



**ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION**  
**4<sup>th</sup> & 5<sup>th</sup> 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. 06 of 2013**

The Co-operative Electric Supply Society Limited, Sircilla. .... 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 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 Rural Electric Supply Co-operative Society Limited, Sircilla, 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 30<sup>th</sup> November of each year.
2. The RESCO filed its ARR/ERC for the year 2013-14 on 29<sup>th</sup> December 2012. The ARR/ERC filings by the RESCO were found to be deficient in certain aspects and therefore, clarifications were sought from it. A meeting was arranged with the RESCO staff on 11<sup>th</sup> March 2013. During the discussion they furnished the

clarifications and further details as additional information to their original filings for consideration.

3. The Commission analyzed the RESCO's filings for 2013-14 and considered the additional information submitted and clarifications provided by the RESCO. 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.6758 lakhs under OCFA and Rs. 1392.00 lakhs under CWIP in its ARR / ERC filings for 2013-14. Based on the audited accounts for the year 2011-12 and the approved ARR for FY 2012-13 and projections for the ensuing year submitted by the RESCO, the OCFA is arrived at Rs.10163.10 lakhs, after adjustment of consumer contributions and grants from other sources Rs. 3475 lakhs received by the RESCO. The CWIP figure has been calculated and fixed at Rs.1392 lakhs.

##### (ii) Working Capital consists of:

(a) Average Cost of Stores, and

(b) Average Cash and Bank Balances

The RESCO has projected Rs. 17.00 lakhs towards average cost of stores and Rs.157 lakhs towards average cash and bank balance. The Commission admits Rs.46.50 lakhs towards average cost of stores representing one month's average repairs and maintenance expenses and Rs.161.40 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 is Rs.5104 lakhs in their filing has been accepted as Rs.5038 lakhs based on the latest audited accounts for the year 2011-12 and the provisional accounts for the 2012-13 pending finalization of accounts and the projections submitted for the ensuing year.

**(iv) Other items:**

The projection of the RESCO towards approved loans (Rs.102 lakhs) and consumer security deposits (Rs.507 lakhs) have been approved at the same level after due verification.

**(v) Summary of Capital Base:**

With the above changes, the Net Capital Base of Rs.2611.00 lakhs projected by the RESCO recomputed to Rs. 2641 lakhs as per the details given in the following table:

Table- 1  
Statement of capital base

(Rs. In lakhs)			
Sl. No.	Positive elements	RESCO	APERC
1	Original Cost of Fixed Assets	6,758.00	10,163.10
2	Capital Works in Progress	1392.00	1392.00
3	Working Capital		
	a) Average Cost of Stores	17.00	46.50
	b) Avg Cash and Bank balance	157.00	161.40
<b>A</b>	<b>Total of positive elements of Capital Base</b>	<b>8324.00</b>	<b>11763.00</b>
	<b>Negative elements</b>		
1	Accumulated Depreciation	5104.00	5038.00
2	Approved Loans	102.00	102.00
3	Consumer Security Deposit	507.00	507.00
4	Consumer contributions	0.00	3475.00
<b>B</b>	<b>Total of negative elements of Capital Base</b>	<b>5713.00</b>	<b>9122.00</b>
	Net Capital Base (A-B)	<b>2611.00</b>	<b>2641.00</b>

**(b) Expenditure Items:****(i) Wages and Salaries:**

The RESCO's projection of Rs. 1066.57 lakhs under this head has been accepted as Rs.1062.74 lakhs after discussion with the officials of the RESCO.

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

The RESCO made projections of Rs.92.00 lakhs and Rs. 279.00 lakhs respectively under these two heads, which have been accepted as Rs.92.00 lakhs and Rs.279 lakhs respectively based on the audited accounts for the year 2011-12 and approved ARR for FY 2012-13.

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

Since the RESCO has accumulated the maximum admissible to the tune of 5% of Original Cost of Fixed Assets (OCFA) for the Contingencies Reserve, as per the provisions of the Sixth Schedule to the Electricity (Supply) Act, 1948, hence the Rs.31.00 lakhs projection made by the RESCO towards Contingency Reserve Contributions is allowed as Rs.25.00 lakhs for the FY 2013-14.

(iv) **Other expenditure items:**

The Rs.5.00 lakhs projections of the RESCO under Rent, Rate & Taxes has been considered as Rs.5.00 lakhs. Depreciation (Rs. 391.00 lakhs), approved loan interest (Rs13.00 lakhs), and legal charges (Rs. 3.00 lakhs) have been modified to Rs.387.00 lakhs, Rs.13.00 lakhs and Rs.3 lakhs respectively. Contribution to Employee funds (Rs.500.00 lakhs), Interest on Security Deposits (Rs. 29.00 lakhs) and other expenses (Rs.300.00 lakhs) towards installation of Capacity Bak & Poles have been reassessed as Rs. 519.00 lakhs (includes Rs.21.00 lakhs towards Contribution to Gratuity fund), Rs.45.63.00 lakhs (at 9% interest rate), and Rs.300.00 lakhs respectively. Rs.8.00 lakhs has been allowed towards audit charges as claimed by the RESCO.

(v) **Total expenditure:**

Based on the above changes, the total expenditure (exclusive of expenditure on power purchase) works out to **Rs. 2739.37**

lakhs as against the RESCO's projection of Rs. 2717.57 lakhs as detailed in the following Table:

Table - 2  
Statement of expenditure

		(Rs. in lakhs)	
Sl. No.	Particulars	RESCO	APERC
1	Wages and Salaries	1066.57	1062.74
2	Admn & General Expenses	92.00	92.00
3	Repairs and Maintenance	279.00	279.00
4	Rent, Rates & Taxes	5.00	5.00
5	Approved Loan Interest	13.00	13.00
6	Depreciation	391.00	387.00
7	Contbn. to Employee Funds	500.00	498.00
8	Contbn. To Gratuity Fund	0	21.00
9	Contbn. to Contingency Reserve	31.00	25.00
10	Interest on Security Deposit	29.00	45.63
11	Legal Charges	3.00	4.00
12	Auditors' Fees	8.00	8.00
13	Other Exps (Installation of Capacity Banks & Poles)	300.00	300.00
14	Total Expenditure (excluding purchase of energy)	<b>2717.57</b>	<b>2739.37</b>

(c) **Reasonable Return:**

Based on the changes to the Capital Base (Table-1), the reasonable return works out to Rs.423.07 lakhs as against Rs.461.31 lakhs projected by the RESCO.

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

An amount of Rs. 564.00 lakhs as projected by the RESCO under this head has been re-worked to Rs.1043.84 lakhs after careful consideration.

- (e) **The Revenue Requirement for the FY 2013-14** (Excluding power purchase cost). The Aggregate Revenue Requirement (excluding power purchase cost) works out to Rs. 2093.60 lakhs as against Rs. 2614.88 lakhs projected by the RESCO. This is after taking into account the Reasonable Return of Rs. 432.07 lakhs and Non-Tariff income of Rs. 1043.84 lakhs by Commission.

(f) **Efficiency Gains:**

The Commission desires that the RESCO should make better efforts to improve its efficiency to reduce losses and collect arrears. Considering 686.39 MU allowed as against its total power demand of 744.60 MU and efficiency already achieved during the last nine years, there is no efficiency gains target is fixed. The Commission arrived at a Net Revenue Requirement of Rs. 2,093.60 lakhs excluding power purchase cost.

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

The RESCO has filed the ERC at Rs.6629.00 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.8029.44 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 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	81.20	2460.00	86.50	2557.09
2	LT II - Non-Domestic	14.10	874.00	13.00	958.78
3	LT III - Industrial	20.50	1121.00	18.20	995.14
4	LT IV - Cottage Industries	46.60	1297.00	45.20	1410.77
5	LT V - Irrigation and Agriculture	435.30	-	378.73	25.00
6	LT VIA - Local Bodies, Street Lighting	9.20	244.00	9.474	455.85
7	LT VI B - PWS schemes	36.00	589.00	41.50	1565.81
8	LT VII - General Purpose	1.00	44.00	1.10	59.77
9	LT VIII - Temporary Supply	0.0	-	0.014	1.23
	<b>Grand Total</b>	<b>643.90</b>	<b>6629.00</b>	<b>593.72</b>	<b>8,029.44(*)</b>

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. 5935.84 lakhs and the details are given below:

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

Sl.No.	Particulars	Sircilla	APERC
1	Expenditure (Excl. Power cost)	2,717.57	2,739.37
2	Reasonable Return	461.31	423.07
3	Less: Non-Tariff income	564.00	1043.84
4	<b>Revenue Requirement (1+2-3)</b>	<b>2,614.88</b>	<b>2,118.60</b>
5	<b>Less: Efficiency Gains</b>	-	25.00
6	<b>Net Revenue Requirement (4 - 5)</b>	<b>2,614.88</b>	<b>2,093.60</b>
7	Revenue from sale of Power	6,629.00	8,029.44
8	Revenue Gap: Surplus/ (Deficit)	-899.88	--
9	Amount Available for Power Purchase (7-8-6)	4914.00	5935.84
	<b>Energy to be purchased (in MU)</b>	<b>744.60</b>	<b>686.39</b>
	Power purchase price : Rs./kWh	<b>0.66</b>	<b>0.86</b>

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

The RESCO has projected power purchase of 744.60 MU (gross) for FY 2013-14. The Commission has recomputed it to 686.39 MU (gross) duly considering agricultural sales at 378.73 MU as against the RESCO projection of 435.30 MU.

6. **Power purchase price**

Based on the above-mentioned power purchase volume of 686.39 MU, the power purchase price for the RESCO arrived at as **86 paise per kWh** to be supplied by the APNPDCL during FY 2013-14 for energy purchases made by

RESCO from APNPDCL. In case of additional purchases from DISCOMs 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 follow all the guidelines / regulations applicable to Licensees (DISCOMs) for power purchases.

**7. Tariffs**

The RESCO shall charge Retail Supply 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 2012-13, issued separately, as applicable in the case of APNPDCL. 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 31-03-2012, 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 APNPDCL for power purchase at the rate fixed by the Commission, failing which the APNPDCL shall stop power supply to the RESCO immediately.
- (vi) The RESCO shall limit agricultural consumption to 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 13.50% while the same was proposed at 13.52 % by the RESCO. The RESCO shall put in its best efforts to bring down the losses to **13.25 %** 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 2013-14 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 1<sup>st</sup> 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 shall identify and disconnect multiple connections (in Domestic and Commercial categories) to the same premises (meant for the same family / organization).

- (xi) 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 APNPDCL which the RESCO shall accept and implement as contained in this order.

This order is signed on this 30<sup>th</sup> March, 2013.

Sd/-  
**(R.Ashoka Chari)**  
Member

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

Sd/-  
**(A.Raghotham Rao)**  
Chairman