



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. 07 of 2013

Cheepurpalli Rural Electric Co-operative Society Limited Applicant

The Commission having examined the Aggregated Revenue Requirement/ Expected Revenue from Charges (hereinafter referred as to 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 Cheepurpalli 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, thereafter the same 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 31st 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 6th March 2013. During the discussion they furnished required clarifications and 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 besides required clarifications as was provided by the RESCO. The Commission's decisions thereon are detailed herein under:

4. REVENUE REQUIREMENT

(a) CAPITAL BASE

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

The RESCO has projected Rs. 816.10 lakhs under OCFA and Rs. 154.71 lakhs under CWIP in its ARR / ERC filings for 2013-14. Based on the submitted audited accounts for the year 2011-12, the approved ARR for FY 2012-13 and projections made by RESCO for the ensuing year (2013-14), the OCFA is arrived at Rs.1362.59 lakhs, before adjustment of Rs.657.56 lakhs consumer contributions and grants from other sources Rs.623.78 lakhs by the RESCO. CWIP figure has been calculated and fixed at Rs.111.56 lakhs.

(ii) *Working Capital* consists of

- (a) Average Cost of Stores, and
- (b) Average Cash and Bank Balances

The RESCO has projected Rs. 5.19 lakhs towards average cost of stores and Rs. 66.65 lakhs towards average cash and bank balance. The Commission admits Rs.11.19 lakhs towards average cost of stores representing one month's average repairs and maintenance expenses and Rs.60.78 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. 976.36 lakhs) in the filing has been accepted as Rs.975.61 lakhs based on the latest audited accounts

for the year 2011-12 and the projections for the year 2012-13 and for the ensuing year 2013-14.

(iv) *Other items:*

The projections by the RESCO towards Consumer Security Deposits (Rs.98.51 lakhs) and Development / Tariff & Dividend Reserve (Rs. nil) have been accepted as to Rs.98.51 lakhs and Rs.nil respectively after examination. In additions there were no Grants, aids & subsidies indicated by RESCO separately during the financial year an amount of Rs.623.78 lakhs were noted and adopted for in Capital Base determination.

(v) *Summary of Capital Base:*

With the above changes, the Net Capital Base of Rs. -32.22 lakhs projected by the RESCO was arrived at as to Rs. -809.33 lakhs and the details are 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	816.10	1362.59
2	Capital Works in Progress	154.71	111.56
3	<i>Working Capital</i>		
	a) Average Cost of Stores	5.19	11.19
	b) Avg Cash and Bank balance	66.65	60.78
A	Total of positive elements of Capital Base	1042.65	1546.12
	Negative Elements		
1	Accumulated Depreciation	976.36	975.61
2	Approved Loans	0	0
3	Consumer Security Deposit	98.51	98.51
4	Grants, aids & Subsidies	0.00	623.78
5	Development/Tariff & Dividend Reserve	0.00	0.00
6	Consumer Contributions	0	657.56
B	Total of negative elements of Capital Base	1074.87	2355.46
	Net Capital Base (A-B)	-32.22	-809.33

(b) **Expenditure Items:**

(i) *Wages and Salaries:*

The RESCO made a projection of Rs.584.84 lakhs under this head which has been revised to Rs.567.19 lakhs after discussion with the officials of the RESCO.

- (ii) *Administration & General Expenses and Repairs & Maintenance:*
The RESCO made projections of Rs.31.05 lakhs and Rs.62.26 lakhs respectively under these heads, which were arrived at as Rs.30.41 lakhs and 67.17 lakhs based on the audited accounts for the year 2011-12 and approved ARR for FY 2012-13.
- (iii) *Rent, Rates & Taxes:*
The RESCO has projected Rs.7.00 lakhs towards Rent, Rates & Taxes, which has been accepted as Rs.6.55 lakhs, based on the audited accounts for the year 2011-12 and approved ARR for FY 2012-13.
- (iv) *Depreciation:*
The RESCO has projected Rs. 63.49 lakhs towards depreciation, which has been accepted as Rs.62.74 lakhs, with due consideration of the audited accounts for the year 2011-12 and approved ARR for FY 2012-13.
- (v) *Contributions to Contingencies Reserve:*
Since the RESCO has to accumulate a reserve closure to 5% of Original Cost of Fixed Assets (OCFA) towards the Contingencies Reserve, the maximum admissible as per the provisions of the Sixth Schedule to the Electricity (Supply) Act, 1948, the RESCO has made a nil projection and the same has been accepted after verification.
- (vi) *Other expenditure items:*
The projections of the RESCO under Contribution to Employee Funds (Rs. 67.26 lakhs), Gratuity fund Rs.165.00 and Interest on Security Deposits Rs 5.91 lakhs have been arrived at as Rs.58.03 lakhs towards Employee's fund and Rs.145 lakhs for Gratuity fund. The demand that has been received from LIC of India P&GS Unit, Vizag Letter Dt.31/12/2012 for Rs.166.83 lakhs has been verified and accepted the authenticity of claim and allowed for the same.

In the case of interest on security deposits approval was made for Rs. 8.87 lakhs duly calculating the liability at 9% rate of interest as against 6% filed by RESCO. The amount projected under Auditors' Fees (Rs.7.00 lakhs), legal charges Rs.3.00 lakhs have been approved for Rs. 6.75 lakhs, Rs.2.89 lakhs respectively. The amount filed

towards Other expenses (Rs. 11.21 lakhs) towards interest on capital was not considered and in the case of Income Tax Rs.15 lakhs were considered as against Rs.20.00 lakhs filed by the RESCO. The claim of RESCO towards Int. on Approved Loans for Rs.13.02 lakhs is disallowed as no Loan component in allowed Capital Base.

(vii) *Total expenditure:*

Based on the above changes, the total expenditure (exclusive of expenditure on power purchase) works out to Rs. 970.59 lakhs as against the RESCO's projection of Rs. 1041.04 lakhs as detailed in the following Table:

Table - 2
Statement of Expenditure

(Rs. in lakhs)

Sl. No.	Particulars	Chepuru	APERC
1	Wages and Salaries	584.84	567.19
2	Admin & General Expenses	31.05	30.41
3	Repairs and Maintenance	62.26	67.17
4	Rent, Rates & Taxes	7.00	6.55
5	Approved Loan Interest	13.02	--
6	Depreciation	63.49	62.74
7	Contbn. to Employee Funds	67.26	58.03
8	Contbn. to Gratuity fund	165.00	145.00
9	Interest on Security Deposit	5.91	8.87
10	Legal Charges	3.00	2.89
11	Auditors' Fees	7.00	6.75
12	Int. on Share Capital	11.21	0
13	Income Tax	20.00	15.00
14	Expenditure (excl. PP Cost)	1,041.04	970.59

(c) *Reasonable Return:*

Based on the above changes in the Capital Base (Table -1), the reasonable return (at 16 percent per annum on Net Capital Base and 0.5 percent on approved loans) works out to Rs. nil and the same was projected by the RESCO.

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

The RESCO has projected an amount of Rs.193.98 lakhs (including customer charges) under this head and the Commission has accepted as Rs.207.69 lakhs (including customer charges).

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

The Aggregate Revenue Requirement (excluding power purchase cost) works out to Rs. 847.06 lakhs as against Rs. 762.90 lakhs as projected by the RESCO. This is after taking into account the Reasonable Return and Non-Tariff income indicated above.

f) ***Efficiency Gains:***

The Commission desires that the RESCO should make better efforts to improve its efficiency and collect arrears. The Commission is also of the view that the RESCO can achieve efficiency gains of Rs.5.00 lakhs, considering its total power demand of 57.296 MU and the efficiency achieved during the past. The same level of efficiency gains has been adopted by the Commission to arrive at a Net Revenue Requirement of Rs. 757.90 lakhs excluding power purchase cost.

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

The RESCO has filed the revised ERC at Rs.876.38 lakhs (excluding customer charges) based on Commission determined Tariffs which are effective from 01-04-2013. The Commission has revised the category-wise revenue figure amounting to **Rs.1071.36 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

Category-wise Sales & Revenue		RESCO		APERC	
		Sales (MU)	Revenue (Rs. lakhs)	Sales (MU)	Revenue (Rs. lakhs)
Sl.No.	FY 2013-14				
1	LT I - Domestic	22.79	468.00	21.632	545.35
2	LT II - Non-Domestic	3.198	195.70	3.12	246.58
3	LT III - Industrial	2.74	169.77	2.61	173.99
4	LT IV - Cottage Industries	0.08	2.18	0.078	2.96
5	LT V - Irrigation and Agriculture	22.85	1.15	20.328	2.55
6	LT VI - Local Bodies and Street Lighting	0.953	29.88	0.915	54.23
7	LT VI B - PWS schemes	0.513	3.91	0.559	35.19
8	LT VII - General Purpose	0.192	5.79	0.176	10.51
9	LT VIII - Temporary Supply	--	--	--	--
	Total	53.32	876.38	49.42	1071.36(*)

(h) 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.

(i) Amount available with the RESCO towards cost of power purchase

The amount available with the RESCO for power purchase has been computed at Rs. 313.45 lakhs as per details given below:

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

Sl. No.	Particulars	RESCO	APERC
1	Expenditure (Excl. Power cost)	1,041.04	970.59
2	Reasonable Return	--	--
3	Less: Non-Tariff income	193.98	207.69
4	Revenue Requirement (1+2-3)	847.06	762.90
5	Less: Efficiency Gains	--	5.00
6	Net Revenue Requirement (4 - 5)	847.06	757.90
7	Revenue from sale of Power	876.38	1,071.36
8	Revenue Gap: Surplus/(Deficit)	-386.08	--
9	Amount Available for Power Purchase (7-8-6)	415.40	313.45
	Energy to be purchased (in MU)	62.00	57.30
	Power purchase price : Rs./kWh	0.67	0.55

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

The RESCO has projected purchase of 62 MU (gross) during 2013-14. The Commission had recomputed this volume to 57.30 MU duly considering Agricultural sales at 20.328 MU; whereas RESCO had projected at 22.85 MU for the same.

6. ***Power purchase price***

Based on the above-mentioned power purchase volume of 57.30 MU, the power purchase price for the RESCO was arrived at as **55 paise per kWh** to be supplied by the APEPDCL during FY 2013-14, for approved energy purchases to be made by RESCO from APEPDCL. 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 LT 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 2013-14, issued separately, as applicable in the case of APEPDCL. 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 released till 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 EPDCL for power purchase at the rate fixed by the Commission, failing which the EPDCL shall stop power supply to the RESCO immediately.
- (vi) The RESCO shall limit agricultural consumption to 20.328 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 13.75%. 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 2013-14 is approved to be charged on kWh basis. However, it is a leeway for the RESCOs to 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 make endeavor 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 APEPDCL 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