

KERALA STATE ELECTRICITY REGULATORY COMMISSION

Thiruvananthapuram

**Present : Shri. K.J.Mathew, Chairman
Shri.M.P.Aiyappan, Member**

Petition No. TP.85/2010

In the matter of

ARR&ERC OF TECHNOPARK, KAZHAKUTTOM

FOR THE YEAR 2010-11

October 20, 2010

**Technopark, Kazhakuttom,
Thiruvananthapuram : Petitioner**

O R D E R

The Kerala State Electricity Regulatory Commission having scrutinized the Petition on ARR&ERC for 2010-11 filed by Technopark, Kazhakuttom, thiruvananthapuram, *vide* their letter No.ETPK/FIN/KSERC/2010-11/2 Dated 30th July 2010 , heard the views of the petitioner and public in Commission's proceedings on 2nd September 2010 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/-
K.J.Mathew
Chairman

Authenticated copy for issue

Secretary

CONTENTS

Chapter	Para	Description	Page
I		INTRODUCTION	3
	1.1	Preamble	3
	1.2	Procedural History	3
II		ENERGY REQUIREMENT PROJECTIONS FOR 2010-11	5
III		T & D LOSSES	5
IV		AGGREGATE REVENUE REQUIREMENT FOR 2010-11	
	4.1	Purchase of Power	7
	4.2	Interest & Finance Charges	7
	4.3	Depreciation	8
	4.4	Employee Cost	8
	4.5	Repair & Maintenance Charges	9
	4.6	Administration & General Expenses	9
	4.7	Return on Equity	9
	4.8	Overall Position regarding ARR for 2010-11	10
V		REVENUE RECEIPTS DURING 2010-11	
	5.1	Revenue from Tariff Income	10
	5.2	Revenue from Non-Tariff Income	11
VI		REVENUE SURPLUS	11
VII		COMMISSION'S ORDER	11
VIII		COMMISSION'S DIRECTIVES	11

CHAPTER I

INTRODUCTION

1.1 Preamble

Government of Kerala had issued a licence for distribution electricity to Technopark, Thiruvananthapuram as per G.O.(P) No. 19/99/PD dated 12th July 1999 published in Kerala Gazette No. 1409 dated 19th July 1999 for distribution of power to various establishments within the Technopark Campus, Thiruvananthapuram.

As requested by Technopark , approval for inclusion of Phase II and Phase II expansion (areas in the Kazhakuttom campus) in the Licence for distribution of electricity was accorded by the Commission vide order dated 22nd May 2008 after hearing the views of all the stake holders and State Govt. The Licensee submitted an application in July 2008, for including Phase IV expansion at Pallipuram and nearby villages also in the Licence for distribution of electricity. Approval for including the areas in Pallipuram and nearby villages in the Licence was accorded by the Commission vide order dated 29th January 2010 after hearing the views of all the stake holders and the State Govt.

The Licensee submitted an application for inclusion of the Kollam IT Park at Kundara (in the month of October 2008) in the Licence for distribution of electricity. Approval for including the IT Park at Kundara in the Licence was accorded by the Commission vide order dated 11th January 2010 after hearing the views of all the stake holders and the State Govt.

Technopark was receiving electricity through three 11kV feeders from the Kazhakuttom 110kV substation of the Kerala State Electricity Board (KSEB) with a Contracted Demand of 4000 kVA, and the supply is deemed to be at 110kV (EHV). The Licensee has subsequently commissioned a 110/11 kV substation at the Kazhakuttom campus in the month of August 2009 for meeting the additional load in Phase II and Phase II areas.

1.2 Procedural History

Technopark filed a petition for ARR and ERC for the financial year 2010-11 vide letter dated 30th July 2010.

While issuing the order on ARR & ERC for the year 2007-08, it was directed that the Licensee shall appoint independent auditor as per the instructions of the Commission for separation of accounts and preparing opening balance sheet of the Licensee.

The work for preparing the opening balance sheet of the licensed business was entrusted with M/s Varma and Varma, Chartered Accountants. The work was finally completed and report submitted by the consultants in the month of June 2009. Order for the opening balance sheet for 2007-08 was issued by the Commission vide order dated 31st December 2009.

As the preparation of the opening balance sheet was pending finalization and approval, Licensee could not submit the ARR & ERC petition for 2008-09 and 2009-10.

Clarification on certain points was sought for from Technopark vide Commission's letter dated 6th September 2010. Reply to the clarifications sought from the Commission and KSEB were furnished by Technopark. vide letters dated 22nd September 2010 and 27th September 2010.

The Commission held proceedings for public hearing at the Conference Hall of Technopark at Kazhakuttom on the 2nd September 2010.

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 finalizing the order on the ARR & ERC for the FY 2010-11, 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 2010-11

The energy requirement projected by the Licensee for 2010-11 is 63.11 MU. The number of consumers estimated for 2007-08, 2008-09, 2009-10 and for 2010-11 are as follows.

	<i>2007-08 (Actual) Nos</i>	<i>2008-09 (Actual) Nos</i>	<i>2009-10 (Provisional) Nos</i>	<i>2010-11 (Estimate) Nos</i>
<i>HT consumers</i>	10	10	11	14
<i>LT consumers</i>	223	259	266	288
<i>Total</i>	233	269	277	302

The projection for 2009-10 and 2010-11 are 46.91 MU and 63.11 MU respectively. Actual purchase from KSEB during 2007-08 and 2008-09 is 41.54 MU and 43.48 MU respectively. The increase in purchase estimated for 2010-11 over that for 2008-09 is 45%. It is noted that an increase of about 30% in the number of HT consumers has been estimated for 2010-11 when compared to 2008-09. Similarly there is an increase in LT consumers by 11%. The projection seems reasonable.

CHAPTER III

T & D LOSSES

The line loss estimated for 2007-08 was 8.5%. Actual line loss for 2007-08, 2008-09 and 2009-10 and that estimated for the year 2010-11 is as follows.

<i>2007-08 (Actual)</i>	<i>2008-09 (Actual)</i>	<i>2009-10 (Provisional)</i>	<i>2010-11 (Estimate)</i>
9.4	4.6	4.5	4.2%

Licensee has reduced the line loss target considerably when compared to the target for 2007-08. Licensee has intimated that they have installed the harmonic filter designed by CDAC on a trial basis . The filter is in operation from September 2010. Results on improvement in loss are awaited. It is noted that line loss has come down considerably from the actual for 2007-08. But when compared to other small Licensees, the figure of 4.2% is on the higher side. Installation of harmonic filters should bring the line loss considerably. No change in the estimated loss is proposed now

CHAPTER IV

AGGREGATE REVENUE REQUIREMENT FOR 2010-11

Introduction

The ARR& ERC submitted by the Licensee gives the following details.

Sl No	Particulars	2010-11 Rs lakh
1	ROE	22.40
2	Power Purchase Cost	2082.68
3	Operation & Maintenance Cost	89.47
4	Employee cost	12.40
5	A&G Expenses	55.96
6	Depreciation	111.93
7	Interest & Finance Charges	129.36
8	Total	2504.2

4.1 Purchase of Power

The energy to be purchased from KSEB for 2010-11 estimated by Technopark is 63.11 MU. Licensee has given the cost for purchase of power as follows.

Year	Energy Purchased- MU	Energy charge-Rs lakh	Demand charge-Rs lakh	Total - Rs lakh
2009-10	46.91	1290.02	284.985	1575.01
2010-11	63.11	1735.56	347.11	2082.68

The demand charge applicable for 110kV Licensees is Rs 245 per kVA of MD. The MD corresponding to the demand charge of Rs 347.11 lakh for 2010-11 works out to 11806 kVA.

KSEB has stated that as per their records, the purchase of power by Technopark is only 47.01 MU for the year 2009-10. Technopark had subsequently intimated that the figure given as 51.81 MU for 2009-10 was not the correct figure. The correct figure was given as 46.91 MU.

As no change in the line loss figure is proposed the power purchase cost estimated for 2010-11 is accepted.

4.2 Interest and Finance Charges

Interest and Finance charges estimated for 2009-10 is Rs 56.66 lakh for the year 2009-10 and Rs 129.36 lakh for 2010-11. The interest is given in four parts. They are as given below.

1. Interest on proportionate loan for Bhavani and Gayathri Buildings Rs 11.66 lakh.
2. Interest on proportionate loan for Thejaswini building Rs 22.77 lakh
3. Interest on loan for Phase III Rs 70.58 lakh.
4. Interest on SD Rs 24.85 lakh
5. Total Rs 129.86 lakh.

It is noted that more than 50% of the interest is on the loan for Phase III. The interest on loan from Central Bank and Canara Bank are taken in the proportion as given in the due diligence report. The point raised by KSEB that the expenditure for which

loan has been availed has nothing to do with Licensee business is not correct. No change in the cost estimated is proposed and the estimated cost is accepted.

4.3 Depreciation

Depreciation estimated for the year 2010-11 is Rs 111.93 lakh. The split up is as follows.

	2009-10 Rs lakh	2010-11 Rs lakh
Civil works	3.4	3.40
Switch Yard equipment	38.75	38.75
Substations	34.83	65.72
11 kV works	2.99	2.99
LT lines	0.87	0.87
Metering equipment	0.03	0.03
Others(electrical equipments)	0.03	0.15
Total	80.9	111.81

Gross Fixed Assets as on 01-04-2010 and corresponding depreciation as per CERC norms are as follows.

Item	GFA – Rs lakh	Depreciation-Rs lakh
Civil works	188.95	3.78
Switch Yard equipment	1076.47	38.75
Substations	1825.60	65.72
11 kV works	83.28	2.99
LT lines	24.41	0.87
Metering equipment	0.83	0.50
Others(electrical equipments)	4.18	0.15
Total	3203.72	112.76

Licensees projection is as per norms and hence is accepted.

4.4 Employee Cost

Employee cost approved for 2007-08 was Rs 10.35 lakh. The figure estimated for 2009-10 is Rs 11.65 lakh and for 2010-11 is Rs 12.4 lakh. The actual figures for 2007-08 and 2008-09 are as follows.

2007-08	Rs 6.36 lakh
2008-09	Rs 9.11 lakh

The increase in cost over that for 2008-09 is 36% and increase over the cost for 2009-10 is 6%. The steep increase in the year 2008-09 and 2009-10 requires detailed study and will be done at the time of truing up. No change is proposed now.

4.5 Repair and Maintenance Charges

The cost approved for 2007-08 was Rs 32.71 lakh. The estimate for 2009-10 is Rs 65.00 lakh and for 2010-11 is Rs 89.47 lakh. Licensee has clarified that the payment made to outsourcing agency comes to Rs 55.37 lakh. For Phase III another commitment of Rs 8.82 lakh is due for the period 2009-10. The projection for 2010-11 is stated to be based on the agreement with the agency. Commission is of the view that the Repair and Maintenance charges is increasing abnormally. The scope of work entrusted with outsourced agency requires further analysis and will be carried out at the time of truing up. Commission approves a provision of Rs 65 lakh only for the year 2010-11.

4.6 Administration & General Expenses

A&G expenses approved or 2007-08 was Rs 73.32 lakh. The estimate for 2009-10 is Rs 51.35 lakh and for 2010-11 is Rs 55.96 lakh. The actual cost incurred for 2007-08 claimed is Rs 47.99 lakh and that claimed for 2008-09 is Rs 59.92 lakh. The cost for 2010-11 is less than that for 2008-09 actual. The amount included for electricity charges is Rs 24.43 lakh. This requires detailed analysis and can be done at the time of truing up for 2008-09. No change in the estimate is proposed now.

4.7 Return On Equity

Equity as on 01-04-07 approved is Rs 159.97 lakh. As per the clarification submitted by the Licensee the equity remains the same for 2010-11 also. ROE works out to Rs 22.39 lakh. KSEB has stated that the ROE claimed in Form E is questionable. As per Form E, return is Rs 165.91 lakh. This is not ROE. ROE accepted for 2010-11 is Rs 22.39 lakh.

4.8 OVERALL POSITION REGARDING AGGREGATE REVENUE REQUIREMENT FOR 2010-11

Based on the above discussion, the overall position regarding the Aggregate Revenue Requirement for 2010-11 would be as below:

Sl No	Particulars	2010-11 Rs lakh
1	Power Purchase Cost	2082.68
2	Operation & Maintenance Cost	65.00
3	Employee cost	12.4
4	A&G Expenses	55.96
5	Depreciation	112.96
6	Interest & Finance Charges	129.86
7	ROE	22.39
8	Total	2481.25

CHAPTER V

REVENUE RECEIPTS DURING 2010-11

5.1 Revenue from Tariff Income

Revenue from tariff as given in the actual for 2008-09 is Rs 2141.63 lakh.. Licensee has estimated the revenue for 2010-11 as Rs 2522.67 lakh. The increase in power purchase cost over the actual for 2008-09 is Rs 358.73 lakh. The increase in revenue over the actual for 2008-09 is Rs 381.04 lakh. No change in the estimate is proposed.

5.2 Revenue from Non Tariff Income

An income of Rs 33.70 lakh is given under this item. The monthly bill raised by KSEB is Rs 144 lakh as per the actual for 2008-09. Security deposit to be made in cash is Rs 144 lakh. Interest at 6% on the same is Rs 8.6 lakh. The interest taken for 2010-11 is Rs 11 lakh. The amount is given as Rs 20.70 lakh. No change in the estimate is proposed

CHAPTER VI

REVENUE SURPLUS

Based on the above analysis and revisions, the gap between ARR&ERC is as follows.

ARR	Rs 2481.25 lakh
Income	Rs 2556.37 lakh
Surplus	Rs 75.12 lakh

CHAPTER VII

COMMISSION'S ORDER

There is surplus in revenue over expenditure. Pending completion of the truing up process no change in retail tariff is proposed. The retail tariff will continue without any change.

CHAPTER VIII

COMMISSION'S DIRECTIVES

- 1) On finalization of accounts for 2010-11, Licence shall submit the actual audited accounts.
- 2) Licensee shall file the truing up petition for 2009-10 before 30th November 2010.
- 3) Quarterly report on achievement of standards of performance has to be submitted regularly.
- 4) 5% of the total sale of energy shall be met from renewable energy sources
- 5) Licensee shall furnish a report within a month on the results observed after installation of harmonic filters

