

**KERALA STATE ELECTRICITY REGULATORY COMMISSION**  
**Thiruvananthapuram**

Present : Shri. K.J.Mathew, Chairman  
Shri C. Abdulla, Member  
Shri.M.P.Aiyappan, Member

**Petition No. TP.75/2010**

**In the matter of**  
**ARR&ERC OF RUBBER PARK INDIA (P) LTD FOR FY 2010-11**

**August 17, 2010**

**Rubber Park India (P) Ltd : Petitioner**

**O R D E R**

The Kerala State Electricity Regulatory Commission having scrutinized the Petition on ARR&ERC for 2010-11 filed by Rubber Park India ( Pvt) Ltd *vide* their letter No. RP/F/04/5908 dated 24<sup>th</sup> December 2009, heard the views of the petitioner and other stake holders in the Commission's proceedings on 28<sup>th</sup> May 2010 and having considered other documents and materials on record passes the following order in exercise of the powers vested in it under the Electricity Act, 2003 in this behalf.

Sd/-  
M.P.Aiyappan  
Member

Sd/-  
C.Abdulla  
Member

Sd/-  
K.J.Mathew  
Chairman

Authenticated copy for issue

Secretary (i/c)

## CONTENTS

Chapter	Para	Description	Page
I		<b>INTRODUCTION</b>	
	1.1	Preamble	3
	1.2	Procedural History	3
II		<b>ENERGY REQUIREMENT PROJECTIONS FOR 2010-11</b>	
	2.1	Methodology	4
	2.2	Projections by the Licensee	5
III.		<b>AGGREGATE REVENUE REQUIREMENT FOR 2010-11</b>	
	3.1	Introduction	5
	3.2	Purchase of Power	6
	3.3	Interest & Finance Charges	6
	3.4	Depreciation	7
	3.5	Employee Cost	7
	3.6	Repair & Maintenance Charges	8
	3.7	Administration & General Expenses	8
	3.8	Statutory Surplus/Return on Equity	9
	3.9	Aggregate Revenue Requirement for 2010-11	9
IV		<b>REVENUE RECEIPTS DURING 2010-11</b>	
	4.1	Revenue from Tariff Income	10
	4.2	Revenue from Non-Tariff Income	11
	4.3	Expected Revenue from Charges	11
V		<b>COMMISSION'S ORDER ON ARR &amp; ERC FOR THE YEAR 2010-11</b>	
	5.1	Aggregate Revenue Requirement for 2010-11	11
	5.2	Expected Revenue from Charges	11
	<b>5.3</b>	<b><i>Commission's Order</i></b>	<b>12</b>
VI		<b>COMMISSION'S DIRECTIVES</b>	<b>12</b>

## **CHAPTER I**

### **INTRODUCTION**

#### **1.1 Preamble**

Government of Kerala had granted a licence for distribution of electricity to the Rubber Park India [P] Limited to supply electricity to various establishments in the park area, vide G.O. (P) No: 20/2003/PD dated 17<sup>th</sup> June 2003. Rubber Park India [P] Limited (RPIL) is a deemed distribution Licensee under the first proviso of Section 14 of Electricity Act, 2003.

Presently, the Rubber Park India [P] Limited (herein after called the Licensee) receives electricity at 110 kV from the Kerala State Electricity Board (herein after called KSEB) and supply to the establishments/industrial units within the park area through prepaid meters at tariff rates of the KSEB.

The Licensee has filed a petition for approval of the ARR & ERC for the year 2010-11 vide letter No. RP/F/04/5908 dated 24<sup>th</sup> December 2009 which is a statutory requirement stipulated in the Licensing Regulations 2006 applicable for Distribution Licensees.

#### **1.2 Procedural History**

Rubber Park India (P) Ltd (RPIL) filed a petition for approval of ARR and ERC for the financial year 2010-11 on 24<sup>th</sup> December 2009.. The above petition was placed before the Commission after initial scrutiny for the procedural requirements and the petition was admitted and registered as TP .75 of 2010.

Clarification on certain points was sought for from RPIL vide the Commission's letter dated 20th March 2010.

Reply to the clarifications was furnished by the Licensee vide letter dated 12<sup>th</sup> April 2010.

The Commission held public hearing at the Conference hall of Rubber Park on 28<sup>th</sup> May 2010. Representatives of consumers in the Park and representatives from KSEB were present.

The Commission has thus ensured that the due process contemplated under the governing Act and Regulations were followed and adequate opportunity was provided at every stage to all individuals and organizations concerned, to express their views.

In finalising the order on the ARR & ERC for the FY 2010-11, the Commission has taken into consideration the materials filed by the Licensee, the clarifications furnished by the Licensee in the meeting with the Commission, and further views expressed by the Stakeholders during the proceedings held for hearing their objections.

## **Chapter II**

### **ENERGY REQUIREMENT PROJECTIONS FOR 2010-11**

#### **2.1 Methodology**

While submitting the ARR for 2007-08 to 2009-10 in the year 2007, the Licensee had estimated the requirements for the three years as follows.

2007-08	10.195 MU
2008-09	15.495 MU
2009-10	25.46 MU.

The Licensee has stated that the number of consumers in the year 2009-10 was 29 and in the year 2010-11 as 35. The Licensee has clarified that in the year 2009-10 they had estimated that there would be an increase in demand for energy. But owing to general recession, the expected revenue growth was not forthcoming and hence they have revised the purchase requirement to 23.127 MU for the year 2010-11 as against the earlier projected requirement of 25.46MU even for 2009-10.

## 2.2 Projections by the Licensee

The energy requirement projections for 2010-11 made by Licensee is summarized below:

Sl No	Category	No of consumers	Consumption MU
1	HT	14	1.2
2	LT	10	21.045
3	Temporary	10	0.097
4	Rubber Park Utilities	1	0.11
	Total	35	22.452

The Licensee has anticipated a total loss of 2.9 % for the year 2010-11 The loss assumed for the year 2009-10 was 2.9%. Thus no change in AT&C loss has been contemplated. Commission approves the projected distribution loss and the power purchase for the year 2010-11. Commission is of the view that losses should be brought down further to the extent possible. Licensee should conduct energy audit and find out optimal methods for loss reduction so that loss reduction can be achieved without substantial investment. Commission is not making any changes in the figure for loss and purchase.

## CHAPTER III

### AGGREGATE REVENUE REQUIREMENT FOR 2010-11

#### 3.1 Introduction

The ARR& ERC submitted by the Licensee projected a total expenditure (excluding ROE) of Rs 965.11 lakh for 2010-11. The details in comparison with the provisions in respect of various items for 2009 -10 and 2010-11 are furnished below:

SI No	ITEM	Approved for 2009-10 Rs lakh	Estimated for 2010-11 Rs lakh
1	Operation and Maintenance	23.29	35.29
2	Employee cost	22.83	26.25
3	Admn & Genl expenses	13.25	20.34
4	Depreciation	36.05	42.15
5	Interest and Finance charges	0	0
6	Other debits	0	0.6
7	Purchase of power	890.23	840.48
	Total	985.65	965.11

### **3.2 Purchase Of Power**

**3.2.1** The ARR submitted by the Licensee shows requirement of 231.274 lakh units during 2010-11. The total cost for power purchase during 2010-11 has been projected at Rs 840.48 lakh. Fixed charge component is Rs 140.88 lakh and the variable charges component is Rs 699.60 lakh. As the AT&C loss projected is not modified the expenditure towards power purchase is accepted.

### **3.3 Interest and Finance Charges**

The ARR as projected does not provide any claim towards interest and finance charges.

As per the details furnished in Form O, there are no loan funds. As stated in the order on ARR & ERC for 2009-10 the Licensee has installed prepaid meters for all consumers. Hence no security deposit has been collected and there is no liability on that account also. Therefore the Commission approves that there shall be no provision for interest and finance charges in the ARR&ERC for 2010-11.

### 3.4 Depreciation

The Licensee has projected a provision of Rs 42.15 lakh for depreciation during the year 2010-11. The approved value of depreciation for the year 2009-10 and estimated for 2010-11 are as follows.

	Approved for 2009-10 Rs lakh	Estimated for 2010-11 Rs lakh
Transmission Lines	2.54	2.54
Sub stations	17.68	15.11
11 kV works	3.89	3.89
LT Lines	1.09	1.09
Metering equipments	0.83	0.02
Others	10.01	19.50
Total	36.05	42.15

In the order on ARR for the year 2009-10 the percentage of depreciation was worked out and it has been cross checked that the norms as prescribed by CERC has been adopted. But now the Licensee has given a foot note in Form N that depreciation is as per the Companies Act. It is found that the depreciation for Transmission lines, 11 kV works and LT lines are the same as that for the previous year. Depreciation has increased in the case of others only. But it is seen that Licensee has revised the depreciation for "Others" in the year 2008-09 to Rs 19.09 lakh whereas the approved figure was Rs 9.78 lakh only. Commission does not propose any change in the estimate which will be examined in detail at the time of truing up.

### 3.5 Employee Cost

The ARR submitted by the Licensee projects an amount of Rs 26.25 lakh towards employee cost during 2010-11. A comparison with the provisions as approved by the Commission for 2009-10 are furnished below:

Approved cost for 2009-10	Rs 22.83 lakh
Cost now projected for 2010-11	Rs 26.25 lakh.

The increase in the projected cost for 2010-11 over the approved figure for 2009-10 is 13%. Licensee has clarified that there is an increase of 15% in costs over the previous year on account of revision of pay and increase in DA. It is noted that there is no increase in the staff strength. Commission is of the view that an increase of 10% will be sufficient for projection. Commission approves a figure of Rs 25.11 lakh only.

### **3.6 Repair and Maintenance Charges**

The ARR has projected a requirement of Rs 35.29 lakh towards Repair and Maintenance charges during the year 2010-11. The approved amount for 2009-10 is Rs 23.29 lakh.

Licensee has clarified they expect an increase of 15% every year in repairs and maintenance costs. Commission is of the view that the distribution system is not very old so as to require serious investment on O&M. An increase in 10% will be more than sufficient. Commission approves a figure of Rs 25.61 lakh

### **3.7 Administration & General Expenses**

The Licensee has projected an amount of Rs 20.34 lakh towards A&G expenses for 2010-11 as compared to Rs 13.25 lakh approved for 2009-10.

Licensee has clarified they expect an increase of 15% every year in A&G expenses. Licensee has revised the estimate for 2009-10 to Rs 17.69 lakh. Commission is of the view that an increase in 10% will be more than sufficient in the case of A&G expenses. Licensee should not allow expenses to increase in a linear manner every year. Control should be exercised to restrict the expenses. Commission approves a figure of Rs 14.75 lakh



### 3.8 Other debits

An amount of Rs 0.6 lakh has been given as preliminary expenses written off (Form R). As the amount is very small Commission does not propose any change in the same. This will be looked in to at the time of truing up.

### 3.8 STATUTORY SURPLUS/RETURN ON EQUITY

Licensee has provided an amount of Rs 54.9 lakh towards Return on Equity which is 6% of NFA ( Form E). In the covering letter it is clearly stated that the share participation of Rs 10 Cr by Rubber Board has to be retired within a period of 3-4 years. It has to be studied in detail whether the Licensee has equity and if so to what extent after retiring the grant from Rubber Board. This will be looked in detail at the time of truing up. Till such time the claim on ROE is deferred.

### 3.9 Aggregate Revenue Requirement FOR 2010-11

Based on the above discussion, the overall position regarding the Aggregate Revenue Requirement for 2010-11 would be as furnished below:

Rs.lakh

Item	As projected by Licensee	As approved by the Commission
<b>ROE</b>	<b>54.9</b>	<b>0</b>
Power purchase	840.48	840.48
Interest charges	0	0
Depreciation	42.15	42.15
Employee Cost	26.25	25.11
Repair & Maintenance	35.29	25.61
Administration & General	20.34	20.34
Other Expenses	0.6	0.6
Less: Expenses capitalized	0	0
Less: Interest capitalized	0	0
<b>ARR</b>	<b>1020.01</b>	<b>954.29</b>

**CHAPTER IV**  
**REVENUE RECEIPTS DURING 2010-11**

**4.1 Revenue from Tariff Income**

Revenue from Tariff Income for 2010-11 has stated to have been projected by the Licensee on the basis of the anticipated consumption by various categories of consumers under different slabs at the prevailing tariff rate. Details in this connection have been furnished in Form G attached to the ARR & ERC for 2010-11 filed by the Licensee, which are summarized below.

Sl. No	Category	Energy Sales in kwh	Revenue in Rs Lakhs
1	HT	1200000	56.64
2	LT	21045274	947.04
3	Temporary	97000	10.21
4	Self consumption	110000	6.88
	Total	22452274	1020.77

The total revenue realisation from tariff is projected at Rs 1020.77 lakh on a total energy consumption of 22.45 MU. The demand collection efficiency is 100 % as only prepaid meters are used. But accuracy of energy meters can affect the revenue. Hence, Licensee should conduct a survey of the accuracy of energy meters of at least the high consumption group. Check meters with remote monitoring facility can be introduced for high consumption group.

## **4.2 Revenue From Non-Tariff Income**

The revenue from Non-Tariff income for 2010-11 has been projected at Rs 33 lakh as compared to Rs 28.1 lakh during 2009-10. It is noted that Form I requires detailed analysis. However no change in the projection for 2010-11 is proposed now.

## **4.3 Expected Revenue From Charges**

Based on the above discussion, the Commission would place the expected revenue from charges for 2010-11 at Rs 1053.77lakh as per the following break up.

	Rs.lakh
1 Income from Tariff	1020.77
2 Non- tariff Income	33.00

## **CHAPTER V COMMISSION'S ORDER ON THE ARR & ERC FOR THE YEAR 2010-11**

### **5.1 Aggregate Revenue Requirement For The Year 2010-11**

As discussed in the Chapter IV on ARR for 2010-11, the Commission approves an Aggregate Revenue Requirement of Rs 9.5429.crores as against Rs 10.2001 crores proposed by the Licensee.

### **5.2 Expected Revenue From Charges**

As discussed in the Chapter IV on Revenue Receipts, the Commission has accepted the total expected revenue from at Rs 10.5377 crores projected by the Licensee in the ARR for 2010-11.

### **5.3 COMMISSION'S ORDER**

***On the above basis, the Commission hereby provisionally approves an Annual Aggregate Revenue Requirement of Rs 9.5429 crores and Total Expected Revenue from Charges of Rs 10.5377. crores for the year 2010-11 as against Rs 10.2001 crores and Rs 10.5377 crores projected respectively by the Licensee. Surplus is 0.9948 Crores.***

## **CHAPTER VI**

### **COMMISSION'S DIRECTIVES**

1. On finalization of the accounts for the FY 2010-11 Rubber Park India (Pvt ) Ltd shall submit the actual audited accounts for the electricity distribution business at truing up.
2. Licensee shall conduct energy audit and take loss reduction measures to bring down AT&C losses to 2.85 % in 2011-12 from the projected figure of 2.9%.
3. Licensee shall continue with the existing tariff till order on truing up petition is issued.
4. Quarterly report on achievement of standards of performance has to be submitted.
5. 5% of the total sale of energy shall be met from renewable energy sources or Compensated through purchase of REC.