is line with the trajectory approved by the Hon'able Commission.

For FY 2009-10, BEST originally proposed the distribution loss target of 11% against which the Commission directed a target of 10%. BEST will work towards attaining the target loss level approved by the Commission. BEST for all the purpose have taken 10.5% as distribution losses in its calculations

Energy Balance for FY 2008-09 and FY 2009-10

The table below shows as the energy balance for the FY 2008-09 and FY 2009-10

Particulars	FY 2008-09	FY 2009-10
Sales (MU)	4085.51	4257.11
Distribution loss (in %)	10.5%	10.5%
Energy Requirement (MU) & T&D Interface	4564.8	4756.54
Transmission Losses (%)	4.85%	4.85%
Total Energy Requirement (MUs)	4797.5	4999

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Power Purchase

FY 2008-09

During the first half of the financial year Unit 7 of TPC-G, which is the cheapest source of generation for BEST, was shut down due to major maintenance for 84 days (23%) (from 20th July 2008 to 15th Oct 2008). At the same time Unit 4 was also shut for 15 days (from 8th June 2008 to 23rd June 2008) because of unprecedented rise in fuel price. Both the factors have led to an increase in per unit cost of power purchase for BEST.

Fortunately the projected consumption during the current year (4085.5 MUs) is less than the approved consumption of 4363 MUs still the power purchase cost for the current year is expected to be substantially higher.

Increase in Fuel Adjustment Charges (FAC):- Since January, 2008 an increase in trend in Fuel Adjustment Charges charged by TPC was observed and this trend continued in FY 2008-09 reflecting the global increase in cost of fuel. Due to this, the FAC touched the figure of Rs. 1.85 per unit as against the average power purchase cost of Rs. 3.3254 per unit of TPC's generation as stipulated by the Commission. In addition to unit no. 7 remaining out, due to defects, unit no. 4 which is already costly unit was kept out because fuel prices became exorbitantly high, which should have resulted much higher prices than stipulated by the Commission and therefore to make up for the resultant shortfall, expensive power from outside was required to be purchased.

The Commission in its Order dated 6th June, 2008 had envisaged the sale of surplus energy of 297.14 MUs by BEST and revenue approved to BEST from such sale under IBSM / FBSM Mechanism was deducted from overall estimated power purchase cost. This included estimated 359.54 MUs of generation from unit no. 8 at a rate of Rs. 2.85/- per unit. The unit no. 8 unfortunately has not been commissioned so far and as such surplus on account of commissioning of this unit is not yet available to BEST. However, due to reduction in the sales units for FY 2008-09 than approved by the Commission and with the distribution loss below the prescribed trajectory, there has been a reduction in overall procurement of units.

The Commission has mentioned that Undertaking will have revenue from the sale of surplus energy through IBSM / FBSM Mechanism. It may kindly be seen that due to the non-

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availability of TPC-G's generation from unit no. 7 as explained above and non-availability of unit no. 8 so far and its availability in the remaining financial year being uncertain, there is little scope for the net surplus revenue to the Undertaking through IBSM / FBSM Mechanism. In view of the shortfalls both in terms of energy requirements and peak time shortages the surplus revenue as envisaged by the Commission has not materialized, even though there has been reduction in the total power procurement of the units.

Table: Approved Vs Actual Power Purchase Cost for FY 2008-09

Particulars	Approved FY 2008-09		Cost/ Unit	Estimated FY 2008-09		Cost/ Unit
	MU	Rs Cr		MU	Rs Cr	
TPC	5164.94	1661.56	3.22	4655.67	2014.83	4.33
External Purchase	0	0	0.00	335.84	284.54	8.47
PP/Sale	-297.14	-163.43	5.50	-253.30	-217.48	8.59
RPS	256.2	89.67	3.50	59.29	31.35	5.29
Total Energy cost	5124	1587.8	3.10	4797.50	2113.24	4.40
Stand-by charges		108.78	0.23		108.78	0.23
Less Hydel Rebate		-44.85	-0.09		-44.84	-0.09
Transmission charges		109.61	0.23		109.61	0.23
SLDC charges		0.74	0.002		0.74	0.002
Thermal Incentive		15.53	0.03		15.53	0.03
Reduction of Cost		-3.38	-0.01		0.00	0.00
Fixed Cost		281.89	0.59		243.12	0.51
Total	5124.00	2056.12	4.01	4797.50	2546.18	5.31

Table showing Estimated Base and FAC cost per unit paid to TPC-G during FY 2008-09

Particular	H1 FY 2008-09		H2 FY 2008-09 (Est)		Total	
	Energy	FAC	Energy	FAC	Energy	FAC
Rs/Cr	801.10	333.05	747.09	133.58	1548.19	466.63
Units Purchased	2409.04	2409.04	2246.63	2246.63	4655.67	4655.67
Cost/Unit	3.33	1.38	3.33	0.59	3.33	1.00

FY 2009-10

Based on its sales forecast and grossing up of the energy requirement based on approved Distribution losses at 10.5% and transmission losses at 4.85%, BEST estimates that its gross energy requirement for FY 2009-10 shall come to 4999 MUs.

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Per unit cost of TPC-G plants is assumed to be Rs 3.18/Unit i.e. the average cost of TPC-G units. External purchase has been assumed at Rs. 8.2/Unit for the entire year, which is the average cost of first half of FY 2008-09. The fixed cost for FY 2009-10 is also revised based on the TPC-G's APR petition. The fixed cost payable to TPC-G for FY 2009-10 is estimated based on the total fixed cost as estimated by TPC-G in its ARP petition for FY 2008-09. The total estimated fixed cost is Rs 954 Cr and BEST share in the same (45.02%) is Rs 429.50. The fixed cost for FY 2008-09 is Rs 243.12 Cr. Thus the estimated fix cost for FY 2009-10 is increased by Rs 186.38 Cr.

The Commission has directed distribution licensees to procure 6% of its energy requirement from renewable sources. Accordingly, BEST has projected the required quantum of 299.94MUs from renewable sources. This power has been estimated to cost Rs. 5 / unit based on the current price.

Impact of Appellate Tribunal for Electricity (ATE) judgement dated 12th May 2008

It is learned from TPC-G's APR Petition for FY 2008-09 that, Tata Power has requested the Hon'ble Commission to direct BEST to pay an amount of Rs 218 Cr (in the ratio of total sales in the respective year FY 2004-05 and FY 2005-06) out of total recoverable amount of Rs 579 Cr. TPC-G is allowed by ATE to recover based on the judgment dated 12th May 2008. Based on this BEST has incorporated this one time payment of Rs 218 Cr in its ARR for FY 2009-10. A brief explanation of the same is provided in the main petition.

Revised Estimated of Power Purchase cost for FY 2009-10.

Particulars	Revised estimate for FY 2009-10
Fixed Charges payable to TPC –G	429.5
Energy charges payable to TPC –G	1356.28
External purchases	355.16
Incentive charges (Hydro + thermal) payable to TPC-G	15.53
RPS	149.97
SLDC charges	0.74
(less) rebate due to Hydro peaking tariff	-44.85
Stand-by charges payable to MSEDCL	108.78
Intrastate Transmission charges payable to MSETCL	109.61
Impact due to ATE's Order dated 12/05/08	218.00
Total (in Rs. Cr)	2698.72

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Transmission Charges

For FY 2008-09 the actual transmission charges are Rs.109.61 Cr (as approved by the Commission in its order dated 6th June 2008). In order to estimate the transmission charges for FY 2009-10, no escalation has been considered over the charges of FY 2008-09. The estimated transmission charges for FY 2009-10 are Rs 109.61.

.Standby Charges

For FY 2008-09 the actual standby charges are Rs.108.78 Cr (as approved by the Commission in its order dated 6th June 2008). In order to estimate the standby charges for FY 2009-10, no escalation has been considered. The estimated standby charges for FY 2009-10 are Rs. 108.78 Cr.

SLDC Charges

Hon'able Commission vide its Order on APR of FY 2007-08 and Tariff determination for FY 2008-09 dated 6th June 2008, provisionally approved SLDC Charges of Rs 0.74 Cr for FY 2008-09 and the estimated expenses for the year is same i.e Rs 0.74 Cr. For FY 2009-10 the estimated SLDC charges are Rs 0.74 Cr.

Operation & Maintenance (O&M) Expenses

The O&M expenses comprise of the Employee expenses, Administrative and General (A & G) expenses and Repairs and Maintenance (R & M) expenses as summarized below:

Particulars	FY 2008-09		FY 2009-10
	Approved	Revised Expenditure	Revised Estimates
Employee expenses	130.89	155.06	171.30
Administration & General expenses	85.23	83.53	88.70
Repair & Maintenance expenses	28.03	33.42	34.70
Total O & M Expenses	244.14	272.01	294.70

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Employee expenses

The estimated employee expenses for FY 2008-09 is Rs 155.06, which is only Rs 4.71 Cr more from the actual expenditure of FY 2007-08 (Rs 150.35 Cr). This is because BEST has regularized 100 employees in the current year i.e. FY 2008-09. Rest all the expenses are similar to last year. For FY 2009-10 the estimated employee expenses are Rs 171.30 Cr on account of wage agreement which is due for revision.

Administration & General expenses

There has been a slight increase in A&G expenses in FY 2008-09, which is basically due to the impact of high inflation in the current year. The estimated expenses for FY 2009-10 are Rs 88.70 Cr considering the inflation.

Repair & Maintenance expenses

There has been slight increase in R&M expenditure also due expansion of network. The revised R&M expenditure for FY 2008-09 and FY 2009-10 is Rs 33.42 Cr and Rs 34.70 Cr respectively.

Income Tax

As per the Income Tax Act under Section 10(20), the income of local authority is exempted.

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Capital Expenditure

BEST for FY 2008-09 and FY 2009-10 has revised its Capital Expenditure. During the period from April 2008 to Sept 2008 BEST has incurred Rs 34.15 Cr of Capital Expenditure. The table below shows the revised Capital Expenditure (in Rs Cr).

Sr. No.	Project schemes	FY 2008-09			F.Y 2009-10	
		MYT subm	Revised submission	Actual CAPEX incurred Up to Sept	MYT subm	Revised subm
1	New receiving station of 33-22 / 11 kV	27.90	70.27	4.20	35.80	44.79
2	Augmentation and replacement at existing RSS	15.15	10.32	2.07	23.06	11.35
3	New Distribution substation and augmentation & alteration to existing DSS	61.92	52.12	11.07	56.10	57.77
4	Extension of Distribution network (Laying of HV & LV cable)	53.48	33.06	8.69	55.83	36.36
5	SCADA, Digitisation & Communication	5.75	54.27	0.00	17.60	23.85
6	Energy Meters	81.34	24.90	4.98	74.86	23.79
7	Generation Plant	5.00	00.00	0.00	0.00	0.00
8	Street lighting (lamps & cables)	2.77	2.75	0.08	3.26	3.03
9	Furniture, office equipment , Tools , Civil engineering works ,Motor Vehicle Share of G.A. expenses	13.33	21.00	3.06	14.56	13.45
	Grand Total	266.64	268.69	34.15	281.07	214.39

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Depreciation

Depreciation is charged on the basis of straight-line method, on the fixed assets in use at the beginning of the year. The financing structure of BEST does not fall in the conventions as followed by Companies, therefore, BEST has not claimed any advance against depreciation in the ARR for the control period. For FY 2008-09 Commission provisionally approved Rs 44.90 Cr where as the revised depreciation for the year is Rs 45.02 Cr. For FY 2009-10 the estimated Depreciation is Rs 49.66 Cr.

Advance against Depreciation

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

Bad debts write-off

Commission in its Order on APR of FY 2007-08 and Tariff determination for FY 2008-09 dated 6th June 2008 provisionally approved Rs 0.08 Cr as Bad Debts. Where as BEST estimates its bad debts for FY 2008-09 to be Rs 0.12 Cr and Rs 0.13 Cr for FY 2009-10.

Interest on Loan Capital

BEST funds its expenditure from its internal funds as well as from external borrowings. BEST has taken public loans, MMRDA loans for the Mega-city Project, DPDC loan and APDRP Loans. The total interest payable during FY 2008-09 and FY 2009-10 is Rs. 24.6 Cr and Rs 38.60 Cr respectively.

Interest on Working Capital

In accordance with Hon'able Commission's Order on APR of FY 2007-08 and Tariff determination for FY 2008-09 dated 6th June 2008, Interest on Working Capital has been calculated at the prevailing PLR of State Bank of India (SBI-PLR), which was 12.75%.

The estimated interest on working capital during FY 2008-09 is Rs 40.15 Cr and for FY 2009-10 is estimated to be Rs. 25.93 Cr. The estimated working capital on a normative basis for FY 2008-09 and FY 2009-10 is Rs 6.77 Cr and Rs 3.31 Cr respectively.

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Interest on Consumer Deposit

Interest on Consumer Security Deposit has been considered at 6% as approved by the Commission in its Tariff Order dated 6th June 2008. The estimated interest on consumer deposit during FY 2008-09 and FY 2009-10 is estimated to be Rs 12.84 Cr .

Return on Equity

BEST has revised its estimates for FY 2008-09 and FY 2009-10 as Rs 109.76 Cr and Rs 116.22 Cr respectively. As directed by Hon'able Commission the details of the above calculations are given in Table 62.

Return on Internal Funds

BEST has revised its estimates for FY 2008-09 and FY 2009-10 as Rs 9.82 Cr and Rs 10.79 Cr respectively. As directed by Hon'able Commission the details of the above calculations are given in Table 63.

Non-Tariff Income

The estimated Non Tariff Income for FY 2008-09 is Rs 50.13 Cr as against Rs 49.72 Cr approved by the Commission. For FY 2009-10 the estimated Non Tariff income is Rs 53.75 Cr.

Projected Revenue Gap for FY 2008- 09

Commission in its Order on APR of FY 2007-08 and Tariff determination for FY 2008-09 dated 6th June 2008 estimated a revenue surplus of Rs 379.57 Cr and also increased the tariff by 3.6% to recover an additional Rs 102.64 Cr so as to nullify the gap and enable the BEST to recover its total ARR of FY 2007-08.

Commission in its order also approved Rs 38.76 Cr to be recovered by BEST from TPC-G. During FY 2008-09 BEST has received Rs 38.76 Cr in addition to that BEST has received an amount of Rs 14.26 Cr which is on account of its share from IBSM / FBSM mechanism.

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Total Approved Gap Vs Total Actual/Estimated Gap for FY 2008-09

Particulars	Estimated by MERC	Actual/Estimated	Increment
FY 2004-05 and FY 2005-06 truing up	72.62	72.62	0.00
FY 2006-07 truing up	276.38	276.38	0.00
FY 2007-08 provisional truing up	171.97	301.75	129.78
Total Truing up included in Tariff of FY 2008-09	520.97	650.749	129.78
Estimated revenue gap/surplus of FY 2008-09	-482.21	281.52	763.73
Surplus received from TPC for FY 2006-07	-38.76	-53.02	-14.26
Under recovered FAC (order dt 01-12-2008)	0	-80.46	-80.46
Total Revenue Gap	0.00	798.79	798.79

The events as envisaged by the Commission have not been materialized. Instead of having a nil gap in FY 2008-09 the net gap till FY 2008-09 which will have to be loaded to the tariff of FY 2009-10 is Rs 798.79 Cr. This has been on account of following things.

1. Exorbitant Rise in Power Purchase Cost

As explained in detail in the chapter 3 Power Purchase Cost, there has been an exorbitant rise in power purchase cost in FY 2008-09. The estimated variable power purchase cost is Rs 2113.04 Cr where as the approved variable power purchase cost is only 1587.8 Cr. The total increase on account of variable power purchase cost is Rs 525.44 Cr. As against the estimated revenue surplus of Rs 379.57 Cr envisaged by Hon'ble Commission for FY 2008-09.

2. Decrease in Revenue

There has been decrease in the sale of energy as estimated by the Undertaking. This overall decrease in the sale of units is heightened by decrease in higher tariff slabs in each category based on which BEST's revenue was determined by the Commission.

3. Under Recovery of FAC

The FAC as mentioned in the power purchase section above have gone up significantly. However, due to the provisions in the regulations with the 10% cap, the Undertaking could only recover fraction of the same e.g. in the month of April and May, 2008, the

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FAC was Rs 0.70 and Rs 0.92 per unit respectively but due to the then prevalent tariff rates we could recover only Rs 0.45 per unit and thereafter we could recover only Rs 0.536 per unit as against the actual amount of Rs. 1.85 per unit, Rs. 1.77 per unit and Rs. 1.93 per unit for the month of July 2008, August 2008 and September 2008 respectively paid to TPC-G. Thus there is un-recovered FAC to the tune of Rs. 1.25 per unit for the Undertaking.

This has seriously affected our revenue. Thus on one hand there has been increase in power purchase cost for the factors beyond the Undertaking's control and on the other hand there has been no commensurate increase in our revenue due to overall decrease in the sale of energy and particularly in the high revenue yielding segments than envisaged by the Commission and regulatory caps on recovery of FAC.

In this context, we invite Commission's kind attention to our Petition made in 11th August 2008 with the following prayers:-

- i. Allow BEST to recover the under recovery of Rs. 74.80 crores due from consumers (of applicable tariff slabs) towards FAC for the month of October 2007 to March 2008 by a way of additional charge of Rs. 0.66 / unit during the month of August 2008 to October 2008.
- ii. Increase the cap on FAC for the year 2008-09 to 20% from current cap of 10%.
- iii. Allow BEST to recover actual FAC with prior approval from Hon'ble Commission.
- i) Condone any inadvertent errors/omission and permit BEST to add/modify this filing.

On 1st Dec 2008 Hon'able Commission in response to the petition made above, has given an Order, the relevant extract of the Order dealing with Prayer No.1 mentioned above is reproduced hereunder :-

"Since the Commission has already undertaken the provisional truing up for expenses and revenue for FY 2007-08 based on BEST's submissions in the APR Petition, the Commission is of the view that there is no need to pass through the amount of FAC under-recovery of Rs. 78.4 Cr for the period from October 2007 to March 2008 at this stage. The Commission hence, rules that any under-recovery on this account would be considered at the time of the final truing up for FY 2007-08, i.e., during APR of FY 2008-

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09 and Petition for Tariff determination for FY 2009-10, provided the same is incorporated by BEST in its APR Petition for FY 2008-09”.

However Commission has permitted BEST to recover the actual under-recovered FAC of Rs 91.84 Cr for the period from April to June 2008 on the sales of November 2008 to March 2009 at a rate of 51 paise/kWh.

It needs to be noted that BEST estimates that in the period of 5 months i.e. November 2008 to March 2009 it would only be able to recover Rs 80.46 Cr as against the permitted amount of Rs 91.84 Cr. This is because as per BEST estimation the total number of units to be sold during period is 1577.64 MUs, so the total estimated amount will be Rs 80.46 Cr ($1577.64 * 0.51 / 10 = 80.46$) hence for the purpose of estimating revenue gap we have considered only Rs 80.46 Cr.

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Summary of Annual Revenue Requirement for FY 2008-09 and FY 2009-10 (in Rs. Cr)

Sr. No.	Particulars	FY 2008-09		FY 2009-10
		Order	Revised Estimate	Revised Estimate
1	Power Purchase Expenses	@1837.05	2327.05	2479.59
2	Operation & Maintenance Expenses	244.15	272.01	294.70
A	Employee Expenses	130.89	155.06	171.30
B	Administration & General Expenses	85.23	83.53	88.70
C	Repair & Maintenance Expenses	28.03	33.42	34.70
3	Depreciation	44.90	45.02	49.66
4	Interest on Long-term Loan Capital	4.38	24.62	38.60
5	Interest on Working Capital (Normative)	15.68	6.77	3.31
5.1	Interest on Working Capital (Actual -Normative)	0.00	33.38	22.62
6	Interest on Consumer security deposits	12.46	12.84	12.84
7	Bad Debts Written off	0.08	0.12	0.13
8	Income Tax	0.00	0	0.00
9	Stand-by charges payable to MSEDCL	108.78	108.78	108.78
10	Transmission Charges payable to MSETCL	109.61	109.61	109.61
11	Annual SLDC fees & Charges	0.74	0.74	0.74
12	Total Revenue Expenditure	2377.8	2940.9	3120.58
13	Return on Equity Capital	105.54	109.76	116.22
14	Return as Interest on Internal funds	9.11	9.82	10.79
15	Aggregate Revenue Requirement	2492.5	3060.5	3247.59
16	Less: Non Tariff Income	49.72	50.13	53.75
17	Aggregate Revenue Requirement from Retail Tariff	2442.8	3010.39	3193.84
18	Revenue from Retail Tariff #		2728.87	2631.05
19	GAP		281.52	562.79

Net of power factor incentive of Rs 8 Cr and Rs 8.5 Cr for FY 2008-09 and FY 2009-10 respectively.

(@) Table showing details split of power purchase cost

Particular	Rs Cr
Total Cost approved by Commission (a) ##	2056.18
Less: Expenses Shown separately (b)	
Transmission Charges payable to MSETCL	109.61
Stand-by charges payable to MSEDCL	108.78
Annual SLDC fees & Charges	0.74
Net Power Purchase Expenses (a-b)	1837.05

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The net power purchase expenses are arrived by assuming a surplus of Rs 163.43 Cr. which did not materialise.

The cumulative estimated GAP of FY 2008-09 Rs 798.79 Cr and the ARR for FY 2009-10 including the cumulative gap is 3992.63 Cr. The total expected revenue from the current tariff is Rs 2631.05 Cr. The total gap for FY 2009-10 is Rs 1361.58 Cr

Total gap for FY 2009-10

Particular	Rs Cr
Total Cumulative Gap till FY 2008-09	798.79
ARR for FY 2009-10	3193.84
Total ARR for FY 2009-10	3992.63
Less Revenue from Current Tariff	2631.05
Total GAP	1361.58

Proposal for Revision of Tariff Structure

As indicated above BEST shall face a Revenue Gap of Rs.1361.58 Cr for FY 2009-10 based on existing tariff. Clearly, bridging this Gap is essential for the financial stability of the Undertaking.

It may be noted that a large part of this Revenue Gap can be accounted to the unprecedented rise in prices of fuel (which is not under control of BEST), there by resulting in higher energy purchase cost and increase in FAC. There is no provision to recover the price rise in external power purchase cost on monthly basis, besides this the FAC could not be fully recovered due to limitation on maximum FAC chargeable to consumer.

Salient Features of the Tariff Proposal for FY 2009-10

The Commission has introduced the concept of reliability charges for recovering the cost of expensive power and separate recovery of standby charges. In the proposed tariff, the same principle is incorporated.

BEST in addition to reliability charges proposes a new surcharge in order to recover its uncollected FAC for the FY 2007-08 and FY 2008-09. This surcharge would be a one-time surcharge and would be levied only during FY 2009-10 year.

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Tariff Proposal for FY 2009-10

Tariff Category	Slabs	Fixed Demand Charges Rs/ Month	Fixed Demand Charges Rs/ kVA/ Month	Energy Charge Rs/ Unit	Standby Charges Rs/Unit	Expensive Power Charges Rs/Unit	Surcharge Rs/Unit	Total Tariff Rs/Unit
BPL	0-30	3		0.4				0.40
LT-I	0-100	25		1.5	0.26		0.60	2.35
	101-300	50		4	0.26		0.60	4.85
	301-500	75		5	0.26	2.62	0.60	8.47
	>500	100		7	0.26	2.62	0.60	10.47
LT-II A	0-300	225		5	0.26	2.62	0.60	8.47
	301-500	225		7	0.26	2.62	0.60	10.47
	501-1000	225		9	0.26	2.62	0.60	12.47
	>1000	225		9.5	0.26	2.62	0.60	12.97
LT-II B	all units		200	10	0.26	2.62	0.60	13.47
LT-II C	all units		200	11	0.26	2.62	0.60	14.47
LT-III	all units	350		15	0.26	2.62	0.60	18.47
LT-IV	0-300	300		4.5	0.26		0.60	5.35
	301-500	350		6	0.26	2.62	0.60	9.47
	501-1000	400		7	0.26	2.62	0.60	10.47
	>1000	400		8.5	0.26	2.62	0.60	11.97
LT-V A	all units		200	8	0.26	2.62	0.60	11.47
LT-V B	all units		200	7	0.26	2.62	0.60	10.47
LT-VI	all units		200	7	0.26	2.62	0.60	10.47
LT-VII	all units	100		2	0.26		0.60	2.85
LT-VIII	all units	200		12	0.26	2.62	0.60	15.47
LT-IX	all units	200		2	0.26		0.60	2.85
HT-II	all units		250	5.75	0.26	2.62	0.60	9.22
HT-I	all units		250	5.5	0.26	2.62	0.60	8.97

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HT-III	all units		250	3.5	0.26	2.62	0.60	6.97

Note 1: Terms and Conditions of TOD tariff remains the same

Note 2: Rs 100 per month will be levied on residential consumers availing 3 phase supply.

Additional fixed Charges Rs 100 per 10 kW load or part thereof above 10 kW shall be payable.

Revenue from the proposed Tariff structure for FY 2009-10

Tariff Category	Fixed Demand Charges Rs Cr	Fixed kVA Charges Rs Cr	Energy Charge Rs Cr	Standby Charges Rs Cr	Expensive Power Charges Rs/Cr	Surcharge Rs Cr	Total Revenue Rs Cr
BPL	0.003		0.0016	0.0	0.0		0.005
LT-I	7.36		99.9	17.0	0.0	39.9	164.14
	20.93		226.9	14.5	0.0	33.9	296.22
	5.51		84.4	4.3	44.2	10.1	148.50
	5.78		260.5	9.5	97.5	22.3	395.56
LT-II A	49.84		205.5	10.5	107.7	24.6	398.19
	6.71		81.2	3.0	30.4	6.9	128.18
	5.62		134.9	3.8	39.3	9.0	192.64
	4.68		282.6	7.6	78.0	17.8	390.66
LT-II B	0.00	11.01	171.5	4.4	44.9	10.3	242.13
LT-II C	0.00	38.85	620.3	14.4	147.8	33.8	855.14
LT-III	0.25		3.4	0.1	0.6	0.1	4.49
LT-IV	2.97		10.6	0.6	0.0	1.4	15.56
	0.53		5.4	0.2	2.4	0.5	9.11
	0.77		9.9	0.4	3.7	0.8	15.52
	0.85		25.8	0.8	8.0	1.8	37.27
LT-V A	0.00	4.16	36.5	1.2	12.0	2.7	56.52
LT-V B	0.00	3.01	33.6	1.2	12.6	2.9	53.27
LT-VI	0.00	2.07	15.8	0.6	5.9	1.4	25.71
LT-VII	0.00		0.2	0.0	0.0	0.1	0.31

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LT-VIII	0.13		22.4	0.5	4.9	1.1	29.04
LT-IX	0.00		0.0	0.0	0.0	0.0	0.02
HT-II	0.00	20.23	184.5	8.2	84.1	19.2	316.20
HT-I	0.00	12.31	97.8	4.5	46.6	10.6	171.83
HT-III	0.00	5.23	20.7	1.5	15.5	3.5	46.52
	112	97	2634	109	786	255	3992.72

The projected revenue from the above tariff structure for FY 2009-10 is given below

Table showing the Revenue (Shortfall)/ Surplus from the proposed tariff.(Rs/Cr)

Particular	Rs Cr
Total revenue from proposed Tariff	3992.722
Total ARR for FY 2009-10	3992.627
Revenue (Shortfall)/Surplus	0.094

Prayer

BEST hereby submits its Revised Annual Performance Review (APR) and Tariff petition for the purpose truing up of the revenue & expenses for FY 2007-08, mid year review of APR of FY 2008-09 and determination of tariff for FY 2009-10, It is prayed that Hon'ble Commission may please consider BEST's request for approval of:

- Truing up of FY 2007-08
- Revised APR of FY 2008-09
- Revenue gap arising out from previous years as detailed in the revised petition.
- ARR of FY 2009-10 incorporating the revenue gaps as mentioned in the revised petition.
- As directed by the Hon'able commission, BEST has incorporated the changes in power purchase cost based on APR petition of TPC-G. The Commission is requested to take into the account the charges and tariff as for TPC-G as approved by Commission while determine BEST's ARR.

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- Hon'able Commission has passed an Order dated 2nd Feb 2009 (Case no 46 of 2008) in respect of TPC-G in which certain financial impacts are likely to be imposed on BEST; the Hon'able Commission is requested to incorporate additional burden if any due to this order.
- Proposed tariff schedule for FY 2009-10 in order to bridge the estimated revenue gap.
- Condone any inadvertent omissions / errors and permit BEST to add / modify this filing.

Pass such further and other Orders, as the Hon'ble Commission may deem fit and proper, keeping in view the facts and circumstance of the case.
