

ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION

Hyderabad

Present

Sri K. Swaminathan, Chairman

Sri K Sreerama Murthy, Member

Sri Surinder Pal, Member

Dated: 23-03-2006

O.P. No. 19 of 2005

Chipurupalli Rural Electric Co-operative Society Limited ... Applicant

The Commission having examined the Aggregate Revenue Requirement / Expected Revenue from Charges (hereinafter referred to as the 'ARR/ERC') filings for the year 2006-07, 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 Chipurupalli Rural Electric Co-operative Society Limited has been granted exemption 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 has been extended further up to 31.03.2007 as per the orders of the Commission dated 09.06.2005. 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 2006-07 on 28th November 2005. The ARR/ERC filings by the RESCO were found to be deficient in certain aspects and

therefore, clarifications were sought from it. The Staff of the Commission were asked to discuss certain issues related to the ARR / ERC computations with the officials of RESCO. The Staff placed before the Commission the clarifications made available and further details furnished by the RESCO, with their own comments / findings.

3. The Commission analyzed the RESCO's filings for 2006-07 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.698.58 lakhs under OCFA and Rs. 11.77 lakhs under CWIP in its ARR / ERC filings for 2006-07. Based on the audited accounts for the year 2004-05, the approved ARR for FY 2005-06 and the projections for the ensuing year submitted by the RESCO, the OCFA is arrived at Rs.600.47 lakhs, after adjustment of consumer contributions and grants from other sources received by the RESCO. The CWIP has been computed at Rs.88.88 lakhs (after capitalization of works at Rs.50.00 lakhs for FY 2005-06 and Rs.45.00 lakhs for FY 2006-07 based on past performance of the RESCO) as against Rs.11.77 lakhs (after capitalization of Rs.74.62 lakhs for FY 2005-06 and Rs.97.49 lakhs for FY 2006-07) proposed by the RESCO.

(ii) Working Capital consists of

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

The RESCO has projected Rs. 1.67 lakhs towards average cost of stores and Rs. 21.41 lakhs towards average cash and bank balance. The Commission admits Rs.1.33 lakhs towards average cost of stores representing one month's average repairs and maintenance

expenses and Rs.18.04 lakhs towards average cash and bank balance representing one month's all other expenses excluding the power purchase cost.

(iii) Accumulated Depreciation:

The figure projected by the RESCO (Rs. 579.48 lakhs) in the filing has been accepted without change, based on the latest audited accounts for the year 2004-05 and the projections for the current year and the ensuing year.

(iv) Other items:

The projections by the RESCO towards Consumer Security Deposits (Rs.33.71 lakhs) have been accepted. The RESCO has pre-closed its loans from REC and the Public Enterprises Department, Govt. of A.P.

(v) Summary of Capital Base:

With the above changes, the Net Capital Base of Rs. 120.24 lakhs projected by the RESCO comes down to Rs. 95.54 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	698.58	600.47
2	Capital Works in Progress	11.77	88.88
3	Working Capital		
	a) Average Cost of Stores	1.67	1.33
	b) Avg Cash and Bank balance	21.41	18.04
A	Total of positive elements of Capital Base	733.43	708.73
	Negative Elements		
1	Accumulated Depreciation	579.48	579.48
2	Approved Loans	0.00	0.00
3	Consumer Security Deposit	33.71	33.71
B	Total of negative elements of Capital Base	613.19	613.19
	Net Capital Base (A-B)	120.24	95.54

(b) Expenditure Items:

(i) Wages and Salaries:

The RESCO has projected Rs.174.50 lakhs under this head which has been revised to Rs.165.00 lakhs after discussion with the officials of the RESCO.

(ii) Administration & General Expenses

The RESCO has made a projection of Rs.12.00 lakhs under this head, which has been pruned down to Rs.11.00 lakhs, based on the audited accounts for the year 2004-05 and approved ARR for FY 2005-06.

(iii) Repairs & Maintenance:

The RESCO has projected Rs.18.00 lakhs towards repairs and maintenance which has been reduced to Rs. 16.00 lakhs based on the audited accounts for the year 2004-05 and approved ARR for FY 2005-06.

(iii) Rent, Rates & Taxes:

The RESCO has projected Rs.4.00 lakhs towards Rent, Rates & Taxes which have been changed to Rs.2.50 lakhs based on the audited accounts for the year 2004-05 and approved ARR for FY 2005-06.

(iv) Depreciation:

The RESCO has projected Rs.64.58 lakhs towards depreciation which has been accepted without any change, based on the audited accounts for the year 2004-05 and approved ARR for FY 2005-06.

(v) Contributions to Contingencies Reserve :

Since the RESCO has already accumulated 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 projection of the RESCO under Contributions to Contingencies Reserve (Rs.2.33 lakhs) has not been accepted. The RESCO has a Contingencies Reserve of Rs.42.04 lakhs as on 31.03.2006 out of which, the Commission notes that, Rs.24.53 lakhs are in the form of Fixed Deposits in Bank.

The Commission regrets that the RESCO has not invested all the sums appropriated to the Contingencies Reserve in securities authorized under the Indian Trusts Act, 1882. Accordingly, therefore,

The Commission directs that the RESCO shall deposit the sums appropriated to the Contingencies Reserve in securities authorized under the Indian Trusts Act, 1882, and such investment shall be made within a period of 6 months of the close of the year of accounts in which such appropriation is made. The sums already deposited otherwise shall be invested in such securities immediately after the expiry of the maturity periods of the present deposits/securities.

(vi) Other expenditure items:

The projections of the RESCO under Contribution to Employee Funds (Rs. 20.00 lakhs), and Interest on Security Deposits (Rs. 1.89 lakh) have been adjusted to the actual calculated figures of Rs. 15.00 lakhs, and Rs. 2.02 lakhs respectively, based on prescribed norms. Legal charges (Rs. 0.50 lakh) and Auditors' Fees (Rs.3.00 lakhs) have been allowed without any change. Other expenses (Rs.5.98 lakhs) has been reduced to Rs.4.02 lakhs based on the audited accounts for the year 2004-05.

(vii) Total expenditure:

Based on the above changes, the total expenditure (exclusive of expenditure on power purchase) works out to Rs. 283.62 lakhs as against the RESCO's projection of Rs. 306.78 lakhs as detailed in the following Table:

Table – 2
Statement of Expenditure

Sl. No.	Particulars	(Rs. in lakhs)	
		RESCO	APERC
1	Wages and Salaries	174.50	165.00
2	Admn & General Expenses	12.00	11.00
3	Repairs and Maintenance	18.00	16.00
4	Rent, Rates & Taxes	4.00	2.50
5	Approved Loan Interest	0.00	0.00
6	Depreciation	64.58	64.58
7	Contbn. to Employee Funds	20.00	15.00
8	Contbn. to Contingency Reserve	2.33	0.00
9	Interest on Security Deposit	1.89	2.02
10	Legal Charges	0.50	0.50
11	Auditors' Fees	3.00	3.00
12	Other Expenses	5.98	4.02
13	Total Expenditure (excluding purchase of energy)	306.78	283.62

(c) Reasonable Return:

Based on the above changes in the Capital Base (accepted by the RESCO), the reasonable return (at 16 percent per annum on Net Capital Base and 0.5 percent on approved loans) works out to Rs. 15.29 lakhs as against Rs. 15.63 lakhs projected by it.

(d) Non-tariff Income

The RESCO has projected an amount of Rs. 88.77 lakhs (including customer charges) under this head and the Commission has accepted the same.

(e) The revenue requirement for the FY 2006-07
(Excluding power purchase cost)

The Aggregate Revenue Requirement (excluding power purchase cost) works out to Rs. 210.14 lakhs as against Rs. 233.64 lakhs projected by the RESCO. This is after taking into account the Reasonable Return of Rs.15.29 lakhs and Non-Tariff income of Rs.88.77 lakhs.

(f) Efficiency Gains

The Commission desires that the RESCO should make better efforts to improve its efficiency to reduce losses and collect arrears. The Commission is also of the view that the RESCO can achieve efficiency gains of Rs. 8.00 lakhs, considering its total power demand of 34 MU and efficiency already achieved during the last six years. The same level of efficiency gains has been adopted by the Commission to arrive at a Net Revenue Requirement of Rs.202.14 lakhs.

(g) Expected Revenue from Charges (ERC)

The RESCO has filed the ERC at Rs. 424.93 lakhs (excluding customer charges) based on current tariff rates effective from 01-04-2005 except for Agricultural category, where the revenue has been revised by the RESCO as per new modified Agricultural policy of Government of Andhra Pradesh. This is adopted for the calculation of amount available with the RESCO for power purchases. 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	9.88	209.83	9.88	209.83
2	LT II - Non-Domestic	1.70	97.54	1.70	97.54
3	LT III – Industrial	1.96	94.95	1.96	94.95
4	LT IV - Cottage Industries	0.03	0.71	0.03	0.71
5	LT V - Irrigation and Agriculture	13.77	1.28	13.77	1.28
6	LT VI - Local Bodies, Street Lighting	1.30	16.44	1.30	16.44
7	LT VI B - PWS schemes				
8	LT VII - General Purpose	0.10	4.18	0.10	4.18
9	LT VIII - Temporary Supply	0.00	0.00	0.00	0.00
	Total	28.73	424.93	28.73	424.93

(h) Amount available with the RESCO for power purchases

The amount available with the RESCO for power purchase has been computed at Rs. 222.79 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	306.78	283.62
2	Reasonable Return	15.63	15.29
3	Less: Non-Tariff income	88.77	88.77
4	Revenue Requirement (1+2-3)	233.64	210.14
5	Less: Efficiency Gains	0.00	8.00
6	Net Revenue Requirement (4 - 5)	233.64	202.14
7	Revenue from sale of Power	424.93	424.93
8	Amount available for Power Purchase (7-6)	191.29	222.79
	Units to be purchased (in MU)	34.00	34.00
	Power purchase price : Re/Unit	0.56	0.66

5. Quantum of power purchases by RESCO:

The RESCO has projected purchase of 34 MU (gross) during 2006-07 which the Commission accepts, based on the agricultural growth rate allowed for the respective DISCOM (APEPDCL).

6. Power purchase price

Based on the above-mentioned power purchases of 34 MU, the power purchase price for the RESCO works out to 66 paise per unit of energy to be supplied by the APEPDCL during 2006-07. However, for any additional purchase over and above the limit specified in paragraph 5 above, the RESCO has to pay at the power purchase rate for excess drawals by APEPDCL or at the average power purchase price applicable to APEPDCL if the additional purchase by the RESCO does not result in excess drawal by the DISCOM, as the case may be. The RESCO shall follow all the guidelines / regulations applicable to Licensees for power purchases.

7. Tariffs

The RESCO shall charge Tariffs as per the Commission's Order in O.P.Nos.02 to 05 of 2006 dated: 23-3-2006 on Distribution Tariffs and Retail Supply Tariffs for 2006-07, as applicable in the case of APEPDCL issued separately. The RESCO shall also comply with all Directives contained in that Order insofar as those are applicable to it.

8. Compliance with Commission's Directives

The Commission reviewed the status of compliance of its directives issued to the RESCO in its orders on ARR / ERC for the FY 2001-02, FY 2002-03, and FY 2004-05. Annexure - A shows a summary of the status of compliance of the directives as reported by the RESCO. As can be seen there from, many of the directives are ongoing in nature, and it is observed that the RESCO needs to make better efforts to comply with the directives relating to reduction in loss levels, transformer failures and collection of its dues / arrears (serial nos. 4,5,18 and 6 of Annexure – A).

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 2006-07:

- (i) The RESCO shall fix meters to all services including new agricultural consumers by the end of FY 2006-07 (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. RESCO shall also file a metering plan to fix meters to all agricultural consumers by June, 2006.
- (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 31-03-2006, 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 APEPDCL for power purchase at the rate fixed by the Commission, failing which the APEPDCL shall stop power supply to the RESCO immediately.
- (vi) The RESCO shall limit agricultural consumption to 13.77 MU in FY 2006-07.
- (vii) The prevailing loss level for calculation of power purchase has been taken at 15.00%. The RESCO shall put in its best efforts to bring down the losses to 14.50% by the end of FY 2006-07.
- (viii) The RESCO shall bring down Transformer failure to 8 % by the end of FY 2006-07.
- (ix) The RESCO shall identify and disconnect multiple connections (Domestic and Commercial) to the same premises (meant for the same family / organization).
- (x) 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 23rd March, 2006.

Sd/-
SURINDER PAL
MEMBER

Sd/-
K. SREERAMA MURTHY
MEMBER

Sd/-
K. SWAMINATHAN
CHAIRMAN

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ANNEXURE – A**COMPLIANCE TO DIRECTIVES ISSUED IN APERC ORDERS ON
ARR / ERC FILED BY THE RESCO FOR FY 2001-02, 2002-03 & 2003-04**

Sl. No	APERC DIRECTIVE	ACHIEVEMENT REPORTED BY RESCO FY 2005-06
1	The RESCO shall report to the Commission all Schemes in Compliance to paras 10.2 and 10.3 of the Licence irrespective of whether the cost is less than Rs. 5 Lakh or more.	Submitted
2	Interest on Consumer Security Deposit to be passed on to the Consumer.	Adjusted towards additional security deposit.
3	Agricultural Consumption to be regulated and limited to the approved 11.50 MU for the FY 2005-06.	Agricultural Consumption is 10.62 MUs for the FY 2005-06 and the RECs(RESCO) shall not exceed the approved limit of 11.50 M.U.s.
4	The RESCO shall bring down losses to 15 % by the end of March 2006.	Losses are currently 15.42% as against the directed 15.00 %.
5	Transformer failure should be contained within 9 % during the year 2005-06.	Transformer failure is 11.12 % as against the directed 9.00 %.
6	The RESCO is to redouble its efforts for collection of arrears from consumers. Current Demand to be accounted separately.	Amount pending for collection is Rs.145.62 lakhs as on 31.03.2006. Efforts are being taken for collection of arrears from Consumers by forming teams. The teams are visiting villages for collection of arrears on spot.
7	The RESCO shall release all fresh connections with meters to all categories of consumers	No services are being released without meters except agricultural connections.
8	If not already done, the RESCO shall fix 10 sample meters to agricultural consumers in each Mandal and send monthly readings by 8 th of the succeeding month.	Meters already installed. Readings for agricultural consumption submitted.
9	The RESCO should explain to the Agricultural consumers about the advantage of metered billing and undertaking DSM measures.	DSM measures campaign has already been taken up. It is also campaigned in Rythu Sadassulu and in Praja Padham Programmes launched by the Govt.of A.P.
10	The RESCO shall file with the Commission the status of closure of work orders every month by 8 th of the succeeding month.	61 Nos. work orders costing Rs. 31.37 lakhs were closed.

11	The RESCO shall regularly pay the full amount due to APEPDCL for power purchase at the rate fixed by the Commission, failing which the APEPDCL shall stop power supply to the RESCO immediately.	The RESCO has been paying the full amounts to the APEPDCL regularly without default.
12	Disconnection of unauthorized services	There are no unauthorized services
13	Metering of agricultural services	2527 agricultural services are existing without meter as on 30-09-2004.
14	Audit of receivables	Submitted up to 30.09.2005
15	Information on new investment	Submitted.
16	Sales Data Base	Submitted.
17	Addition of new consumers	The addition of new consumers is 1198 Nos. for FY 2005-06 (there are 32,872 Consumers as on 31.03.2006 as against 31,674 Consumer as on 31.03.2005).
18	Collection as a percentage of current billing	88.64 % for the FY 2005-06.
19	Purchase of energy and rate at which paid	29.80 MU for the year 2005-06 and the RESCO paid @ 0.66 paise per unit fixed by APERC.
20	Status of loan repayment to REC and others as at 31.03.2006.	There is no loan dues to the R.E.C. The RECS(RESCO) has pre-paid the entire loan and closed the loan of REC.
21	Auditing of accounts and submission of Audit Reports	Audit for FY 2004-05 was completed and the same was submitted to the APERC. Audit for the FY 2005-06 is under progress.
22	The RESCO shall identify and disconnect multiple connections (Domestic & Commercial) to the same premises (meant for the same family/organization).	The RECS(RESCO) identified 9 Nos.of multiple connections during 2005-06 and all were disconnected.
23	The RESCO shall conduct Energy Audit in Mandal headquarters in its licensed area and file quarterly report, also indicating therein the progress made month-wise.	Energy meters are fixed to the L.V.side of the 6 Nos. Distribution Transformers in 3 Mandals viz., Cheepurupalli, Garividi and Merakamudi dam. Meters are fixed to the services of the above Transformers to conduct Energy Audit.