

**KERALA STATE ELECTRICITY REGULATORY COMMISSION  
THIRUVANANTHAPURAM**

Petition No. : OP 35/2013

In the matter of : ARR & ERC of M/s Rubber Park India Private Limited for 2014-15

Petitioner : M/s Rubber Park India Private Limited, Ernakulam

**PRESENT** : **Shri. T.M.Manoharan, Chairman**  
**Shri P Parameswaran, Member**  
**Shri. Mathew George, Member**

**ORDER DATED 22-04-2014**

1. M/s.Rubber Park India Private Limited (*hereinafter called the licensee or RPIL*) a joint venture company of Rubber Board and KINFRA, is a distribution licensee under the Electricity Act 2003. The licensee receives electricity at 110 kV from the Kerala State Electricity Board Limited (*herein after called the Board or KSEB*) and distributes to the industrial and other consumers within the park.
2. M/s RPIL filed the petition for approval of ARR&ERC for 2014-15, on 03.12.2013, vide their letter dated 2-12-2013. The licensee has slightly revised the petition subsequently and the same was furnished along with the clarifications sought by the Commission. As per the petition, the licensee shows an Aggregate Revenue Requirement (ARR) of Rs.1821.24 lakh including Return on Equity of Rs.91.52 lakh and an Expected Revenue from Charges (ERC) of Rs.1555 lakh and a revenue gap of Rs.265.24 lakh. The actuals for 2012-13 also shows a gap of Rs.78.45 lakh. The licensee submitted clarifications on the points sought by the Commission, vide letter dt. 28-1-2014. The summary of the petition filed by the licensee is given below:

### ARR & ERC Projected for the Year 2014-15

	2012-13 (Actual)	2013-14 (Approved)	2014-15 (projections)
<b>Revenue</b>			
Revenue from Sale of power	1,019.30	1,323.40	1,542.14
Non – Tariff Income	8.40	13.97	13.86
<b>Total Revenue</b>	<b>1,027.70</b>	<b>1,337.37</b>	<b>1,556.00</b>
<b>Expenses</b>			
Purchase of Power	930.30	1,222.41	1,569.69
Repair & Maintenance	24.59	23.67	70.24
Employee costs	16.01	24.74	29.48
A & G Expenses	15.35	16.13	26.04
Depreciation	23.50	34.27	34.26
Return on Capital	96.40	10.00	91.52
<b>Aggregate Revenue Requirements</b>	<b>1,106.15</b>	<b>1,331.22</b>	<b>1,821.24</b>
<b>Surplus/(Deficit)</b>	<b>-78.45</b>	<b>6.15</b>	<b>-265.24</b>

#### Hearing on the Petition

3. Public hearing on the petition was held on 13-2-2014 at the Conference Hall, Rubber Park at Valayanchirangara, Perumbavoor. The licensee was represented by Shri.J.Krishkumar, Managing Director. Kerala State Electricity Board Limited (hereinafter referred to as KSEBL) was represented by Shri.B.Pradeep, Executive Engineer, and Shri. Prasad. S, Asst. Executive Engineer, TRAC, KSEBL. Shri. Krishnakumar, presented the petition and responded to the queries. Shri.B.Pradeep presented the comments of KSEBL on the petition. The Board pointed out that the licensee has not complied with the orders of the Commission dated 22-4-2013 and not settled the dues amounting to Rs.120.23 lakh on account of payment of charges at pre-revised tariff for the period from December 2010 to June 2012. The licensee is now requesting for one time settlement for claiming reduced interest rate. As per the directions of the Commission, the re-location of metering system has to be completed by April 2014, but the licensee is now proposing to complete the same by December 2014 only. The licensee has not considered the revenue from wheeling charges for the open access provided to the consumer of KSEBL. The petitioner has underestimated the revenue realisation in LT IV industrial and HT I industrial categories. The O&M expenses projected is about 197% higher and A&G expenses higher by 61% compared to the previous year approved level. The expenses proposed for yard modification is to be accounted as part of capital expenses. According to M/s.KSEBL, increase in O&M

expenses may be allowed only 10% over the level of previous year. The licensee has not provided the details of assets created out of consumer contribution and government grants. They further submitted that the Commission may adopt the methodology used last year for approval of employee costs. Though the RoE is claimed for an amount of Rs.91.52 lakh, the details of equity of the Government has not been provided by the licensee.

### Analysis and Decision of the Commission

4. The Commission has considered the petition and clarifications filed by the licensee, oral submissions during the hearing, and the observations presented by the M/s KSEBL on the petition. The details of approval of ARR&ERC are given in the following sections.
5. **Energy Sales and Distribution Loss:** The estimate of sales for 2014-15 is 28.58 lakhs. Details of the projected sales are as given below:

#### Energy sales proposed for 2014-15

Category	Energy sales(MU)			
	2011-12	2012-13 (actual)	2013-14 (approved)	2014-15 (Projected)
HT industrial	17.26	21.11	26.09	26.94
LT IV industrial	0.91	0.98	1.02	1.38
LT VI non-domestic		0.01	0.01	0.01
Temporary connections	0.09	0.08	0.07	0.06
Rubber park utilities	0.23	0.18	0.19	0.19
<b>Total</b>	<b>18.49</b>	<b>22.36</b>	<b>27.38</b>	<b>28.58</b>

6. The licensee had 14 consumers in 2006-07, and the number of consumers has grown to 43 consumers now. If all the connections under Rubberpark utilities are included the total connections will be 74. The licensee has projected the sales based on the previous year and current year actuals. The estimated consumption for 2013-14 will be 22.56MU as against the approved sales of 27.93MU. According to the licensee, at present there are 3 temporary connections, which are to be converted into permanent connections (one HT and two LT). According to the licensee, two HT consumers have increased their contract demand and one new HT consumer was added into the system, thereby the contract demand is expected to increase by 2000kVA. An increase of 4.76MU in sales is expected due to this. The projected sales for the year 2014-15 is expected at 28% higher than the actual sales in 2012-13 and about 5.3% higher than approved sales in 2013-14. It

is noted that the licensee has not included the energy wheeled through the system (to M/s. Mfuels limited), as the unit has not yet started availing the service:

### Energy sales & distribution loss over the years

Year	No.of Consumers	Energy Sales	Distribution loss	Energy requirement	Distribution loss
		MU	MU	MU	%
2006-07	14	8.02	0.37	8.39	4.35
2007-08	21	9.80	0.22	10.02	2.20
2008-09	27	8.55	0.23	8.80	2.86
2009-10	30	14.58	0.39	14.95	2.49
2010-11	34	14.23	0.38	14.61	2.60
2011-12	43	18.49	0.50	18.99	2.63
2012-13		22.37	0.55	22.92	2.40
2013-14 Approved	43	27.38	0.55	27.93	1.97
2014-15 (projected)	43	28.58	0.72	29.55	2.44

7. The present contract demand of the licensee is 4500KVA. The maximum demand for 2012-13 was 4790KVA. The average maximum demand is expected to increase to 6581.5 kVA in 2014-15 mainly due to the increase in contract demand of new HT consumers. The licensee has projected reasonable increase in sales, mainly on account of conversion of existing consumers and addition of new consumers. The Commission accepts the projections of the sales estimates of the licensee for the year 2014-15.
8. **Distribution loss:** The distribution loss projected by the licensee for 2014-15 is 2.5%. The distribution loss approved for 2012-13 and 2013-14 was 1.97%. The actual loss reported for 2012-13 is 2.40%. The Commission has noted that the main reason for the high distribution loss is the excess capacity in the system of the licensee. As per the direction of the Commission, the licensee has taken steps to utilise the unutilised capacity through open access arrangement with KSEBL. So there is a chance that distribution loss will decline on a percentage basis. In this circumstance, there is no need to change the distribution loss target. However, the Commission is inclined to round off the loss to 2%. Accordingly, the energy requirement for 2014-15 will be 29.16MU as shown below:

### Distribution Loss Approved for 2014-15

Particulars	2011-12 (actual)	2012-13 (actual)	2013-14 (approved)	2014-15 (projection)	2014-15 (approved)
Total energy sold in MU	18.49	22.36	27.38	28.58	28.58
Distribution Loss in MU	0.50	0.56	0.55	0.73	0.58
Gross energy requirement in MU	18.99	22.92	27.93	29.29	29.16
<b>Distribution Loss in %</b>	<b>2.63%</b>	<b>2.44%</b>	<b>1.97%</b>	<b>2.50%</b>	<b>2.00%</b>

9. **AT&C loss:** In the distribution business, distribution loss and AT&C loss are the common performance parameters. Collection efficiency reported by the licensee is 100% as the licensee has installed prepaid meter system. Hence AT&C loss for 2014-15 is fixed at 2%.
10. **Cost of Power Purchase:** The licensee has projected the cost of power purchase as Rs.1569.69 lakh based on the estimated energy sales of 28.58MU and distribution loss of 2.5%, the gross requirement of energy will be 29.29MU for 2014-15. According to the licensee, if the excess demand over and above the contract demand is paid, the power purchase cost will be Rs.1607.12 lakh. Based on the approved sales and distribution loss the power purchase cost approved for 2014-15 is given below:

### Approved Cost of Power Purchase for 2014-15

	Proposed by the Licensee	Approved by the Commission
Energy purchase (MU)	29.29	29.16
Maximum Demand (KVA)	6582	6582
Contract Demand(KVA)	4500	4500
Demand Charges (Rs./KVA)	300	300
<b>Total Demand charges (Rs in lakh) A</b>	<b>236.93</b>	<b>236.95</b>
Energy Charges (Rs./kWh)	4.55	4.55
<b>Total energy Charges (Rs.in lakh) B</b>	<b>1,332.76</b>	<b>1,326.78</b>
<b>Cost of power purchase A +B + C</b>	<b>1,569.69</b>	<b>1,563.73</b>

The cost of power purchase of the licensee for 2014-15 is approved as Rs.1563.73 lakh.

11. **Depreciation:** The licensee has projected Rs.34.26 lakh towards depreciation, which is the approved depreciation for the year 2013-14. The licensee has not proposed any new asset addition in 2014-15.

12. At present the Commission is following the depreciation as per the CERC (Terms and Conditions of Tariff) Regulations, 2009. However, the depreciation notified by the CERC is conditional and linked to repayment obligation and useful life. Accordingly, the Commission allows the depreciation for the licensee as per the CERC norms as revised in 2009. However, the licensee has to maintain the accounts in line with revised CERC norms. During the truing up process, the licensee has to provide the details as per the norms and in case the details are not available, the Commission would be constrained to resort to CERC norms applicable for the tariff period 2004-2009. The Commission in its order dated 13-4-2012 decided that depreciation for assets created out of consumer contribution is not available. The licensee has not given details in the petition on consumer contributions and assets created out of consumer contributions. The licensee shall provide such details as part of the petition for the approval of ARR&ERC and petition for truing up. With this direction, the Commission approves the depreciation of Rs.34.26 lakh provisionally as proposed by the licensee subject to the fulfilment of conditions as explained above.

13. **Interest and Financing Charges:-** The licensee has not claimed any interest and financing charges.

14. **Employee Cost :** The employee cost and number of employees of the licensee projected for 2014-15 are furnished below:

**Employee Cost over the years**

Year	No.of employees	Cost (Rs.in lakh)
2011-12 (actual)	12	20.39
2012-13 (actual)	8	16.01
2013-14 (approved)	8	24.74
2014-15 (projected)	10	29.48

The Projected employee cost is Rs.29.48 lakh against the approved cost for 2013-14 of Rs.24.74 lakh, whereas the actual cost for 2012-13 was 16.01 lakh. The Average Annual growth projected over the previous year approved cost is about 19%. According to the licensee, the salary of Managing Director has been same as the class B companies, and the pay revision for employees is also expected. Further no. of employees is expected to increase as new recruitment is also planned. All these costs are proposed to be loaded into the distribution business. The number of consumers served by the licensee is only 43 and the licensee has automatic meter reading system and pre paid billing system. The R&M is

completely outsourced. In this circumstance increase in employee cost is not justified. Considering all the above, the Commission approves 10% increase in employee cost over the one approved for 2013-14. Accordingly, the approved employee cost for 2014-15 is Rs.27.21 lakh.

**15. R&M Expenses:** The R&M cost projected for 2014-15 is Rs.70.24 lakh against the approved expenses of Rs.23.67 lakh for 2013-14. The R&M activities have been outsourced to M/s Electrotek Engineers Private limited. The annual contract amount for 2014-15 is Rs.22.44 lakh. In addition to this, Rs.30 lakh is provided for modification of metering system as per CEA standards. Further Rs.7 lakh is proposed for calibration of meters and protecting equipments, CTs, PTs etc. Some of the works proposed are in the nature of capital works. The same has to be accounted separately. Accordingly, the Commission allows R&M expenses for 2014-15 at 10% over the approved level in 2012-13. Accordingly the approved R&M expense for 2014-15 is Rs.26.04 lakh.

**16. Administrative and General Expenses :** The A & G expense projected by the licensee for 2014-15 is Rs.26.04 lakh against the approved amount of Rs.16.13 lakh for 2013-14 and the actual A&G expense of Rs.15.35 lakh for 2012-13. The major increase is said to be on account of increase in security charges, due to implementation of minimum wages for the security staff. Consultancy charges of Rs.2 lakh is provided for substation yard modification works, which is part of the capital expenses. The Commission is of the view that A&G expenses is a controllable item of expenses and the licensee cannot propose the expenses at an unreasonable level. The actual expense in 2012-13 was only Rs.15.35 lakh. Hence the Commission is inclined to limit the expenses 10% higher than the approved A&G expenses for 2013-14. The increase allowed would sufficiently cover inflation. Accordingly, the approved A&G expense is Rs.17.74 lakh.

**17. Other Debits:** The licensee has not proposed any expenses under the head 'Other Debits'.

**18. Statutory Surplus/Return on Equity:** The licensee has projected Rs.91.52 lakh towards Return on Equity. The RoE, as per the petition, is 14% on the 30% of the Net fixed asset which is Rs.653.72 lakh. As per the projected balance sheet of the licensee for the year ending on 2014-15 entire business is funded by the equity capital of Rs.900 lakh and Reserves & Surplus of Rs.118.18 lakh. However, in the absence of detailed information of the amount to be considered as equity, the Commission allows a return of Rs.10 lakh for 2014-15 as was done in the previous years.

**19. Aggregate Revenue Requirement:** The Aggregate Revenue Requirement approved for 2014-15 is summarised as given below:

**Approved Aggregate Revenue Requirements for 2014-15**

Particulars	Projected by the Licensee	Approved by the Commission
	(Rs.in lakh)	(Rs.in lakh)
Purchase of Power	1,569.69	1,563.73
R&M Expenses	70.24	26.04
Employee costs	29.48	27.21
A & G expenses	26.04	17.74
Depreciation	34.26	34.26
Interest & Finance charges		
Other debits		
Return on Equity	91.52	10.00
<b>Total expenses</b>	<b>1,821.23</b>	<b>1678.98</b>

**20. Revenue from Sale of Power:** The licensee has projected Rs.1542.14 lakh towards revenue from sale of power for the year 2014-15. The details of projections of revenue from tariff are furnished below:

**Revenue from sale of power projected by RPIL for 2014-15**

Particulars	No.of Installations /Consumers	Energy Sold in MU	Revenue Rs. lakh	Average Realisation Rs/kWh
i) HT Consumers	16	26.94	1463.52	5.40
ii) LT IV Consumers	15	1.38	76.06	5.39
iv) LT VI	1	0.01	.82	
iv) Temporary Connections	10	0.06	6.55	10.92
v) Rubber Park Utilities	1	0.19	9.37	5.17
<b>Total</b>	<b>43</b>	<b>28.58</b>	<b>1556.32</b>	<b>5.41</b>
Recovery of electricity duty			34.64	
Misc. charges from consumers (Penalty PF, & Meter rent)			0.11	
Gross Revenue from sale of Power			1591.07	
Less				
i) Electricity duty payable			34.64	
ii) Other State levies payable			14.29	
Net Revenue from sale of Power ( V - VI )			1542.14	



21. The revenue is projected based on the revised RST. Average realisation for various years is as shown below:

**Average Realisation over the years**

Category	2012-13	2013-14	2014-15	
	Actual	Actual upto October 2013	Projection	% increase
	Rs./kWh	Rs./kWh	Rs./kWh	Rs./kWh
HT consumers	4.36	4.76	5.43	14.3%
LT IV Consumers	4.40	4.97	5.51	10.8%
Temporary Consumers	8.50	10.11	10.92	8.0%
Rubber Park utilities	6.57	5.10	4.93	-3.3%
<b>Total</b>	<b>4.40</b>	<b>4.79</b>	<b>5.45</b>	<b>13.78%</b>

22. The projected average realisation is 13.78% higher than the actual average realisation for 2013-14, showing the impact of tariff increase. In the petition the licensee had deducted Rs.14.29 lakh towards State levy payable from the gross revenue, which was clarified as Electricity duty under Section 3(1) of Kerala Electricity Duty Act. This duty is not allowed to be passed on to the consumers. Accordingly, the revenue from sale of power for 2014-15 is Rs.1556.43lakh.

23. **Non – Tariff Income:** The licensee has projected Rs.13.86 lakh towards non-tariff income as shown below:

**Non tariff income projected for 2013-14**

Particulars	2011-12 Actual (Rs. lakh)	2012-13 Approved (Rs.lakh)	2013-14 Approved (Rs.lakh)	2014-15 Projected (Rs.lakh)
Interest on Bank Fixed Deposits	11.79	7.71	12.97	13.11
Misce. Recoveries	0.95	0.69	1.00	0.75
<b>Total</b>	<b>12.74</b>	<b>8.40</b>	<b>13.97</b>	<b>13.86</b>

The Commission approves the non – tariff income as projected by the licensee. Accordingly the total revenue approved for 2013-14 will be as follows:

### Approved Revenue from Tariffs and Non-Tariffs

	Projected Rs. lakh	Approved Rs. lakh
Revenue from sale of power	1542.14	1556.43
Non- tariff income	13.86	13.86
<b>Total</b>	<b>1556.00</b>	<b>1570.29</b>

24. **Revenue Surplus/Gap :** The revenue gap proposed by the licensee as per the ARR & ERC for 2014-15 was Rs.265.24 lakh including return on equity. Against this, the Commission has arrived at an Aggregate Revenue Requirement of Rs. 1679.05 lakh and Expected Revenue from Charge of Rs.1570.29 lakh, leaving a revenue gap of Rs.108.69 lakh as shown below:

### Approved Revenue gap for 2014-15

Particulars	Projected by the Licensee	Approved by the Commission
	(Rs.in lakh)	(Rs.in lakh)
Purchase of Power	1,569.69	1,563.73
R&M Expenses	70.24	26.04
Employee costs	29.48	27.21
A & G expenses	26.04	17.74
Depreciation	34.26	34.26
Interest & Finance charges	0.00	0.00
Other debits	0.00	0.00
Return on Equity	91.52	10.00
<b>Total expenses</b>	<b>1,821.23</b>	<b>1678.98</b>
<b>Revenue</b>		
Revenue from sale of power	1,542.14	1556.43
Non-Tariff Income	13.86	13.86
<b>Total Revenue</b>	<b>1,556.00</b>	<b>1570.29</b>
<b>Revenue Surplus(+)/gap(-)</b>	<b>-265.23</b>	<b>-108.69</b>

25. The distribution cost (except cost of power purchase) for the year 2014-15 based on the approved ARR for the year is 40.35 paise per unit, as against the approved distribution cost of 39 paise for 2012-13 and 40 paise for 2013-14.

### Orders of the Commission

26. After the analysis of the ARR&ERC and the clarifications thereon submitted by the licensee as well as the objections and observations of the KSEB Limited, the Commission hereby approves the Aggregate Revenue Requirement of Rs.1678.98

lakh and Expected Revenue of Rs.1570.29 lakh, leaving a revenue gap of Rs.108.69 lakh for M/s Rubber Park India Private Limited as stated above. The licensee shall limit the expenses at the approved level. The existing Retail Supply Tariff (RST) and the Bulk Supply Tariff (BST) shall continue till further orders.

27. Petition disposed of, ordered accordingly.

**Sd/-**  
**P. Parameswaran**  
**Member**

**Sd/-**  
**Mathew George**  
**Member**

**Sd/-**  
**T.M. Manoharan**  
**Chairman**

**Approved for Issue**

**Secretary**