

**KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM**

Present : Shri. K.J.Mathew, Chairman
Shri. P.Parameswaran, Member
Shri. Mathew George, Member

May 15, 2012

Petition No. OP 11/2012

In the matter of
ARR & ERC of M/s Rubber Park India (P) Limited, For the FY 2012-13

M/s Rubber Park India (P) Limited, Valayanchirangara, Ernakulum

---- Petitioner

ORDER

1. Rubber Park India Private Limited (RPIL), a joint venture Company of Rubber Board and Kinfra, (herein after called the Licensee or RPIL) is a distribution Licensee under the Electricity Act 2003. The Licensee receives electricity at 110 KV from the Kerala State Electricity Board (herein *after called the Board or KSEB*) and distributes to the Industrial units within the park.
2. M/s RPIL filed the ARR&ERC petition for 2012-13 only on 22.02.2012. Though, a circular had been issued by the Commission reminding all licensees to file the ARR &ERC for 2012-13, within four months prior to the beginning of the year, the licensee requested extension of time upto 28.02.2012 vide letter dt. 30.11. 2011. The Commission considered their request and allowed time till 31.12.2011. However, the licensee did not submit the petition within the time limit, and the Commission therefore issued show cause notice under Section 142 of Electricity Act 2003. The licensee submitted their reply to the Show Cause Notice, vide their letter dt.01.02.2012. They explained that they had entrusted the preparation of ARR&ERC to an external agency. As the agency could not complete the work within the specified time, the work was given to another agency who had assured to complete the work before 20.02.2012. The licensee requested time extension

up to 20.02.2012. M/s RPIL filed the petition on 22.02.2012. The Commission decided to drop further action against the licensee with a strict warning that any such delay/lapse in future will be seriously viewed by the Commission and appropriate action will be taken against the licensee as per the provisions of the Act.

3. The ARR & ERC petition filed by the licensee shows a revenue gap of Rs.32.02 lakhs. The actuals for 2010-11 shows a gap of Rs.161.78 lakhs while the approved ARR & ERC for 2011-12 has a surplus of Rs.29.95 lakhs. The Licensee submitted clarifications on the points sought by the Commission, vide letter dt.09.04.2012 which was received in the Commission's office on 12.04.2012. In the clarification, the Licensee revised both the quantity and the value of purchase and sale of energy. So the public hearing had to be conducted without these changes being notified. During the hearing the Commission directed the licensee to submit the revised ARR & ERC within a week. The licensee forwarded the revised ARR & ERC vide letter dated 24.04.2012. The summary of the petition filed by the licensee is given below:

ARR & ERC projected for the year 2012-13

Category	2010-11 Actual (Rs.lakhs)	2011-12 Approved (Rs. lakhs)	2012-13 Projected (Rs.lakhs)	2012-13 Revised (Rs. lakhs)
Power purchase cost	542.22	1037.39	723.74	965.94
Interest and Finance charges	0.00	0.00	0.00	0.00
Depreciation	22.95	27.16	27.16	27.16
Employee cost	16.72	18.74	22.49	22.49
R&M Expenses	15.64	19.56	21.52	21.52
A & G expenses	15.02	13.33	32.14	35.93
Total	612.55	1116.18	827.05	1073.04
Provision for Income Tax	109.19	0.00	0.00	0.00
Return on Equity	29.06	10.00	28.74	28.74
Total Expenditure	750.80	1126.18	855.79.	1101.78
Revenue from Tariff	578.84	1144.39	810.77	963.57
Non – Tariff Income	11.08	11.75	13.00	13.00
Total Revenue	589.92	1156.14	823.77	976.57
Revenue Surplus/(Gap)	(160.88)	29.96	(32.02)	(125.21)

4. As per the revised estimates, the power purchase cost, revenue from tariff and A&G expenses have been revised compared to estimates furnished as per the licensee's earlier letter dated 09.04.2012. The revenue gap projected by the licensee as per the revised ARR&ERC is Rs.125.21 lakhs.

Hearing on the petition

5. Public hearing on the petition was held on 16.04.2012 at the Conference Hall, Rubber Park. The licensee was represented in the public hearing by the following persons

1. Shri. J.Krishkumar, Director (in charge)
2. Shri. Baby Kuriakose, Director Research
3. Shri. M. Ravindran Nair, Consultant
4. Shri. M.S.Samuel, ACSFO, Rubberpark
5. Shri. Pramod S.V, Resident Engineer

KSEB was represented in the hearing by

1. Smt. Gayathri Nair R, CE (C&T) KSEB,
2. Shri.B.Pradeep, EE , KSEB. and
3. Prasad, AEE, KSEB.

The following consumers of the licensee were also present in the hearing.

1. Shri. Davis E .J, Hanbook Latex
2. Shri. Rajive Menon, CATL, Rubber Park
3. Shri. Eldhose P.V, High Tech Rubber Park

6. Shri. M. Ravindran Nair, Consultant , presented the petition and responded to the queries. He stated that the petition has since been revised after considering the actual sales for the year 2011-12. Shri.B.Pradeep presented the comments of KSEB on the petition. The Board also submitted a written statement. The Board pointed out that the projected sales and revenue from sale of power for 2012-13 has come down drastically from that of the approved figures and the revenue from own consumption may be revised at the approved rate of realisation of the previous year. The split up details of salary as shown in Form – L do not tally with the figures presented in Form K. In compliance with the direction of the Commission in the Order on ARR&ERC for 2011-12 of RPIL, KSEB had initiated discussions with RPIL for utilizing the underutilised transformer capacity. M/s RPIL has not responded. KSEB cannot meet the entire energy demand of the licensee as projected in the filing. The Board has requested the Commission to examine the reasonableness of the projected A&G expenses which has increased by 140% from the approved level of the previous year. Section.3(1) duty which is included in the A&G expenses may be disallowed as done by the Commission in case of other licensees. The licensee submitted the reply to the

observations/ objections raised by KSEB and the revised ARR & ERC for 2012-13 vide letter dt.24.04.2012.

Analysis and Decision of the Commission

7. In finalising the order , the Commission has considered the materials filed by the licensee, the clarifications furnished by the licensee on the points sought by the Commission, the observations and objections raised by the Board and the reply thereon furnished by the licensee vide letter dated 24.04.2012.

8. **Energy Sales and T&D loss:** The revised estimate of sales for 2012-13 is 24.37 MU. As per the original filing it was 18.02MU. Number of consumers of the licensee has increased to 41 during 2011- 12 from 30 during 2010-11. Three new HT consumers are expected to be added during 2012-13.Total consumption is estimated as 24.37 MU as follows:

Actual Consumption during 2011-12	:	18.99 MU
Three new HT connections @1.54 MU (Average consumption of HT consumers is estimated as 1.54MU per year)	:	4.62 MU
5% increase in the consumption of existing Consumers	:	0.76 MU
Total	:	24.37MU

(5% of 18.99 MU is 0.95MU. As the revised category wise estimation furnished by the licensee shows that energy sales will be 24. 37 MU, hence, estimated increase is taken as 0.76 MU)

9. As per the revised ARR &ERC submitted vide letter dt.24.04.2012 increase in consumers is only two and that in HT category is only one. The licensee has not furnished reasons for the change in consumer base. The licensee has revised the estimates on the consumption and power purchase twice in comparison with the original filing. The licensee cannot project correctly even the increase in HT consumers. KSEB had complained on the revision of figures without notice. Hence, it is directed that the licensee shall follow the due procedures while revising the petition. The Commission approves the sales for the year 2012-13 as per the revised estimates.

10. The projected distribution loss of 1.97 % for 2012-13 is the approved level for 2011-12. The actual distribution loss reported for the year 2010-11 is 3.97%. The projected distribution loss of 1.97% is accepted for 2012-13.
11. The licensee has to note that, the Commission has directed to utilise the unutilised capacity of the transformer through open access arrangement with KSEB. There is not much progress made in this regard. The Commission is of the view that the additional burden on account of huge unutilised capacity of Substation cannot be passed on to the consumers. Based on the approved energy sales and distribution loss, energy requirement for 2012-13 will be 24.85 MU as shown below :

Description	2011-12		2012-13	
	Projected	Approved	Projected	Approved
Energy Sales (MU)	27.83	27.83	24.37	24.37
Distribution Loss (MU)	0.56	0.56	0.48	0.48
Gross energy requirement (MU)	28.39	28.39	24.85	24.85
Distribution loss (%)	1.97%	1.97%	1.97%	1.97%

12. **AT&C loss:** In the distribution business, Distribution loss and AT&C loss are the common performance parameters. Collection efficiency reported by the licensee is 100% as the licensee has installed prepaid meter system. Hence AT&C loss for 2012-13 is fixed as 1.97%.
13. **Power purchase cost :** The licensee has projected Rs.965.94 crore as the power purchase cost for 2012-13. The licensee has included Rs.30.10 lakhs towards Fuel Surcharge as part of power purchase cost. As the corresponding figure is projected in the revenue from tariff the Commission approves the fuel surcharge as part of power purchase cost. Accordingly the power purchase cost for 2012-13 will be as follows:

Approved Power purchase cost for 2012-13

	Proposed by the licensee	Approved by the Commission
Energy purchase (lakh units)	248.5	248.5
Maximum Demand (KVA)	5120	5120
Contract Demand(KVA)	3000	3000
Excess Demand (KVA)	2120	2120
Demand Charges (Rs./KVA)	245.00	245.00

Total Demand charges (Rs in lakh) A	150.53	150.53
Energy Charges (Rs./kWh)	3.16	3.16
Total energy Charges (Rs.in lakhs) B	785.31	785.26
Fuel surcharge C	30.10	30.10
Power purchase cost A +B + C	965.94	965.89

14. The power purchase cost of the licensee for 2012-13 is approved as Rs.965.89 lakhs.

15. **Depreciation:** The licensee has projected Rs.27.16 lakhs towards depreciation as furnished below:

Depreciation projected by the licensee

	2010-11 Actual (Rs.lakhs)	2011-12 Approved (Rs.lakhs)	2012-13 Projected (Rs.lakhs)	% of Assets
Transmission Lines	2.54	2.54	2.54	2.56%
Sub stations	14.57	14.57	14.57	3.60%
11 KV works	3.89	3.89	3.89	3.60%
LT Lines	1.09	1.09	1.09	3.60%
Service connections	0.01	0.01	0.01	3.57%
Metering Equipment	0.34	0.34	0.34	6.00%
Others	0.51	4.72	4.72	2.07%
Total	22.95	27.16	27.16	

Asset addition or deletion is not proposed during the year. So the depreciation claimed during this year is the same as that in the previous year. The Commission approves Depreciation Rs.27.16 lakhs as claimed by the licensee.

16. **Employee cost :** The employee cost projected by the licensee is Rs.22.49 lakhs. Number of employees working and their cost are furnished below:

Year	Number of Employees	Cost (Rs.lakhs)
2010-11 (Actual)	19	16.72
2011-12 (Approved)	6	18.74
2012-13 (Projected)	5	22.49

The Licensee has clarified that increase in the employee cost is due to pay revision and DA revision. Pay and DA are revised in the case of the employees of Rubber Park, in line with that of Central Govt. employees. The revised details of employee costs given by the licensee is as shown below:

Details of employees

Sl.No.	Particulars	Sanctioned	Working	Cost (Rs.in lakhs)
1	CMD (Part)	1	1	4.71
2	Executive (Part)	2	2	7.45
3	Resident Engineer	1	1	4.71
4	Tech. Assistants	2	2	3.92
5	Non- Technical Staff	2	2	1.70
	Total	8	8	22.49

17. The Commission has to point out that even the details of employee cost filed by the licensee are not correct and so it has to be revised. Salaries of the CMD and the Executives are seen apportioned. As ordered in the order on ARR & ERC for 2011-12, apportionment of joint costs shall be based on a detailed study of the licensee's other business and the task has been entrusted to a Consultant. The employee cost of Rs.22.49 lakhs projected by the licensee is accepted subject to the study of the Consultant and the decision thereon by the Commission.

18. **Repair and Maintenance Expenditure:** The licensee has projected Rs.21.52 lakhs towards Repair and Maintenance expenditure. It is about 10% more than the approved amount for 2011-12. The licensee has clarified that the R&M work has been outsourced. The 10% increase proposed in the R&M expense seems reasonable and the Commission approves the projected R&M expense Rs.21.52 lakhs.

19. **Administrative and General Expenses :** The A & G expense projected by the licensee for 2012-13 is Rs.32.14 lakhs which is revised to Rs.35.93 lakhs. The revised amount is more than 160% of the approved amount for the previous year. The change is due to increase in Section 3(1) duty. Details of A&G expenses are given below :

A&G expenses

	Amount Rs.in lakhs	Excess over the previous year
2010-11 (Actual)	15.02	
2011-12 (Approved)	13.33	Less than the actuals of the previous year
2012-13	35.93	More than 160% increase.

20. The major items of A&G expenses includes Sn.3 (1) duty of Rs.14.46 lakhs, expenses towards Security arrangements Rs.1.82 lakhs, Consultancy charges Rs.2.80 lakhs, Travelling expenses Rs.3.03 lakhs, conveyance and vehicle hire charge Rs.6.08 lakhs and Miscellaneous expenses Rs.3.23 lakhs. Sn.3(1) duty

is to be borne by the licensee and cannot be allowed for pass over to consumers. A&G expense is a controllable expense and the licensee should exercise control where ever possible. The licensee has explained that separate books of accounts have been maintained for distribution business. An increase of 10 % from the approved amount of the previous year is allowed till the Commission takes a final decision on the joint cost. Accordingly the A&G expenses of the licensee for 2012-13 are fixed at Rs 14.66 lakhs.

21. Interest & Finance Charges: There is no outstanding debt liability against the licensee in the books of accounts. So there is no interest on funds borrowed. As the licensee has installed pre-paid meters, security deposit from consumers has not been received. The licensee has also reported that bank charges have been included in the sub head 'Miscellaneous expenses' of the A&G expenses. So the licensee has not claimed any interest and Finance Charges.

22. Other Debits: The licensee has not proposed any expenses under the head 'Other Debits'.

23. Statutory Surplus/Return on Equity: The licensee has projected Rs.28.74 lakhs towards Return on Equity. This amount is 14% on the 30% net fixed asset of Rs.688.54 lakhs. The capital structure of the licensee shows an equity of Rs.900 lakhs. In the absence of detailed information of the amount to be considered as equity, the Commission allows a notional return of Rs.10 lakhs for 2012-13 as was done in 2011-12.

24. Aggregate Revenue Requirement: The Aggregate Revenue Requirement approved for 2012-13 is summarised as given below:

Approved Aggregate Revenue Requirements for 2012-13

Particulars	Projected by the licensee (Rs.in lakhs)	Approved by the Commission (Rs.in lakhs)
Purchase of Power	965.94	965.89
Repairs and Maintenance	21.52	21.52
Employee costs	22.49	22.49
A & G expenses	35.93	14.66
Depreciation	27.16	27.16
Interest & Finance charges	0.00	0.00
Other debits	0.00	0.00
Total	1073.04	1051.72
Return on Equity	28.74	10.00
Total expenses	1101.78	1061.72

25. **Revenue from Sale of Power:** The licensee has projected Rs.810.77 lakhs towards revenue from sale of power as per the original filing. Energy sales have been subsequently revised to 243.7 lakh units and sales revenue revised to Rs.923.46 lakhs. The details of the revised revenue from tariff are furnished below:

Revenue from sale of power projected for 2012-13

Category	No. of consumers	Sales in lakhs units	Revenue (Rs.in lakhs)	Average realisation Rs./kWh
HT- I	12	230.00	862.58	3.75
LT Consumers	13	10.2	37.78	3.71
Temporary Connections	17	0.90	8.30	9.43
RPIL Utilities	1	2.60	14.80	5.69
Total	43	24.37	923.46	3.79
Miscellaneous charges from consumers			8.89	
Fuel surcharge			30.10	
Reconnection fee			0.26	
Other Receipts			0.87	
Total Revenue			963.58	

26. The Commission has noted several discrepancies in the projections made especially in the number of consumers. Further average realisation projected by the licensee is also comparatively low. The average realisation in the previous years with the projection for 2012-13 is furnished below:

Category	Average Realisation			
	2009-10 (Actual)	2010-11 (Actual)	2011-12 (Actual)	2012-13 Projection
	Rs./kWh	Rs./kWh	Rs./kWh	Rs./kWh
HT	3.85	3.99	4.16	3.75
LT	3.35	3.81	3.61	3.71
Temporary	5.89	9.89	8.99	9.43
RPL Utilities	6.53	6.18	5.84	5.69

27. The above table shows that average realization from HT consumers projected for 2012-13 is comparatively low. According to the licensee, the average realisation is reduced due to increase in consumption by the units. The Commission approves the revenue from sale of power as projected by the licensee.

28. **Non – Tariff Income:** The licensee has projected Rs.13.00 lakhs towards non-tariff income as shown below:

Particulars	2010-11 Actual (Rs.in lakhs)	2011-12 Approved (Rs.in lakhs)	2012-13 Projected (rs.in Lakhs)
Interest on Bank Fixed Deposits	8.08	10.75	12.00
Rental from others	2.00	0.00	0.00
Misce. Recoveries	1.00	1.00	1.00
Total	11.08	11.75	13.00

The Commission approves the non – tariff income as projected by the licensee. Accordingly the total revenue approved for 2012-13 will be as follows:

	Projected Rs.in lakhs	Approved Rs.in lakhs
Revenue from sale of power	963.58	963.58
Non- tariff income	13.00	13.00
Total	976.58	976.58

29. Revenue Surplus/(Gap) : The revenue gap proposed by the licensee as per the revised ARR &ERC for 2012-13 was Rs.125.21 lakh including return on investment. Against this the Commission has arrived at an Aggregate Revenue Requirement of Rs.1061.63 lakhs and Expected Revenue from Charges of Rs.976.58 lakhs, leaving a revenue gap of Rs.85.05 lakhs as shown below:

Approved Revenue gap for 2012-13

Particulars	Projected (Rs.lakhs)	Approved (Rs.lakhs)
Purchase of Power	965.94	965.89
Repairs and Maintenance	21.52	21.52
Employee costs	22.49	22.49
A & G expenses	35.93	14.66
Depreciation	27.16	27.16
Interest & Finance charges	-	-
Other debits	-	-
Return on Equity	28.74	10.00
Total expenses	1,101.78	1,061.72
Revenue		
Revenue from sale of power	963.58	963.58
Non-Tariff Income	13.00	13.00
Total Revenue	976.58	976.58
Revenue Surplus/(Gap)	(125.20)	(85.05)

Orders of the Commission

30. After the analysis of the ARR & ERC and the clarifications thereon submitted by the licensee, the Commission approves the ARR of Rs.1061.63 lakhs and estimated revenue of Rs.976.58 lakhs, leaving a revenue gap of Rs.85.05 lakhs for the year 2012-13 for M/s Rubber Park India Private Limited as stated above. The licensee shall take earnest efforts to limit the expenses at the approved level. The existing tariffs will continue till further orders.

It is directed that the licensee shall take earnest effort to implement the direction issued in the orders on the ARR & ERC for 2011-12 for utilising the unutilised capacity of the 110 kV/11 kV Transformer so that the assets are properly utilised.

The licensee should try to obtain energy from RES as per direction issued by the Commission.

The petition disposed of. Ordered accordingly.

Sd/-
P. Parameswaran
Member

Sd/-
Mathew George
Member

Sd/-
K.J. Mathew
Chairman

Approved for Issue

Secretary