



ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION
4th & 5th Floors, Singareni Bhavan, Red Hills, Hyderabad 500 004

Present

Sri A.Raghotham Rao, Chairman
Sri C.R.Sekhar Reddy, Member
Sri R.Ashoka Chari, Member

Dated: 30-03-2013

O.P. No. 10 of 2013

The Kuppam Rural Electric Co-operative Society Limited Applicant

The Commission having examined the Aggregate Revenue Requirement / Expected Revenue from Charges (hereinafter referred to as the 'ARR/ERC') filings for the financial year 2013-14 and also the additional information and documents made available by the Applicant (hereinafter referred to as the "RESCO"), and the matter having stood over for consideration till this day passed the following:

ORDER

1. The Kuppam Rural Electric Co-operative Society Limited, has been exempted from the requirement of obtaining a Distribution and Retail Supply Licence for the supply area specified in the Licence granted to it earlier under AP Electricity Reform Act, 1998, for one year, from 10-06-2004 to 09-06-2005 as per the orders of the Commission dated 15-06-2004 which is separately being extended from time to time by the Commission. As per terms and conditions contained in the said exemption orders, the RESCO is required to file its ARR / ERC for the ensuing year by 30th November of each year.

2. The RESCO filed its ARR/ERC for the year 2013-14 on 4th January 2013. The ARR/ERC filings by the RESCO were found to be deficient in certain aspects and therefore, clarifications were sought from it and further details as additional information to their original filings.

3. The Commission analyzed the RESCO's filings for 2013-14 and considered the additional information submitted and clarifications provided by the RESCO officials. The Commission's decisions thereon are detailed herein below:

4. REVENUE REQUIREMENT

(a) CAPITAL BASE

(i) Original Cost of Fixed Assets (OCFA) and Capital Works - in - Progress (CWIP):

The RESCO has projected Rs. 3,765.60 lakhs under OCFA and Rs.290.32 lakhs under CWIP in its ARR / ERC filings for 2013-14. Based on the audited accounts of year 2010-11 and the projection submitted for the ensuing years by the RESCO. The OCFA is arrived at as Rs.5774.62 lakhs, after adjustment of consumer contributions and grants from other sources of Rs.2499.34 lakhs received by the RESCO. The CWIP figure has been calculated and fixed at Rs.664.28 lakhs.

(ii) Working Capital consists of:

(a) Average Cost of Stores, and

(b) Average Cash and Bank Balances

The RESCO has projected Rs. 14.00 lakhs towards average cost of stores and Rs. 82.00 lakhs towards average cash and bank balance. The Commission admits Rs.19.24 lakhs towards average cost of stores representing one month's average repairs and maintenance expenses and Rs.57.88 lakhs towards average cash and bank balance representing one month's all other expenses excluding the power purchase cost, approved loan interest, depreciation, contribution to contingency reserve, interest on security deposit and legal charges.

(iii) Accumulated Depreciation:

The amount projected by the RESCO (Rs.4,449.99 lakhs) in the filing has been accepted as Rs.4440.28 lakhs, based on the available audited accounts for the year 2010-11, and the

projections for the two years i.e 2011-12 & 2012-13, since their audited annual accounts for FY 2011-12 are reported to be pending and not submitted the same for Commission verification.

(iv) *Other items:*

The projection of the RESCO towards approved loans (Rs.1293.12 lakhs) has been accepted as Rs.767.18 lakhs. Consumer security deposits has been arrived at (Rs.286.41 lakhs) which is same as per their submission and a projected Rs.15.26 lakhs against Devl./T&D Reserve has been accepted without change. However, an amount of Rs.2499.34 lakhs for Grants/Subsidy received has been noted and adopted in capital base calculation which was omitted by RESCO in their ARR filings.

(v) *Summary of Capital Base:*

With the above changes, the Net Capital Base of Rs.(-) 1892.86 lakhs projected by the RESCO was reworked to (-) Rs. 1492.44 lakhs as per the details given in the following table:

Table- 1
Statement of capital base
FY 2013-14

(Rs. In lakhs)

Sl.No.	Positive elements	Kuppam	APERC
1	Original Cost of Fixed Assets	3765.60	5774.62
2	Capital Works in Progress	290.32	664.28
3	<i>Working Capital</i>		
	a) Average Cost of Stores	14.00	19.24
	b) Avg Cash and Bank balance	82.00	57.88
A	Total of positive items of Capital Base	4151.92	6516.03
	Negative Elements		
1	Accumulated Depreciation	4449.99	4440.28
2	Approved Loans	1293.12	767.18
3	Consumer Contributions	-	2499.34
4	Consumer Security Deposit	286.41	286.41
5	Grants, aids & Subsidies		
6	Development/T& D Reserve	15.26	15.26
B	Total of negative Capital Base	6044.78	8008.46
	Net Capital Base (A-B)	-1892.86	-1492.44
	Total Reasonable Return	0.00	3.84

(b) **Expenditure Items:**

(i) **Wages and Salaries:**

The RESCO made a projection of Rs. 498.72 lakhs under this head which has been revised to Rs.493.63 lakhs after discussion with the officials of the RESCO.

(ii) **Administration and General Expenses and Repairs and Maintenance:**

The RESCO made projections of Rs.35.00 lakhs and Rs. 115.00 lakhs respectively under these two heads. These have been revised to Rs.33.69 lakhs and Rs.115.00 lakhs respectively, based on the audited accounts for the year 2010-11, estimates for 2011-12 and FY 2012-13.

(iii) **Contributions to Contingencies Reserve:**

Since the RESCO has already accumulated more than 5% of Original Cost of Fixed Assets (OCFA) as the Contingencies Reserve, the maximum admissible as per the provisions of the Sixth Schedule to the Electricity (Supply) Act, 1948, the projection of the RESCO under Contributions to Contingencies Reserve is Nil for FY 2013-14.

(iv) **Other expenditure items:**

The projection of the RESCO under Depreciation (Rs.468.41 lakhs) has been revised to Rs.412.13 lakhs. Approved loan interest (Rs.86 lakhs), Contribution to Employee funds (Rs.55.00 lakhs), Auditor's fee of Rs.2.00 lakhs and other expenses of Rs.22 lakhs have been revised to Rs.75.00 lakhs, Rs.48.75 lakhs, and Rs.2.00 lakhs and Rs.19.25 lakhs respectively. The Rents, Rates & Taxes (Rs.4.00 lakhs), as was submitted by RESCO has been accepted as Rs 3.50 lakhs. The Interest on Security Deposits (Rs. 15.26 lakhs) has been revised to an estimated figure of Rs. 22.89 lakhs (at 9% interest rate).

(v) **Total expenditure:**

Based on the above changes, the total expenditure (exclusive of expenditure on power purchase) works out to Rs. 1225.87 lakhs as against the RESCO's projection of Rs. 1301.39 lakhs as detailed in the following Table:

Table - 2
Statement of expenditure for FY 2013-14
(Rs. in lakhs)

Sl.No.	Particulars	RESCO	APERC
1	Wages and Salaries	498.72	493.63
2	Admin & General Expenses	35.00	33.69
3	Repairs and Maintenance	115.00	115.00
4	Rent, Rates & Taxes	4.00	3.50
5	Approved Loan Interest	86.00	75.00
6	Depreciation	468.41	412.13
7	Contbn. to Employee Funds	55.00	48.79
8	Contbn. to Contingency Reserve	-	-
9	Interest on Security Deposit	15.26	22.89
10	Legal Charges		
11	Auditors' Fees	2.00	2.00
12	Other Expenses	22.00	19.25
13	Shortfall in revenue realization	0	0
14	Total Expenditure (excluding purchase of energy)	1,301.39	1,225.87

(c) **Reasonable Return:**

As a result of making above changes to the Capital Base, the reasonable return works out to Rs.3.84 lakhs as against Rs.nil calculated by RESCO.

(d) **Non-tariff Income:**

The RESCO's projection of Rs. 292.00 lakhs under this head has been revised to Rs.483.51 lakhs after due verification.

(e) **The Revenue Requirement for FY 2013-14 (Excluding power purchase cost):**

The Aggregate Revenue Requirement (excluding power purchase cost) works out to Rs. 671.05 lakhs as against Rs1341.78 lakhs projected by

the RESCO. This is after taking into account the Reasonable Return of Rs. 5.60 lakhs and Non-Tariff income of Rs. 281.54 lakhs & Efficiency gains.

(f) ***Efficiency Gains:***

The Commission desires that the RESCO should make better efforts to improve its efficiency to reduce losses and collect arrears. The Commission is also of the view that the RESCO can achieve efficiency gains of Rs. 30.00 lakhs as indicated by RESCO, considering its total power demand of 287.80 MU and efficiency already achieved during the last nine years. The same level of efficiency gains has been adopted by the Commission to arrive at a Net Revenue Requirement of Rs. 970.23 lakhs excluding power purchase cost.

(g) ***Expected revenue from charges (ERC)***

The RESCO has filed the ERC at Rs. 1858.18 lakhs based on Commission determined Tariff rates which are effective from 01-04-2012. The Commission has revised the category-wise revenue figure amounting to **Rs.1686.43 lakhs (*)** and adopted it for arriving at the surplus amount available with the RESCO towards power purchases cost for Tariff Order purpose. The revenue realization for FY 2013-14 was estimated with the limited data available on issues such as various newly introduced slabs, changes made to existing slabs and prevailing number of consumers in such slabs. Therefore, any true-up claim pertaining to upward/downward revision of power purchase cost if any payable to DISCOM concerned would be considered for examination only after due submission of audited annual accounts pertaining to FY 2013-14 by RESCO. Category-wise sales and revenue projected by the RESCO and as approved by the Commission are given in the table-3 below:

Table - 3
Category-wise Sales and Revenue

Sl. No.	CATEGORY	RESCO		APERC	
		Sales (MU)	Revenue (Rs.lakhs)	Sales (MU)	Revenue (Rs. lakhs)
1	LT I - Domestic	25.576	837.21	24.71	599.60
2	LT II - Non-Domestic	6.551	475.17	5.824	459.57
3	LT III - Industrial	3.513	193.2	3.577	217.63
4	LT IV - Cottage Industries	--	--	--	--
5	LT V - Irrigation and Agriculture	242.61	102.43	204.32	0.00
6	LT VIA - Local Bodies, Street Lighting	14.189	224.65	9.39	62.22
7	LT VI B - PWS schemes	0.437	0		325.74
8	LT VII(A) - General Purpose & (B) Religious purpose	0.006	24.86	0.372	21.28
9	LT VIII - Temporary Supply		0.66	0.036	0.40
	Grand Total	292.885	1858.18	248.23	1686.43 (*)

Note: Even though in the tariff design applicable for FY 2013-14, the LT-III (B) Industrial Optional SSI Units category is merged with HT-I(A) 11kV category, the RESCOs are permitted/allowed to continue to extend power supply to existing LT-III(B) Industrial Optional SSI Units category and also to release new service connections only upto 150 HP during FY 2013-14 for the purpose of revenue realization only.

(h) **Amount available with the RESCO for power purchases:**

The amount available with the RESCO for power purchases has been computed at Rs. 970.23 lakhs as per the details given in Table-4 below:

Table -4
Amount available with RESCO for power purchases
(Rs. in lakhs)

Sl. No.	Particulars	RESCO	APERC
1	Expenditure (Excl. Power cost)	1,301.39	1,225.87
2	Reasonable Return	--	3.84
3	Less: Non-Tariff income	292.00	483.51
4	Revenue Requirement (1+2-3)	1,009.39	746.20
5	Less: Efficiency Gains	30.00	30.00
6	Net Revenue Requirement (4 - 5)	979.39	716.20
7	Revenue from sale of Power	1,858.17	1,686.43
8	Revenue Gap: Surplus/(Deficit)	-	-
9	Amount Available for Power Purchase (7-8-6)	878.78	970.23
	Energy to be purchased (in MU)	340.75	287.80
	Power purchase price : Rs./kWh	0.26	0.34

5. ***Quantum of power purchases by RESCO***

The RESCO has projected power purchase of 340.75 MU (gross) for FY 2013-14. The Commission has recomputed this gross purchase volume at 287.80 MU duly considering agricultural sales at 204.33 MU, where as the RESCO had projected at 242.61 MU for the same.

6. ***Power purchase price***

Based on the above-mentioned power purchase volume of 287.80 MU, the power purchase price for the RESCO arrived at as **34 Paise per kWh** to be supplied by the APSPDCL during FY 2013-14 for energy purchases made by RESCO from APSPDCL. The RESCO shall follow all the guidelines / regulations applicable to Licensees (DISCOMs) for power purchases.

7. **Tariffs**

The RESCO shall charge Tariffs as per the Commission's Order in O.P.Nos. 01 to 04 of 2013 dated 30-03-2013 on Retail Supply Tariffs for FY2013-14, issued separately, as applicable in the case of APSPDCL. In case of additional purchases from DISCOM for sale to Agricultural & Non-Agricultural category consumers over and above the approved quantities shall be dealt as per the methodology already stated by the Commission at **para-144** of the DISCOMs Retail supply Tariff Order for FY 2011-12. The RESCO shall also comply with all Directives contained in that Order in so far as those are applicable to it.

8. **Commission's Directives for FY 2013-14:**

The Commission directs that the RESCO shall comply with all ongoing directives and further directs that RESCO should devise a special action plan and make concerted efforts on the important issues cited below and file reports on status of compliance thereto at the end of every quarter during FY 2013-14:

- (i) The RESCO shall fix meters to all services including new agricultural consumers by the end of FY 2013-14 (directed in part vide paragraph 7 of list of Commission's directives in ARR orders for FY 2000-01 and FY 2001-02) and file quarterly status reports on metering.

- (ii) The RESCO shall build the sales database for the entire RESCO as directed in paragraph 4.7.1 of the Commission's Order on the RESCO's ARR/ERC filings for FY 2002-03.
- (iii) In continuation to Commission's directives on collection of arrears in the Commission's Order on the RESCO's ARR/ERC filings for FY 2000-01 and FY 2001-02, the Commission directs that the RESCO shall collect 100% of outstanding dues, as at 31-03-2013, from consumers.
- (iv) The RESCO shall collect 100% current consumption charges and effect immediate disconnection for consumers with pending dues (including arrears) of more than two months' current billing amount.
- (v) The RESCO shall regularly pay the full amount due to APSPDCL for power purchase at the rate fixed by the Commission, failing which the APSPDCL shall stop power supply to the RESCO immediately.
- (vi) The RESCO shall limit agricultural consumption 378.73 MU in FY 2013-14. The Audited Accounts must disclose the category-wise details of units sold and the energy purchased for that year.
- (vii) The prevailing loss level for calculation of power purchase has been taken at 14.05 % by the RESCO. The RESCO shall put in its best efforts to bring down the losses to **13.50%** by the end of FY 2013-14.
- (viii) During this year RESCO must endeavor to maintain distribution network under their jurisdiction in such a way such that the power factor be close to unity. Though the time is ripe to introduce kVAh based tariff even for RESCOs for the units being procured from the respective DISCOM, duly considering the submission of the RESCO in the public hearings, the tariff applicable for FY 2012-13 is approved to be charged on kWh basis. However, the RESCO shall fully gear-up to pay the energy unit rate based on kVAh instead of in kWh for all the energy procured from the DISCOM from 1st April 2014 onwards. On this matter no further requests for time extension would be entertained anymore.
- (ix) The RESCO shall bring down Transformer failure to 7.25 % per annum by the end of FY 2013-14.

- (x) The RESCO is observed to have failed to submit the Audited Accounts pertaining to the FY 2011-12 which is necessary for ARR finalization of the ensuing year 2013-14. This is an unhealthy practice must be forbidden forthwith. The submission of audited balance sheet to the commission for the FY 2011-12 without fail before 15th May 2013.
- (xi) The RESCO shall identify and disconnect multiple connections (in Domestic and Commercial categories) to the same premises (meant for the same family / organization).
- (xii) The RESCO shall conduct energy audit in all Mandal headquarters in its licensed area and file quarterly reports, also indicating therein the progress made month-wise.

9. The Commission does not consider the RESCO's expenditure/ revenue calculations as filed to be in accordance with the requirement. The Commission has instead proposed alternative calculations for the ARR / ERC and the rates for power purchases from APSPDCL which the RESCO shall accept and implement as contained in this order.

This order is signed on this 30th March, 2013.

Sd/-
(R.Ashoka Chari)
Member

Sd/-
(C.R.Sekhar Reddy)
Member

Sd/-
(A.Raghotham Rao)
Chairman