

**KERALA STATE ELECTRICITY REGULATORY COMMISSION
Thiruvananthapuram**

January 21, 2009.

**Petition No.TP 53 (a) of 2008
In the matter of
ARR&ERC OF KANAN DEVAN HILLS PLANTATIONS COMPANY PRIVATE LTD,
MUNNAR FOR FY 2008-09**

Present : Shri. C.Balakrishnan Chairman
: Shri C.Abdulla, Member
: Shri.M.P.Aiyappan, Member

KANAN DEVAN HILLS PLANTATIONS
COMPANY PRIVATE LTD,
MUNNAR 685 612 : Petitioner

1 PROCEDURAL HISTORY:

M/sTata Tea was a deemed Distribution Licensee for Munnar area till 8th January 2007. The Licence was transferred to M/s Kanan Devan Hills Plantations Company Private Ltd(KDHPCPL) vide the order of theCommission dated 9th January 2007. The ARR & ERC for 2008-09 to 2010-11 was submitted by M/s KDHPCL vide letter dated 27th March 2008 .

Clarifications on the ARR were called for vide Commission's letter dated 12th August 2008. Reply to the clarifications were submitted by the Licensee vide letter dated 18th August 2008.

2. PUBLIC HEARING:

Commission conducted a public hearing on the petition at Munnar on 21th October 2008. Several complaints were raised by the public in the hearing. The main complaint was that the Licensee was not making arrangements for cash collection on all working days. Cash collection was arranged only on three working days in a week. This causes much inconvenience for the public in places far away from Munnar Town.

Another complaint raised was that every time a fuse call is made the Licensee demands Rs 100 for attending the fault.

Also Licensee has got quashed, the tariff order of the Commission effective from 1st December 2007 on the rates for Bulk Supply by Hon High Court. But the pre revision rates cannot be considered as final in the case of this Licensee. Hence Commission does not consider it necessary to analyse the ARR & ERC for a three year period now. The analysis will be restricted to only one year viz. 2008-09.

In finalizing the order on the ARR & ERC for the FY 2008-09, the Commission has taken into consideration the materials made available by the Licensee and the clarifications furnished by the Licensee in the meetings with the Commission.

3. ENERGY PROJECTIONS:

The Licensee has estimated the consumption for 2007-08 based on the actuals till Jan 2008 and thereafter 2% increase projected for 2008-09.

The number of consumers category wise and their percentage consumption for 2007-08 are as furnished below:

Category	No of consumers as on 31,Mar-08	Category wise %	Consumption in MU	% of consumption
HT I Industrial	10	0.07	8.98	19.80
HT IV Commercial	2	0.01	0.61	1.34
LT I Domestic	13620	91.24	5.92	13.05
LT II Colonies	2	0.01	0.14	0.31
LT IV Industries	25	0.17	0.19	0.42
LT VI Non - Domestic	304	2.04	0.67	1.48
LT VII Commercial	950	6.36	1.71	3.77
Street Light	1	0.01	0.23	0.51
Own Consumption	1	0.01	14.16	31.22
Feed Back	13	0.09	5.13	11.31
Line Loss			7.62	16.80
Total	14928	100	45.36	100

The projection for 2008-09 is as follows:

Category	Estimated Consumption in MU for 2007-08	Consumption projected for 2008-09 in MU
HT I Industrial	8.98	9.16
HT IV Commercial	0.61	0.62
LT I Domestic	5.92	6.04
LT II Colonies	0.14	0.15
LT IV Industries	0.19	0.19
LT VI Non - Domestic	0.67	0.68
LT VII Commercial	1.71	1.74
Street Light	0.23	0.24
Own Consumption	14.16	14.44
Feed Back	5.13	5.23
Line Loss	7.62	7.77
Total	45.36	46.26

Commission approves the projected demand of 46.26 MU for 2008-09. This includes the feedback to KSEB and line loss in the system.

4. T&D LOSSES:

The energy demand for 2008-09 has been projected as 46.26 MU in para 3 above. This includes line loss of 7.77 MU and feedback of 5.23 MU. Deducting feedback, input energy is 41.03 MU. Line loss of 7.77 MU gives the line loss percentage as 18.937. T&D loss approved for 2007-08 was 20.30%. Thus the Licensee has projected a reduction of 1.363 %. The Licensee has to pay duty on line loss if the same exceeds 13.75%. The Licensee should bring down line loss to 13% within a period of three years. This can be easily achieved by constructing an EHT substation in the load centre. However Commission accepts the T&D loss of 18.97% for the year 2008-09.

5 AGGREGATE REVENUE REQUIREMENT FOR 2008-09:

Licensee has submitted ARR&ERC proposals for a three year period. But as already discussed in para 2 above only ARR&ERC for 2008-09 is now considered for scrutiny and approval. The approved ARR for 2007-08 and estimated ARR for 2008-09 submitted by the Licensee are as follows.:

Rs. Lakh

Sl No	Particulars	2007-08 (Approved)	2008-09 (Estimated)
1	Power Purchase Cost	1170.12	1058.53
2	Operation & Maintenance Cost	17.26	21.58
3	Employee cost	19.87	54.65
4	A&G Expenses	4.72	8.22
5	Depreciation	5.35	6.43
6	Interest & Finance Charges	3.32	34.93
7	Duty on line loss	3.1	1.41
8	Inspection charges	3.84	4.03
9	Licence fee	0.27	0.39
9	Total	1227.85	1190.1661

Detailed analysis of the elements of ARR is as follows.

5.1 Purchase of Power:

In the ARR submitted, the Licensee has projected an energy purchase of 46.26 Million units during 2008-09. This includes feedback of 5.23 MU. Deducting the feedback energy the power purchase would be 41.03 MU. The total cost for power purchase during 2008-09 has been projected at Rs 1058.93 lakh. The details are as follows:

Particulars	Estimate for 2008-'09
Projected purchase -MU	46.26
Less feedback	5.23
Billed Units-MU	41.03
Contract Demand – KVA	7000
Excess Demand-KVA	399
Energy charges-Rs Lakh	882.15
Demand charges for contract demand-Rs lakh	226.41
Excess Demand charges-Rs lakh	6.10
Rebate-Rs lakh	55.73
Total-Rs lakh	1058.93

Licensee has, always been taking a stand that they operate generator sets in their factories irrespective of power supply from KSEB. Further system improvement will bring down maximum demand also.

In view of the above the Commission disallows the anticipated penal MD charges.

The power purchase cost is revised as follows:

Total projected consumption (as per Form G)	33.26 MU
Loss	7.77 MU
Net energy	41.03 MU
Energy charges @ Rs 2.15 per kwh	Rs 882.145 lakh
Demand charges for 7000MVA @ Rs 255 per KVA	Rs 214.2 lakh
Sub Total	Rs 1096.345 lakh
Rebate at 5%	Rs 54.81 lakh
Net	Rs 1041.535 lakh

5.2 Interest and Finance Charges:

The Licensee has given a figure of Rs 34.93 lakh towards interest and finance charges. The figure for the year as submitted by the Licensee was Rs 3.32 lakh for the year 2007-08. The split up of the figure of Rs 34.93 for the year 2008-09 is as follows.

Interest on working capital	Rs 7.68 lakh
Bank charges on BG	Rs 2.41 lakh
Interest on loan	Rs 17.40 lakh
Interest on security deposit	Rs 7.44 lakh

Interest on security deposit cannot increase suddenly to Rs 7.44 lakh from Rs 3.2 lakh. The Licensee's claim that interest on loan was earlier debited to tea business and has now been transferred to electricity business is not acceptable. The Licensee clarified during the discussion on 10th December 2008 held at Commission's office, that they have given a B.G for Rs 103 lakh to KSEB as security. They further claimed that they are paying 2.4% of the amount as charges to bank. The Licensee clarified that they have taken 11.25% as interest for loan. They explained that the principal amount taken for working out interest is the sum of item C(d) and loss in item A of form C. The Licensee vide letter dated 18th August 2008 clarified that for the earlier years interest on loan was absorbed in the Tea business, which now been debited to electricity distribution business. But Licensee could not give details of loan such as source from where loan is availed, rate of interest etc. The stand taken during the discussions on 10th December 2008 clearly indicates that the assumptions on interest rate and loan amount are only hypothetical and not actuals. Hence the figure approved for 2007-08 alone is admitted. Licensee explained that working capital is arrived at by adding monthly bill amount of 119.98 lakh and security amount of Rs 55 lakh. But they have a security amount of Rs 124 lakh collected from consumers. Thus interest on working capital will come down to NIL. Commission accepts the following items towards interest and finance charges.

Interest on loan	Rs 3.32 lakh
Bank charges on BG	Rs 2.41 lakh
Interest on security deposit	Rs 3.2 lakh
Total	Rs 5.61 lakh.

5.3 Depreciation:

The Licensee has projected a provision of Rs 6.43 lakh for depreciation during the year 2008-09.

Depreciation approved for the year 2007-08 was Rs 2.78 lakh only. As per Form W, addition of assets in the year 2007-08 has been given as Rs 82 lakh. Hence the commission does not propose any change in the claim on depreciation. The Commission directs that the Licensee should furnish details of actual assets added during 2007-08 within 30 days from the date of receipt of this order.

5.4 Employee Cost:

The ARR submitted by the Licensee projects an amount of Rs 54.65 lakh towards employee cost during 2008-09. A comparison with the provisions as approved by the Commission for 2007-08 are furnished below:

Approved cost for 2007-08	Rs 19.87 lakh
Cost now projected for 2008-09	Rs 54.65 lakh

The stand taken by the Licensee is that salaries and allowances of the electricians located at the establishments spread over the Licensed area has been included. During deliberations on 10th December 2008, Licensee clarified that the following persons are exclusively employed for distribution business.

Manager	1 No
Technical officers	2 Nos
Junior technical officers	2 Nos
Switching station operators	4 Nos
Others	15 Nos

It is noted that Licensee has arbitrarily changed the method of working out the employee cost. The increase proposed over the figure for 2007-08 is a whopping 175%. The Commission does not approve this kind of arbitrary proposals. The Commission approves only an increase of 10% over the figure for 2007-08. The Commission also would like to point out that the growth of the system is only marginal. Hence the Commission approves a figure of Rs Rs 21.86 lakh towards employee cost.

5.5 Repairs and Maintenance Charges:

The Licensee has projected a requirement of 21.58 lakh towards Repair and Maintenance charges during the year 2008-09. The approved amount for 2007-08 is Rs 17.26 lakh. It is noted that Licensee is arbitrarily claiming expenses by changing procedures on interest and finance charges accounting, employee cost accounting, which is not acceptable. Further, as per the Profit and Loss account for the period from July to March 2008 submitted by the Licensee, the O&M charges is only Rs 7.02 lakh. This is for a period of 9 months. Thus for 12 months the O&M expense will be Rs 9.36. Adding an escalation of 10% the figure for 2008-09 will be Rs 10.30 lakh. Thus Commission approves an amount of Rs 10.30 lakh for O&M charges for 2008-09.

5.6 Administration & General Expenses:

The Licensee has projected an amount of Rs 8.22 lakh towards A&G expenses for 2008-09 as compared to Rs 4.72 lakh approved for 2007-08. The A&G expenses consist of rent, taxes, insurance, legal charges, audit fees and other charges such as travel expenses, freight, purchase related expenses, *etc.* The Commission does not propose any change in the provision sought for.

5.7 Overall Position Regarding Aggregate Revenue Requirement 2008-09:

Based on the above discussion, the overall position regarding the Aggregate Revenue Requirement for 2008-09 would be as below:

Rs. Lakh

Sl No	Particulars	2008-09
1	Power Purchase Cost	1041.535
2	Operation & Maintenance Cost	10.3
3	Employee cost	21.86
4	A&G Expenses	8.22
5	Depreciation	6.43
6	Interest & Finance Charges	5.61
7	Duty on line loss	1.41
8	Inspection charges	4.03
9	Licence fee	0.34
9	Total	1099.735

6. REVENUE RECEIPTS DURING 2008-09:

The category wise consumption for the year 2008-09 has already been stated in para 3 above. The same is as follows.

Category	Projection for 2008-09 in MU
HT I Industrial	9.16
HT IV Commercial	0.62
LT I Domestic	6.04
LT II Colonies	0.15
LT IV Industries	0.19
LT VI Non - Domestic	0.68
LT VII Commercial	1.74
Street Light	0.24
Own Consumption	14.44
Feed Back	5.23
Line Loss	7.77
Total	46.26

The total revenue realisation from tariff is projected at Rs 1164.10 lakh on a total energy consumption of 33.26 MU . It is noted that MD charges for own factories is computed as the difference between purchased MD and MD of other consumers. This is not correct. All consumers whether own or not should be provided with energy meters. This is a requirement insisted in the Tariff Policy of the Govt of India. Commission gives a period of three months from the date of this order to meter all consumption points and report compliance.

The revenue from Non-Tariff income for 2008-09 has been projected at Rs 0.88 lakh.

Thus the total revenue proposed by licensee is Rs 1164.98 lakh.

In working out the revenue from own Industrial loads, the average revenue realization taken by the Licensee is Rs 3.28 per kWh. The corresponding figure for other HT Industrial consumers is Rs 3.90 per kWh. Commission is not in a position to allow this kind of arbitrary revenue calculation. Being of the same nature both own and outside HT Industrial consumers should have the same pattern of consumption and hence the same average realization per kWh. Thus Commission proposes to calculate revenue from own factories at Rs 3.90 per kWh. This will result in an increase in revenue of Rs 89.52 lakh. Thus total revenue from tariff will be Rs 1253.62 lakh. The total revenue including non-tariff income will be Rs 1254.5 lakh.

7. COMMISSION'S ORDER ON THE ARR & ERC FOR THE YEAR 2008-09:

On the basis of the above,, the Commission hereby approves an Annual Aggregate Revenue Requirement of Rs.1099.735 lakh and Total Expected Revenue from Charges of Rs1254.5 lakh for the year 2008-009 Surplus is Rs 154.765 lakh. No change in tariff is ordered at present.

8. COMMISSION'S DIRECTIVES:

1. On finalization of the accounts for the FY 2008-09, Kanan Devan Hills Plantations Company Private Ltd shall submit the actual audited accounts for the electricity distribution business . This should not go beyond July 2009.
2. The Licensee shall conduct energy audit and take loss reduction measures to bring down AT&C losses to 13.50% in 2010-11 .
3. The Licensee shall continue with the existing tariff.
4. The Licensee is to furnish reliability index monthly.
5. The Licensee shall strictly follow the norms given in Terms and Conditions of Supply.
6. The Licensee should keep the cash collection counter open from 08 a.m to 02 p.m
7. The Licensee should submit details of books, registers, ledgers maintained for conducting electricity distribution business.
8. The Licensee should publish the address of CGRF and Ombudsman in the monthly/bi -monthly invoices with immediate effect and display the same in its offices.

Sd/-
M.P.AIYAPPAN
MEMBER

Sd/-
C.ABDULLA
MEMBER

Sd/-
C.BALAKRISHNAN
CHAIRMAN

Authenticated copy for issue

Sd/-
Secretary (in charge)