

**KERALA STATE ELECTRICITY REGULATORY COMMISSION
Thiruvananthapuram**

**Petition No.TP-19 of 2005
ARR&ERC OF RUBBER PARK INDIA (P) LTD FOR FY 2006-07**

August 21 , 2006

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

Petitioner : Rubber Park India(PVT) Ltd

O R D E R

The Kerala State Electricity Regulatory Commission having scrutinized the Petition on ARR&ERC for 2006-07 filed by Rubber Park India (Pvt) Ltd *vide* their letter No. RPIL/KSEB/2006-07/3231 dated 28th April 2006 heard the views of the petitioner in the Commission's proceedings on 10th July 2006 and having considered other documents and materials on record passes the following order in exercise of the powers vested in it under the Electricity Act, 2003 in this behalf.

Sd/-
M.P.Aiyappan
Member

Sd/-
C.Abdulla
Member

Sd/-
C.Balakrishnan
Chairman

Authenticated copy for issue

Ajitha.S
Secretary

CONTENTS

Chapter	Para	Description	Page
I		INTRODUCTION	
	1.1	Preamble	3
	1.2	Procedural History	3
II		ENERGY REQUIREMENT PROJECTIONS FOR 2006-07	
	2.1	Methodology	4
	2.2	Projections by the Licensee	4
	2.3	Commission's Observations	5
III.		AGGREGATE REVENUE REQUIREMENT FOR 2006-07	
	3.1	Introduction	5
	3.2	Purchase of Power	6
	3.3	Interest & Finance Charges	6
	3.4	Depreciation	6
	3.5	Employee Cost	7
	3.6	Repair & Maintenance Charges	8
	3.7	Administration & General Expenses	8
	3.8	Statutory Surplus/Return on Equity	8
	3.9	Aggregate Revenue Requirement for 2006-07	9
IV		REVENUE RECEIPTS DURING 2006-07	
	4.1	Revenue from Tariff Income	10
	4.2	Revenue from Non-Tariff Income	10
	4.3	Expected Revenue from Charges	10
V		COMMISSION'S ORDER ON ARR & ERC FOR THE YEAR 2006-07	
	5.1	Aggregate Revenue Requirement for 2006-07	11
	5.2	Expected Revenue from Charges	11
	5.3	Commission's Order	12
VI		COMMISSION'S DIRECTIVES	12

CHAPTER I

INTRODUCTION

1.1 Preamble

Government of Kerala had granted a licence for distribution of electricity to the Rubber Park India [P] Limited to supply electricity to various establishments in the park area, vide G.O. (P) No: 20/2003/PD dated 17th June 2003. Rubber Park India [P] Limited (RPIL) is a deemed distribution Licensee under the first proviso of Section 14 of Electricity Act, 2003.

Presently, the Rubber Park India [P] Limited (herein after called the Licensee) receives electricity at 110 kV from the Kerala State Electricity Board (herein after called KSEB) and supply to the establishments/industrial units within the park area through prepaid meters at tariff rates of the KSEB.

The Commission had passed an order dated 8th July 2005 on petition No TP-9 in respect of ARR & ERC filed by the Licensee for 2005-06. In this order, the Commission had approved an Annual Aggregate Revenue Requirement of Rs 359.95 lakh and total Expected Revenue from Charges of Rs 283.79 lakh for the year 2005-06 leaving a gap of Rs 76.16 lakh.

1.2 Procedural History

Rubber Park India (P) Ltd (RPIL) filed a petition for approval of ARR and ERC for the financial year 2006-07 on 28th April 2006. The above petition was placed before the Commission after initial scrutiny for the procedural requirements and the petition was admitted and registered as TP .19 of 2006 on 5th May 2006.

Clarification on certain points was sought for from RPIL vide Commission's letter dated 24th June 2006.

Reply to the clarifications sought from the Commission was furnished by the Licensee vide letter dated 27th July. 2006.

Commission held proceedings for public hearing at the Conference hall of Cochin Special Economic Zone at Kakkanad, Kochi on 10th July 2006.

The proceedings of the public hearing were conducted smoothly. There was no representative from the side of consumers. The minutes of the hearing is enclosed as Annexure I.

The Commission has thus ensured that the due process contemplated under the governing Act and Regulations were followed and adequate opportunity was provided at every stage to all individuals and organizations concerned, to express their views.

In finalising the order on the ARR & ERC for the FY 2006-07, the Commission has taken into consideration the materials filed by the Licensee, the clarifications furnished by the Licensee in the meeting with the Commission, and further views expressed by the Stakeholders during the proceedings held for hearing their objections.

Chapter II

ENERGY REQUIREMENT PROJECTIONS FOR 2006-07

2.1 Methodology

In estimating the demand and energy requirement for 2006-07, the Licensee had projected an increase in the number of consumers under LT-IV and HT. The number of connections under “Construction” category has been brought down from 13 in 2005-06 to 6 in 2006-07.

2.2 Projections by the Licensee

The energy requirement projections for 2006-07 made by Licensee is summarized below:

Sl No	Category	No of Consumers			Consumption- Units		
		2005-06	2006-07	Percentage increase	2005-06	2006-07 (estimated)	Percentage increase
1	LT-IV	4	8	100	39552	519096	1300
2	LT-VIII-A	13	6	-53	20797	10549	- 50
3	HT	2	7	250	1904728	7291872	280
4	Own	1	1	0	106351	227524	113
5	Total	20	22		2071428	8049041	

2.3 COMMISSION'S OBSERVATIONS

The Licensee has anticipated a total loss of 2.91 % for the year 2006-07. The loss assumed for the year 2005-06 was 7.17%. Thus substantial reduction has been contemplated. Commission approves the projected distribution loss and the power purchase for the year 2006-07. Commission is of view that losses should be brought down further. Licensee should conduct energy audit and find out optimal methods for loss reduction so that loss reduction can be achieved without substantial investment. Licensee should submit results of energy audit within three months from the date of this order. Commission is not changing the figure for loss and consequent change in purchase.

CHAPTER III

AGGREGATE REVENUE REQUIREMENT FOR 2006-07

3.1 Introduction

The ARR& ERC submitted by the Licensee projected a total expenditure of Rs 358.3 lakh for 2006-07. The details in comparison to the provisions in respect of various items for 2004-05 and 2005-06 are furnished below:

Rs. lakh				
Sl No	Particulars	2004-05 (Actuals)	2005-06 As approved by Commission	2006-07 Now given (estimated)
1	Power Purchase Cost	13.6	255.45	281.98
2	Interest and finance charges	-	-	-
3	Depreciation	21.65	28.22	33.91
4	Employee Cost	12.5	16.30	19.72
5	Repairs & Maintenance cost	7.61	8.8	11.25
6	A &G Expenses	18.47	15.04	11.44
7	Other expenses	-	-	-
8	Gross expenses	73.83	323.81	358.3
9	Less expenses capitalized			
10	Less interest capitalized		-	
11	Total Expenditure	73.83	323.81	358.3

3.2 Purchase Of Power

3.2.1 The ARR submitted by the Licensee shows requirement of 82.90 lakh units during 2006-07. The total cost for power purchase during 2006-07 has been projected at Rs 281.98 lakh. But subsequently the Licensee has clarified that the fixed charge is Rs 66.42 lakh, and the variable charge is Rs 243.15 lakh. Section 3 Elec.Duty is Rs 4.69 lakh and Sec 4 duty is Rs 23.41 lakh. The total of fixed and variable charges is Rs 309.57 lakh. Thus it is noted that the variable charges include both Sec 3 and Sec 4 Duty as per KED Act. The projected figure of Rs 281.98 lakh is accepted.

3.3 Interest And Finance Charges

3.3.1 The ARR as projected does not provide any claim towards interest and finance charges.

3.3.2 COMMISSION'S OBSERVATIONS

As per the details furnished in Form O, there are no loan funds. The Licensee has clarified that as prepaid meters have been installed for all consumers, security deposit has not been collected and there is no liability on that account also. Therefore the Commission approves that there shall be no provision for interest and finance charges in the ARR&ERC for 2006-07.

3.4 Depreciation

3.4.1 The Licensee has projected a provision of Rs 33.91 lakh for depreciation during the year 2006-07 based on the following rates.

	Depreciation %	Amount Rs. lakhs
Transmission Lines	2.57	2.54
Sub stations	6.2	16.6
11 kv works	3.6	3.89
LT lines	3.6	1.09
Metering equipment	82	0.23
Others		9.55
Total		33.9

The Licensee has subsequently revised the depreciation as detailed below total ling to Rs 23.53 lakh.

	Depreciation %	Amount Rs. lakhs
Transmission Lines	2.57	2.54
Sub stations	3.6	9.49
11 kv works	3.6	3.89
LT lines	3.6	1.09
Metering equipment	6.0	0.02
Building	1.8	5.41
Plant and Machinery	3.6	0.49
Electrical and Electronic equipment	3.6	0.14
Office equipment	6.00	0.02
Computers	3.6	0.14
Furniture and Fittings	6.00	0.29
Total		23.53

3.4.2 COMMISSION'S OBSERVATIONS

The norms to be followed were explained to the Licensee during the public hearing on 10th July 2006. The revision of the original figures are as per CERC norms and hence is accepted. Licensee should furnish complete details at the time of submitting the ARR & ERC itself and not later.

3.5 Employee Cost

3.5.1 The ARR submitted by the Licensee projects an amount of Rs 19.72 lakh towards employee cost during 2006-07. A comparison with the provisions as approved by the Commission for 2005-06 are furnished below:

Approved cost for 2005-06	Rs 16.30 lakh
Cost now projected for 2006-07	Rs 19.72 lakh

3.5.2 COMMISSION'S OBSERVATIONS

The increase in the projected cost for 2006-07 over the approved figure for 2005-06 is 20%. Licensee has clarified that there was a revision in the pay scales of the employees of the company with effect from 01-04-05. The details given in Form L reveal that number of staff has not increased much. Hence the figure is accepted.

3.6 Repair and Maintenance Charges

3.6.1 The ARR has projected a requirement of Rs11.25 lakh towards Repair and Maintenance charges during the year 2006-07. The approved amount for 2005-06 is Rs 8.8 lakh.

3.6.2 COMMISSION'S OBSERVATIONS

Licensee has clarified that the cost for substation maintenance is Rs 6.28 lakh and that for transmission line is Rs 4.45 lakh. As per the details furnished in Form V, there is additional investment in Substations but no additional investment in Transmission Lines during 2005-06. Hence in the case of transmission lines only 4% increase (as per norm)over the provision for 2005-06 is allowed . Thus the amount allowed for O&M of transmission lines is Rs 3.70 lakh. Thus the total O&M charge will be Rs 10.5 lakh.

3.7 Administration & General Expenses

3.7.1 The Licensee has projected an amount of Rs 11.44 lakh towards A&G expenses for 2006-07 as compared to Rs 15.04 lakh approved for 2005-06.

3.7.2 COMMISSION'S OBSERVATIONS

An amount of Rs 15.04 was approved for the year 2005-06, eventhough the Licensee has given a provision of Rs 9.15 lakh for 2005-06. From the figures given in Form M, it is noted that the expenses for security arrangements, insurance, telephone charges, legal charges, conveyance charges and traveling expenses are increasing. Licensee should exercise more control over these and try to maintain the same at the same amount through strict monitoring. However the figure of Rs 11.44 lakh is accepted.

3.8 STATUTORY SURPLUS/RETURN ON EQUITY

3.8.1 Licensee has provided an amount of Rs 48.44 lakh towards Return on Equity which is 6% of NFA.

3.8.2 COMMISSION'S OBSERVATIONS

The NFA value taken in the order for 2005-06 is Rs 860 lakh. Additions proposed for 2006-07 amount to Rs 457 lakh. Depreciation allowed for 2006-07 is Rs 23.53 lakh. Thus the NFA value is Rs 1293 lakh. ROE allowed is 14% on 30% of NFA. The amount works out to Rs 54.3 lakh

3.9 Aggregate Revenue Requirement FOR 2006-07

Based on the above discussion, the overall position regarding the Aggregate Revenue Requirement for 2006-07 would be as furnished below:

Rs.lakh

Item	As per ARR of LICENSEE	As approved by KSERC
ROE	48.44	54.3
Power purchase	281.98	281.98
Interest charges	Nil	Nil
Depreciation	33.91	23.53
Employee Cost	19.72	19.72
Repair & Maintenance	11.25	10.50
Administration & General	11.44	11.44
Other Expenses	-	
Less: Expenses capitalized	-	
Less: Interest capitalized	-	
ARR	406.74	401.47

CHAPTER IV

REVENUE RECEIPTS DURING 2006-07

4.1 Revenue from Tariff Income

Revenue from Tariff Income for 2006-07 has stated to have been projected by the Licensee on the basis of the anticipated consumption by various categories of consumers under different slabs at the prevailing tariff rate. Details in this connection have been furnished in Form G attached to the ARR & ERC for 2006-07 filed by the Licensee, which are summarized below.

Sl. No	Category	Energy Sales in kwh	Revenue in Rs Lakhs
1	LT-IV	519096	19.39
2	HT	7291872	325.5
3	LT-VIIIA	10549	1.18
4	Self consumption	227524	10.53
	Total	8049041	356.60

The total revenue realisation from tariff is projected at Rs 3.566 crores on a total energy consumption of 8.049 MU. The demand collection efficiency is 100 % as only prepaid meters are used.. But accuracy of energy meters can affect revenue. Hence, Licensee should conduct a survey of the accuracy of energy meters of at least the high consumption group. Check meters with remote monitoring facility can be introduced for high consumption group.

4.2 Revenue From Non-Tariff Income

The revenue from Non-Tariff income for 2006-07 has been projected at Rs 23.64 lakh as compared to Rs 18.91 lakh during 2005-06.

4.3 Expected Revenue From Charges

Based on the above discussion, the Commission would place the expected revenue from charges for 2006-07 at Rs 3.8040 crores as per the following break up.

	Rs.Crores
1 Income from Tariff	3.5676
2 Non- tariff Income	00.2364

CHAPTER V

COMMISSION'S ORDER ON THE ARR & ERC FOR THE YEAR 2006-07

5.1 Aggregate Revenue Requirement For The Year 2006-07

As discussed in the Chapter IV on ARR for 2006-07, the Commission approves an Aggregate Revenue Requirement of Rs4.0147 .crores as against Rs4.0674 corers proposed by the Licensee. The comparative details are furnished below:

Aggregate Revenue Requirement: Rs. 4.0147Crores.

Item	As per ARR of Licensee Rs lakh	As approved by KSERC Rs lakh
ROE	48.44	54.3
Power purchase	281.98	281.98
Interest charges	Nil	Nil
Depreciation	33.91	23.53
Employee Cost	19.72	19.72
Repair & Maintenance	11.25	10.50
Administration & General	11.44	11.44
Other Expenses	-	
Less: Expenses capitalized	-	
Less: Interest captialised	-	
ARR	406.74	401.47

5.2 Expected Revenue From Charges

As discussed in the Chapter IV on Revenue Receipts, the Commission has accepted the total expected revenue from at Rs 3.5676 crores projected by the Licensee in the ARR for 2006-07. The comparative break-up is furnished below:

Expected Revenue from Charges: Rs. 3.5676 Crores

	Category	Energy Sales in kwh	Revenue in Rs Lakhs
1	LT-IV	519096	19.39
2	HT	7291872	325.5
3	LT-VIIIA	10549	1.18
4	Self consumption	227524	10.53
	Total	8049041	356.60

Non tariff income is Rs 0.2364 crore. Total income is Rs 3.8040 Crore.

5.3 COMMISSION'S ORDER

On the above basis, the Commission hereby approves an Annual Aggregate Revenue Requirement of Rs 4.0147 crores and Total Expected Revenue from Charges of Rs 3.804 . crores for the year 2006-07 as against Rs 4.0674 crores and Rs 3.804 . crores projected respectively by the Licensee. Deficit is Rs 0.2107 Crores.

CHAPTER VI

COMMISSION'S DIRECTIVES

1. On finalization of the accounts for the FY 2005-06, Rubber Park India (Pvt) Ltd shall submit the actual audited accounts for the electricity distribution business for the FY 2005-06 along with following details:

- i. Actual monthly TOD meter recording of kWh, kVAh, kVARh, maximum demand, average PF and LF for normal, peak and off-peak period and similar recorded meter reading for self consumption and for energy sold to consumers, category wise and voltage wise.
- ii. Monthly cyclic billing and collection data in respect of all categories of consumers.

- iii. Payments to the KSEB along with billing details.
 - iv. Actual distribution loss based on the metered figures.
2. Licensee shall conduct energy audit and take loss reduction measures to bring down AT&C losses to 2.75 % in 2006-07 from the projected figure of 3%.
 3. Licensee shall file a petition for rationalization of tariff. In the proposal the deficit should be brought to zero. The petition should be filed before 31st August 2006.
 - 4 . Licensee should gradually introduce Ring Main System for 11 KV with SCADA so that reliability of supply is increased. Reliability Index should be published in the website of the Licensee. A road map for achieving 100% Reliability may be prepared and submitted early.