

**KERALA STATE ELECTRICITY REGULATORY COMMISSION
Thiruvananthapuram**

**Petition No.TP-14 of 2006
ARR&ERC OF TATA TEA MUNNAR FOR FY 2006-07**

May 10, 2006

Present : Shri. C.Balakrishnan Chairman
Shri.M.P.Aiyappan, Member

Tata Tea, Munnar 685 612 : Petitioner

ORDER

The Kerala State Electricity Regulatory Commission having scrutinized the Petition on ARR&ERC for 2006-07 filed by Tata Tea *vide* their letter No.SIED/130/143/2006 dated 27-01-06 and considered the comments of the KSEB on the petition, heard the views of the petitioner and KSEB in the Commission's proceedings on 26th April 2006 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.

M.P.Aiyappan
Member

C.Balakrishnan
Chairman

Authenticated copy for issue

Secretary

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Chapter I

INTRODUCTION

1.1 Preamble

Procedural History

Tata Tea filed a petition for ARR and ERC for the financial year 2006-07 on 27th January 2006. The petition for ARR and ERC was placed before the Commission after initial scrutiny for the procedural requirements and the petition was admitted and registered as TP .14 of 2006 on 2nd February 2006.

A copy of the ARR & ERC was forwarded to KSEB on 2nd February 2006 for comments. Comments from KSEB were received vide letter dated 28th March 2006 (Annexure I). The comments from KSEB were forwarded to TATA TEA on 1st April 2006. Also clarification on certain points was sought for from TATA TEA vide Commission's letter dated 14th March 2006 (Annexure II).

Reply to the clarifications sought from the Commission were furnished by TATA TEA vide letter dated 31st March 2006 (Annexure III) and reply to the points raised by KSEB were furnished by TATA TEA vide letter dated 21st April 2006 (Annexure IV).

As the next step in processing the petition, the Commission held proceedings for public hearing at Commission's office on 26th April 2006.

There was no representation from the stakeholders side. Also no written communication has been received from the side of stakeholders even though the salient points of the ARR were published in daily news paper on 19th February 2006.

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 finalizing the order on the ARR & ERC for the FY 2006-07, the Commission has taken into consideration the materials filed by the Licensee the clarifications furnished by the Licensee in the meeting with the Commission.

Chapter II

ENERGY REQUIREMENT PROJECTIONS FOR 2006-07

2.1 Methodology

The projected energy consumption has been arrived at by adopting the percentage increase of consumption in 2004-05 over 2003-04 consumption in respect of all categories.

2.2 Projections by the Licensee

The energy requirement projections for 2006-07 made by Licensee is summarized below:

Sl. No	Category	Energy consumption in MU
1	TTL HT Factory	8.84
2	Other than manufacture-Commercial	0.40
3	Establishment	0.09
4	Free Allowance	0.21
5	HT outside consumers	13.76
6	Domestic Consumers-outside	6.09
7	Commercial consumers outside	1.91
8	Street light	0.19
9	Line Loss	9.78
10	Feedback	4.13
11	Total	45.4

2.3 Commission's Observations

The increase in number of consumers and consumption during 2006-07 when compared to the values assumed for 2005-06 are given below:

Category	No of consumers in 2005-06	No of consumers in 2006-07	Percentage increase	Consumption in 2005-06 – MU	Consumption in 2006-07 – MU	Percentage increase
LT - Domestic	13840	13895	0.397	5.97	6.09	2.01
LT - Commercial	1222	1238	1.309	2.06	2.10	1.94
HT-Outside consumers	6	6	0	13.47	13.76	2.15

The increase in consumption is found to be far below the increase for the State as a whole. Commission is of view that there will be considerable increase in LT Commercial consumption if tariff rationalization is done. Poor voltage during peak hours may be another reason for the slower growth.

Chapter III

A T & C LOSSES

3.1 Introduction

The details of actual AT & C losses for the year 2004-05 and estimated losses for 2005-06 and 2006-07 are as follows:

Actual AT & C Loss for 2004-05	21.99%
Estimated loss for 2005-06	21.54%
Estimated loss for 2006-07	21.54%.

The AT&C loss approved for the year 2005-06 was 17.7%. Further a directive was given in the order on ARR for 2005-06 that Licensee should prepare and submit to the commission, within a month a loss reduction program with progressive loss reduction. Commission had also set target of 3% loss reduction for the base year 2005-06.

Licensee in their reply dated 31st March 2006 stated that a preliminary study in the matter has been carried out but since the Licensee has applied for transfer of the Licence to KDHP Company the matter would be further perused by the transferee.

3.2 Commission's Observations

Licensee has not proposed any loss reduction in 2005-06 and 2006-07. Licensee's contention that the matter will be taken up once the transfer of license is allowed cannot be accepted. Steps such as replacement of faulty meters and reconductoring of lines and replacement of very old cables and service wires and anti theft squads can bring in a reduction in AT&C losses immediately. Switch over to EHT source of power is to be planned without delay. Commission therefore allows only 19% loss for the year 2006-07. Licensee should prepare a scheme for immediate implementation and submit the same to the Commission within one month from the date of this order.

Chapter IV

AGGREGATE REVENUE REQUIREMENT FOR 2006-07

4.1 Introduction

The ARR& ERC submitted by the Licensee projected a total expenditure of Rs.11.68 crores for 2006-07. The details in comparison to the provisions in respect of various items for 2004-05 and 2005-06 are furnished below:

Rs. lakh

Sl No	Particulars	2004-05 (Actuals)	2005-06 As approved	2006-07 Now
1	Power Purchase Cost	1037.10	893.28	1089.09
2	Interest and finance charges			2.78
3	Depreciation	11.21	2.78	11.21
4	Employee Cost	33.06	43.44	32.24
5	Repairs & Maintenance cost	12.65	22.25	16.72
6	A &G Expenses	1.74	2.55	9.33
7	Sec 3 Duty and duty on line loss	13.54	8.93	12.13
8	Licence Fee			0.27
9	Gross expenses	1109.30	973.23	1173.77
10	Less expenses capitalized			
11	Less interest capitalized			
12	ARR	1109.30	973.23	1173.77
13	Revenue from tariff	933.94	914.35	1172.57
14	Non tariff income	0.56	0.51	0.40
15	Total revenue	934.50	914.96	1172.97
16	Surplus/Deficit	-174.80	-58.27	-1.2

4.2 Purchase Of Power

4.2.1 The ARR submitted by the Licensee has given an energy purchase requirement of 41.27 Million units during 2006-07. The total cost for power purchase during 2006-07 has been projected at Rs 1089.09 lakh. The details are as follows:

Total projected consumption	45.40 MU	
Feedback units	04.13 MU	
Net energy	41.26 MU	
Energy charges @ Rs 2.14 per kwh		Rs 887.12 lakh
Demand charges for 7839 MVA @ Rs 255 per KVA		Rs 239.87 1 lakh
Penal charges for MD in excess of 6570 MVA @ Rs 127.50		Rs 19.42 lakh
Sub Total	Rs 1146.41 lakh	
Rebate at 5%	Rs 57.32 lakh	
Net	Rs 1089.09 lakh	

KSEB have made it clear that the request of the Licensee to increase the contract demand to 10000 MVA is under consideration and that there is no justification to include penal charges. But as clarified by the Licensee vide letter dated 21st April 2006 they will retain this amount in the ARR till a firm proposal is received from KSEB to enhance the contract demand.

The issue of paying penal MD charges has been considered in the order on ARR for 2005-06 also. In the order it has been clearly stated that anticipated maximum demand penalty charges cannot be allowed. Further in the order for 2005-06 it was directed that the draft PPA initialed by both parties shall be submitted within one month from the date of order. But this has not been done till date.

In view of the above Commission disallows the anticipated MD penal charges. As already noted under AT&C losses the total loss Commission cannot allow a loss figure of 21.54%. The power purchase cost and duty on lines loss are revised as follows:

Total projected consumption	43.98 MU
Feedback units	04.13 MU
Net energy	39.85 MU
Energy charges @ Rs 2.14 per kwh	Rs 852.79 lakh
Demand charges for 7593MVA @ Rs 255 per KVA	Rs 193.62 lakh
Sub Total	Rs 1046.41 lakh
Rebate at 5%	Rs 52.32 lakh
Net	Rs 994.09 lakh

4.3 Interest And Finance Charges

4.3.1 While submitting the ARR the Licensee has not given any figure for interest and finance charges. But vide letter dated 31st march 2006 Licensee has clarified that interest on security deposit to be paid will be Rs 2.78 lakh.

4.3.2 Commission's Observations

Commission does not propose any change in the provision sought for.

4.4 Depreciation

4.4.1 The Licensee has projected a provision of Rs 11.21 lakh for depreciation during the year 2006-07. The original cost of assets is given as Rs 319.81 lakh and annual depreciation is taken as 11.21 lakh. The rate thus works out to 3.5%

4.4.2 Commission's Observations

As already pointed out in the order on ARR for 2005-06, the written down value of assets is only Rs 77.18 lakh as on 31.05-05. Depreciation allowed for 2005-06 was Rs 2.78 lakh. Thus the written down value in the beginning of 2006-07 is Rs 74.40 lakh. Thus amount allowed as depreciation is Rs 2.78 lakh for 2006-07.

4.5 Employee Cost

4.5.1 The ARR submitted by the Licensee projects an amount of Rs 32.24 lakh towards employee cost during 2006-07. A comparison with the provisions as approved by the Commission for 2005-06 are furnished below:

Approved cost for 2005-06	Rs 43.44 lakh
Cost now projected for 2006-07	Rs 32.24 lakh

4.5.2 Commission's Observations

Commission does not propose any change in the figure furnished by the Licensee. However, Commission would like to point out that computerization of operations should bring down employee costs. Licensee should try to reduce costs further.

4.6 Repair and Maintenance Charges

4.6.1 The ARR has projected a requirement of Rs16.72 lakh towards Repair and Maintenance charges during the year 2006-07. The approved amount for 2005-06 is Rs 22.25 lakh.

4.6.1 Commission's Observations

Commission does not propose any change in the provision sought for.

4.7 Administration & General Expenses

4.7.1 The Licensee has projected an amount of Rs 9.33 lakh towards A&G expenses for 2006-07 as compared to Rs 2.55 lakh approved for 2005-06. The A&G expenses consist of rent, taxes, insurance, legal charges, audit fees and other charges such as travel expenses, freight, purchase related expenses, etc.

4.7.2 Commission's Observations

Commission does not propose any change in the provision sought for.

4.8 Overall Position Regarding Aggregate Revenue Requirement for 2006-07

Based on the above discussion, the overall position regarding the Aggregate Revenue Requirement for 2006-07 would be as below:

		Rs.lakh	
Sl No	Particulars	As per ARR submitted by Licensee	Approved by Commission
1	Power Purchase Cost	1089.09	994.09
2	Interest and finance charges	2.78	2.78
3	Depreciation	11.21	2.78

4	Employee Cost	32.24	32.24
5	Repairs & Maintenance cost	16.72	16.72
6	A &G Expenses	9.33	9.33
7	Sec 3 Duty	4.9	4.9
8	Duty on line loss	3.54	2.3
9	Licence Fee	0.27	0.27
10	Gross expenses	1173.77	1065.41
11	Less expenses capitalized		
12	Less interest capitalized		
13	ARR	1173.77	1065.41

CHAPTER V

REVENUE RECEIPTS DURING 2006-07

5.1 Revenue from Tariff Income

Revenue from Tariff Income for 2006-07 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 under each slab and each category. Details in this connection have been furnished in the ARR & ERC for 2006-07 filed by the Licensee, which are summarized below.

Sl. No	Category	Energy in M	
1	HT Factory	8.84	265.33
2	Commercial	0.4	11.89
3	Establishment	0.09	2.57
4	Free allowance	0.21	6.23
5	HT-outside	13.76	615.86
6	LT-domestic outside	6.09	100.11
7	LT-commercial-outside	1.91	165.76

8	Street Light	0.19	4.82
	Total		1172.57

The total revenue realization from tariff is projected at Rs 1172.57 lakh on a total energy consumption of 31.49 MU

5.2 Revenue from Non Tariff Income

The revenue from Non-Tariff income for 2006-07 has been projected at Rs 0.40 lakh..

5.3 Expected Revenue From Charges

Based on the above discussion, the Commission would place the expected revenue from charges for 2006-07 at Rs 11.7297 crores as per the following break up.

		Rs.Lakh
1	Income from Tariff	1172.57
2	Non- tariff Income	0.40

CHAPTER VI

COMMISSION'S ORDER ON THE ARR & ERC FOR THE YEAR 2006-07

6.1 Aggregate Revenue Requirement for the Year 2006-07

As discussed in the Chapter IV on ARR for 2006-07, the Commission approves an Aggregate Revenue Requirement of Rs10.6531 .crores as against Rs 11.7101 corers proposed by the Licensee. The comparative details are furnished below:

Aggregate Revenue Requirement: Rs. 10.6531 Crores.

Sl No	Particulars	As per ARR submitted by Licensee Rs. lakh	Approved by Commission Rs. lakh
1	Power Purchase Cost	1089.09	994.09
2	Interest and finance charges	2.78	2.78
3	Depreciation	11.21	2.68
4	Employee Cost	32.24	32.24
5	Repairs & Maintenance cost	16.72	16.72
6	A &G Expenses	9.33	9.33
7	Sec 3 Duty	4.9	4.9
8	Duty on line loss	3.54	2.3
9	Licence Fee	0.27	0.27
10	Gross expenses	1173.77	1065.41
11	Less expenses capitalized		
12	Less interest capitalized		
13	ARR	1173.77	1065.41

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6.2 Expected Revenue From Charges

As discussed in the Chapter V on Revenue Receipts, the Commission has accepted the total expected revenue from charges at Rs 11.7297 crores projected by the Licensee in the ARR for 2006-07. The comparative break-up is furnished below:

Expected Revenue from Charges: Rs. 11.7297 Crores

Sl. No	Category	Energy Sales in MU	Revenue in Rs Lakhs
1	HT Factory	8.84	265.33
2	Commercial	0.4	11.89

3	Establishment	0.09	2.57
4	Free allowance	0.21	6.23
5	HT-outside	13.76	615.86
6	LT-domestic outside	6.09	100.11
7	LT-commercial-outside	1.91	165.76
8	Street Light	0.19	4.82
9	Non-tariff income		0.40
	Total		1172.97

6.3 Commission's Order

On the above basis, the Commission hereby approves an Annual Aggregate Revenue Requirement of 10.6541 crores and Total Expected Revenue from Charges of Rs11.7297 crores for the year 2006-07 as against Rs11.7377 crores and Rs11.7297 crores projected respectively by the Licensee. Surplus is Rs 1.0736 Crores.

CHAPTER VII

COMMISSION'S DIRECTIVES

1. On finalization of the accounts for the FY 2005-06, TATA TEA shall submit the actual audited accounts for the electricity distribution business for the FY 2005-06 along with following details:

- i. Actual monthly TOD meter recording of kWh, kVAh. kVARh, maximum demand, average PF and LF for normal, peak and off-peak period and similar recorded meter reading for self consumption and for energy sold to consumers, category wise and voltage wise.
- ii. Monthly cyclic billing and collection data in respect of all categories of consumers.
- iii. Payments to the KSEB along with billing details.
- iv. Actual distribution loss based on the metered figures.

2. Licensee shall conduct energy audit and take loss reduction measures to bring down AT&C losses to 19% in 2006-07.

3. Licensee shall file a petition for rationalization of tariff before 31st May 2006. In the proposal 50% of the surplus should be used for tariff adjustment.

4. Draft PPA initialed by Licensee and KSEB shall be submitted to the Commission for approval within one month from the date of this order.

KERALA STATE ELECTRICITY REGULATORY COMMISSION

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No.KSERC/Tata Tea/TP14/2006

Dated: 15th May 2006.

To

- 1) The Additional Chief Secretary &
Principal Secretary to Government of Kerala
Power (A) Department
Government Secretariat
Thiruvananthapuram – 695 001.
- 2) The Manager Administration
Tata Tea Limited
Munnar – 685 612.

Sir,

Sub: - Tariff Petition on ARR & ERC for 2006-07 filed by Tata Tea Ltd.

I am directed to forward herewith a copy of the Commission's order dated 10th May 2006 on the above petition.

Yours faithfully,

Secretary

Acc: As above.

Copy to: The Chairman
Kerala State Electricity Board
Vydyuthi Bhavanam
Pattom, Thiruvananthapuram – 695 004.