ORDER

ORDER OF THE
WEST BENGAL ELECTRICITY REGULATORY COMMISSION
IN

Case No. T.P. - 10 of 2002-03

AND

Case No. T.P. - 15 of 2003-04

IN RE THE TARIFF APPLICATIONS OF DPSC LTD. UNDER SECTION 62(1) READ WITH SECTION 185 OF THE ELECTRICITY ACT, 2003 FOR THE YEARS 2003-04 & 2004-05

Present :

1. Shri S. N. Ghosh, Chairperson.
2. Shri A. K. Jain, Member (Finance & Accounts).
3. Shri N. C. Roy, Member (Technical).

For the petitioners:

Shri S. Radhakrishnan, Director and Chief Executive.

For the objectors who took part in/appeared at the hearing for 2003 – 04:

1. Shri S.C. Bhattacharjee, Deputy Chief Engineer (Commercial), WBSEB.
2. Shri Indrajit Mukherjee, Advocate on behalf of Eastern Coal Fields Ltd.

Objectors who had filed written objections on the tariff petition for 2003 – 04:

1. Jai Balaji Sponge Ltd.
2. Jai Salasar Balaji Industries Pvt. Ltd.
3. West Bengal State Electricity Board.

Objectors who had filed written objections on the tariff petition for 2004 – 05:

1. West Bengal State Electricity Board.

Dated: The 3rd June, 2004.

CHAPTER – 1: INTRODUCTION.

1.1 The West Bengal Electricity Regulatory Commission (in short WBERC), was constituted in January, 1999 in term of Sec. 17 of the Electricity Regulatory Commission Act, 1998 (in short the ERC Act, 1998) for rationalization of electricity tariff, transparent policies regarding subsidies, promotion of efficient and environmentally benign policies and for matters connected therewith or incidental thereto.

1.2 Thereafter, a new statute, viz., the Electricity Act, 2003 was enacted, its date of appointment being 10.06.2003. It merged and replaced the earlier statutes, viz., the Indian Electricity Act, 1910, the Electricity (Supply) Act, 1948 and the ERC Act, 1998. In terms of the Electricity Act 2003, the Electricity Regulatory Commissions that had already been constituted under the ERC Act 1998, and functioning as such immediately before the appointed date are to continue to retain their authority and jurisdiction under the Electricity Act, 2003.

1.3 The WBERC thus retains its authority and jurisdiction to determine tariff for generation, supply, transmission and wheeling of electricity, wholesale, bulk or retail, within West Bengal. In addition the WBERC, like other SERCs and the CERC, is also to discharge wider powers in facilitating intra State transmission and wheeling of power, issuing licences to prospective transmission companies, distribution companies and trading companies, promote cogeneration and generation of electricity from renewable sources of energy, adjudicate upon disputes, levy fees for the purposes of the Act, specify State grid code, specify and enforce standards of performance of the licencees, etc.

1.4 The State Commissions, in terms of Sec. 61 of the Electricity Act, 2003, are required, inter alia, to specify the terms and conditions for determination of tariff, and in doing so, they are to see that inter alia, the generation, transmission, distribution and supply of electricity are conducted on commercial principles; competition, efficiency, economical use of resources, good performance and

optimum investments are encouraged; consumers' interests are safeguarded; the tariff progressively reflects the cost of supply of electricity; efficiency in performance is rewarded, etc. This Section also provides that till such time as terms and conditions of determination of tariff are specified by the ERC Act but subject to a period of one year from the appointed date of 10.06.2003, the extant terms and conditions for determination of tariff framed under the ERC Act 1998 and/or the Electricity (Supply) Act, 1948 shall continue to apply

1.5 The Commission has already heard and disposed of 3 (three) tariff petitions of Dishergarh Power Supply Corporation Ltd. (i.e., DPSC Ltd.) for the years 2000-01, 2001-02 and 2002-03 and has also passed one interim order on the tariff petition of the same petitioner for the year 2003-04. Besides the Commission has also disposed of 2 (two) applications of DPSC Ltd. for determination of fuel and power purchase cost adjustment. The Commission gave certain directions to DPSC Ltd. in its earlier tariff orders.

1.6 In the present order, the Commission will also dispose of the interim tariff order for the year 2003-04, which was passed on 23.04.2003 and will also determine the tariff of the same petitioner seeking tariff for the year 2004-05.

1.7 The Commission presently consists of three members including the Chairperson. The tariff petition for the year 2003-04, which was filed on 31.12.2002, was admitted by Shri A.K. Jain, Member (F&A) and Shri N.C. Roy, Member (Technical) since the post of the Chairperson was vacant at that time. The tariff petition for the year 2004-05 which was filed on 30.12.2003, was admitted by all the members of the Commission including the Chairperson.

1.8 Both the tariff petitions were filed under Regulation 43 of the West Bengal Electricity Regulatory Commission (Conduct of Business) Regulations, 2000. These Regulations were valid not only in 2002 but also at the relevant period of 2003 in terms of the proviso to Section 61 of the Electricity Act, 2003.
1.9 As per the tariff petition for 2003-04, due notification was made in prominent newspapers published from Kolkata (2 in English and 2 in Bengali) calling upon all interested parties to file objections, if any, to the revision of tariff proposed by the tariff petition, and the petitioner was also directed to file rejoinders to such objections, within a specified time. The interested parties were afforded opportunities to inspect the petition and other records and to take copies thereof, as per provisions of the Conduct of Business Regulations. Opportunities were also given to the interested parties to inspect the petition at the office of the DPSC Ltd. at Dishergarh.

1.10 As per the tariff petition for 2004-05 is concerned, the petitioner published, as required by Section 64(2) of the Electricity Act 2003, a gist of the tariff petition in one Bengali and one English daily published from Kolkata, and one Hindi and one Bengali published from the area where DPSC Ltd. operated. With the publication of the gist of the petition as a notice, all interested parties were advised to study the salient features of the petition, and submit their written objections, if any, to the Commission within 30 days. The interested parties were afforded all opportunities to inspect the tariff petition itself either at the office of the Commission or at that of DPSC Ltd., as also to obtain copies of the petition and other relevant records in terms of the relevant provisions of the Regulation on Conduct of Business Rules.

1.11 Only 3 (three) sets of objections were received in time from Jai Balaji Sponge Ltd., Jai Salasar Balaji Industries Pvt. Ltd. and West Bengal State Electricity Board against the tariff petition of 2003-04.

1.12 Only 1 (one) set of objections was received within the specified time limit from West Bengal State Electricity Board against the tariff petition of 2004-05.

1.13 For dealing with the objections against the tariff petition of 2003-04, a notice for hearing was issued again in four leading dailies (2 in English and 2 in Bengali) published from Kolkata. The hearing was held on 28.02.2003 in the office of the Commission. The objectors as also other interested parties were invited for making their oral submissions of objections, etc. in the hearing.
1.14 The tariff petition for the year 2004-05 was to be governed by the Electricity Act 2003. The latter does not contain any provision for hearing for the purpose of determination of tariff. Therefore there was no hearing on the said tariff petition.

1.15 The present order for determination of tariff is being recorded, keeping in view the provisions of the ERC Act 1998, the Electricity (Supply) Act 1948 read with Section 185 of the Electricity Act 2003, which has come into force with effect from 10.06.2003, read with other enabling provisions, as also the relevant provisions of the Electricity Act 2003. The directions of the Hon'ble Supreme Court on the interpretation of the relative provisions of law as enumerated in Civil Appeal No. 4037 of 2002 (WBERC – Vs – CESC Ltd.) to the extent applicable have also been kept in view.

CHAPTER – 2: THE CASE OF DISHERGARH POWER SUPPLY CO. LTD., 2003-04.

2.1 The tariff petition in question was filed under regulation 43 of the West Bengal Electricity Regulatory Commission's Conduct of Business Regulations (CBR) for approval of the tariff for the year 2003-04.

2.2 It was stated that the operational area of DPSCL, a licensee, is spread over an area of 618 sq. km. in Raniganj and Asansol belt and major part of the licenced area falls under DVC command area. The sale is predominantly at 11 KV to about 367 consumers.

2.3 The major consumers in the licenced area of DPSCL include Eastern Coal Fields, West Bengal State Electricity Board and other some similar industries in the region.

2.4 The petitioner has stated that the Annual Revenue Requirement has been worked out keeping in view the provisions of Sixth Schedule to ES Act 1948 and covers all expenditures on purchase of power, generation and distribution cost, sales, and reasonable return on the capital base.

2.5 The petitioner has also included the study on the issue related to determination of demand charge from its consumers as well as their suggestion on reduction of reclassification of consumers. The petitioner has prayed for enhancement of increase in Delayed Payment Surcharge.

2.6 The petitioner has further stated that it would take suitable and effective measures to regulate power purchase agreement and in terms of the direction of the Commission.

2.7 The petitioner has also indicated the basis and assumptions while framing the tariff proposal.

2.8 The petitioner has prayed that the financial health of DPSCL needs to give due consideration to better appreciation of its proposal as it is passing through a liquidity crisis due to inadequate tariff revision in the past years, needs for consideration a tariff for certain categories, requirement of funds for capital expenditure and burden of interest cost and other operational costs.

2.9 The petitioner has given detailed justification for various cost inputs in its Annual Revenue Requirement and has also submitted various details relating to sales, expenses, reasonable return, special appropriation, miscellaneous receipts, expected revenue from sale of energy, gap to be recovered by way of increase in tariff, figures of past losses and other quantitative figures of their various claims including receipts, expenses, reasonable return, sales, generation, auxiliary consumption, PLF etc.

2.10 The petitioner has further prayed that to introduce a certain degree of certainty in the tariff determination mechanism, the Commission may lay down benchmarks.

2.11 The petitioner also expressed and indicated the actions taken by it on the observations made by the Commission in its earlier orders particularly relating to heat rate, coal consumption, transformer capacity of B Class consumers, connected load, techno-economic feasibility of new capital expenditure, T&D loss, payment to consultants, employees' cost, stock of inventory, repairs and maintenance cost and income tax matters. The petitioner company has stated that the Board of the Company has decided to appoint reputed consultants to carry out independent study of some of areas and identify means of improving the performance and has prayed for a period of six months from 18.11.2002 by which the utility would place the reports of the consultants along with the proposed action plan to the Commission.

2.12 The petitioner has further prayed that in case of deficiency in the petition, the deficiency may be condoned and the petitioner may be allowed to file additional information as may be required.

2.13 The petitioner has also prayed that it may be allowed to provisionally collect the FPPCA in terms of the approved formula on the monthly basis and the final adjustment should be based on the audited figures with due approval of the Commission.

2.14 The DPSCL has submitted a summary of the Annual Revenue Requirement in a tabulated form giving the figures of 2001-2002 (audited), 2002-2003 (estimated) and 2003-2004 (projected). It has further stated that during the financial year 2001-02 as well as financial year 2002-03, the utility is likely to fall short at reasonable return and the important reasons for which shortfall is on account of the operational and expenses norms set by the Commission, changes in sales mix and shortfall in the projected sale target and further prayed for special appropriation on account of clear loss.

2.15 The DPSCL has also submitted the short-term and long-term action adopted by the utility to reduce losses in generation, reduction in the employees' cost after introduction of VRS, review of operational performances of Plant & Machinery to enhance performances through reputed consultants, energy audit etc.

2.16 The DPSCL has also given the suggested tariff for the financial year 2003-04.

CHAPTER – 3 : OBJECTIONS AGAINST THE TARIFF PETITION, 2003-04.

3.1 Objections were raised by M/S. Jai Balaji Sponge Ltd., M/S. Jai Salasar Balaji Industries Pvt. Ltd. and the West Bengal State Electricity Board (WBSEB).

3.2 In their objection, M/S. Jai Balaji Sponge Ltd. have indicated that they are a high voltage consumer of DPSCL.

3.2.1 They have objected to giving concessional electricity rate for the WBSEB and other categories of consumers, the burden of which is to be borne by the bulk consumers and is against the preferential rate structure for any consumers. They quoted section 29(3) of the Electricity Regulatory Commissions Act, 1988 and requested for maintaining the uniform tariff structure as far as practicable.

3.2.2 They have also objected to T&D loss and prayed for fixation of tariff with an improving level of efficiency. They quoted section 29(2)(c) of the ERC Act, 1988 in this regard. They have further pointed out that DPSCL has not given any justification in support of increase in T&D loss to 6.5% against the level achieved in 2000-01.

3.2.3 They have further stated that the load factor incentive as prevalent in WBSEB may also be extended to have a better load factor management and to reduce the effective cost of electricity.

3.2.4 They have also prayed for continuation of power factor rebate / penalty with upward revision.

3.2.5 They have also recommended that Delayed Payment Surcharge should not call for any increase and should be remain at 1.25%.

3.2.6 They have also suggested that any increase in fuel surcharge should have the approval of the Commission.

3.2.7 They have also prayed for concession of energy charge for new industries under Class A category 3 from the date of permanent connection in line with the prevalent practice with WBSEB and DPL.

3.3.1 The DPSCL has filed the rejoinders for the reply and stated that the name of Jai Balaji Sponge Ltd. does not match with the name of the consumer. They further clarified that the tariff charge and the load factor rebate and penalty etc. are based on the order of the Commission and justified the T&D loss based on study conducted by an energy auditor.

3.3.2 The petitioner have also justified the enhancement of the Delayed Payment Surcharge by DPSCL.

3.4 M/S. Jai Salasar Balaji Industries Pvt. Ltd. have stated that they are a high voltage bulk industrial consumer under category Class A. The points raised by them are similar to those raised by Jai Balaji Sponge Ltd. and therefore are not repeated in the order.

3.4.1 The reply of DPSCL is also on the similar line as given against M/S. Jai Balaji Sponge Ltd. and therefore is not again repeated.

3.5 In their objection, the West Bengal State Electricity Board have indicated that they are a statutory body constituted u/s 5 of the Electricity (Supply) Act, 1948 and they have been purchasing electricity from DPSCL at 11 KV on radial mode at different off-take points for a total demand of around 40 MVA to meet the power purchase requirement of its local consumers taking supply at low and medium voltage consequent upon revocation of a few licencees by the Government of West Bengal in that area. The holders of those licenses were also purchasing power from DPSC earlier.

3.5.1 WBSEB have further indicated that although no formal agreement has been entered into between them and the DPSCL, the tariff chargeable to WBSEB was used to be decided upon by the Power Department, GOWB. The tariff chargeable to WBSEB for 2000-01 to 2002-03 had however been approved by the Commission through its earlier tariff orders.

3.5.2 WBSEB have also indicated that they have been supplying power to DPSCL at 33 KV at Bankola and under the advice of the Power Department, Govt. of West Bengal the supply by the WBSEB was being set off by the supply of DPSCL. WBSEB have indicated that the Commission has directed that the matter is to be taken up between the parties for a Power Purchase Agreement with clear indication that if supply made by WBSEB is to be taken as a supply for their own use, then WBSEB has to pay the wheeling charges to DPSCL including T&D loss. No draft purchase agreement has however been submitted by DPSCL.

3.5.3 WBSEB have also pointed out a significant increase in employees' cost on account of new charter of demands placed by the employees of the DPSCL. They have also questioned the amount claimed for VRS, which is stated to be too high.

3.5.4 WBSEB have also stated that the reasonable return of Rs. 808.84 lakhs has been calculated on capital base of Rs. 7093.24 lakhs but according to WBSEB there is a discrepancy of the figures shows as Rs. 93.42 lakhs in the summarized review statements by taking into account income from investment other than contingency reserve which is also not clear. WBSEB have also raised objections on the high rate of interest i.e., 14.81% whereas, according to WBSEB, the rate of interest should be 11 to 12%.

3.5.5 WBSEB have also pointed out the discrepancy in the high rate of depreciation charge and have alleged that the DPSCL has not followed the guidelines in this respect.

3.5.6 WBSEB have also questioned the amount claimed towards income tax which, they felt, should only be claimed only after completion of the year.

3.6.1 On the point of the power purchase, DPSCL has clarified that the direction of the Commission for the power purchase can be complied with after a specific direction is given to both of them i.e., DPSCL and WBSEB.

3.6.2 On employees' cost, DPSCL has justified its stand on account of inflation factors and for VRS scheme. It clarified that the scheme is the same as followed by the other government departments and other Public Sector Enterprises.

3.6.3 On reasonable return, DPSCL has justified the working of the reasonable return based on the guidelines of the Commission including income from investment, contingency reserve and development reserve apart from basis of capital base.

3.6.4 On high rate of interest, the petitioner has justified the rate based on its negative credit worth and the loss incurred in two years. DPSCL also requested the assistance of the WBSEB for raising the loan at the projected rate of interest so that it can swap its existing loan.

3.6.5 On depreciation, DPSCL has justified the depreciation based on straight-line basis including arrears for earlier year. Previously DPSCL was charging depreciation following the annuity method.

3.6.6 DPSCL has also justified the provision for income tax based on the principle adopted by the Commission and as allowed by the Commission earlier.

CHAPTER - 4 : OBJECTIONS RAISED AT THE HEARING ON THE TARIFF PETITION, 2003-04.

4.1 Out of three objectors, who had filed written objections, only WBSEB have made their submissions during hearing and one more objector i.e. Eastern Coal Fields Ltd., who had not filed objection in writing was also permitted to join the hearing.

4.2.1 Shri S. Radhakrishnan, the Director & Chief Executive of DPSCL, laid the tariff proposal of the company before the Commission and highlighted the following points:

(i) DPSCL is a power utility in West Bengal engaged in the business of generation and distribution of electricity in the coalfields in the Raniganj – Asansol belt. The operations of DPSCL is spread over an area of 618 square kms and the supply of power is predominantly at 11 KV to about 367 consumers.

(ii) The tariff proposals are based on the principle of average cost of supply and the Annual Revenue Requirement (ARR) has been projected considering the provisions of Schedule VI of the Electricity (Supply) Act, 1948.

(iii) He has submitted that the current tariff of DPSCL is inadequate to meet even the cost for the current year, claimed that it will fall significantly short of the estimated cost for the ensuing year and, therefore, he has prayed for sanction of the projected ARR and the

tariff proposal as submitted by the company. The increase in the average cost prayed by them is about 9.5%.

4.2.2 In his submission, Shri Radhakrishnan has highlighted the various observations made by the Hon'ble Commission in its earlier tariff orders and intimated that DPSCL has already initiated several actions in each of the areas and the result should be reflected in the performance of the company gradually over a period of time. The major areas where the company has taken the steps to improve upon the performances are stated as under:

(a) The company is considering the closure of the Seebpore Power Station by September 2003, as the unit cost of generation at Seebpore is very high.

(b) The company aims at reduction of manpower by about 15% by offering a VRS scheme and has prayed to the Commission for being allowed to incorporate the financial implications thereof through the Revenue Requirement. He has also stated that the company would keep the VRS amount in a separate fund exclusively to be utilized for VRS purpose.

(c) The company has approached CEA for carrying out Energy Audit in receiving sub-stations.

(d) The company has proposed to get the Energy Audit done in its distribution system by the Agency which might be selected by the Commission out of a list of such Auditors proposed by the company. The proposal would be sent to the Commission in proper manner within 10 days.

(e) The company has initiated various cost cutting measures and an in-house committee in this regard has been formed.

(f) Transmission and Distribution Assets are being verified and their usability are also being examined by the in-house team.

(g) In regard to Commission's observation on the high value of inventories, the company has engaged M/s General Superintendent Co. to have a proper study for identification of un-serviceable items for elimination from the list of inventories.

(h) The company has also intended to minimize the in-house consumption of energy.

(i) The stock of old assets are being got studied by the CEA to identify the assets not in use, or not usable, for their exclusion from the capital base.

(j) Keeping in view the observations of the Commission in its earlier tariff order, the company is reviewing matters relating to depreciation charged in the past period and would come up with the report in next 15 days' time.

4.2.3 In regard to the forward planning of the company Shri Radhakrishnan has intimated that DPSCL is examining the possibility of setting up 30 MW capacity by use of methane gas available in the colliery belt.

4.3 The WBSEB, which had submitted written objections to the proposed tariff petition of DPSCL was represented in the hearing by Dr. S. C. Bhattacharjee, Dy. Chief Engineer (Commercial). The points raised by Dr. Bhattacharjee are as under:-

(i) Although asked for by the Commission in its earlier Tariff orders, the Power Purchase Agreement between DPSCL and WBSEB had not yet been finalized, as the former has not come up with any draft in this regard.

(ii) The rate of increase in employees' cost, as asked by DPSCL, come to 18.62%, which is on the higher side.

(iii) The amount of Rs. 720 lakhs claimed towards VRS also does not appear to be in order.

(iv) The Reasonable Return calculated for the year 2003-04 is Rs. 808.84 lakhs on a capital base of Rs. 7093.24 lakhs. The said amount however has been shown as Rs.934.32 lakhs in the summarized Revenue Statement. The reasons for such deviations are not clear.

(v) Claim of Rs. 148.13 lakhs as interest on term loan of Rs. 1000 lakhs is not justified as interest on term loan at present varies from 11 to 12%.
(vi) Detailed calculation of depreciation has not been provided and the claim of Rs. 528.26 lakhs towards depreciation on opening asset value of Rs. 7766.61 lakhs seemed to be on the higher side.

(vii) The demand of Rs. 257.10 lakhs for special appropriation towards Income Tax has also been disputed by WBSEB.

4.4 Shri Indrajit Mukherjee, Advocate, representing M/s. Eastern Coal Fields Ltd. presented a general observation on high cost of power supply and has raised the following observations:

(a) DPSCL has been receiving "B" grade coal supply from ECL and the Gross Calorific Value (GCV) of "B" grade coal ranged between 5600 to 6200 K.cal/kg. DPSCL has claimed GCV at the lower end, resulting in a higher projected consumption of coal, than is justified. According to him, the utility can, at best be allowed the average of the minimum and maximum GCV of coal.

(b) DPSCL has overstated the projected generation to get the benefit of building excess cost of coal in the tariff.

(c) The data furnished by DPSCL are not complete; besides, non-compliance of the directive of the Commission in its order for 2002-03 is a punishable offence.

(d) Tariff is to be fixed on average cost basis as per section 29(2)(c) of ERC Act read with the Supreme Court Judgement dated 3.10.2002 in case of CESC Ltd.

(e) Points have also been raised regarding the need of better cash management, deferred tax liability, consumers' contribution, Heat Rate, Ash handling charges and legal expenses.

(f) That a high amount of depreciation has been charged, is also pointed out, particularly when funds for 2 Chinakuri Stations are provided by ECL and ECL itself is the major customer.
(g) DPSCL has intended to suppress the unjustified profit and thus had not submitted the audited Balance Sheet of the company.

(h) The new Chinakuri Station was constituted without approval of ECL.

4.5 On completion of his deliberation, Member (Finance & Accounts) wanted to know from Shri Mukherjee whether ECL, his client, would be able to guarantee the supply of coal of the appropriate grade with the desired GCV of coal and would be agreeable to have joint sampling and analysis of the coal being supplied to DPSCL particularly when he is asking for GCV based on norms. On this point Shri Mukherjee could not make any commitment but informed that he would reply after consulting senior officers of ECL. He was asked to clarify the position preferably in course of the hearing. Shri Mukherjee, however, could not clarify the point during the hearing. In regard to the alleged over-statement of generation, the Member commented that any overstatement in the projected generation would ultimately require projection of less purchase of power from outside sources and wondered how the utility would be benefited. He also desired to know the reasons of providing funds to DPSCL by ECL for New Chinakuri Station when it had not been approved by ECL and wondered whether it could be said that it had not been approved by ECL. Also DPSCL had produced a letter in this regard as stated by them. Shri Mukherjee admitted his mistake and withdrew his observations in this regard. In regard to suppression of profit by DPSCL, he was told to submit the documentary evidence, along with Audited Balance Sheet, if any, with his client, under affidavit.

4.6 In reply to various issues and points of objections raised by the objectors during the hearing, Shri S. Radhakrishnan, Director & Chief Executive of DPSCL, referred to the rejoinders submitted by DPSCL. He also clarified the points raised by ECL. He committed to come up with the replies to points raised by the Joint Directors within 15 working days from the date of conclusion of the hearing. Shri Radhakrishnan also raised the issue regarding applicability of the Tariff Order of the Commission for 2002-03 which was to be take effect from 1.4.2002 retrospectively from 1998-99 as demanded by ECL. It was clarified by the Member (F&A) that any tariff order of the Commission was equally binding on the utility as well as consumers etc. as specified therein, and non-compliance would attract penalty as per the provisions of ERC Act, 1998. In case however, the utility or consumer so wanted, it/they might go in Appeal to High Court as per provisions of the Act.

4.7 At the hearing, following points have been raised by the two Joint Directors and Members of the Commission and DPSCL has been permitted to give reply to those points within 15 working days. The replies thereto shall be taken up in the next chapter.

4.7.1 The latest price list for purchase of coal from the collieries wherefrom DPSCL purchases coal along with the GCV of respective grade of coal, quantum or percentage of each grade of coal with break-up price including base price, taxes and freights for each plant was sought.

4.7.2 The DPSCL has been asked to justify the time overrun in its Chinakuri Thermal Power Station along with the balance documents of the order placed for the station.

4.7.3 Information have also been sought on the maintenance of Chinakuri TPS proposed to be carried out in May to August 2003. Information have also been sought on R&M of Seebpore TPS in July 2003 with the Station's planned major repair and maintenance in September, 2003.

4.7.4 Information have been sought on demand curve for specific day, maximum and minimum power in MW supplied to WBSEB and justification of huge investment when the load growth is only 1%. Information have also been sought on power purchase from the WBSEB at Bankola sub-station, proposal for installation of VCB in place of existing breakers, excess number of breakers kept as spares, construction of building at Dishergarh R/S and Poidih R/S.

4.7.5 Information have further been sought on the principle of capital investment with justification, non-submission of information and documents on capital expenditure. Justification has been sought for the projected generation for Seebpore, PLF for Chinakuri (old) which has decreased from earlier year, increase in auxiliary consumption, copy of PTCC clearance prior to the charging of the newly constructed 29 KV transmission line, techno-economic justification for consumer point towards capital investment, the basis of the assessment of the sale for 2002-03 at 803 MU along with the justification for low projection particularly when heavy investment is made for the new consumers.

4.7.6 Details have been asked for on the DPSCL's consumers at 11 KV which has a load demand of 20 KW i.e. 1 Amp. full load current, along with other relevant details.

4.7.7 Information have been also sought on reasons for increase of lighting load in Central Office suddenly.

4.7.8 DPSCL has been asked to give a copy of the Annual Report of the company for the year 2001-02, cash flow position for 2001-02 and likely for 2002-03, detail break-up of payments to auditors under separate classification for provisions under the Company's Act, under the E.S. Act and other services.

4.7.9 DPSCL have been asked to justify the projected payment of Rs. 120 lakhs to DESCON keeping in view of the earlier observations of the Commission in this behalf.

4.7.10 DPSCL has also been asked to clarify the reasons for referring to CEA the method of charging of depreciation along with the copy of the references made and purpose for such references.

4.7.11 DPSCL has further been asked to justify the creation of the Deferred Taxation Reserve through the Special Appropriation. This may not be treated as a Consumer's Fund as it is a taxation recovered in advance and it cannot be taken as a fund of the utility.

4.7.12 DPSCL has been asked to explain the reasons for substantial deviations specially for capital base, reasonable return etc. between unaudited figures given in the petition and audited figures and to show reconciliation statement between these two.

4.7.13 Information are sought on the commissioning of new 10 MW set in Chinakuri Station and a report indicating whether it is performing at the desired level.

4.7.14 Information are also sought on claims of Delayed Payment Surcharge, VRS Scheme, creation of special fund, projected expenses for repairs and maintenance of buildings, assets not in use, high value of inventory.

4.7.15 The calculation of depreciation and chargeable interest in the formats prescribed have also been sought.

4.7.16 DPSCL has also been asked to give a copy of the letter of the CEA wherein they have declined to carry an energy audit and willingness of the Jadavpur University to carry out such audit.

4.7.17 On a query, DPSCL has confirmed that the names of the energy auditors suggested by them were accredited by the Government of West Bengal.

CHAPTER – 5: FURTHER REPLIES BY THE DPSCL ON TARIFF PETITION, 2003-04.

5.1 The DPSCL has submitted para-wise reply to the written objections filed by the objectors. This has already been covered in the earlier chapter. The DPSCL has also submitted replies to the points raised by the Commission.

5.2 The DPSCL has furnished the latest price list for purchase of coal along with the GCV for various plants.

5.3 On estimated cost of completion of 10 MW set at Chinakuri Power Station and its date of completion, DPSCL has justified the delay of 3 months in commissioning and also has given a revised estimate along with the supporting documents.

5.4 On Annual Planned Maintenance Programme, DPSCL has contended that the same is being done as per the statutory requirement and under the advice of the Directorate of the Boiler and has felt that the schedule of maintenance of TG set and boilers may not always coincide.

5.5 On the questions of major maintenance in Seebpore station, DPSCL has admitted that due to oversight the same was earlier included in the schedule, but actually no provision has been kept, as the power stations is scheduled to be closed.

5.6 DPSCL has furnished the details of the demand curves and has stated that it could not give the details of maximum and minimum power in MW to WBSEB as a number of feeders feed other consumers along WBSEB.

5.7 DPSCL has further clarified that it purchases power from WBSEB's Ukhra substation at Bankola in radial mode and it cannot draw power at Bankola from any other source with existing infrastructure.

5.8 DPSCL has justified the capital investment even though the sales growth is low keeping in view the larger perspective and has justified the capital investment on account of replacement of costlier sources of energy with cheaper sources, increase reliability and stability of supply, replacement of old assets, providing connections to new consumers and for additional infrastructure.

5.9 The licensee has justified the replacement of old breakers at DRS and construction of the building.

5.10 The company has given the details and figures relating to the expenditure on the Bankola Substation as asked for, and stated that the entire amount on account of Bankola project alone is assumed.

5.11 It has justified the PLF for Seebpore station and the generation therefrom. The company has given the details relating to the capital investment and copies of the order of the revised cost of 29KV transmission line.

5.12 The licensee has justified the PLF of Chinakuri station, auxiliary consumption norms, sales forecast.

5.13 DPSCL has justified for non-obtaining PTCC clearance but however they admitted that the now proposal for PTCC clearance has been submitted.

5.14 DPSCL has also justified 11 KV consumers having demand less than 20 KV load i.e. less than 1 Amp. full load current.

5.15 The utility has justified excess requirement of power at the central office.

5.16 It has submitted the Annual Report of the company for the year 2001-02, cash flow for 2001-02, and estimated cash flow for 2002-03.

5.17 The licensee has given the detailed break-up of payment to the auditors and list of Debtors. It has also given justification for referring the issue of depreciation to the CEA, accounting of Deferred Taxation Reserve as per Accounting Standards, justification for cost of fuel for 25 days, difference between audited and un-audited figures given in the petition, age-wise list of debts, outlining of the VRS scheme, operational procedure for special funds, confirmation of late payment surcharge, interest payments, documents relating to energy auditors. It has also justified the expenses under repairs and maintenance for building and payment to DESCON.

5.18 DPSCL has stated that it has already appointed CEA for identification of the assets not useable and to be retired and the report will be submitted separately.

5.19 The licensee has also submitted that a committee for study of the high inventory has been constituted and the report of the in-house committee will be submitted later.

5.20 DPSCL has given the information relating to the interest schedule and calculation of depreciation along with the corrected adjustment.

CHAPTER- 6 : GENERATION AND AUXILIARY CONSUMPTION FOR THE YEAR 2003-04.

6.1 DPSCL meets the requirement of its consumers partly by generating power and the balance by purchasing from different sources. The supply to consumers is made mostly at 11 KV and a very small amount at lower voltages.

6.2 DPSCL has thermal generating stations at Dishergarh, Seebpore and Chinakuri. At Chinakuri, it has two units designated in the petition as old and new. The capacity of these stations as projected by the DPSCL is as below: -

Dishergarh (derated) 14.20 MW
Seebpore (derated) 5.8 MW
Chinakuri (old) 20 MW
Chinakuri (new) 10 MW
Total 50 MW

The rated capacity of Dishergarh and Seebpore power stations have been indicated as 18.0 MW and 8.38 MW respectively. The plant and machinery of these two power stations are stated to be more than 60 years old and have been derated because of the aging of the assets as suggested by reputed Engineering Consultants.

6.3 For the year 2003-04, DPSCL has projected a gross generation of 298.94 MUs indicating the plant load factors of the individual power stations. It has been observed in the projection that the PLF and generation of Dishergarh station have been retained at the last year level that was admitted by the Commission. But the PLF and generation of Seebpore unit have been reduced from the last year as it is planned to be closed down by September, 2003 because of uneconomic generation from this plant as pointed out by the Commission in the last tariff order. Both the turbo-generators of Chinakuri (old) are stated to be due for major overhauling in the concerned year and therefore will be out of generation for a substantial period. As such the PLF and generation of this power station has been projected by DPSCL at a level lower than the last year but simultaneously the generation and PLF of Chinakuri (new) has been increased from the last year to supplement the short fall of generation from Seebpore and Chinakuri (old) power stations. The projection of PLF and generation made by DPSCL and admitted by the Commission for the year 2003-04 is as below:

	Dishegarh	Seebpore	Chinakuri (Old)	Chinakuri (New)	Total
Plant Capacity	14.20	5.80	20.00	10.00	50.00
Plant Load Factor (%)					
Projected --------- Admitted ----------	65.87 65.87	20.30 20.30	74.02 74.02	87.90 87.90	
Generation (MU)					
Projected --------- Admitted ---------	81.94 81.94	10.32 10.32	129.68 129.68	77.00 77.00	298.94 298.94

6.4 In the last tariff order the Commission allowed an overall auxiliary consumption of 6.91%, after visiting the plants of the utility by the Commission officials, against the utility's claim of 9.16%. DPSCL has submitted that in spite of several measures contemplated by it to reduce the auxiliary consumption, the norms set by the Commission are unachievable. DPSCL has also indicated that it intends to carry out detailed studies by reputed consultants, in order to take a view on the acceptable level of the performance parameters and means of achieving them. DPSCL has also indicated that they intend to appoint CEA to conduct detailed study on the fuel consumption, heat rates, measure to increase efficiency etc. DPSCL also gave name of the parties, as directed by the Commission, to select an Energy Auditor. For the concerned year. The DPSCL has projected an overall auxiliary consumption of 9.08% as below:

Dishergarh Power Station : 8.88 %
Sheebpore Power Station : 9.8 %
Chinakuri Power Station (old) : 9.2 %
Chinakuri Power Station (new) : 9.0 %

As per audited accounts the overall auxiliary consumption of the utility for the year 2001-02 is 9.66%. The Seebpore station is stated to be closed from September 2003. The Commission is already in the process of setting up performance norms for utilities in the context of the Electricity Act 2003. In view the above position the Commission admits the auxiliary consumption as claimed by DPSCL.

6.5 The Commission will adopt the admitted station-wise plant load factors, generation and auxiliary consumption as stated in para 6.3 and 6.4 for the purpose of energy balance, fuel cost etc. for the year 2003-04 in subsequent chapters.

CHAPTER – 7 : ENERGY BALANCE & SALE OF POWER FOR THE YEAR 2003-04.

7.1 Sales, T&D loss and Energy Balance will be considered under this chapter.

7.2 For the year 2003-04, the utility has projected a sale growth of 1% for all the categories over the revised sale projection of 794 MU for 2002-03. It has been stated that the sale for the year 2002-03 was estimated at 816 MU considering the CAGR of 2.83% over a period of 5 years but the actual sales during the first six months, which covers the peak summer and rainy season, is about 397 MU

and, therefore, the energy sales for the whole year are not likely to exceed 794 MU. The utility is of the opinion that the sale for the concerned year is likely to be lower than the previous years. The table given below is the category-wise sale projection submitted by the utility for the concerned year.

Sale Break-up	1999-00 (Actuals)	2000-01 (Actuals)	2001-02 (Actuals)	2002-03 (Estimates)	Projections for 2003-04
Class A					
WBSEB	189.00	194.00	209.00	212.66	214.79
ECL	457.00	449.00	461.00	451.54	456.06
Other Industries	89.00	99.00	110.00	107.22	108.29
PUS	9.00	9.00	10.00	10.16	10.26
Class B	10.00	11.00	13.00	12.26	12.38
Class C	0.00	0.00	0.00	0.00	0.00
Total	754.00	762.00	803.00	793.84	801.78

In support of its estimate for sale for the concerned year, the utility has stated that sales growth in the DPSCL licensed area is irregular in nature because of reduced activities in many of the ECL Collieries. The estimate of 1% increase has been considered taking into account additions and reductions in load likely to happen.

7.3 The Commission has also noted that the actual sales during 2001-02 is 803 MU against a projection of 775 MU. Also DPSCL has been justifying substantial new capital expenditure on transmission and distribution assets due to additional sales including that caused by addition of new consumers. The Commission also notes that except sale to WBSEB and ECL, there is hardly any increase in sales which therefore raises the question of justification of capital expenditure if sales are nearly stagnant. We have already commented on the capital expenditure by DPSCL in our earlier Tariff Order and again in this order. We will strongly advise DPSCL to carefully review their capital expenditure plan on short term and medium term basis taking a total overview of the situation including stagnant sales.

7.4 Considering all the aspects, the Commission admits the sales of 816 MU as was approved for 2002-03. Adjustment in the fixed cost for any excess / short sales than assumed will be considered in the next Tariff Petition along with other related points raised in the order.

7.5 The utility in the tariff petition has projected a T&D loss of 6.5% for the concerned year. In support, the utility has submitted that the T&D losses for the last few years, since 1989-90, has been in the range of 6% to 8% except for the period 1995-96 to 2000-01, when the DVC meters developed certain error. It took almost 5-6 years for its realization, detection and correction. DPSCL made a provision of Rs. 655 lakhs in FY 1998-99 for future claims from DVC. T & D loss during this period exhibited incorrect figures. The normal T&D loss has been established since 2001-02 which is about 6.7%. Losses for 2002-03 are expected by the utility to be lower around 6.5%. The utility has again taken up energy audit of its system by another Energy Auditor i.e. National Productivity Council for assessment and recommendations on the means of reducing the loss. The Commission has dealt this issue in its earlier Tariff Orders in detail. The Commission allowed T & D loss of 5.74% for the year 2002-03. Before the Commission there is no cogent reason given by DPSCL that may call for any revision of the T&D loss from the last year level. As such for the concerned year also the Commission allows a T&D loss of 5.74%.

7.6 In the tariff order dt.10.12.2002, the Commission advised the utility to reduce its colony consumption from 3.90 MU and allowed a consumption of 3.55 MU for 2002-03. In the present tariff petition the utility has projected its own consumption for 2003-04 at 3.55 MU. However, the utility has not confirmed compliance of Commission's directions towards introduction of supply to employees on payment basis as well as showing colony and office consumption separately for meaningful control on such consumption. The Commission directs that DPSCL should follow the directive strictly.

7.7 Based on the analysis given in Chapter 6 and in the present chapter, we draw the supply plan as under: -

		MU
1.	Own Generation	298.94
2.	Auxiliary Consumption	27.14
3.	Ex-Bus Generation (1-2)	271.80
4.	Power Purchase	
	a) WBSEB 50.00 MU b) DVC 544.80 MU	594.80
5.	Total Energy Available (Ex-Bus) (3+4)	866.60
6.	Own Consumption	3.55
7.	Energy Available for Sale	863.05
8.	T & D Loss (5.74%)	49.75
9.	Excess T & D Loss	13.30
10.	Energy for Sale	816.00

CHAPTER – 8 : FIXED ANNUAL CHARGES

8.1 In this part of our order we are to examine the different components of the projected fixed annual charges claimed by DPSCL for the year 2003-04 and to decide upon the extent of such charges which can reasonably be allowed. We are taking up different elements of the fixed charges one by one. The Commission notes that while submitting its claim for 2003-04 and its justification, the relevant comparative figures for earlier two years have not been given in details. The Commission directs DPSCL to give comparative figures for earlier periods as per guidelines to have proper meaningful comparison.

8.2.1 EMPLOYEE'S REMUNERATION & BENEFITS

The amount claimed by the DPSCL in this score is Rs. 2346.55 lakhs which includes Rs. 720.00 lakhs towards the implementation of a Voluntary Retirement Scheme (VRS) for the employees during the first half of the financial year. The projected Employees' Remunerations are stated to be based on the following assumptions keeping in view the directives given by the Commission in earlier years to contain company's employees' cost:

(i) 15% reduction in manpower strength during the year has been aimed at.
(ii) Workers' wages have been considered at the same level as for the previous year.
(iii) Increase in executive salaries has been considered with a mark up of 5.5% only.
(iv) The payment to M/s. Andrew Yule & Co. towards the share of manpower cost for common services has been excluded to the extent of Rs. 190.00 lakhs.

8.2.2 The manpower is still high but since steps are now being taken to reduce the same and control the costs, the estimation made by DPSCL appears to be reasonable and the Commission admits Rs. 1626.55 lakhs towards employees' remuneration and benefits including contribution to P.F. and Gratuity Fund. The admitted amount excludes the estimated cost on proposed VRS which will be dealt with separately.

8.3.1 REPAIRS AND MAINTENANCE

The projected cost under this head is Rs. 723.99 lakhs with the following break-up.

	Rs. in Lakhs
Plant & Machinery	314.62
Main / Meters / Transformers	81.71
Building, Vehicles and other items	130.50
Consumable Stores	77.16
Sub-total	603.99
Energy saving fees payable to DESCON and charged under this head	120.00
	723.99

8.3.2 So far as energy saving fees payable to DESCON is concerned, it is found that this was disallowed by the Commission in the previous year, DPSCL has pleaded that it could not do away with this payment under the provision of the existing agreement with the DESCON unilaterally and as such has prayed for allowing this payment. But the Commission is not convinced by the plea and still holds the view that to operate the plants with optimal efficiency is the normal activity of utility and is supposed to be carried out with the help of internal manpower. The Commission has earlier disallowed the expenditure on this and has given detailed reasons of such disallowances for payments made to DESCON. These still hold good. The sharing of the assumed benefits of achieving fuel efficiency with any outside party, which, as found out and stated in earlier orders is not defacto an outside party, is not a justifiable expenditure to be borne by the consumers. Commission, therefore, disallows the projected payments to DESCON. The Commission, however, will like DPSCL to submit all details of all the services / staff provided by DPSCL to DESCON and the charges including its basis during last 3 years. The projected expenditures under other sub-heads, totaling Rs. 603.99 lakhs are admitted by the Commission. The marginal increase over the total expenses allowed in the previous year i.e. Rs. 583.24 lakhs appears to be justified specially in view of commissioning a new 10 MW generating set in Chinakuri Power Station.

8.4 RENT, RATES & TAXES

The expenditure projected under these heads is Rs. 36.38 lakhs as against actual audited expenses of Rs. 36.29 lakhs during 2001-02. The projected expenditure is admitted by us.

8.5 LEGAL CHARGES

The DPSCL claimed Rs. 25.00 lakhs towards legal charges as against Rs. 20.00 lakhs allowed by the Commission for the previous year. In view of the steps taken by them to engage independent consultants of repute to conduct several studies with the aim of achieving higher operational efficiencies, we admit the projected expenditure under the head legal charges and professional fees.

8.6 AUDIT FEES

The Audit fees asked by DPSCL for the year 2003-04 is Rs. 7.50 lakhs and prayed for admitting the same amount which is pre-decided having little scope to reduce the same. The Commission has earlier allowed Rs. 6.50 lakhs for the earlier year even though the same was high. We allow the same amount i.e. Rs. 6.50 lakhs towards Audit Fees and expenses.

8.7 FUEL & ASH HANDLING CHARGES
DPSCL has claimed a total of Rs. 77.06 lakhs towards fuel and ash handling charges. Of this, fuel handling charges of Rs. 31.76 lakhs have been included in the cost of fuel and the balance amount of Rs. 45.33 lakhs has been classified separately under Ash handling

charges. The expenditures allowed under the similar heads of accounts in the earlier year was Rs. 53.60 lakhs. In view of new generating unit of 10 MW in Chinakuri coming into full year's operation the expenditure asked for is admitted by us.

8.8 ADMINISTRATIVE, GENERAL & MISC. CHARGES

Total amount of expenses claimed by DPSCL under these heads of accounts is Rs. 360.65 lakhs with the following break-up.

	Rs. in Lakhs
Insurance	48.71
Consumers' Job	50.00
Administration & General Expenses	226.94
Consultants' Fees	35.00 (Balancing Figure)
	360.65

It has been noted that the estimated receipt from executing consumers' job Rs. 45.00 lakhs have been considered as a part of the non-tariff other income. In regard to Administrative & General expenses, the Commission ordered some disallowances in the last year and directed DPSCL to contain the expenditure allowing Rs. 216.00 lakhs under this account. Pursuant to the directives of the Commission, DPSCL must strive to limit the expenses as allowed. Only 5% increase has been asked for as a correction to inflation factor. They have initiated steps to appoint some consultants of repute to conduct several studies to improve upon various cost-cutting aspects like inventory control, energy audit in receiving sub-stations, energy audit in distribution system, study of the economic usability of the old assets being carried in the inventory etc.

Recognising the urge of DPSCL to move in the desired directions which is of vital importance from the consumers' point of view, we allow Rs. 20.00 lakhs as consultation fees. However, the Commission will like to review the achievement / saving made out of this expenditure and necessary adjustment if any will be carried out in due course. Commission will advice the Co. to engage an independent Consultant of repute to give appropriate advice and guidance. The Consultants should not be such, advice from whom would not bring any effective benefits to the Co. and the Consumer. The expenses being admitted under these heads are as under :

	Rs. in Lakhs
i) Insurance	48.71
ii) Consumers' Job (Restricted to proposed recovery of expenses)	45.00
iii) Administration & General Expenses	226.94
iv) Consultants' Fees	20.00
	340.65

8.9 INTEREST & FINANCE CHARGES

The projected claims towards interest and finance charges are Rs. 188.05 lakhs with the following break-up.

	Rs. in Lakhs
i) Interest on cash credit	33.92
ii) Interest on projected term loans	148.13
iii) Interest on Consumers' Security Deposits	6.00
	188.05

Referring to their strained cash flow during the year, the utility has envisaged the necessity of term loans to the extent of Rs. 1000.00 lakhs to meet up the financing requirements of capital works which have so far been financed keeping the power purchase bills in arrear. The Commission has also noted the argument of DPSCL for higher rate of interest from a Pvt. Party but is not satisfied with the arguments. Considering the additions made by them in the gross block of fixed assets including the newly set up 10 MW generating unit at Chinakuri Power Station, we admit the projected amount of term loans of Rs. 1000.00 lakhs, but do not accept the rate of interest of 15% which is quite high in the prevalent market conditions. This high rate of interest is against the interest of the consumers. We allow interest @ 12% in view of the recent downward trend in the prime lending rates of banks. We are, however, not allowing any interest on cash credit, and once again we direct DPSCL to adopt better cash management to avoid borrowing on cash credit at higher interest rate and keeping high balances in the current accounts with banks. It has been noted that the Company was having cash credit of Rs. 399.56 lakhs as on 31st March 2002 while having cash and bank balance of Rs. 362.60 lakhs on the same date. The interest and finance charges admitted by us, thus, comes as under:

	Rs. in Lakhs
i) Interest on proposed term loans of Rs.1000.00 lakhs @12% for half year	60.00
ii) Interest on Consumers' Security Deposit (as claimed and appeared to be reasonable)	6.00
Total	66.00

8.10.1 DEPRECIATION

The amount of depreciation charges claimed by DPSCL in their projection is Rs. 528.26 lakhs for the year 2003-04. DPSCL has clarified that this amount does not include any claim for shortfall of depreciation in earlier years due to wrong adoption of Annuity Method in contravention to Government notification of 1992. In its earlier tariff orders, the Commission has desired DPSCL to come up with proper calculation of the depreciation in the suggested line to enable the Commission to examine and decide on the issue of undercharging of depreciation vis-à-vis the return allowed on the net capital base. Pending the receipt of any details in this behalf from DPSCL, an amount of Rs. 289.16 lakhs was allowed as depreciation charges for the year 2002-03. Though the utility committed to submit the desired information along with supported calculations by the end of January 2003, they have not been able to finalise the working as yet and as such, the Commission has no option to allow the depreciation charges provisionally for the year 2003-04 without opening up the earlier years' accounts.

8.10.2 The depreciation claimed by DPSCL for the year 2003-04 is based on the assumption of the capitalization of the new 10 MW generating set at Chinakuri Power Station and related power evacuation system (with a total costing total Rs. 2282.63 lakhs) which were scheduled to be put to commercial operation in the last quarter of 2002-03. As it now comes from their submission, these assets will be put to commercial operation in the last quarter of 2002-03. However, the Commission has noted that though the project is stated to be on trial run in February, 2003 but no generation was shown from the station during 2002-03 even though the project is stated to be capitalized in 2002-03 and depreciation claimed from 2003-04. Since there is no generation from the station in 2002-03, it cannot be said that the station is in commercial operation in 2002-03. The depreciation, therefore, becomes allowable from 2004-05 provided the station is commercially operated in 2003-04. We, therefore, deduct Rs. 178.96 lakhs @ average 7.84% on the estimated capital cost of these assets from the claims of Rs. 528.26 lakhs and allow Rs. 349.60 lakhs. We, however, make it clear that the amount of depreciation we are allowing is provisional and subject to review and adjustment in future on DPSCL's submission of full detail on the lines as desired by the Commission in earlier tariff orders.

8.11 OTHER CHARGES

The other charges claimed by DPSCL are Rs. 350.00 lakhs towards lease rental of the Chinakuri Power Station payable to Coal India Ltd. annually and Rs. 12.23 lakhs towards water charges. These charges amounting to total Rs. 362.23 lakhs are admitted by us.

8.12 INCOME FROM OTHER SOURCES

DPSCL projected income from other sources as under:

	Rs. in Lakhs
a) Rental of meters, other apparatus and other general receipts	88.00
b) Income from investment and bank balances	105.65
c) Works for consumers	45.00
Total	238.65

As it appears from the audited accounts for the year 2001-02, the actual income under the (a) referred above was Rs. 117.39 lakhs, against which the utility has projected an income of Rs. 88.00 lakhs only. It has not been made clear how the income under this head can come down from the level of 2001-02. We, therefore, consider income from other sources as Rs. 268.04 lakhs keeping the receipts towards rental of meters, other apparatus and general receipts at 2001-02 level. The broad details and basis of income from investment and bank balance including fixed deposit has not been given. DPSCL should in future provide the relevant details and basis.

8.13.1 SPECIAL APPROPRIATION

The special appropriations claimed by DPSCL for the year 2003-04 are as under: -

	Rs. in Lakhs
a) Taxes on Income and profit	257.10
b) Contribution to Contigency Reserve	19.24
c) Instalment of intangible assets to be written off	10.67
Total	287.01

8.13.2 In regard to taxes on income and profit, in terms of the provision contained in Sixth Schedule to E.S. Act 1948, the appropriation allowable is on the basis of actual tax liability and not against any provision for future probable liabilities. Highlighting this aspect, the Commission, in its earlier tariff orders, gave certain directives to DPSCL asking for all related details so as to enable the Commission to examine the issue in depth and to take appropriate decision. The justification given by DPSCL based on Accounting Standards of ICA is not relevant and applicable as it is accounting procedure and is different from tariff fixation procedure. Further in this case the tax is to be borne by the consumers and the tariff is to be fixed as per Electricity Act. As pointed out elsewhere in this order, the Commission has included an amount of Rs. 873.72 lakhs of Deferred Tax Liability Fund to Consumers Account. Any actual income tax liability can be adjusted against that account. Moreover, the Commission also allowed appropriations of Rs. 100 lakhs and Rs. 90 lakhs respectively on this account, for the years 2000-01 and 2001-02. But it is found that as against those appropriations, no actual tax liability arose. In view of above we do not allow any sum under this head for 2003-04. Also it was observed that refunds were obtained from the Income Tax Department against the payments earlier made. However, the Commission will allow the actual liability of Income Tax paid after adjusting for the I.T. allowed by the Commission in 2000-01 and afterwards, refund of I.T. of earlier years in 2000-01 and onwards and appropriate consideration of Deferred Taxation Reserve. The consumer interest has to be protected and the company cannot be allowed to make profit out of I.T., including income from its investment.

8.13.3 Contribution to Contingency Reserve

DPSCL is entitled to an appropriation towards contribution to Contingency Reserve of minimum @ 0.25% of the original cost of fixed assets each year subject to total maximum of 5% of such original cost of fixed assets. As explained elsewhere in this order, the company is yet to take out the value of assets not in use or not usable from the gross block of assets and as such, the original cost of fixed assets is not beyond doubt. We, however, provisionally admitted the original cost of assets as Rs. 6869.52 lakhs. The appropriation under this head, thus, comes to Rs. 17.17 lakhs only and we admit the same. With this appropriation the accumulated Contingency Reserve at the end of 2003-04 will stand as under: -

	Rs. in Lakhs
i) Balance as on 31/03/2002 (as per audited accounts)	244.78
ii) Appropriation admitted for 2002-03	16.68
iii) Appropriation admitted for 2003-04	17.17
Total	278.63

The accumulated balance will not exceed 5% of the original cost of fixed assets admitted by us.

8.13.4 The projected appropriation of Rs. 10.67 lakhs towards instalment of intangible assets to be written off during 2003-04 has been admitted by us.

8.13.5 Contribution to Voluntary Retirement Scheme

DPSCL has planned to implement a Voluntary Retirement Scheme (VRS) to be put in action around the middle of financial year 2003-04. The utility has claimed Rs. 720.00 lakhs towards payments to be made to the employees opting for such VRS and included the same in the claims for salary and wages. As stated in para 9.3.2, we have not considered the claims towards VRS to be included in the claims for salary & wages and we consider it necessary to examine the admissibility of any appropriation through power tariff in this regard. The Commission in its tariff order opined that the number of employees for DPSCL is comparatively high in consideration of its small generation and small consumer base. Recognising this fact and in view of their decision to close operation of Seebpur Generating Unit during 2003-04, DPSCL has taken up a program of VRS with a target to shed 15% of the existing employees. The scheme will reduce the cost of employees and the benefits of such reduced cost will be perpetual to the consumers. The utility therefore, has asked for an amount of Rs. 720.00 lakhs to meet the expenses under VRS and proposed to keep the amount in a separate fund exclusively to be utilized for this purpose.

8.13.6 As intimated by DPSCL, the proposed VRS has been modeled on the scheme that exists in the State of Gujrat which is basically for marginal profit or loss-making enterprises. The target manpower reduction is about 15% in different categories of employees working out to 155. The fund required for implementation of VRS, i.e. Rs. 720.00 lakhs will be recouped by way of savings estimated to be Rs. 143.78 lakhs half yearly, starting from mid of financial year 2003-04, towards employees cost. The Commission recognizes the necessity of offering a suitable VRS to reduce the excess manpower which will be for ultimate benefits of consumers. However, the fund requirements for offering VRS will depend on the reasonable scheme adopted by DPSCL, service length of the concerned employees and their scale of pay, similar schemes in the nearby area of operation or in the similar companies etc. The amount required can not, therefore, be worked out with precision. We allow Rs. 500.00 lakhs provisionally for implementation of VRS as special appropriation and direct that DPSCL should keep the amount under a separate fund which should exclusively be used for VRS purpose. The Company should try to redeploy and reduce the manpower to bring it to reasonable limits. Additional reasonable amounts required for these purposes will be provided by the Commission and may be utilized from the balance available in the consumer account as has been worked out by the Commission.

CHAPTER - 9 : VARIABLE COSTS AND EXPENDITURE.

9.1.1 Fuel Cost

Fuel cost represents cost of coal in case of DPSC Ltd. as there is no oil input in the process of their generation. The cost of coal depends on the quantum of coal consumed as well as on the price of coal. Quantum of coal consumption, in turn, depends on the useful heat value of the grade of coal being used in the plant and the heat rate of the generating unit. In the previous years Commission allowed the fuel cost mainly on the basis of specific consumption of coal (kg / kwh) although the calculated heat rates of the plants were felt high. Commission had accepted the high fuel cost out of consideration that the old technology of the plants and vintage of the stations led to higher heat rate and consequently high cost of coal per kwh. However, the Commission has directed DPSCL to make every effort to reduce such costs and gave certain specific areas in which losses can be reduced.

9.1.2 For the concerned year, i.e., FY 2003-04, the DPSCL in their tariff petition has projected specific consumption of coal and heat rates for their power stations as below:

Dishergarh : 1.01 kg / kwh ; 5532 kcal / kwh

Seebpore : 1.35 kg / kwh ; 6999 kcal / kwh

Chinakuri (old & new) : 0.73 kg / kwh ; 3962 kcal / kwh

The above heat rates are very much on the higher side as the fuel cost alone of the power stations, as per computation of the utility, come to 213.86 p/kwh for Dishergarh P.S, 281.34 p/kwh for Seebpore P.S and146.61 p/kwh for Chinakuri P.S.

On further query, DPSC Ltd. has intimated that they consume Grade-B coal from ECL for their power stations and the upper and lower useful heat value of Grade-B coal is 6200 and 5600 kcal / kg. respectively. The utility has also submitted some documents relating to price of coal of ECL as effective from 17.8.2002 which they have considered in their computation of fuel cost and has prayed for

adjustment in fuel cost for variation in rates, if any. It has been indicated that they are taking up measures for bringing in efficiency in fuel consumption and in the projection they have considered coal consumption at reduced level from the actual.

9.1.3 In the tariff order dt. 10.12.2002 the commission observed that there was ample scope to improve the heat rates of the DPSCL power stations by taking a few measures which were indicated. The Commission after careful consideration of all aspects allowed the specific consumption of coal and corresponding heat rates with minimum useful heat value of coal as 5600 kcal / kg for the different plants of DPSCL for FY 2002-03 as below :

Dishergarh : 0.988 kg / kwh ; 5532 kcal / kwh
Chinakuri (old & new) : 0.661 kg / kwh ; 3703 kcal / kwh
Seebpore : 1.25 kg / kwh ; 6999 kcal / kwh

The Commission has already appointed an Expert Committee to look into the performance parameters to various utilities.

For the FY 2003-04, the Commission is, therefore, inclined to admit the heat rates and specific consumption of coal of the DPSCL power stations at the last year level as no new disclosures, that may warrant any change in the parameters, are there before the Commission.

The utility has not submitted any break up of how they have arrived at the average price of coal taken by them in their computation of coal cost even though they were again reminded to do so. For computation of fuel cost Commission allows provisionally the price of coal adopted by the utility for its different power stations but the issue will be examined at the time of FPPCA claim for the concerned year. The total cost of Fuel of DPSC Ltd. for FY 2003-04 has been computed in tabular form in a table at the end of this chapter.
9.2 Cost of Power Purchase

In para 7.7, it has been indicated that the power purchase requirement of DPSC Ltd. is 50 MU from WBSEB and 544.80 MU from DVC. The cost for such purchases as projected by DPSCL and as being allowed by the Commission is as below:

	AS projected by DPSCL			As allowed by Commission		
Sources	**Qty. MU**	**Rate p./kwh**	**Amount Rs. in Lakh**	**Qty. MU**	**Rate p./kwh**	**Amount Rs. in Lakh**
WBSEB	50.00	185.15	925.75	50.00	185.15	925.75
DVC	539.28	286.87	15470.41	544.80	292.00	15908.16
	589.28		16396.16	583.98		16833.91

DPSC Ltd. has not given the detailed basis and calculations for the average rate of power to be purchased from DVC. The Commission has adopted the average rate of purchase during second half of F.Y. 2001-02 and added 5% thereon. The average rate so allowed is slightly higher than the rate claimed by the licensee, which will be seen at the time of FPPCA claim for the concerned year.

Sl. No.	**Description**	**Unit**	**Proj. by DPSC Ltd.**	**Appr. by Commn.**	**Proj. by DPSC Ltd.**	**Appr. by Commn.**	**Proj by DPSC Ltd.**	**Appr by Commn.**	**Proj. by DPSC. Ltd.**	**Appr. by Commn**	**Proj. by DPSC Ltd.**	**Appr. by Commn.**
1.	Plant Capacity	MW	14.2	14.2	5.8	5.8	20	20	10	10	50	50
2.	PLF	%	65.87	65.87	20.3	20.3	74.02	74.02	87.9	87.9	68.25	68.25
3.	Gross Generation	MU	81.94	81.94	10.32	10.32	129.68	129.68	77	77	298.94	298.94
4.	Aux. Consumpt.	%	8.88	8.88	9.8	9.8	9.2	9.2	9	9	9.08	9.08
5.	Aux. Consumpt.	MU	7.28	7.28	1.01	1.01	11.93	11.93	6.93	6.93	27.14	27.14
6.	Ex-bus Gen (3-5)	MU	74.66	74.66	9.31	9.31	117.75	117.75	70.07	70.07	271.80	271.80
7.	Colony Consumpt.	MU									3.55	3.55
8.	Sp. Consump. of Coal	Kg/ Kwh	1.01	0.988	1.35	1.25	0.73	0.661	0.73	0.661		
9.	Quantity of Coal (3x8)	MT	82759	80957	13932	12900	94666	85718	56210	50897	247568	230472
10.	Average Coal Price	Rs/ MT	1929.38	1929.38	1879.75	1879.75	1823.64	1823.64	1823.64	1823.64	1862.14	1863.92
11.	Cost of Coal (9x10)	Rs (Lakh)	1596.74	1561.96	261.89	242.49	1726.37	1563.20	1025.07	928.18	4610.07	4295.83
12.	Cost/Unit	P/kwh	213.86	209.20	281.34	260.50	141.61	132.76	146.29	132.46	169.61	157.90

(11/6)

CHAPTER – 10 : CAPITAL BASE & REASONABLE RETURNS

10.1 In this part of our order, we take up the analysis of the different factors for ascertaining the Net Capital Base of the DPSCL at the end of the year 2003-04 so as to determine the Reasonable Return allowable to them.

10.2.1 ORIGINAL COST OF FIXED ASSETS
The original cost of fixed assets as will be available and necessary for use at the end of the financial year 2003-04 has been projected to be Rs. 7695.97 lakhs. The projected amount is, however, exclusive of a total amount of Rs. 562.28 lakhs towards the cost of leasehold land, buildings and furniture at their newly set up office at Salt Lake. The necessity of setting up and maintenance of such an office at Salt Lake by the power utility localized at Dishergarh, having around 367 consumers, was questioned by the Commission and the utility could not come up with any convincing cost-benefit analysis in this regard. The DPSCL, thus, themselves have excluded this time the cost of assets created at Salt Lake from their claims. However, the Commission noted that other related expenses are included in the respective expenditure heads.

10.2.2 The original cost of fixed assets, excluding those of Salt Lake office referred above, was Rs. 4570.09 lakhs at the end of 2001-02 as per audited accounts. The estimated costs of fixed assets to be capitalized during 2002-03 and 2003-04 has been shown as under: -

	Rs. in Lakhs		
2002-03 i) Cost of new 10 MU Generating Set at Chinakuri (including cost of incidental civil works)		1581.10	
ii) Power evacuation system from Chinakuri		1028.05	
iii) Furniture at Dishergarh		32.20	2641.35
2003-04 iv) Building at Dishergarh		69.03	
v) Machinery - Dishergarh Seebpur	0.60 10.00	10.60	
vi) Switchgear at Dishergarh		322.00	
vii) Transformer at Dishergarh		20.00	
viii) Overhead lines - Dishergarh Seebpur	33.00 37.00	70.00	491.63
			3132.98

10.2.3 Of the proposed capital additions during 2002-03, we allowed Rs. 1340.00 lakhs in 2002-03 during towards cost of new 10 MU Generating Set under erection at Chinakuri Power Station based on the detailed estimates and copies of supply orders that had been submitted to us. Based on the revised estimates along with the copies of supply / works order submitted, we now admit the same as Rs. 1552.63 lakhs. In regard to cost of power evacuation system from Chinakuri, we provisionally allowed Rs. 730.00 lakh to be included in the capital base of 2002-03 and desired DPSCL to fully justify the installation of additional 29 KV Chinakuri-Satgram line from consumers' benefit point of view. The details in this regard are yet to be received. It has, however, been noted from the audited accounts that the actual expenditure incurred on Chinakuri Power evacuation system upto 2001-02 is Rs. 668.06 lakhs and the balance of the estimated expenditures were projected to be spent during 2002-03. We, therefore, restrict the expenditure to Rs. 730.00 lakhs admitted by us in 2002-03. The final adjustments in this regard will be considered on receipt of the report of completion cost along with the techno-economic justification thereon. We do not find sufficient justifications for capital expenditure of Rs. 32.20 lakhs towards furniture at Dishergarh, Rs. 47 lakhs in Seebpur towards overhead lines and machinery at Seebpur power station which has been proposed to be closed down by September 2003. The Commission has also noted that there is hardly any increase in sales in M.U. or addition of new consumers even though they are incurring substantial capital expenditure from year to year and Commission has taken note of the same earlier and issued directions to contain its expenditure. The Commission will review the position in detail in due course and direct DPSCL to give a detail note in this regard keeping in view the observations of the Commission.

10.2.4 DPSCL considered additions in fixed assets for replacement of old non-working assets and also for augmentation of the existing transmission and distribution system. But simultaneous removal of the value of the replaced assets from the capital base has not been considered by the company. Highlighting this point, the Commission, in its earlier Tariff Order, directed DPSCL to review the position, and to identify the value of assets which are not usable or not in economic use. Pending such identification, Commission provisionally deducted Rs. 302 lakhs from the capital base. In compliance of the directives of the Commission in this regard, the company withdrew gross value of assets to be extent of Rs. 24.62 lakhs (written down value Rs. 9.22 lakhs). DPSCL also proposed to withdraw Rs. 7.09 lakhs towards original cost of vehicles from the gross block during 2002-03. But such exclusion is not enough. DPSCL itself committed to get comprehensive technical evaluation done by the independent expert agency for examining usability of old assets against which standby assets had been capitalized for carrying out appropriate adjustments. Pending such comprehensive study and identification of assets not usable or not in economic use, we retain our provisional deduction of Rs. 302.00 lakhs from the original cost of fixed assets reduced by the adjustments made so far.

10.2.5 DPSCL has proposed to close down the operation of Seebpore power station with effect from October 2003. But no deduction in this regard has been taken into consideration by DPSCL while projecting the original cost of fixed assets at the end of the financial year 2003-04. As per information provided in the petition, the total original cost of fixed assets at Seebpore is Rs. 1735.41 lakhs of which Rs. 157.54 lakh is in the generating station and the balance amounts are for transmission, distribution and other functions. We direct DPSCL to give a detailed note including the value of assets which will retire from economic use after the closure of the Seebpore power station and its disposal value. The machinery, spare parts and stores etc. which can be used in other power stations should be transferred to other stations. The status of this may also be included in the note. Presently we are deducting the gross value of assets in that generating station from the capital base.

10.2.6 Finally, the original costs of fixed assets at the end of the financial year 2003-04 are assessed and admitted by us as under.

	Rs. in Lakhs	
i) Original cost of fixed assets (excluding those in Salt Lake) as per audited acconts as on 31.03.02		4570.09
ii) Cost of new 10 MW Generating Set at Chinakuri Power Station		1552.63
iii) Assets relating topower evacuation from Chinakuri Power Station		730.00
iv) Addition of other Assets admitted for capitalization during 2003-04		444.63
Sub-total (A)		7297.35
Less :		
v) Deductions made by Commission towards assets not in use or usable Less : Adjustment for withdrawal of assets from operation carried out upto 2001-02 and proposed to withdraw during 2002-03	302.00 31.71	
vi) Generating assets at Seebpore Power Station proposed to be closed down		270.29 157.54
Sub-total (B)		427.83
Original cost of fixed assets at the end of financial year 2003-04 (A-B)		6869.52

10.3 CONSUMERS' CONTRIBUTION

The Consumers' contribution has been projected to be Rs. 350.00 lakhs at the end of the year 2003-04. It has, however, been noted that certain amounts received from the consumers as contributions towards capital works always remain unadjusted under the appropriate head of accounts and are exhibited as receipts in advance. The average of such unadjusted amounts during the last four years is Rs. 164.80 lakhs and we consider that the amount will remain almost at the same level during 2003-04. We, therefore, consider total consumers' contribution at the end of 2003-04 as Rs. (350.00 + 164.80) or Rs. 514.80 lakhs. The Commission also notes that certain capital expenditures are being incurred for meeting any specific need of the consumers. But whether the same is recovered from them is not clearly identified. The closing balance of such contribution as on 31.3.2002 is Rs. 32672 lakhs and in two years the increase is projected at Rs. 23.28 lakhs which is too low in comparison to capital expenditure incurred / proposed. However presently we are agreeing with the figure as projected by the utility adding Rs. 164.80 Lakhs to that due to the reasons explained above.

10.4 COST OF INTANGIBLE ASSETS

The cost of intangible assets has been projected to remain at the earlier year's level of Rs. 183.12 lakhs and we admit the same.

10.5.1 COST OF CAPITAL WORKS-IN-PROGRESS

DPSCL has projected Rs. 1302.82 lakhs as the value of capital works-in-progress at the end of financial year 2003-04. The projected amount excludes an amount of Rs. 61.15 lakhs towards the cost of furniture at corporate office. This exclusion has been done by DPSCL itself in view of the disallowances made by the Commission in earlier year.

The item wise break-up of the projected capital works-in-progress is as under: -

	Rs. in Lakhs
Mongalpur Sub-station project	7.58
Bankola Sub-station project	1200.22
Other projects	95.02
	1302.82

The construction of Mongalpur sub-station to receive the costlier power from DVC was negated by the Commission in earlier year and the expenditure incurred on that is not being admitted by us for allowing return. The construction of Bankola sub-station at total estimated cost of Rs. 2000 lakhs is to receive supply from WBSEB at a cheaper rate was admitted by the Commission and Rs. 400.00 lakhs was allowed to be spent during 2002-03. The progress of works and actual expenditure incurred on this account have not been made clear to us. We, therefore, allow Rs. 400.00 lakhs to be spend during 2003-04 with the directions to DPSCL to give a status report to the Commission. Any excess or shortfall in expenditure vis-à-vis progress of works with the aim of completing the project in 2004-05 will be adjusted in future. From the details provided in regards to other projects it has been noted that the company proposed to construct one "C" Block (six units) quarters at Chinakuri township at an estimated cost of Rs. 46.00 lakhs to accommodate newly recruited officers after commissioning of 3rd unit of Generators there. As per the submission made to us in regard to Voluntary

Retirement Scheme (VRS), the target number of Executives and Assistants to go on VRS is 28 persons. However, the Commission still is of the opinion that the total number of staff and officers is too high keeping in view the total number of consumers, voltage of supply and area of operations. DPSCL should again review its requirements and costs in this regard. The Commission notes that DPSCL has aimed to reduce the staff by 15%. We, therefore, do not recognize the necessity of constructing additional residential accommodations with such high costs. The balance amount of Rs. 49.02 lakhs for projects is mostly for replacement of small capital items for which the company should have withdrawn the written down book value of those replaced items from the capital base. However, in view of an ad-hoc deduction of Rs. 270.29 lakhs by the Commission towards assets not used or usable, we allow Rs. 49.02 lakhs for other items.

10.5.2 On the basis of analysis done above we admit the value of capital works-in-progress at the end of 2003-04 as under :-

	Rs. in Lakhs
1. Bankola sub-station	800.00
2. Other projects	49.02
Total	849.02

10.6 INVESTMENT COMPULSORILY TO BE MADE

DPSCL has projected the balance in Contingencies Reserve at the end of the year 2003-04 as Rs. 218.99 lakhs. As it appears from the audited accounts of the utility for the year ending 31st March, 2002, the balance was Rs. 244.78 lakhs on that date. We allowed an appropriation of Rs. 16.68 lakhs to this reserve in our Tariff Order for 2002-03. Hence, the admissible balance at the end of 2003-04 should be not less than the amount of Rs. 261.46 lakhs and that will be within the maximum 5% statutory limit of the original cost of fixed assets.

10.7.1 WORKING CAPITAL

The working capital projected by DPSCL for inclusion in the capital base for the year 2003-04 is Rs. 452.36 lakhs towards average cash and bank balance and Rs. 1229.42 lakhs towards average cost of stores. So far cash and bank balance is concerned, DPSCL worked out Rs. 708.92 lakhs as estimated average monthly cash and bank balance, but restricted their claims to Rs. 452.36 lakhs (being 1/4th of the estimated annual expenses under specified accounts head as per provision of the Sixth Schedule of E.S. Act 1948. It is stated by the licensee that the cash inflow for DPSCL occurs towards the end of the month (based on billing cycle) where as the payments towards purchase of power and other establishment charges including salary, wages etc. require to be made during the first week of the month. Hence, they are to keep cash credit facilities with Banks. DPSCL is having a very small consumer base and almost all of them are industrial consumers concentrated in a rather small area of operation. Hence with almost assured revenue inflow, the company's cash requirement should not exceed one-twelfth of the annual expenditure under the heads specified in Sixth Schedule of the E.S. Act 1948. Such requirement, according to us, comes to Rs. 256.56 lakhs and we allow the same amount to be included in the capital base.

10.7.2 Of the amount of Rs. 1229.42 lakhs claimed by DPSCL towards average cost of Stores, Rs. 320.13 lakhs are for fuel stores and the balance Rs. 909.29 lakhs are for other general stores. The Commission in its earlier orders observed that the average monthly cost of other stores in hand is very high in comparison to annual value of consumption of such stores. This position may be due to inclusion of the unserviceable and dead stock in the inventory apart from high inventory of other items. The Commission has already directed DPSCL to contain its inventory cost with effective steps towards reduction of stores and spares etc. to an acceptable level. The utility has stated that it has taken measures to identify the unserviceable and dead stock and to remove those from the inventory. Pending such identification, the Commission allowed Rs. 508.53 lakhs towards value of other stores for inclusion in working capital during 2002-03. Considering the coming up of a new generating set of 10 MW in operation and taking the Seebpore Power Station out of operation at the middle of the year, the Commission admits Rs. 600.00 lakhs for the year 2003-04 on this account.

10.7.3 The working capital being admitted by the Commission for inclusion in the capital base for the year 2003-04, thus comes as under :-

	Rs. in Lakhs
i) Cash and Bank balance	256.56
ii) Cost of Fuel in hand (equivalent to 25 daysconsumption asked for)	320.13
iii) Other Stores & Consumable	600.00
	1176.69

10.8 Accumulated Depreciation

In view of our observations at para 8.10.1, DPSCL requires to re-cast their depreciation account and adjust the impact thereof. Pending such final adjustments we consider accumulated depreciation at the end of the year as under :-

	Rs. in Lakhs
Amount accumulated upto 2002-03 as allowed by the Commission	1696.87
Add : Depreciation allowed for the year (vide para 8.10.2)	349.60
	2046.47
Less : Withdrawal of accumulated depreciation on value of generating assets at Seebpur considering provisionally 90% of gross value of assets Rs. 157.54 lakhs.	141.79

	1904.68

10.9 Cost of Intangible Assets written off

We accept the amount of Rs. 117.73 lakhs on this score as projected by DPSCL. The amount includes Rs. 10.67 lakhs of the value of intangible assets to be written off during 2003-04 and allowed by us in the Revenue Requirement.

10.10 Loans on Capital Account

DPSCL has envisaged the necessity of terms loans to the extent of Rs. 1000.00 lakhs to meet up the financing requirement of capital works including setting up of the new generating 10 MW unit at Chinakuri and projected that the closing balance of this loan would be Rs. 925.00 lakhs at the end of the year. We admit the same.

10.11 Development Reserve

Development Reserve (credit balance at the close of the year) amounting to Rs.170.05 as projected by DPSCL is admitted by us.

10.12 Cash Security Deposits by consumers

Cash Security Deposit by consumers had been Rs. 204.94 lakhs at the end of the year 2000-01 and as per the audited accounts, the same came down to Rs. 160.55 lakhs by the end of 2001-02. DPSCL has projected such deposit to rise marginally to Rs. 165.00 lakhs by the end of 2003-04. We admit the amount as projected. However, the Commission has noted that the amount of cash security deposit is hardly equivalent to 2.5 days sales only.

10.13 Consumers' Account

The balance shown by DPSCL in the Consumers' Account (being the balance available for distribution to consumers as provided in para II of the Sixth Schedule to E.S. Act 1948) is Rs. 5.42 lakhs only. In this regard, the Commission observed that pending review of T & D losses in earlier years, DPSCL created a provision of Rs. 655.56 lakhs in their accounts during 1998-99 towards liabilities which were subsequently found to be unnecessary. In its earlier Tariff Orders for 2000-01 and 2001-02, the Commission considered this amount as a part of Consumers' Account. Subsequently DPSCL had written back this liability adjusting the same in their Income Accounts, which was against the interest of the consumers. In the year 2001-02 DPSCL again transferred the excess Income Tax Liabilities provided to the extent of Rs. 870.73 lakhs to a Reserve Fund without routing the same through Income Account. The facts of such accounting treatment of excess liability provided in earlier years has not been brought out by DPSCL in its Tariff Petition, and this came to the notice of the Commission only on examination of their audited accounts for the year 2001-02. The Commission in the earlier tariff orders gave direction to DPSCL for Deferred Taxation Reserve. The Commission considers this amount as belonging to the Consumers' and not belonging to DPSCL, and accordingly directs this amount to be kept in Consumers' Account for the purpose of Petition and Tariff fixation exercise. The balance at the beginning of 2003-04 in the Consumers' Account, therefore, comes as under: -

	Rs. in Lakhs
i) Balance shown in Books of Accounts	5.42
ii) Excess liability provided towards transmission loss	655.56
iii) Deferred Taxation Reserve charged in earlier years (before April, 2000)	873.72
	1534.70

10.14 Net Capital Base

Based on above detailed analysis of the different components of capital base, we draw the Statement of Net Capital Base as under: -

STATEMENT OF NET CAPITAL BASE		
Particulars	**As Projected by DPSCL**	**As Admitted by Commission**
1. Original cost of Fixed Assets in use and necessary	7695.96	6869.52
Less : Consumers' Contribution	350.00	514.80
	7345.96	6354.72
2. Cost of Intangible Assets	183.12	183.12
3. Cost of Capital Works-in-progress	1302.82	849.02
4. Compulsory Investment	218.99	261.46
5. Working Capital		
a) Cash and Bank Balance	452.36	256.56
b) Stores	1229.42	920.13
Sub-total(A)	10732.67	8825.01
Less :		

1. Accumulated depreciation	2256.23	1904.68
2. Cost of Intangible Assets written off	117.73	117.73
3. Loans	925.00	925.00
4. Cash Security Deposit by Customers	165.00	165.00
5. Development Reserve	170.050	170.05
6. Consumers' Account	5.42	1534.70
Sub-total (B)	3639.43	4817.16
Net Capital Base (A-B)	7093.24	4007.85

10.15 Reasonable Return

Based on the above decision in regard to Net Capital Base, we allow Reasonable Return to DPSCL for the concerned year in terms of the provisions of the Sixth Schedule to Electricity (Supply) Act 1948. The income from investment has been kept at same level as was assumed in the last year.

Statement of Reasonable Return		
Particulars	**Rs. in Lakhs**	
1. Standard Rate on Capital Base		
(a) On net capital base upto 31/3/1965 @7% on Rs.106.29 Lakhs	7.44	
(b) On net capital base from 1/4/65 to 15/10/91 @8.25% on Rs.1991.04	164.26	
(c) On net capital base @11.25% on Rs.1911.08 Lakhs	214.93	
		386.63
2. Other Items		
(a) Income from investment other than Contingencies Reserve	70.00	
(b) 0.5% on the Accumulated Development Reserve	0.85	
(c) 0.5% on the amount of borrowings	4.63	
		75.48
Total Reasonable Return		462.11

CHAPTER–11: STATEMENT OF REVENUE REQUIREMENTS & COST OF POWR SUPPLY

11.1 Based on our analysis and admission of variable cost, capital base, reasonable return and fixed charges in the foregoing parts of our order, we now draw the Statement of Revenue Requirements and Average Cost of Power Supply as under: -

STATEMENT OF REVENUE REQUIREMENTS & COST OF POWER SUPPLY			
		Amounts (Rs.in Lakhs)	
Sl. No.	**Particulars**	**As per Petition**	**As Admitted by Commission**
A.	**Variable Cost**		
1.	Cost of Power Purchase	16396.16	16833.91
2.	Cost of Fuel		
	(a) Coal	4609.86	4295.83
	(b) Oil	--	--
3.	Total variable cost ..... (A)	21006.02	21129.74
B.	**Annual Fixed Charges**		
4.	Employees' Remuneration & benefits	1626.55	1626.55
5.	Repairs & Maintenance	723.99	603.99
6.	Rent, Rates & Taxes	36.38	36.38
7.	Legal Charges & Professional Fees	25.00	25.00
8.	Audit Fees	7.50	6.50
9.	Fuel & Ash handling charges	77.06	45.33
10.	Administrative, General & Misc. charges	360.65	340.65
11.	Interest on term loans and Security Deposits	188.05	66.00
12.	Depreciation	528.26	349.60
13.	Other Charges	362.23	362.26
14.	Total Annual Fixed Charges ..... (B)	3935.67	3462.23

C.	**Special Appropriations**		
15.	Value of Intangible Assets written off	10.67	10.67
16.	Contribution to Contingency Reserve	19.24	17.17
17.	Taxes on Profit	257.10	Nil
18.	Appropriation approved by State Government	Nil	Nil
19.	Other Appropriation (VRS)	720.00	500.00
	Less : Withdrawal from Consumers' Account	--	--
20.	Total Special Appropriation ..... (C)	1007.01	527.84
21.	Reasonable Return (vide working at para 10.15) (D)	934.32	462.11
22.	Gross Revenur Requirement (A+B+C+D)	26883.02	25581.92
23.	Income from other sources	238.65	266.04
24.	Net Revenue Requirement from sale of power (22-23)	26644.37	25315.88
25.	Sales (M.U.)	801.78	816.00

11.2 Average cost of supply

We shall now work out the average cost of supply for 2003-04. It is pertinent to mention here that WBSEB supplies power to DPSCL on one point and takes power from them at several points and under the direction from the State Government, billing is done by DPSCL on net quantity basis after "setting off" the supply to them by WBSEB. Subject to our observations in this regard in our earlier years' tariff order, we allow this year also to continue the same system, but WBSEB is to bear the cost of additional power purchase from DVC on account of the T & D loss caused for supplying the such set of energy. The average cost of supply for 2003-04 excluding the effect of the WBSEB "set off" power with associated T & D loss works out as follows:

Total Revenue	Rs. 25315.88 lakhs
Less : Cost of import of "set off" energy (50 MU)	Rs. 925.75 lakhs
	Rs. 24390.13 lakhs
Less : Cost of wheeling charges on set off power to Be charged to WBSEB separately (5.74% of 50 MU @ 292.00 paise/kwh)	Rs. 83.80 lakhs
	Rs. 24306.33 lakhs
Less: Cost of un-accounted energy of 13.30 MU considering variable cost/unit (ex-bus)	Rs. 344.03 lakhs
Net Revenue to be realized from consumers (816 MU – 50 MU)	Rs. 23962.30 lakhs

11.2 In drawing above statement of Revenue Requirements, the claims projected by DPSCL under different heads have been re-grouped wherever felt necessary.

CHAPTER 12 : THE CASE OF DPSC LTD. 2004-05

12.1 The petitioner has stated that it has worked out the Annual Revenue Requirement covering all expenditures on purchase of power, generation and distribution.

12.2 DPSC Ltd. has also given detailed justification of various items of cost inputs introduced in the Annual Revenue Requirement, and has given various details of sales, expenses reasonable return, special appropriation, miscellaneous receipts, expected revenues from sale of energy, gap to be covered by increased tariff, past losses and other statistics related to the company's claims of different types.

12.3 The petitioner has submitted that the prevalent tariff is neither adequate to meet its costs, nor ensure the reasonable returns to which the petitioner is entitled. On the basis of its audited accounts, the petitioner has argued that there has been a persistent shortfall in its reasonable returns, its capital base has been and is being eroded and it has been failing to add to its generation capacity.

12.4 The petitioner has referred to the direction given by the Commission in its tariff order for 2002-03, for having an energy audit conducted by an outside agency accredited either with the Govt. of India or with the Govt. of West Bengal and submits that it already has had an energy audit as also an audit to identify its surplus /scrapped assets at its power stations conducted by the Central Electricity Authority. The petitioner has also had a similar exercise undertaken for its transmission and distribution assets by the National Productivity Council and has submitted copy of the report of this study to this Commission earlier. The petitioner has stated that it has already taken some corrective steps and proposes to take more of such steps based on the recommendations of these studies.

12.5 The petitioner, in terms of another direction form the Commission, has appointed a firm of Chartered Accounts to conduct a physical verification of its fixed assets and reconcile the same with the book figures. The petitioner expected that this work would soon be completed.

12.6 The petitioner has also conducted an in-house study for assessment of unserviceable/unusable spare. But it has again appointed an external agency for undertaking the same study so as to check the results of its internal study.

12.7 DPSC Ltd. has prayed in its petition that in case of deficiency in the petition, the deficiency should be condoned and DPSC Ltd. might be allowed to file additional information as be required. As a matter of fact, the petitioner has submitted another petition to the Commission, on 23.02.2004, which is in continuation of its original tariff petition for 2004-05, praying for inclusion of a few amendment to the latter and stating that the suggested amendment are meant to correct a few typographical errors, some rounding off errors ands some inadvertent mistakes and also stating simultaneously that the proposed amendments are not substantive in nature, and if accepted, will not lead to any significant change in the concerned quantifications given in the original tariff petition.

12.8 The petitioner has also prayed that it should be allowed to collect the fuel and power purchase cost in accordance with the FPPCA formula provisionally on monthly basis and has suggested that the final adjustment should be based on audited figures with approval from the Commission.

12.9 The petitioner has further submitted that under the current tariff structure and the scheme of penalties and incentives to be received from and to be given to the consumers, its miscellaneous income is expected to fall significantly during 2003-04. the petitioner has prayed that it should be allowed to recover this shortfall from its consumers by way of special appropriation during 2004-05.

12.10 DPSC Ltd. has submitted a suggested tariff for itself and has prayed for its acceptance by the Commission.

CHAPTER 13 : OBJECTION AGAINST THE TARIFF PETITION OF DPSC LTD.

13.1 There has been only one set of objections received by the Commission in response to DPSC Ltd.'s instant tariff petition. These objections have been filed by WBSEB, a statutory body constituted in terms of Section 5 of the Electricity (Supply) Act, 1948, which purchases electricity from the tariff petitioner at 11 KV on radial mode at various off take points for total demand of approximately 40 MVA for meeting the power requirement of WBSEB's local low and medium consumers. At the same time, WBSEB also supplies power to DPSC Ltd. at 33 KV at Bankola.

13.2 It has been stated that no formal agreement has been entered into between WBSEB and DPSC Ltd. in this behalf. The tariff chargeable to WBSEB by DPSC Ltd. on account of supply of power at 11 KV was fixed at 307.43 paise/kwh in 2002-03 by the Commission. In 2003-04 the Commission allowed a provisional increase in tariff amounting to 0.6 paise/kwh for all classes of consumers, over and above the tariff for 2002-03.

13.3 As for sale of power at 33 KV at Bankola to DPSC Ltd. by WBSEB, the latter, in terms of an order from the State Govt. passed in 1996, has been setting off such sale from the sale to WBSEB by DPSC Ltd. As a result of such arrangement, DPSC Ltd. has been raising bills on the basis pf net drawal by WBSEB at the applicable rate of tariff.

13.4 WBSEB contends that under the existing arrangement of set of, power from DPSC Ltd. in purchased by WBSEB at an uniform tariff of 313.43 paise/kwh and this is highly unremunerative to WBSEB because the latter, having purchased power at an uniform tariff from DPSC Ltd., sells the same to its own low and medium voltage consumers at a subsidized rate.

13.5 WBSEB objects to the combined impact of the usual increase in employees cost and that of VRS cost, if any. The objector observes that the estimated expenditure on this count, assuming a 5% annual increase, would be nearly Rs. 16 crores. The VRS would additionally cost Rs. 8.49 crores, which according to the objector is too steep. The additional cost due to VRS if admitted should be spread over a number of years in the opinion of WBSEB.

13.6 The projected R & M expenditure amounting to Rs. 7.57 crores is too high according to WBSEB as it exceeds the limit of 10% of the gross assets which as on 01.04.2004 stands at 73.71 crores.

13.7 WBSEB also finds that interest on cash credit account for a sum of Rs. 10 crore towards meeting payment obligation to DVC, unacceptable because according to WBSEB such liabilities should be met by generation of own fund by DPSC Ltd.'s term loans/cash credit, is much higher than that prevailing in the market. WBSEB has suggested that interest claimed as finance charges should be suitably reduced.

13.8 WBSEB has also objected to a high cost of deprecation, which is Rs. 5.24 crores in 2004-05. In view of the facts that the depreciation charged in 2002-03 was of the order of only Rs. 1.46 crores and that the net addition to assets during 2003-04 was Rs. 2.48 crores and the same projected during 2004-05 is Rs. 9.83 crores, the proposed depreciation amount is not justified. In its opinion, the value of assets to be scrapped may be considered to be charged over a reasonable number of years.

13.9 WBSEB has also objected to the tariff petitioner's utilisation of penalties and incentives during previous year. The objector has pointed out that during the first half of 2003-04. The actuals on this account come to a sum of Rs. 1.48 crores only. According to WBSEB, therefore the figure cannot be that high during the second half of the same year.

13.10 Finally WBSEB has stated that the claims for appropriation for contingency reserve and reimbursement of income tax as special appropriations are not acceptable as these items of expenditures cannot be charged under Profit and Loss Account.

CHAPTER 14: GENERATION AND AUXILIARY CONSUMPTION IN DPSC LTD. FOR THE YEAR 2004-05

14.1 The basic picture in this respect has already been given in chapter 6 while discussing generation and auxiliary consumption for the year 2003-04. The most important change that has been introduced since then is that DPSC Ltd. has suspended generation at its Seebpore Power Station since August 2003 and the licensee has submitted in its instant tariff petition that it intends to scrap this power station after announcement of a VRS for the employees engaged there.

14.2 It has been reiterated by the tariff petitioner that the capacity of Dishergarh and Seebpore power stations have been derated from 18 MW to 14.2 MW and from 8.38 to 5.80 respectively. Since Seebpore is no longer in operation, in course of 2004-05 Dishergarh will

be the only derated power station under DPSC Ltd.

14.3 It is found that in Dishergarh station, against a targeted PLF of 65% in 2003-04, the actual PLF will be substantially lower at 53.18% DPSC Ltd. explains the position by two factors, i.e., (a) this station had to back down generation at different times due to unavailability or short supply of coal, and (b) DPSC Ltd. curtailed generation from Dishergarh station during off peak period because of its relatively high cost and made up the shortfall by increased generation from Chinakuri Station and more imports from DVC. DPSC Ltd. has proposed to follow the same strategy in 2004-05 and maintain generation at around 42.7% PLF basically to meet peak demand after maintenance of a base load during off peak hours.

14.4 In Chinakuri Station also, PLF-wise performance during 2003-04 was less than targeted. It has been stated that this happened because of periodic shortage of coal and persistent operational problems linked with failure of a turbine. During 2004-05, generation from Chinakuri is projected to improve with an overall PLF of 79.19% which will consist of a PLF of 74.15% in the old unit and a PLF of 89.27%in the new unit.

14.5 While the projected improvement in PLF in Chinakuri (both old and new) is encouraging, forced shut sown or back down of generation due to unavailability or short supply of coal does not speak highly of managerial efficiency. The petitioner must tackle such shortcomings appropriately in future.

14.6 It is also necessary to remember that the strategy of curtailing generation from Dishergarh station during off peak period will work if the shortfall in generation is made up by a commensurate increases in generation from Chinakuri station which is under DPSC Ltd. itself. But if the shortfall is to be made up partly or in full, by import from DVC, the efficacy of the arrangement will depend on whether the marginal cost of producing one unit of power in Dishergarh is more or less similar to that of importing one unit of power from DVC. Besides, the point remains that generating at a markedly low PLF will, in the final analysis, mean utilisation of the capacity installed at sub-optimal level and therefore the capital expenditures incurred in installing the capacity as also in maintaining the same will not yield the desired return. This will hurt the consumer interest in the long run.

14.7 Overall position regarding PLF and gross generation from the running power stations of DPSC Ltd. during 2004-05, as admitted by the Commission, is as follows: -

	Dishergarh	**Chinakuri TPS(Old)**	**Chinakuri TPS (New)**	**Total**
Installed capacity (MW)	18.00	20.00	10.00	48.00
Derated capacity (MW)	12.20	20.00	10.00	42.20
Plant Load Factor (%)	42.70%	74.15%	89.27%	68.63%
Gross Generation (MU)	45.63	129.91	78.20	253.74

Auxiliary consumption for 2003-04 has been admitted at an overall of 9.08%, which was also what had been projected by DPSC Ltd. in its tariff petition for that year. Meanwhile, the petitioner has undertaken an energy audit of the power stations by the Central Electricity Authority. The latter, in its report, has calculated actual auxiliary consumption at Chinakuri at 9.86% and that at Dishergarh at 12.86%. Because of the smallness of the sizes of these units, and also because of the additional load due to substation system, CEA has suggested a normative auxiliary consumption of 10% at both Chinakuri and Dishergarh. However, DPSC Ltd. has proposed in its tariff petition for 2004-05, an auxiliary consumption at 9% for Chinakuri and at 10.5% at Dishergarh because of the restricted scope of implementation of all the recommendations of CEA in this behalf. Pending a detailed examination of the matter and laying down of norms in this behalf, we admit and auxiliary consumption at 9% for Chinakuri and at 10.5% at Dishergarh stations respectively.

CHAPTER 15: ENERGY BALANCE AND SALE OF POWER BY DPSC LTD. FOR THE YEAR 2004-05

15.1 The energy sale forecast of DPSCL is of the order of 809.81 M.U, which is just about 1% higher than that, the estimated sale of 801.56 MU for 2003-04. The energy sales forecast given by the petitioner is depicted in the following table:

Sales break up	**2000-01 (Actual)**	**2001-02 (Actual)**	**2002-03 (Actual)**	**2003-04 (Estimate)**	**2004-05 (Projected)**
WBSEB	194.00	209.00	197.83	195.77	195.77
ECL	449.00	461.00	466.82	467.56	467.56
Other Industries	99.00	110.00	111.27	123.97	132.22
P.U.S.	9.00	10.00	6.05	6.21	6.21
Class B	11.00	13.00	10.76	8.04	8.04
Class C	0.00	0.00	0.01	0.01	0.01
Total	754.00	803.00	792.84	801.56	809.81

15.2 There is an apparent mistake in totaling the second column. The total should read 762 and not 754. There is also a similar mistake in the fourth column total. The correct total is 792.74, and not 792.84.

15.3 The petitioner has pointed out that the sales for the financial year 2001-02 was for 370 days. If the relevant column total is annualized, 803 MU should become 792.15 MU.

15.4 If theses corrections are accepted, the year-wise totals would read as follow:

Year	Corrected year-wise total sales (in MU)
2000-01	762 (Actual)
2001-02	792.15 (Actual)
2002-03	792.74 (Actual)
2003-04	801.56 (Revised Estimate)

15.5 It would be seen from the above picture that barring a relatively substantial increase in 2001-02, sales have generally either remained virtually stagnant, or has increased barely by 1% annually. The utility has submitted that the adjusted CAGR for 5 years ending on 31.03.2004 is expected to be around 1.03%. The Commission has already observed that if the sales are static or grows at only about 1%, there is hardly any justification for such huge capital expenditures. No satisfactory reply to this observation has been received. DPSC Ltd. has assumed the same growth rate in arriving at the projected sale of 809.81% MU in 2004-05, the latter being only 8.25 MU more than the estimated sales in 2003-04. The Commission has noted that the sales figure estimated for 2003-04 is 816 MU and difference in sale will be considered in next petition along with other point and at that stage. The Commission will also see the position of sale during the year.

15.6 Considering the trend in the immediate past, we accept the projected sale of 809.81 MU subject to above. The Commission is also of the view that the figures of sales has become non-comparable because inclusion of figures of set-off energy of WBSEB and it artificially increase both sales & purchase of DPSC and as well as WBSEB. Since the year 2004-05 has already started, Commission is not disturbing the existing practice but directs DPSC Ltd. not to include set-off energy figures either in Sales or Purchase, but only include income by way of wheeling charges including Transmission loss and negotiate and settle the charge with WBSEB and seek approval of Commission if required under the Act. The Commission also noted that the sales include153.896 MU to WBSEB (153.77 MU) and DVC (0.122 MU) which is a trading activity and not sales to its consumers. The sale to its consumers is only 655.914 MU. The Sale on account of Trading including T&D loss thereon will be dealt appropriately while fixing the Tariff.

15.7 DPSC Ltd. has claimed that its transmission and distribution losses have historically been in the range of 6% to 8%/ However for the purpose of assessment of the actual system losses, the petitioner had an energy audit in its T & D system carried out by National Productivity Council. As per assessment of the latter, the annual T & D losses in the system of DPSC Ltd. as a percentage of annual energy input comes to 6.21%. This is against a projected T & D loss of 6.5% that was sought by the utility in its tariff petition for 2003-04. The utility expects that the actual T & D loss for that year would be around 6.04%.

15.8 The utility points out that the NPC report contains a number of recommendations for controlling and reducing the T & D loss. Some of the important recommendations in this behalf are reconditioning of some of the feeders where the line losses are relatively high., replacement of the electromechanical meters in consumers' premises by meters having better accuracy, particularly for category A Category B consumers and installation of check meters and monitoring meters on feeders and for substations data logging. The petitioner has stated that it has already started implementing them and proposes to implement others in phases.

15.9 Meanwhile, on the basis of the expected T & D losses in 2003-04 and pending implementation of the relevant recommendations of NPC, the petitioner submits that for the year 2004-5, T & D losses may be fixed at 6%.

15.10 The subject of T & D loss in DPSC Ltd. has already been dealt with extensively and intensively in the tariff order passed by the Commission for DPSC Ltd. for 2002-03. While dealing with it the Commission arrived at normative T & D loss of 5.74%. The same normative level should hold good for 2004-05 also, pending a view on the NPC report. In any case, it is now a well-established principle that any loss for which the utility is even partly responsible should not be passed on in full to the consumers. We therefore allow a T & D loss of 5.74% for 2004-05 also.
15.11 The utility has maintained the earlier stipulation of the Commission to the effect that own consumption of the utility should be 3.55 MU. However the utility has pleaded for inclusion of 0.24 MU which is the auxiliary consumption of the closed Seebpore Power Station, the Commission admits the same, but simultaneously reminds the petitioner of its earlier stipulations towards supply of electricity to its employees on payment basis as also towards showing colony and office consumption of electricity separately.

15.12 On the basis of above discussions, the energy balance emerges as follows:

1.	Own Genertion	253.74 MU
2.	Auxiliary Consumption	23.51 MU
3.	Ex-bus Generation (1 less 2)	230.23 MU
4.	Power Purchase	
	(a) WBSEB	42 MU
	(b) DVC	593.14 MU
	Total	635.14 MU
5.	Total Energy Available (3 + 4)	865.37 MU
6.	Own consumption	3.79 MU
7.	Energy available for sale (5 less 6)	861.58 MU
8.	T & D Loss (at the rate of 5.74%)	49.45 MU (includes T & D loss on Trading)
9.	Excess T & D Loss	2.32 MU
10.	Energy for sale	809.81 MU (Includes Trading 153.896 MU)

CHAPTER 16: FIXED ANNUAL CHARGES FOR DPSC LTD. FOR THE YEAR 2004-05

16.1 Various components of fixed annual charges are now considered in the chapter.

16.2 Employees Costs

The petitioner points out that against an estimated expense of Rs. 1650.28 lakh in 2002-03, the actual expenses as per audited accounts stood at Rs. 1548.43 lakh. During the first half of 2003-04, ended 30.09.2003, salaries and wages amounted to Rs. 745.63 lakh. Based upon the latter, the petitioner has worked out the total salary and wage bill for 2003-04 at Rs. 1720.19 lakh. The same was Rs. 1626.55 lakh as per petition of 2003-04. The revised figures consist of 1491.26 lakh as proportionate salary and wage bill for the full year, a sum of Rs. 223.00 lakh as contribution to P.F., Gratuity etc., and a sum of Rs. 5.93 lakh toward expenses on apprentice and other training schemes.

16.2.1 The petitioner has submitted that the wage liability for the first six months includes a provision for a 11% increase in wage alone, amounting to Rs. 44.50 lakh under a charter which is still pending for final negotiation and settlement. The inclusions of this figure in the first sixth months R. E. of 2003-04 is not in order as the liability is yet to be determined or accrued. This is also included in the second sixth months as the same is worked out on basis of the first sixth months.

16.2.2 As already noted in chapter 8, the employee's cost is significantly high in DPSC Ltd. and so is the number of employees. DPSC Ltd. has proposed to implement a scheme of voluntary retirement, which shall be considered as an item of special appropriation.

16.2.3 Meanwhile, pending finalisation of the new agreement with the workmen, DPSC Ltd. has projected a total expenditure of Rs. 2525.40 lakh by way of employees' cost inclusive of VRS cost for the year 2004-05 and taking impact consequent upon reduction due to VRS, which is estimated at Rs 133.62 lakh. This figure is based on the estimated expenses for 2003-04. Without counting the net cost of VRS etc., the projection comes to Rs. 1810.02 lakh, which consists of a sum of Rs. 1547.88 lakh on account of salary and wages and other expenses of employees, a sum of Rs. 233.84 lakh on account of PF and Gratuity and a sum of Rs. 28.30 lakh on account of expenses on apprentice and other training schemes. The increase in expenses on employees shows an increase on 11.28 %, which appears to be on higher side. Also the contribution towards PF and gratuity as about 15.10% of projected total expenses of employees. This also appears to be high. Expenditure on account of training schemes is found to have jumped from Rs. 5.93 lakh to Rs 28.30 lakh and no justification for the same is available. It appears that a sum of Rs. 12.00 lakh should, by normal standard, meet the company's requirements in this behalf. Similarly the Commission allows a 6 % increase over expenses on account of wages and salaries allowed last year instead of 11.28% claimed. The Commission again directs DPSC Ltd. to control its employees' expenses.

16.2.4 Thus the amount of expenditures allowed on employees' cost comes to Rs. 1730 lakh.

Rent, Rates and Taxes

16.3 The petitioner has projected an expenditure of Rs. 17.28 lakh in 2004-05 under this head, against an actual expenditure of Rs. 27.01 lakh that is expected to have been incurred in 2003-04 against Rs. 36.38 lakh projected. The reduction, it appears, has been possible primarily due to stoppage of payment of rent to M/s Andrew Yule & Co. consequent to shifting of the registered office of the petitioner to its own premises at Salt Lake. The projected expenditure in this behalf is accepted.

Legal Charges

16.4 It has been estimated by the petitioner that expenditure on this count in 2003-04 will be around Rs. 14.94 lakh against projected Rs. 25 lakh and Rs. 20 lakh allowed by the Commission. DPSC Ltd. has assumed a nominal increase of 3.75% and arrived at a projected expenditure of Rs. 15.50 lakh in 2004-05. This is accepted.

Audit Fees

16.5 The petitioner has submitted that the audit fees in 2003-04 will be of an order of Rs. 9.23 lakh, even though the Commission, in its tariff order for 2002-03, pegged the audit fees at Rs. 6.50 lakh. The petitioner points out that in addition to statutory auditing of the companies Act accounts and erstwhile Electricity Supply Act accounts, there have now emerged additional audit requirements. Besides the auditors are also required to do various certification jobs like that of the amounts receivable under the FPPCA formula. The petitioner has therefore made a strong plea for a provision of Rs. 9.20 lakh under this head in 2004-05.. The Commission has already pointed out in earlier orders the high amount of fees paid by this single unit company with about 350 to 375 consumers along with other expenses etc. paid to the auditors. The Commission therefore allows Rs. 6.50 lakh as at last year.

Repairs and Maintenance

16.6.1 DPSC Ltd. has projected an expenditure of Rs. 756.72 lakh as the cost of repairs and maintenance, inclusive of the cost of consumables, in 2004-05. The break up of the total is as under:

	Rs. in Lakh
Plant and Machinery	Rs.215.74
Mains., Meters, Transformers	Rs.118.05
Buildings	Rs.164.69
Vehicles	Rs. 15.85
Others	Rs. 24.94
Consumption of stores	Rs. 97.45

Energy saving fee to DESCON	Rs.120.00
Total	Rs.756.72

16.6.2 The licensee has submitted that the repairs and maintenance, inclusive of the cost is relatively high, in spite of shut down of Seebpore and scrapping of old boilers of Dishergarh because it plans to carry out certain modifications/rearrangement work both in its power stations and its distribution system for the purpose of causing improvements therein as recommended by CEA and NPC. The licensee also points out that repairs of buildings including colony buildings are long overdue. The petitioner proposes to undertake these repairs over a period of 2 years from 2004-05. As such, only half of the total repair costs has been included in the tariff proposal of 2004-05.

16.6.3 The Commission accepts the position and allows a total cost of Rs. 636.72 lakh on repairs and maintenance for 2004-05. However, the Commission will like to review the impact and gain of such improvements in the next tariff petition for which DPSC Ltd shall submit a detailed note in the next tariff petition. However, the Commission disallows a sum of Rs. 120 lakh which DPSC Ltd. has proposed to be paid to DESCON as energy saving fee, on the same grounds as have been discussed in details at paragraph 8.3.2 in chapter 8.

Fuel and Ash Handling charges

16.7.1 The Ash Handling charges for 2004-05 has been projected at Rs. 52.13 lakh, while fuel related costs inclusive of transport costs and coal handling charges have been made a part of the fuel costs. It has been pointed out by the petitioner that for the previous year, the Ash Handling charges are estimated to be of the order of Rs. 64 lakh whereas it was projected at Rs. 2004-05.33 lakh for last yea. The projected expenditure in 2004-05 is, according to the petitioner, less than that in 2003-04 because of shut down of Seebpore Power Station and reduction of generation in Dishergarh Power Station. The petitioner also has stated that it has not assumed any increase in per tonne handling charges.

16.7.2 The Commission finds this projection high particularly after closer of Seebpore and reduction in DPS and directs DPSC Ltd. to have better control of these expenses. The Commission also noted that the total consumption of coal is 1,95,517 MT against 2,47, 568MT projected for the last year. The Commission therefore does not find any justification for the amount claimed and retains it at last year level of Rs. 45.33 lakh

Administrative, General and Misc. Charges

16.8.1 The petitioner has given the break up of this of expenditure in 4 (four) sub- items. The projection for each for the year 2004-05 are given below: -

	Rs. in Lakh
Insurance	Rs. 23.40
Consumer Jobs	Rs. 45.00
Consultants' Fees	Rs. 25.00
Administrative, Generaland expenses	Rs.250.00
Total	Rs.343.40

16.8.2 Against the sub-item on insurance, the petitioner represents a figure significantly smaller than that claimed in 2003-04, which was Rs. 48.71 lakh. It has been explained by the petitioner that such reduction of premia has been possible because of scrapping of the old boilers at Dishergarh and Seebpore power stations, even after taking some additional premia payable on capital additions during the year. We accept the projections in this behalf but will advise DPSC Ltd. l to review critically the adequacy with reference to coverage, exclusion etc. to ensure that the premia paid are commensurate with the risk covered.

16.8.3 The projection of Rs. 45.00 lakh in respect of consumers' job in 2004-05 is also admitted by this Commission.

16.8.4 The petitioner has stated that it has been engaging outside consultants from time to time for obtaining expert advice on energy efficiency measures, identification of assets, inventory control etc. as per advice of the Commission. The petitioner submits that it would need further advice from experts in matters like preparation of a maintenance schedule for its power stations, feasibility studies to reduce unburnt carbon in bottom ash, development of software for load management etc. These are areas of high importance. The Commission approves of the steps proposed to be undertaken by the petitioner to improve the overall efficiency of DPSC Ltd., and admits the projected expenditure of Rs.25 lakh for consultants' fees. However, the Commission will review the progress including the increase in efficiencies and gains out of such expenditure in the next petition.

16.8.5 Under the sub-item administration and general charges, the amount asked for is Rs. 250.00 lakh. The petitioner has submitted that a nominal 10% increase over a sum of Rs. 226.94 lakh that was projected in the tariff petition pertaining to 2003-04 has been asked for even though the actual expenditure on this count in 2004-05 would be around Rs. 314 lakh. No reason has been adduced to explain why expenditure on this item should be that high. Following the general principle general principle that such expenditures must be kept within control, we agree to allow a mark up of 5% over what had been projected in tariff petition for 2003-04, again as a correction to inflation factor. The admitted amount thus becomes Rs. 238.29 lakh,

16.8.6 Thus, the expenses allowed in 2004-05 under this head are

	Rs. in Lakh

Insurance	Rs. 23.40
Consumer Jobs	Rs. 45.00
Consultants' Fees	Rs. 25.00
Administrative, General and Expenses	Rs.238.29
Total	Rs.331.69

Interest and Finance Charges

16.9.1 Interest and Finance Charges for 2004-05 has been projected to be of the order of Rs. 242.55 lakh. The petitioner has separately mentioned that a sum of Rs. 5 lakh will be necessary for payment of interest on consumers' security deposit. Thus the total claim on this count is Rs. 247.55 lakh. The petitioner has tried to explain the requirement with the help of a table that is reproduced below.

(Rs. in Lakh)

Facility	Amount Utilised		Interest Rate	Charge during the year	
	2003-04	2004-05		2003-04	2004-05
Term Loan	900.00	--	15%	107.40	
Term Loan	900.00	900.00	12%	9.00	0.27
Cash Credit	1570.00	2570.00	--	173.33	242.28
Total				289.73	242.55

16.9.2 The petitioner has explained that it proposes to pay off fully a term loan already taken from a private source at 15% p.a in order to meet the financing requirements of capital works by taking fresh loan of equivalent amount carrying an interest rate of 12% p.a., from UCO Bank. This move is in conformity with the ideas that this Commission has in this behalf and therefore accepts the same but remind DPSC Ltd. that the rate of interest of the proposed loan is still high keeping in view the present market conditions and DPSC Ltd. should put more efforts to get this rate reduced further or substitute it with cheaper Loan.

16.9.3 The claim for interest on cash credit however is not tenable. The petitioner has stated that it intends to avail of an additional cash credit limit of Rs 1000.00 lakh from UCO Bank at an weighted average rate of interest of 13.54% p.a. in order to avoid payment of Late Payment Surcharge @ 2% per month to DVC. While the aim appears to be substitution of a costlier possible liability with a less costly one, there does not appear to be any justification for non-collection of the dues of the petitioner in time and making payments to supplier in time. If DPSC Ltd can collect it dues in time from its consumers, there should be no difficulty in making payment to DVC in time, thereby obviating the need of either paying late payment surcharge to DVC or resorting to another borrowing for payment to DVC by the borrowed funds.

16.9.4 In addition, the DPSC Ltd. is including working capital in the capital base on which it is getting return. It is also not clear to the Commission whether DPSC Ltd. has taken adequate Security deposit from its consumers keeping in view its Sales and Tariff. The sale for 2002-03 is about Rs. 242 crores and S.D on the basis of 3 months comes to about Rs. 60 crore whereas cash S.D. is only about Rs. 1.43 crores and whether balance about Rs. 58.57 crores are in bank guarantee etc. Cash security is much cheaper than costly loans with other advantages; DPSC Ltd. should look into this. The claim for interest on cash credit is therefore rejected and DPSC Ltd. is advised to manage its cash flow efficiently.

16.9.5 This interest and finance charges allowed for 2004-05 consist of (a) interest on term loan amounting to Rs 0.27 lakh and (b) interest on consumers' security deposit which amount to Rs 5 lakh, bringing the total to Rs 5.27 lakh only.

Depreciation

16.10.1 Under this item, the petitioner has asked for a sum of Rs 541.88 lakh in 2004-05 as per its summarized revenue requirement (in Volume II of the tariff petition). However, the petitioner has not submitted any details of its claim in this behalf in the write up dealing with justification for annual revenue requirement. All that relevant portion of this annexure states is that the petitioner, has, following an earlier direction of this Commission, already identified certain obsolete and unserviceable assets and has deleted them from the net block of fixed assets. The original value of sum of this assets identified in 2003-04 was Rs. 93.90 lakh, having written down value of Rs. 18.49 Lakh, and the original value of some more unserviceable assets already identified and proposed to be scrapped in 2004-05 is Rs. 139.94 lakh having a written down value of Rs. 68.05 lakh. It also adds that depreciation has been provided on Straight Line Method. DPSC Ltd. has also not provided adequate required details as per its earlier Tariff orders.

16.10.2 Since very little details have been made available about the claim on depreciation, there is nothing that the Commission can do except allowing a sum of Rs 502.13 lakh, which comprises Rs.349.60 lakh which has been allowed for 2003-04 plus Rs. 178.96 lakh which was disallowed during last year for Chinakuri Power Stations (new) less 5% on overall till full details as required are made available.

16.10.3 To repeat, this sum has been allowed entirely on provisional basis and is therefore subject to appropriate changes after the requisite details are made available. The petitioner is specifically directed to submit the detailed calculation of depreciation in its next tariff petition, in the absence of which the Commission would have to seriously consider rejection of the tariff petition itself.

Other Charges

16.11 Under this sub-item, DPSC Ltd. has projected expenditure of Rs 350 lakh towards lease rental of the Chinakuri power station payable to Coal India Ltd, and a sum of Rs 16.29 lakh towards water charges payable to DVC. A total a sum of Rs 366.29 lakh on this

two counts is admitted.

Income from other sources

16.12.1 This incomes have been claimed as follow: -

	(Rs in lakh)
Nature of Receipt	2004-05 (Projected)
Meter rentals	35.00
Interest on securities	112.00
Consumer job receipts	45.00
Common services cost recovery from DESCON	25.61
Rent from other parties	1.43
Total	**219.04**

16.12.2 The petitioner has stated that it intends to dispose of the scrapped boilers of Dishergarh and Seebpore power plants in course of 2004-05, but the petitioner has no idea about the possible income from the proposed sale and therefore has not been able to include this income at the time of submission of this petition. DPSC Ltd. has pleaded that it should be allowed to adjust the amount to be received from the sale of these assets and account for the same in the next tariff petition.

16.12.3 The Commission notes that the income from other sources is shown to be lower than the figure projected for last year in the petition i.e. Rs. 238.65 lakh against the sum that was approved by the Commission at Rs. 268.04 lakh in view of the reasons given therein. By the keeping the same basis, the miscellaneous receipts comes to Rs. 248.43 lakh only.

16.12.4 We admit the claim to the sum of Rs 248.43 lakh, but direct that in the next tariff petition, DPSC Ltd. should provide the basis of calculation of income from investment on securities and bank balances fixed deposit, meter rental etc. so that those could be examined. The DPSC Ltd. should also give the basis of recovery from DESCON along with cost incurred for all the common services separately.

Special Appropriation

16.13.1 The petitioner has asked for special appropriation in 2004-05 on the following counts: -

	Rs. in Lakh
	Estimated amount
Adjustment of over-realization and under-realization of penalties and incentives	544.02
Shortfall of clear profit over reasonable return in 2001-02	499.29
Appropriation to contingency reserve	4.29
Taxes on income and profit	40.18

16.13.2 Under the first subitem, the petitioner has added up all the under-realizations/over- realizations on account of various penalties and incentives (i.e., rebate, forfeited rebate, load factor penalty, interruption penalty, late payment surcharge and late payment penalty) and come up to a net projected under-realization of Rs.544.02 lakh in 2004-05 and has claimed the same as a special appropriation referring to paragraph 3.11 of the Commission's tariff order dated 06.01.2003 for the year 2002-03.

16.13.3 However, the petitioner has wrongly interpreted the said tariff order of the Commission. In that part of the said tariff order, the Commission did not mean the under realisation or over-realisation of all the rebates and disincentives, but only a particular type of incentives and disincentives related to prompt payment of the bills by the consumers. The Commission had directed that a rebate for timely payment at a rate of 10 paise/kwh was to be given, while for payment made after the due date there would be an extra payment of 10 paise/kwh in addition to the delayed payment surcharge. It is with relation to precisely this incentive of 10 paise/kwh and this disincentive of equivalent amount that the Commission wanted to be taken care of in the next tariff petition, further directing the utility simultaneously that the utility was to keep a separate account of the financial implications of the aforesaid incentive/disincentive.

16.13.4 The utility has misconceived and misunderstood the aforesaid directions and has come up with a claim that is totally different from what the Commission desired. Also the utility has not come up with any details. In addition to the above the claim is for 2003-04 for which Commission is yet to fix the tariff and nothing has been mentioned for 2002-03. On the contrary the 2002-03 accounts shown substantial amount to be recovered on account of late payments a) Surcharge of Rs. 448.63 lakhs (b) Late payment penalty Rs. 415.43 lakh and also forfeited Rebate Rs. 419.22 lakhs which is not clear. However the Rebate for timely payment is shown only Rs. 771.36 lakh. The claim is therefore rejected. The figures for 2002-03indicates, as indicated earlier that DPSC Ltd. has to return some amount in that year. DPSC Ltd is directed to come up with complete information/details for both the years failing which the next tariff Petition will not be accepted.

16.13.5 The next sub-item concerns a shortfall of clear profit over reasonable return in 2001-02 amounting to Rs. 499.29 lakh, which is requested for in Revised Revenue Requirement for 2003-04. How such a claim arose has not been explained adequately in the instant tariff petition. Once again, there appears to be a misconception because the Sixth Schedule pertaining to the Section 57 and 57A of the

Electricity (Supply) Act 1948 does no, at all, talk of any shortfall of clear profit over a reasonable return. It lays down that clear profit, in any year of account shall not, as far as possible exceed the amount of reasonable return – if any, is to be dealt with. But there is no provision for dealing with shortfall of clear profit over reasonable return, because the Sixth Schedule allows a possible shortfall here in return to remain a shortfall. Also the Revenue Requirement cannot be revised for 2003-04 in Tariff Petition of 2004-05.

16.13.6 There being no legal basis to the instant claim, the latter is rejected.

16.13.7 It has already been noted in paragraph 13.3 the petitioner may get an appropriation to the Contingency Reserve of a minimum @ 0.25% of the original cost of fixed assets each year subject to a total maximum of 5% of such original cost of fixed assets. In paragraph 10.2.6. the original cost of fixed assets as at the end of financial year 2003-04 has been determined at Rs. 6869.52 lakh. As explained in paragraph, the original cost of assets projected at the end of 2004-05 will be Rs. 7280.21 lakh. Therefore, appropriation under this sub-item will come to Rs. 18.20 lakh against the claim of Rs 4.29 lakh With this, the appropriation to accumulated Contingency Reserve at the end of 2004-05 will be as follows: -

Appropriation till 2003-04 - Rs. 278.63 lakh
Appropriation admitted for 2004-05 - Rs.18.20 lakh
Total: Rs.296.83 lakh

16.13.8 The accumulated balance thus will not exceed 5% of their original cost of fixed assets as admitted by the Commission.

16.13.9 There will be also an appropriation of Rs 6.94 Lakh as an instalment of intangible assets to be written off during 2004-05 as per petition. This is admitted.

16.13.10 The petitioner has submitted that in 2004-05, it projects an income tax liability on investment income amounting to Rs 40.18 lakh. No details in this behalf have been submitted, but it appears that the investment referred to here are investments of purely financial nature having nothing to do with the core business of the petitioner. There is no reason why the consumers, through the instrument of tariff, bear any part of any tax liability arising out of the so-called investment that is of no consequence to them. Also any income from the business of Electricity to the extent it is to be taken in the Income will be taken and will not be allowed to be taken as reasonable return. The plea therefore is rejected.

16.13.11 The voluntary retirement scheme which the petitioner wishes to introduce has been introduced in the tariff petition as a part of employees' cost. However, this is not a regular feature of the employees' cost and in the considered opinion of the Commission, the financial implication of VRS should be considered in this sub-chapter dealing with special appropriation.

16.13.12 In the instant tariff petition, the petitioner has given detailed calculations on the proposed VRS and has come up with claim of Rs. 849.00 lakh, as under: -

Category	Total No. of Employees	Targeted % and No.	Average Salary (Basic + DA)	VRS Compensation Payable
1. Staff, Workers & Sub-staff	846	15% (127)	Rs.6206/-	Rs.602.00 Lakh
2. Executive Assistant	188	15% (28)	Rs.14695/-	Rs.247.00 Lakh
			Total	Rs.849.00 Lakh

16.13.13 The petitioner wants to retire voluntarily a total of 155 employees who have become surplus to DPSC Ltd.'s requirement following suspension of generation in Seebpore Power Station from August 2003, closure of some boilers at Dishergarh and adverse consumer employees ratio. The petitioner made out a case also in its tariff petition for 2003-04 and indicated the total cost of the scheme to be of the order of Rs 720.00 lakh. The Commission recognized the necessity of the V.R. Scheme. It will be seen from paragraph 8.13.5 that the Commission allowed a sum of Rs 500.00 lakh provisionally for this purpose as a special appropriation. The Commission's views about the necessity of the V.R. Scheme remains unchanged.

16.13.14 However, the scheme appears to be somewhat costly and very liberal. While the average V.R. compensation for the Executives and Assistants works out to be Rs. 8.82 lakh, the same for the staff, workers and sub staffs comes to Rs. 4.74 lakh. It is also not clear whether this amounts includes payments towards gratuity and P.F. as funds for such is already covered under employees cost from year to year. All that the Commission has to say in this connection at the moment is to advise the licensee to give a careful look at the VRS package suggested in the tariff petition, and adopt such a package that is in tune with a package adopted by any P.S.U in or around its area of operation. Rs. 500.00 lakh is already admitted in paragraph 8.13.5. and balance required if any, will be adjustable through Revenue Requirement in next year on submission of details.

16.13.15 As already stipulated, the entire VRS fund should be kept in a separate fund and should be used exclusively for meeting VRS needs alone. Rest of the requirement, if called for, should be submitted in the next tariff petition, after accounting for use of the funds so far allowed in the behalf along with complete details of the employees, VRS amount, PF and gratuity if paid to be indicated separately, leave salary encashment or any amount charged to VRS.

CHAPTER 17: VARIABLE COSTS AND EXPENDITURES 2004-05

17.1 DPSCL Ltd. has projected a gross generation of 253.74 MU in 2004-05 and the Commission has accepted the same. The table reproduced below from the Tariff Petition will show the projected fuel cost for DPSCL's own generation, which the latter has stated, has been arrived at on the basis of the current average fuel prices, transport and handling cost, plant efficiency etc as calculated by DPSCL Ltd. itself.

	Dishergarh PS	Chinakuri PS	Total
Generation (MU)	45.63	208.11	253.74
Station Heat Rate (Kcal/Kwh)	6050	3852	
Coal Consumption Rate (Kg/Kwh)	1.001	0.72	0.77
Coal Consumption Quality (MT)	45676	1,49,841	1,95,517
Average Coal Price, delivered at site (Rs/MT)	1968.74	1847.84	1876.08
Cost Cost (Rs.in Lakh)	899.24	2768.83	3668.07

17.2 The petitioner has stated that the station heat rates shown in the table above are in line with those recommended by CEA. However, the petitioner has taken the coal consumption rate at Dishergarh to be 1.001 kg / Kwh against 1.005kg/Kwh that has been suggested by CEA, while the same at Chinakuri has been taken at 0.72 kg /Kwh as against the CEA suggested rate of 0.81 kg /Kwh. The petitioner expects the lower specific rates to materialize through implementation of some of the other recommendations made by CEA.

17.3 The heat rate and other performance parameters of various thermal power stations located in West Bengal (excluding those owned by the Central Government) have since being studied by an Expert Committee engaged by the Commission. However, the recommendations of the Expert Committee are yet to be considered by the Commission. The Commission has noted that the above stated recommendations have come from CEA whom PFC Ltd on the request of DPSC Ltd. has appointed as consultant for certain studies. It is that report of CEA that has been given to the Commission. It may be recorded that CEA was appointed as consultant by DPSC Ltd when Commission pointed out the deficiencies and suggested some of the measures to improve Heat rate etc. Be that as it may, the Commission will continue to adopt for 2004-05 the standards, already indicated in paragraph 9.1.3 and adopted for 2003-04. They are: -
Dishergarh – 0.988kg/Kwh and 5532 Kcal/Kwh,
Chinakuri – 0.661 kg/Kwh and 3703 Kcal/Kwh

The cost of fuel is shown in the table that follows at the end of this chapter.

The Commission has earlier noted and commented upon high coal transportation and handling expenses particularly when the station is a pit head station and its one of the main Consumer is ECL. However, still no satisfactory explanation has come for such high cost of such expenses, which has now gone to Rs.102.42 per M.T at Chinakuri and Rs. 114 per MT at Dishergarh. We provisionally take average cost of coal at DPSC Ltd. at Rs. 1940 per MT and CPS Rs 1830 per MT and the issue will be examined in detail at the time of FPPCA claim including of GCV.

17.4 Energy Purchase Cost

The petitioner has pointed out that energy purchased cost has been projected on the basis of the tariff prevailing at the time of submission of the tariff petition.
The projections made in the petition are as under:

Source of Purchase	Amount of Purchase (MU)	Rate (Paise/Unit)	Amount (Rs. in Lakh)
WBSEB	42.00	192.50	808.50
DVC	593.14	284.47	16873.01
Total	635.14	278.38	17681.51

The petitioner has proposed to optimize the blended cost of available energy by replacement of the costliest source of power by cheaper power to the extent possible. It proposes to increase generation from Chinakuri, while simultaneously curtailing generation from Dishergarh and make up the balance by importing additional power from DVC. By adopting this method the petitioner expects to able to restrict the average cost of DVC power to under Rs. 2.85/ Kwh. However, it appears that how Dishergarh power is costlier than DVC Power has not been spelt out clearly. It was observed by the Commission that energy charge payable to DVC is only 163 P/Kwh plus fuel surcharge of about 50.24 p/Kwh/hour (adopted) apart from demand charge of Rs. 365/KVA / Month. The impact of demand charge is about 71.23 p/Kwh, which is very high and show substantial less drawal then contracted demand and looks to be at about 30% (as contract demand is not given) without considering impact of PF and load factor. The fuel cost of DPS itself is 220 P/Kwh apart from other revenue costs and capital costs. The continuation of DPS which is only contributing 40.84 MU is to be examined in much detail, as ultimately it will not be in the overall interest of the consumers and others to consume such high resources unless it is the requirement of the radial load which cannot be met with alternative cheaper arrangements. Also if the cost of power purchase from WBSEB is much cheaper than DVC then why cheaper power cannot be purchased from WBSEB has not been explained in the changed circumstances including the new Electricity bill and when some of the expenditure in this direction was earlier negated by the Commission. The Commission has allowed construction of Bankola substation to get cheaper power from WBSEB, and that is now suspended by DPSC Ltd. as dealt later. The petitioner proposes to adjust any variation in the aggregate purchased cost in accordance with the formula, which it has proposed in the tariff petition itself.

However, while dealing with the same matter for the year 2003-04 at Para 9.2, the Commission, in the absence of the details regarding calculation of average rate of power to be purchased from DVC, adopted the average rate of purchase during 2nd half of 2001-02 and added 5% thereon. In the absence of the same details, we are adopting the rate of 284.47 as projected and allowing purchase cost from DVC on an ad hoc basis. The purchase cost of power, allowed by the Commission for 2004-05 thus takes the following shape:

Sources	Quantity to be Purchased (MU)	Rate (P/Kwh)	Amount (Rs. in Lakh)
WBSEB	42.00	192.50	808.50
DVC	593.14	284.47	16873.01

Total	635.14	--	17681.51

The DPSC Ltd., however, shall keep the observations of the Commission in view while generating or purchasing from costlier sources and come up with all the relevant details to justify the same in their FPPCA claims or tariff petition, which ever is earlier.

Cost of Fuel for DPSC Ltd. 2004-05

Sl. No.	Description	Unit	Dishergah		Chinakuri (Old)		Chinakuri (New)		Chinakuri (Combined)		Total		Remarks
			Proposed	Admitted	Proposed	Admitted	Proposed	Admitted	Proposed	Admitted	Proposed	Admitted	
1.	Plant Capacity	MW	18.00 (12.20)	18.00 (12.20)	20.00	20.00	10.00	10.00	30.00	30.00	48.00 (42.20)	48.00	With Seebpore Original Capacity is 56.38
2.	P.L.F.	%	42.70%	42.70%	74.15%	74.15%	89.2%	89.27%	--	--	68.63%	68.63%	
3.	Gross Generation	MU	45.63	45.63	129.91	129.91	78.20	78.20	208.11	208.11	253.74	253.74	
4.	Auxiliary Consumption	%	10.5%	10.5%	9.0%	9.0%	9.0%	9.0%	--	--	--	--	
5.	Auxiliary Consumption	MU	4.79	4.79	11.72	11.72	7.05	7.05	--	--	23.56	23.56	
6.	Ex-bus Generation (3-5)	MU	40.84	40.84	118.19	118.19	71.15	71.15	189.34	189.34	230.18	230.23	
7.	Own Consumption	MU	1.47	1.47					0.52	--	3.79	3.79	1.80 at Seebpore
8.	Specific Consumption	Kg/ Kwh	1.001	0.988					0.72	0.661	0.77	--	
9.	Quantity of Coal Consumed	MT	45.676	45,080					149841	137560	195517	182640	
10.	Average Coal Price	Rs./ MT	1968.74	1940.00					1847.84	1830	1876.08	1876.08	
11.	Cost of Coal	Rs./ Lakh	899.24	874.55					2768.83	2517.35	3686.07	3391.90	
12.	Cost per Unit (11/6)	P/ Kwh	220.18	214.14					146.23	132.95	--	--	

CHAPTER 18: CAPITAL BASE AND REASONABLE RETURNS 2004-05

18.1 The petitioner has projected in its net capital base for 2004-05 at Rs. 5820.38 lakh and has gone on to calculate the return on the same at Rs 591.75 lakh. In doing so, the petitioner has excluded the capital cost of its corporate of its in Kolkata as per an earlier direction of the Commission. We now proceed to examine the claim.

18.2 Original cost of Fixed Assets.
In paragraphs 10.2.1 to 10.2.6 we have already examined in details the original cost of fixed assets of DPCL Ltd. as the same would be at the end of 2003-04. We may now start from there and see what are the additions and deductions necessary to project the same as at the end of 2004-05.

18.2.1 The additions of assets admitted for capitalization during 2004-05, as claimed by the petitioner, is of the order of Rs. 1122.78 lakh which is about 20% admitted total cost of fixed assets (Gross). DPSC Ltd. is continuing to spend every year substantial amount in spite of repeated adverse comment of the Commission. Of this amount, a sum of Rs. 43 lakh has been claimed for various replacement (like switch gear, overhead line, underground line, furniture) pertaining to Seebpore station, operation, which has already been suspended, and the whole unit is planned to be scrapped.

18.2.2 For revamping of Dishergarh Receiving Station, capital expenditure of Rs. 300.00 lakh had been planned over 2003-04 and 2004-05. In the later year, Rs. 197.15 lakh only has been planned for expenditure. However the Commission noted that Rs. 322 lakhs was already claimed for Dishergarh Switchgear during 2003-04. Since more amount has been given and also as full details have not been given, no additional amount can be provided unless full case with Techno-economic justification is given and case is not already covered earlier.

18.2.3 Proposal for purchasing a new D.G. set for providing light to the central office, at a cost of Rs. 10 lakh; "during power failure" is not meaningful and is therefore rejected. Similar replacement of existing plant by new water supply line at Rs. 40 lakh which is not clear and justified particularly for cost of building etc. Similarly computer furniture of Rs. 25 lakh for ERP solution is not adequately explained similar HO assets of Rs. 42 lakh not approved unless properly explained.

18.2.4 There is a projection of significant amount of capital addition on the front of metering. Quite big chunk of the same, i.e. Rs. 122.40 lakh has been specifically to be necessary for new prospective customer and for replacing old existing electromechanical meters in phases. While the latter is generally acceptable, the former is not. Not only the number of consumers has remained practically un altered over the past few years, no case at all has been made out for increase in their number during 2004-05. In its tariff order 2000-01 and 2001-02, the Commission noted that a lot of addition to capital in those years related to replacements, constructions of quarters, purchase of meters for future customers for which no cost benefit analysis has been given. As a mark of disapproval, the Commission reduced the propose addition of assets by Rs. 302.00 lakh on ad hoc basis. It appears that that has not produced much affect on the ways in which the petitioner has been proposing additions to capital assets. The inventory of stores spares is abnormally high in DPSC Ltd. as pointed out in detail in earlier orders of the Commission. The Commission will again like to caution DPSC Ltd. in this regard including for capital stores. Since the requirement of new metering equipments for new prospective customers has not been quantified, nor any projection of addition to the new customers been given and also keeping in view of the substantial amount earlier given to DPSC Ltd., we only allow Rs 10 lakh for capital addition on this score in 2004-05.

18.2.5 Thus the addition to capital during 2004-05 comes to Rs. 550.38 lakh in financial term. However, the Commission will advise the DPSC Ltd. to keep in view the observations of the Commission for generation from DPS before incurring capital expenditure on it. The petitioner has submitted that the monetary value of assets not in use, in fact to be scrapped, during 2004-05 is Rs 139.84 lakh.

The original fixed assets as at the end of 2004-05 is therefore projected thus.

Original Cost of fixed assets at the end of 2003-04	Rs. 6869.73 lakh
Add: Addition of assets admitted during 2004-05	Rs. 550.38 lakh
Less: Deduction of value of assets not in use in 2004-05	Rs. 139.84 lakh
Total	Rs. 7280.27 lakh

18.3 Consumer’s Contribution:

Consumer Contribution has been projected to be of the order of Rs. 436.20 lakh for 2004-05. The consumer contribution estimated upto 31.03.2004 as explained in order for 2003-04 and adding Rs. 40 lakh for the year it comes to Rs 554.80 lakh, which is admitted subject to earlier observations.

18.4 Cost of Intangible Assets:
Cost of intangible assets including expenses on account of new capital issues in 2004-05, has been projected by the petitioner to be Rs. 48.61 lakh. However, the cost of intangible asset as on 31-03-2004 was Rs. 183.12 lakh as far earlier order, which is accepted.

18.5 Cost of capital Works in Progress
The petitioner has projected the following capital works in progress along with the latter’s financial implications: -

Opening balance (capital works that have remained incomplete as on 31.03.2004)	Rs. 74.30 lakh
Add: Major Projects	Rs. 355.00 lakh
Add: Normal capital expenditure	Rs. 1057.30 lakh
Less: Assets capitalized	Rs. 1122.78 lakh
Closing works in progress	Rs. 363.82 lakh

The cost of capital works in progress at the end of 2003-04 has already been dealt with in paragraphs 10.5.1 and 10.5.2 and the Commission has admitted the cost of such capital works to be Rs. 849.02 lakh. The new major project consists of:
(a) Land for new project by third party Rs. 50 lakh
(b) Construction of switching stations, overhead lines to such stations etc. Rs. 215 lakh
(c) Modifications in Satgram feeder from 11 KV to 33 KV Rs 90 lakh.
As regards (a) is concerned unless PPA comes before Commission we cannot allow purchase of land for power station of a third party. For (b) the complete details including Techno-Economic benefits including to consumer etc not given for total investment of Rs. 388 lakh and the Commission has already commented on high capital expenditure every year. And for (c) the Commission has earlier given Rs. 730 lakh for Chinakuri Satgram line against which Rs. 668.06 lakh has been spent and full account for balance yet to be given as per 10.2.3. In the absence of full details and proper accounting of such allowances, the Commission is not inclined to allow any further expenditure under this. The Commission also noted that it has allowed Rs. 400 lakh in 2002-03 and also Rs. 400 lakh in the order for 2003-04 for Bankola Sub Station, so that they can purchase cheaper power. However, DPSC Ltd. has now come up that work is suspended as unauthorized hutments and buildings have come up. Another route is not possible. They have already spent Rs. 68 lakh on land and design and engineering. The Commission is concerned of selecting a route which was not feasible with no alternative and observing now this from the Petition. The Commission is withdrawing the entire amount of Rs. 800 lakh allowed earlier. The Commission also noted that the new substation is now proposed at J.K. Nagar and perhaps for purchase of power from DVC. The Commission will not like to give any comment at this stage unless full details etc. are made available but like to once again remind DPSC Ltd. to look into Techno-Economic feasibility more carefully including benefit to consumers and alternatives to purchase cheaper power etc.

Therefore, the closing works in progress at the end of 2004-05 will come to as under: -

Opening balance (as on 31.03.04)	Rs. 849.02 lakh
Add: Major projects	Nil
Less: Bankola sub-station suspended for which funds provided in 2002-03 & 2003-04	Rs. 800 lakh
Closing capital works in progress	Rs. 49.02 lakh

18.6 Compulsory Investment

The petitioner has projected an amount of Rs.168.04 lakh as the compulsory investment in 2004-05. However, we have, elsewhere allowed an appropriation of Rs 18.20 lakh to Contingency Reserve in course of 2004-05. In paragraphs 8.13.3 we have shown that at the end of 2003-04 the admissible balance should be not less than Rs. 261.46 lakh. With the Contingency Reserve of the order of Rs. 18.20 lakh in 2004-05, the admissible balance becomes Rs. 279.66 lakh.

18.7 Working Capital:

DPSC Ltd. has worked out the average working capital requirements for the purpose of inclusion in the capital base at negative Rs 31.78 lakh, while the average inventory comprising of stock of coal and stores has been put at Rs. 1230.31 lakh for the 2004-05. The net cash balance including overdraft has been assumed as negative 1262.09 lakh.

18.7.1 It appears that in 2003-04, DPSC Ltd. asked for a sum of Rs 452.36 lakh (being 1/4 th of the estimated annual expenses on account of cash and bank balance) although the requirement worked out to Rs.708.92 lakh. As explained in paragraphs 10.7.1, the Commission allowed a sum of Rs 256.56 lakh. In the instant tariff petition, the projection of Cash and Bank balance requirement for 2004-05, has been put at Rs.1262.09 lakh (negative). Therefore, there is no alternative to Commission but to make an ad hoc decision, in this behalf. We admit on an ad hoc basis a sum of Rs. 257.56 lakh for the present as at last year.

18.7.2 On the amount of Rs. 1230.31 lakh asked for an account of fuel and stores, Rs. 993.87 lakh is due to general stores and Rs. 236.43 lakh is due to fuel stores. we admit the claim for store of fuel in toto, and Rs 500 lakh for other stores for 2004-05, as pointed out in earlier years order that the stores is sufficient for substantial number of years based on yearly consumption and already sufficient time has been given to DPSC Ltd. to control the stores & spares. Thus the working capital admitted by us for inclusion in capital base for 2004-05 comes to the following:-

(i) Cash and bank balance	Rs. 257.57 lakh
(ii) Cost of fuel in hand	Rs. 236.44 lakh
(iii) Other stores and Consumables	Rs 500.00 lakh
Total	Rs. 994.01 lakh

The above admitted amount of Rs 994.01 lakh is against DPSC Ltd. claim of negative Rs. 31.78 lakh and is about 3 months of sales Revenue.

18.8 Accumulated Depreciation

In paragraph 10.8, we have dealt with accumulated depreciation till 2003-04 and have arrived at sum of Rs 1904.68 lakh. To this will be added the depreciation allowed for 2004-05 and the withdrawals from depreciation will have to be adjusted. We have allowed a sum of Rs. 501.60 lakh, as addition to depreciation in 2004-05 while the withdrawal from depreciation during 2004-05, will stand at Rs. 5.41 lakh which is net of Rs. 147.20 lakh claimed for 2003-04 and 2004-05 minus Rs 141.79 lakh allowed in 2003-04 as Commission has considered Assets of Seebpore withdrawal during the last year. Thus, accumulated depreciation in 2004-05, comes to the following:

Amount accumulated up to 2003-04 as allowed by the Commission	Rs 1904.68 lakh
Add: Depreciation allowed for 2004-05	Rs 501.60 lakh
Total	Rs.2406.28 lakh
Less withdrawals from accumulated Depreciation fund during 2004-05	Rs. 5.41 lakh
Total	Rs. 2400.87 lakh

18.9 Intangible Assets Written off

The only item here amounts to Rs. 6.94 lakh. This has already been taken in Revenue Requirement. The balance of last year has Rs. 117.73 lakh and after adding this amount the total comes to Rs. 124.67 lakh.

18.10 Loans on Capital Amount.

The term loan envisaged in the tariff petition for 2004-05 amounts to Rs. 900.00 lakh, the financing charges on which have already been admitted. The loan of Rs. 900.00 lakh is admitted.

18.11 Development Rebate Reserve

The petitioner has projected a development Rebate reserve, i.e., credit balance at the close of the year 2004-05, amounting to Rs. 68.58 lakh. However, the balance of Development Rebate Reserve as per 2003-04 accounts is Rs 170.05 and no reasons justification has been given to such change. We admit Rs 170.05 lakh.

18.12 Cash Security Deposits by Consumers

DPSC Ltd. has projected that cash security deposit by consumers in 2004-05 will be of the order of Rs. 143.00 lakh . The same is admitted.

18.13 Consumers' Account

The instant tariff petition contains no entry against the item of consumers' account, the opening balance of which amount is to be available for distribution to consumers as per Sixth Schedule of the Electricity (Supply) Act., 1948.Even though the petitioner has shown Rs 5.42 lakh earlier. The excess liability provided towards transmission loss (amounting to Rs. 655.56 lakh) and the Deferred Taxation Reserve charged before April 2000(amounting to Rs. 873.72 lakh) should be the fund available in consumers' account. This matter has already been dealt with extensively in paragraph 10.13. Thus the balance at the beginning of 2004-05 in this account will be as under: -

(a) Balance as per earlier accounts	Rs. 5.42 lakh
(b) Excess liability provided towards transmission loss –	Rs. 655.56 lakh
(c) Deferred taxation charged in the period before April 2000 –	Rs. 873.72 lakh
Total	Rs. 1534.70 lakh

18.14 Net Capital Base

On the basis of forgoing analysis of the different elements of capital base, we may now going for determination of net capital base of DPSC Ltd. for the year in question.

STATEMENT OF NET CAPITAL BASE 2004-05		
	Rs. in Lakh	
Particulars	**As Projected**	**As Admitted**
1. Original cost of fixed assets in use and necessary (at the end of 2004-05)	8353.73	7280.27
Less : Consumers' Contribution	436.20	554.80
Total	7917.53	6725.47
2. Cost of Intangible Assets	48.61	183.12
3. Cost of Capital Works in progress	363.82	49.02
4. Compulsory Investment	168.04	279.66
5. Working Capital		
(a) Cash and Bank Balance	(-) 1262.09	257.57
(b) Stores	1230.31	736.44
Sub Total	8466.22	8231.28
Less :		
1. Accumulated depreciation	2433.76	2400.87
2. Cost of Intangible Assets Written off		124.67
3. Loans		900.00
4. Cash Security Deposits by Consumers	143.00	143.00
5. Development Reserve	68.58	170.05
6. Consumers' Account	--	1534.70
Sub Total	2645.34	5273.29
Net Capital Base	5820.88	2957.99

18.15 Reasonable Return

On the basis of the net capital base, as determined in the forgoing paragraph, we now proceed to determine the Reasonable Return for the petitioner for 2004-05 in terms of the provisions of the Sixth Schedule to the Electricity (Supply) Act, 1948. The income from investments other than Contingency Reserve has been kept unchanged at the level of 2003-04. However, DPSCL is to submit full details of their investments along with sources of funds and justification for borrowings.

STATEMENT OF REASONABLE RETURN		
	Rs. inLakh	
Particulars	**As Projected**	**As Accepted by Comm.**
1. Standard rate of capitalbase		
(a) On net capital base up to 31-03-1965 @7% on Rs.106.29 Lakh	7.44	7.44
(b) On net capital base from 01-04-1965 to 15-10-1991 @8% on Rs.1991.04 Lakh	159.28	159.28
(c) On the net capital base from 16-10-1991 to 31-03-1990 @11%	375.62	94.67
(d) On net capital base after 01-04-1999 @16%	49.40	--
Sub Total	591.75	261.39
2. Other Items :		
(a) Income from investments other than Contigency Reserve		70.00

(b) 0.5% on the Accumulated Development Reserve	0.34	0.85
(c) 0.5% on the amount of borrowing		4.50
Total	592.09	336.74

CHAPTER- 19: STATEMENT OF REVENUE REQUIREMENT & COST OF SUPPLY OF POWER FOR DPSC LTD.

19.1 The foregoing analysis of fixed costs, variable costs, capital base and reasonable return now lead us to determination of revenue requirement of DPSC Ltd. for 2004-05, as also to determination of its cost of supply of power. The same is given in the form of following table: -

	STATEMENT OF REVENUE REQUIREMENT AND COST OF POWER SUPPLY 2004-05		
		Amount (Rs.in Lakh)	
Sl. No.	**Particulars**	**As Projected**	**As Admitted**
A.	**Variable Cost**		
1.	Cost of Power Purchase	17681.51	17681.51
2.	Cost of Fuel	3668.07	3391.90
3.	Total Variable Cost (A)	21349.58	21073.41
B.	**Annual Fixed Charges**		
4.	Employees' Cost	1810.02	1730.00
5.	Repairs & Maintenance	756.72	636.72
6.	Rent, Rates & Taxes	17.28	17.28
7.	Legal Charges & Professional Fees	15.50	15.50
8.	Audit Fees	9.23	6.50
9.	Fuel & Ash Handling Charges	52.13	45.33
10.	Administrative, General & Misc. Charges	343.40	331.69
11.	Interest on Term Loans and Security Deposits	247.55	5.27
12.	Depreciation	541.88	502.13
13.	Other Charges	366.29	366.29
14.	Total Annual Charges (B)	4160.00	3656.71
C.	**Special Appropriations**		
15.	Value of Intangible Assets Written off	6.94	6.94
16.	Contribution to Contingency Reserve	4.29	18.20
17.	Taxes on Profit	40.18	--
18.	Adjustment of Over-realization / under realisation of penalties & incentives	544.02	--
19.	Shortfall of Clear Profit over reasonable return	499.29	--
20.	Other Appropriation (VRS) Less Withdrawal fromConsumers' Account	849.00	--
21.	Total Special Aoppropriations (C)	1943.72	25.14
22.	Reasonable Return (D)	592.10	336.74
23.	Gross Revenue Required (A+B+C+D)	28045.40	25092.00
24.	Income from other sources	219.04	248.43
25.	Net Revenue Requirement from sale of Power	27826.36	24843.57
26.	Sales (MU)	809.81	809.81

19.2 Average cost of supply

It needs to be borne in mind that between DPSC Ltd. and WBSEB, there is a system of taking power from each other, i.e., WBSEB supplies power to DPSC Ltd. from one point and takes power from DPSC Ltd. from a number of other points. Under this arrangement, billing is done by DPSC Ltd. on the basis of net quantity, i.e., after setting off the supply to it by WBSEB. We allow this on condition that WBSEB will have to bear the cost of additional power purchase from DVC on account of T & D loss caused by supply of this set off energy. The average cost of supply in 2004-05 including the effect of WBSEB set off power with associated T & D loss works out as under: -

	Rs. in Lakh
Total Revenue	24843.57
Less Cost of Import of "set off" energy (42 MU)	 808.50

	24035.07
Less Cost of wheeling charges on "set off" power tobe charged to WBSEB separately (5.74% of 42 MU @284.47 paise/Kwh)	68.58
	23966.49
Less Cost of unaccounted energy of 2.32 MU will be (2.32/0.9426)=2.46 MU @243.52 P/Kwh) considering variable cost per unit (ex bus)	59.90
Net revenue to be realized 809.81 MU - 42 MU = 767.81 MU (Net Sale)	23906.59
Trading Power given to WBSEB & DVC 153.896 MU @303 p/kwh Net Revenue Realisation from Consumers 613.914 MU	4663.05 19243.54
Average Tariff from Consumers	313.45 p/kwh

CHAPTER – 20: Tariff for DPSC Ltd. (2004-05)

It is to be recalled that there was no tariff order for DPSC Ltd. for 2003-04, except the interim order whereby the utility was allowed to charge, at flat rate of 06 paise/kwh over and above the tariff rate prevailing, from all its consumers. The rate prevailing in 2003-04 was the average tariff of 2002-03, i.e., 307.43 p/kwh. With the interim order of 2003-04 taking effect, the rate effective for 2003-04 became 307.3 p/kwh + 6 p/kwh = 313.43 p/kwh. Now that the revenue requirement for 2003-04 is finally determined, we direct that the rate at which the consumers were actually charged, i.e., 313.43 p/kwh would be the finally determined tariff for DPSC Ltd. for 2003-04. Simultaneously, the shortfall or excess in revenue recovery would be adjusted against the revenue requirement of 2004-05 and the tariff applicable in 2004-05 would be finally determined on that basis.

Based upon the above analysis, the average tariff for DPSC Ltd. for 2004-05 works out as under.

(a) Net Revenue requirement of 2003-04 from consumers	23962.30 (Rs. in Lakh)
Saleable units in 2003-04	766 MU
Tariff realized / realizable on average Cost of supply of (inclusive of 6 p/kwh interim) [766x313.43 p/kwh] Net balance / refundable	 24008.74 (Rs. in Lakh) 46.44 Lakh
(b) Excess to be refunded in 2004-05 Revenue requirement of 2004-05 from own consumers excluding Trading	46.44 Lakh 19243.54 Lakh
Total	19197.10 Lakh
Saleable units in 2004-05 from own consumers	613.914 MU
Average Tariff in 2004-05 from own consumers	312.70 p/kwh
Average Tariff for Trading	303 p/khw

CHAPTER – 21 : TARIFF SCHEDULE.

21.1 The Commission intends to introduce and rationalize the tariff based on time of the day concept as well as levy demand charge, load factor penalty / incentive and power factor penalty / incentive in the next year tariff. DPSC Ltd. is directed to give all the relevant data of the consumers in the next tariff petition to enable the Commission to levy and fix the tariff accordingly.

21.2 The Commission fixes the tariff for all categories of its consumers at Rs.3.19 per kwh. There shall be FPPCA over the above tariff for variation in prices of fuel or purchases as indicated in this order.

21.3 The Commission appreciates that the Commission has to fix only the trading margin in terms of Section 86(b)(j) of the Act, but however, keeping in view the information given and as this is the first year when the trading is being recognized as a special activity, the Commission has fixed the tariff for trading which DPSC Ltd. may charge and which have been indicated in earlier part of the order i.e. Rs.3.03 per kwh excluding taxes, duties and levies. The FPPCA, Load Factor penalty and Delayed Payment Surcharge as applicable to consumers shall also be applicable.

21.4 There shall be a special rebate of 10% to the Public Utility Services in the tariff indicated above provided the payment is made in time. Similarly, there shall be a special rebate of 40% for supply to Agricultural and Irrigation consumers (other than WBSEB) provided the payment is made in time.

21.5 There shall not be any change in the existing rates of load factor penalty, penalty by the utility, load factor rebate, penalty for drawal more than the contract demand, meter rent, connection / disconnection charges, testing charges and other miscellaneous

charges.

21.6 The rebate for timely payment to all consumers excluding covered under para 21.3 and 21.4 shall be 2% of the amount of the bill excluding taxes, duties & levies and arrears.

21.7 Delayed Payment Surcharge shall be 1.25% per month and/or prorated for part thereof for all consumers for delay in payment beyond due date. However, where the payments are delayed by more than 3 months from the due date of payment, delayed payment surcharge shall be increased to 1.5% per month for next 3 months of delay and thereafter will be 2% per month. This is without prejudice to the other provisions of the Act and the Regulations made thereunder.

21.8 Temporary Supply – The rate for temporary supply shall be 8% above the applicable rate of supply for the respective applicable category of supply (class of consumers). In case there is no appropriate rate tariff, temporary supply shall be charged @ Rs.6/- per Kwh. The basis of calculation for temporary supply shall be as per existing practice.

21.9 The statutory levies like electricity duty or any other taxes, duties imposed by the competent authorities shall be extra.

21.10 The above tariff shall be applicable from the billing month of / pertaining to April,2004 and onwards till 31st March,2005 or amended by the Commission as it may be deem fit from time to time subject to and in terms of the provisions of the Act and Regulations made thereunder.

21.11 Fuel and Power purchase cost adjustment – In addition to the tariff already fixed, DPSC Ltd. would further be entitled to added sum towards the enhanced cost of fuel and power purchase after the date of effect of this tariff structure. The following formula will be applicable for such adjustment in cost. It may, however, be clarified that amount to be reimbursed under the formula shall not exceed in any case the additional amount proportionately incurred on fuel cost and power purchase cost based on the various normative parameters and limits if already laid down and within the direction of the Commission. It is also made clear that for reimbursement of additional fuel cost only the basic fuel cost plus applicable taxes and levies plus railway freight plus road transportation cost wherever it is required will be considered.

21.12 Formula for fuel and power purchase cost adjustment (FPPCA)

a) Fuel and power purchase cost adjustment charge per unit for energy sold during adjustment period shall be in terms of the following formula :

$$\text{FPPCA (p/kwh)} : \frac{(FC + PPC) - CD \pm A}{[(G_{own} + E_{imp}) \times (I - L)] (-) Q} - \frac{fc + ppc}{g_{own} + e_{imp} \times (I - L)} \times 100$$

FC (Rs.): Fuel cost of own generation as per Normative parameters fixed by the Commission and / or on actual basis (in absence of any norm) for actual level of sales during the adjustment period.

PPC (Rs.): Total cost incurred including the cost for fuel for power purchase from different sources for actual level of sales during the adjustment period.

C_D: Cost disallowed by the Commission as having been incurred in breach of its economic generation / purchase obligation, or of order / direction of the Commission, if any, or for any other reason during the adjustment period and adjusted corresponding to actual level of sales.

A (Rs.): Adjustment, if any, to be made in the current period to account for any excess / shortfall in recovery of fuel and power purchase cost in the past adjustment period based on directions / orders of the Commission.

G_{own} (KWH): Total energy sent out from utility's generating stations during the adjustment period based on normative or actual auxiliary consumption whichever is less, corresponding to actual level of sales.

E_{imp} (KWH): Total energy purchased at the sent out bus from different sources based on approved procurement plans during the adjustment period corresponding to actual level of sales.

L (%): Normative T & D loss fixed by the Commission.

Q (KWH): Quantity of temporary supply sold during the adjustment period.

fc: Fuel cost of own generation as allowed by the Commission in the tariff order corresponding ot relevant adjustment period.

ppc: Power purchase cost allowed by the Commission for the relevant adjustment period in the tariff order.

g_{own}: Sent out own generation as admitted in the tariff order by the Commission corresponding to the adjustment period.

e_{imp}: Power purchase at sent out bus as admitted by the Commission in the tariff order corresponding to the adjustment period

b) Any proposal for adjustment shall be subject to the approval of the Commission and once the proposal is approved, it should be reflected in the consumer's bill in a separate entry for their information. At the end of each adjustment period, the DPSC LTD. shall calculate the FPPCA as per the above formula based on the approved parameters, cost and consumption. The complete details along with the cost data, quantitative details and relevant information / document duly certified by the licensee for the subject matter revisions, and thereafter duly audited for the whole year for the March revision should be submitted to the Commission for approval within six months of the close of the period or within four months from the cause of action whichever is later. In case of any delay

without adequate and justified reasons, the Commission may disallow wholly or partially the increase in FPPCA or in case of refund suitable compensation by way of interest to the consumers.

21.13 Recovery of Arrears/Refund – The Commission, as stated earlier, has tried to avoid the refund/recovery of arrears pertaining to the earlier years due to this order, as the revised tariff shall be applicable from 1st April 2004. However, there may be some arrear/refund becoming due by or to certain consumers for implementation of the tariff for 2004-05, as DPSC LTD. will take sometime to implement this order. The Commission feels that keeping in view the large number of consumers there should be a breathing time for the DPSC Ltd. to adjust its billing system and raise the bills based on this tariff order. The Commission, therefore, directs that the revised realization / refund mechanism based on the present order is to be made effective from the billing month of August 2004. Till August 2004, the existing manner of realization / refund is to continue and be spread over a period of 6 months in equated monthly instalments. It is further made clear that the refund in terms of this order for 2004-05 is to be made only after adjusting the previous arrears, if any, due from that consumer and be made proportionately to all persons entitled to refund/receipts from the sums realized from the arrears. The Commission further directs that no interest shall be paid to or by the DPSC Ltd. for any realization/refund/adjustment.

21.14 The Commission has fixed the tariffs in terms of this order in terms of provisions of section 64(3) read with section 62 of the Electricity Act, 2003 and keeping in view the provisions of sections 61, 172, 173, 174 and 185 of the Electricity Act, 2003. Due cognizance has been taken of the Electricity Regulatory Commission Act 1998 to the extent it is applicable.

21.15 It is open to the State Government to grant any subsidy to any consumer or any class of consumer in the tariff determined by the Commission. If at all any such subsidy under the provisions of the Act is intimated to the DPSC Ltd. and to the Commission by the Govt. of W.B with clear indication of the consumer or class of consumers to be subsidized and the amount of the subsidy is paid in advance as has been specified, the tariff of such consumer and/or the class of consumers shall be deemed to have been reduced accordingly as has been indicated by the Government. However, such direction of the Government shall not be operative if the payment is not made in accordance with the provisions of the Act and Regulations made thereunder and the tariff as fixed by the Commission shall be applicable.

Sd/- 03.06.2004	**Sd/- 03.06.2004**	**Sd/-03.06.2004**
N.C. Roy **Member (Tech.)**	**A.K. Jain** **Member (F & A)**	**S.N. Ghosh** **Chairperson**

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