



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. 05 of 2013

Anakapalli 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 Anakapalli 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 26th 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 12th 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. 8,180.25 lakhs under OCFA and Rs. 298.98 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.8538.50 lakhs, before adjustment of Rs.2759 lakhs toward Grants, Donated Capital & Subsidies and Rs.958.25 lakhs for consumer contributions by the RESCO. The CWIP figure has been calculated and fixed at Rs.298.98 lakhs.

(ii) *Working Capital* consists of

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

The RESCO has projected Rs. 8.00 lakhs towards average cost of stores and Rs. 100.00 lakhs towards average cash and bank balance. The Commission admits Rs.22.94 lakhs towards average cost of stores representing one month's average repairs and maintenance expenses and Rs.127.01 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. 4044.29 lakhs) in the filing has been accepted as Rs.4033.98 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.210 lakhs) and Development / Tariff & Dividend Reserve (Rs. 85.60 lakhs) have been allowed as Rs.210.00 lakhs and Rs.85.60 lakhs respectively after examination. In additions there were Grants, aids & subsidies to the extent of Rs.nil lakhs has been taken into account as Rs.2,759.00 lakhs for the RESCO during the financial year after careful examination.

(v) Summary of Capital Base:

With the above changes, the Net Capital Base of Rs. 4,247.34 lakhs projected by the RESCO was arrived at as to Rs. 940.59 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	8180.25	8538.50
2	Capital Works in Progress	298.98	298.98
3	Working Capital		
	a) Average Cost of Stores	8.00	22.94
	b) Avg Cash and Bank balance	100.00	127.01
A	Total of positive Capital Base	8587.23	8987.42
	Negative Elements		
1	Accumulated Depreciation	4044.29	4033.98
2	Approved Loans	--	--
3	Consumer Security Deposit	210.00	210.00
4	Grants, aids & Subsidies	0	2759.00
5	Development/T& D Reserve	85.60	85.60
6	Consumer contributions	0	958.25
B	Total of negative Capital Base	4339.89	8046.83
	Net Capital Base (A-B)	4247.34	940.59
	Reasonable Return - Normal	669.49	150.50
	Reasonable Return - Addl.	1.26	0.00
	Total Reasonable Return	670.75	150.50

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

The RESCO made a projection of Rs.1138.00 lakhs under this head which has been revised to Rs.1137.66 lakhs after discussion with the officials of the RESCO.

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

The RESCO made projections of Rs.65.00 lakhs and Rs.135.00 lakhs respectively under these heads, which were revised to Rs.64.07 lakhs and 137.62 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.8.00 lakhs towards Rent, Rates & Taxes, which has been accepted as Rs.6.47 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. 542.05 lakhs towards depreciation, which has been accepted as Rs.531.74 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 already accumulated is 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 RESCO has not projected any amount towards Contributions to Contingencies Reserve in FY 2013-14.

(vi) Other expenditure items:

The projections of the RESCO under Contribution to Employee Funds (Rs.180 lakhs), and Interest on Security Deposits as nil have been adjusted to the figures of Rs. 178.26 lakhs, and Rs.18.90 lakhs respectively. The amount projected by RESCO under Legal Charge (Rs.7.00 lakhs), Auditors' Fees (Rs.10.00 lakhs), Income Tax Rs.30.00

lakhs and Other expenses (Rs. 12.00 lakhs) have been reduced to Rs. 5.75 lakhs, Rs.10.00 lakhs, Rs.28.00 lakhs and Rs. 12.00 lakhs respectively. The RESCO had made a submission for consideration of shortfall-in-revenue realization to the tune of Rs.300 lakhs which was projected as Agriculture revenue in the FY 2012-13 Tariff Order. The same was verified from the audited accounts of FY 2011-12 that the realization was not more than Rs.2 lakhs only. Therefore, it is considered as a genuine request by the RESCO and same be made good by allowing it as a pass-through treating it as last years (i.e., FY 2012-13) revenue shortfall and allowed Rs.298 lakhs in this year to compensate such under recovery of revenue.

(vii) **Total expenditure:**

Based on the above changes, the total expenditure (exclusive of expenditure on power purchase) works out to Rs. 2,428.48 lakhs as against the RESCO's projection of Rs. 2,427.05 lakhs as detailed in the following Table:

Table - 2
Statement of Expenditure

(Rs. in lakhs)

Sl.No.	Particulars	RESCO	APERC
1	Wages and Salaries	1138.00	1137.66
2	Admin & General Expenses	65.00	64.07
3	Repairs and Maintenance	135.00	137.62
4	Rent, Rates & Taxes	8.00	6.47
5	Approved Loan Interest	--	---
6	Depreciation	542.05	531.74
7	Contbn. to Employee Funds	180.00	178.26
8	Contbn. to Contingency Reserve	--	--
9	Interest on Security Deposit	--	18.90
10	Legal Charges	7.00	5.75
11	Auditors' Fees	10.00	10.00
12	Other Expenses	12.00	12.00
13	Income Tax	30.00	28.00
14	Shortfall in revenue realization in 2012-13	300.00	298.00
15	Expenditure (excl. PP Cost)	2,427.05	2,428.48

(c) **Reasonable Return:**

Based on the above changes in the Capital Base (Table -1), the reasonable return works out to Rs. 150.50 lakhs as against Rs. 670.75 lakhs projected by the RESCO.

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

The RESCO has projected an amount of Rs.604.06 lakhs (including customer charges) under this head and the Commission has accepted at Rs.604.24 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. 1,974.74 lakhs as against Rs. 2,493.74 lakhs as projected by the RESCO. This is arrived at after considering 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 is fairing well and considering its total power demand at 182.65 MU and the efficiency that has been achieved during the past. The the Commission to arrive at a Net Revenue Requirement of Rs. 1,974.74 lakhs excluding power purchase cost.

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

The RESCO has filed the revised ERC at Rs.3,893.20 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.4382.54 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		RESCO		APERC	
Sl.No.	FY 2013-14	Sales	Revenue	Sales	Revenue
	CATEGORY	(MU)	(Rs. lakhs)	(MU)	(Rs. lakhs)
1	LT I – Domestic	73.97	1,577.76	65.52	1,695.89
2	LT II - Non-Domestic	9.586	635.85	8.99	698.33
3	LT III – Industrial	24.484	1416.42	24.21	1,454.66
4	LT IV - Cottage Industries	0.056	1.62	0.05	1.76
5	LT V - Irrigation and Agriculture	51.316	-	50.58	5.00
6	LT VI - Local Bodies and Street Lighting	4.334	112.91	4.98	316.57
7	LT VI B – PWS schemes	4.105	78.96	3.19	126.54
8	LT VII - General Purpose	0.835	36.82	1.096	57.90
9	LT VIII - Temporary Supply	0.438	32.86	0.291	25.90
	Grand Total	169.12	3893.20	158.91	4382.54(*)

- (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. 2,407.81 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)	2,427.05	2,428.48
2	Reasonable Return	670.75	150.50
3	Less: Non-Tariff income	604.06	604.24
4	Revenue Requirement (1+2-3)	2,493.74	1,974.73
5	Less: Efficiency Gains	-	-
6	Net Revenue Requirement (4 - 5)	2,493.74	1,974.73
7	Revenue from sale of Power	3,893.20	4,382.54
8	Revenue Gap: Surplus/(Deficit)	-933.22	-
9	Amount Available for Power Purchase (7-8-6)	2332.68	2407.81
	Energy to be purchased (in MU)	194.40	182.65
	Power purchase price : Rs./kWh	1.20	1.32

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

The RESCO has projected purchase of 194.40 MU (gross) during 2013-14. The Commission had recomputed this volume to 182.65 MU duly considering Agricultural sales at 50.58 MU; whereas RESCO had projected at 51.32 MU for the same.

6. **Power purchase price**

Based on the above-mentioned power purchase volume of 182.65 MU, the power purchase price for the RESCO was arrived at as **132 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 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 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 50.58 MU in FY 2013-14. The Audited Accounts shall 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 13.00%. The RESCO shall put in its best efforts to bring down the losses to **12.75%** 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 RESCO 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 each month-wise.
- (xii) It is observed from the Books of account that the entire amount of Contingency Reserve fund amount is not invested in any kind of interest earning investments though it has to be kept in the non-drawal account and all future accretions after investment shall have to be accumulated into the existing Contingency Fund account. This is a deviation from the directions of the Commission. The RESCO is hereby

directed to immediately invest the said amount in suitable secured investments and report the compliance to the Commission latest by 31st July, 2013 with full details of such investment with documentary proof to the satisfaction of Commission failing which the matter will be dealt suitably.

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