O R D E R
OF
WEST BENGAL ELECTRICITY REGULAROTY COMMISSION

IN Case No. TP-3/00-01 &
Case No. TP-3/-1-02

IN RE THE TARRIF APPLICATIONS OF DISHERGARH POWER SUPPLY CO. LTD. (DPSCL) UNDER SECTION 22(1) (a) OF THE ERC ACT, 1998, FOR THE YEARS 2000-01 & 2001-02.

DATED 10TH AUGUST, 2001

Present :

Justice (Retd.) S. K. Phaujdar, Chairperson
Shri R. R. Ganguly, Member (Technical)
Shri A. K. Jain, Member (Finance & Accounts)

For the petitioners :

Shri A. Dasgupta, Director and Chief Executive,
DPSCL & Shri S. Radhakrishnan,

For the objectors who took part in / appeared at the hearing :

Shri N. C. Roy, Chief Engineer (Com.) and
Dr. S. C. Bhattacharya, Superintending Engineer,
both for WBSEB.
Shri A. Ganguly for Shri S. Bhattacharya
Shri Aditya Jajodia, for Balaji Industries

Objectors who had filed written objections :

1. WBSEB
2. Balaji Industries
3. BJP (through Shri S. Bhattacharya)

CHAPTER-1 : THE COMMISSION

1.1 The West Bengal State Electricity Regulatory Commission has been formed under Section 17 of the Electricity Regulatory Commission Act, 1998 (Act 14 of 1998) in the year 1999. After crossing the initial difficulties, the Commission framed its regulations, the State framed rules for it and the Commission became fully functional from the second half of the year 2000.

1.2 The Commission is now constituted by the Chairperson, Justice (Retd.) S. K. Phaujdar, Shri R. R. Ganguly, Member (Technical), and Shri A. K. Jain, Member (Finance & Accounts).

1.3 In terms of its Conduct of Business Regulations and Guidelines made thereunder, the Commission called upon the utilities within its jurisdiction to submit their tariff revision petitions for the years 2000-01 and 2001-02, and in response to the same Dishergarh Power Supply Co.

Ltd. (DPSCL) came up with two petitions for these two years which were admitted and registered as petition No. TP-3/00-01 and Petition No. TP-3/01-02.

1.4 Filing of these two petitions was duly notified in prominent newspapers of Calcutta calling upon all concerned to file objections against the proposed revision of tariff. Under the regulations interested parties were afforded opportunity to inspect the petition and take copy thereof.

1.5 Under the relevant regulations the Commission had appointed Administrative Staff College of India at Hyderabad as Consultants for scrutiny, examination, verification and analysis of the petition for 2000-01 and the objections that were filed in time and the report of the ASCI was also kept open for inspection and copies and parties were given liberty to file objections against the report.

1.6 Hearing of these two petitions was taken up together for the sake of early disposal and for avoiding unnecessary exercise on same or similar matters at dispute.

1.7 Not only the petitioner and the objectors who had chosen to file objections in writing, hearing was allowed to all who proposed to join and due information was given through publication in prominent newspapers of Calcutta. Hearing commenced on 28.5.2001 and concluded on the same day.

CHAPTER-2 : THE CASE OF DISHERGARH POWER SUPPLY CO. LTD.

2.1 Claim for the year 2000-01

It was contended at the outset that this tariff petition was intended to increase the basic tariff by Rs. 16.17 crs. to cover the increase in expenditure, special appropriation and admissible reasonable return.

2.1.1 It was also contended that while submitting this tariff petition, the petitioners had based their calculations of revenue without considering any increase in tariff of DVC or WBSEB from whom they buy power. They also proposed to enhance the fuel adjustment costs amounting to Rs. 8.65 crs.

2.1.2 The DPSCL projected their transmission and distribution loss at 6% of their power system for computation of FSC. They also pleaded extreme financial crunches due to non-revision in tariff in time for the last 41 months.

2.1.3 For calculation of reasonable return, vis-à-vis, the clear profit, they indicated the figures for the last three years and also calculated the shortfall for each year.

2.1.4 For the current year, the DPSCL computed the aggregate revenue requirement at Rs. 24051.14 lakhs. This comprises total expenses of Rs. 23374.60 lakhs, a reasonable return of Rs. 978.54 lakhs, less non-tariff income of Rs. 302.00 lakhs.

2.2 CLAIM FOR F.Y. 2001-02

2.2.1 For this year, the utility proposed an increase in basic tariff by Rs. 6.16 crs. to cover increase in expenditure, special appropriation and admissible reasonable return. This was in excess of what was claimed for the year 2000-01.

2.2.2 This petition also indicated that in the calculations, the utility did not consider any increase in tariff by DVC and WBSEB from whom they purchase power.

2.2.3 For FSC and fuel-related cost, a sum of Rs. 5.79 crs. was claimed in addition to what was claimed in the previous year.

2.2.4 The same percentage of T & D loss was projected for this year as was done for the last year.

CHAPTER-3 : OBJECTION IN WRITING FOR THE YEAR 2000-01 AND RESPONSE THERETO

3.1 Objections by WBSEB

3.1.1 WBSEB has been purchasing power 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 requirement of its local consumers taking supply at low and medium voltage. The tariff chargeable in the matter was decided by the State Govt. and there was no formal power purchase agreement. The tariff comprised of 118 p. per kwh as energy charge, 34 p. as fuel surcharge and also a sum of Rs. 75.00 per KVA per month as demand charge. The statements in this respect have not been denied by the DPSCL.

3.1.2 It was also contended by WBSEB that they too have been supplying power to DPSCL at 33 KV at Bankola and as per advice of the State Govt., power and energy supplied by WBSEB was set off from the purchase of power by them from DPSCL at 11 KV and this set off was effected from April, 1995. It was stated that the DPSCL had been raising bills on the basis of net drawal by WBSEB at the applicable tariff approved by the State Govt. and the power purchased by the DPSCL from WBSEB has been sold to bulk industrial consumers at a highly remunerative tariff and thus, WBSEB was called upon to pay a higher tariff for eventual supply to its low and medium voltage consumers enjoying subsidised tariff. On this point the DPSCL stated that the set off arrangement was directed by the Govt. of West Bengal. It was not disputed that the industrial consumers were paying higher tariff in order to compensate the subsidised tariff being charged to WBSEB and it was pointed out that large industrial consumers were raising their objections to this kind of cross subsidies.

3.1.3 The WBSEB raised a further point to say that the proposed energy charge for 2000-01 was 189 p. per kwh and demand charge Rs. 125.00 per KVA per month and FSC 46 p. per kwh. Thus, there was a hike in the energy charge by 52 p. per kwh as per calculation of DPSCL. The WBSEB further contended that the real increase in the basic charge was 86 p. per kwh as proposed and it worked out to a 63% enhancement. They also took an objection that the proposed hike in tariff for WBSEB was more than the hike proposed for other consumers. In response to this, the DPSCL came out with figures to explain that the increase was only by 31% and not by 63% as suggested by WBSEB.

3.1.4 The WBSEB objected to the proposal of DPSCL for enhancement of fuel surcharge and also objected to the high percentage of T & D loss and to this the DPSCL responded with an explanation that 6% T & D loss was a target allowed by the Govt. of West Bengal and they gave their own explanation for the cause of this T & D loss.

3.1.5 On the proposal of the DPSCL indicating two sets of tariff, set off and other than set off, the WBSEB objected that there should be one method of tariff fixation. Upon this objection, the DPSCL came out with the explanation that these two categories were made in order to quantify the metering of the energy supplied to all consumers during this year and the financial value of such drawal of power by WBSEB has been worked out.

3.1.6 The WBSEB also raised a contention that the additional fuel cost of Chinkuri TPS which was virtually a captive Power Station of the ECL, should not be passed on to the consumers other than the ECL. On this point, the DPSCL stated that the surplus power from Chinakuri TPs was to be sold to consumers other than the ECL, and as such, the fuel cost could be loaded on other consumers including WBSEB.

3.1.7 The WBSEB objected to the price variation clause proposed by DPSCL and claimed that it was a special right given to the SEBs under Section-51 of the Electricity Supply Act, 1948 and a licensee may not claim this advantage. In answer, the DPSCL stated that a mechanism must be there to levy adjustment charges to take care of levy of tariff by DVC and the mechanism may not be linked with Section-51 of the 1948 Act.

3.1.8 WBSEB also took up a plea that the actual T & D loss was 3% in 1999-2000 and the estimated loss of 5.5% for 2000-01 was not justified and pleaded that it should have been restricted to 3% only which would substantially reduce the cost. In response to this objection, the

DPSCL explained that for the year 2000-01 upto 1/2001, the T & D loss was 4.28% against a projected figure of 5.5%. It was stated that T & D loss for power purchase from DVC was correctly estimated and the costs could not be reduced.

3.1.9 In another point of objection, the WBSEB stated that the proposal of DPSCL to add a sum of Rs. 730.77 lakhs for this year under "other assets" due to construction of a building was not justified as these costs amounted to Rs. 569.26 lakhs only. Moreover, when the DPSCL had already an establishment in Kolkata and their activities had not expanded substantially, there was no necessity of the expenses towards construction of that building. The DPSCL responded to this objection and stated that they had been shifting their corporate office from its present registered office at Kolkata to the land and building at Salt Lake. They proposed to shift major departments of their office at Dishergarh to the Salt Lake site for operational facilities.

3.1.10 In another point of objection, the WBSEB stated that no copy of approval of the State Govt. was brought on record showing a sum of Rs. 130.93 lakhs as special appropriation said to have been permitted by the State Govt.. It was also contended by WBSEB that the liability of DPSCL for purchase of power from WBSEB at Bankola should have been computed at the reciprocal tariff chargeable by DPSCL to WBSEB. In response, the DPSCL claimed that the approval of the State Govt. for special appropriation was a mere projection as formal approval was yet to be received. It was insisted that the purchase of power from WBSEB at Bankola had correctly been computed.

3.2 Objections by M/s. Jaisalasar Balaji Industries Private Ltd.

3.2.1 Balaji Industries stated that their industry was a power intensive nature, power constituted the main raw material. Any unreasonable increase in the price of electricity would render their industry sick. If DPSCL is permitted to increase tariff by 17% from back date, the objectors would not be able to recover enhanced cost from their customers as their products have already been sold.

3.2.2 It was stated by the objectors that a shortfall charge of 4 to 5 paise per kwh irrespective of customers' load factors was unjust. It amounted to a payment by an efficient consumer for the less efficient consumer. The DPSCL pointed out that the shortfall charge adjustment clause has been withdrawn in the proposed tariff for 2000-01.

3.2.3 The objectors also complained for payment of maximum demand charges for the entire month, even for the period when there was no supply of power. It was pointed out that the DVC charges its consumers only for the period for which there is supply of power and this procedure should have been followed by DPSCL also. In response, the DPSCL contended that they were making radial supply and it cannot be compared with the terms and conditions of bulk supply as made by DVC.

3.2.4 In another objection, the Balaji Industries pointed out that the tariff structure of DPSCL was much higher than that of any other utility in West Bengal, viz., DVC, DPL or WBSEB. Due to this high rate of tariff, the power intensive industries are becoming uncompetitive and a plea was made that a special low tariff rate be prescribed for the power intensive units. It was contended that there had been such a move by WBSEB. The DPSCL contended that if a concession is offered to any particular industry, the other consumers will raise their voice. It was pointed out that for WBSEB, the scheduled rates offered relate to 11 KV industrial consumers having monthly maximum demand of less than 1500 KVA. But the Balaji Industries have a maximum demand of 2500 KVA. It was contended that the tariff suggested by DPSCL was more or less equal to that of WBSEB and if at all any consumer avail the "time of the day (TOD)" tariff, the average rate would be lower than that of WBSEB.

3.2.5 The objection as raised in writing have been agitated at the time of public hearing and responses were made by DPSCL as per above lines. Shri Dasgupta gave a brief overview of the company and it is gathered that the DPSCL was founded in 1919 for supply of power to the collieries of Bengal Coal Co. Subsequently, they were given license for supply to other places and to the Railways. Supply is made in 11 kv and 515 V in an area of 618 sq.km. The utility has three coal-fired stations. In addition to its generation, the utility purchases power from DVC and WBSEB. The license has been renewed in 1992 for 20 years. It is stated that their efficiency and performance were appreciated. It is pointed out that the Eastern Coalfields Ltd. was the major

consumer and DPSCL offered the lowest tariff for 11 KV supply. It was submitted that revision was being made after 33 months under severe cost pressure.

3.2.6 In his submission in reply, Shri N. C. Roy stated on behalf of WBSEB that WBSEB was making supply to DPSCL and was also taking supply from them and there was an anomaly in the rates of tariff for this two-way supply. It was contended by WBSEB that the Chinakuri TPS was a captive station of the ECL and the total fuel surcharge could not be passed onto the consumers other than ECL. It was contended that price adjustment clause was applicable only to SEBs and not to licenses.

3.2.7 The Balaji Industries during their arguments made no complaint on services but spoke on the unreasonableness of retrospective increase of the rates. The points regarding shortfall charge, maximum demand and prayer for special tariff were also pressed. These were suitably replied in terms of the responses in writing by Shri Radhakrishnan and Shri Dasgupta. It is notable from the contending arguments that supply to DPSCL was being made under 132 KV while WBSEB was getting at a lower KV., but adjustment in quantity only was being made without reference to these voltage etc. and only net quantity of power supplied by DSPCL to WBSEB was billed at the rates fixed.

CHAPTER-4 : OBJECTIONS ON THE TARIFF PETITION FOR FY 2001-02 AND RESPONSE THERETO

4.1 Only two objections were put forward within the stipulated time by WBSEB and the Bharatiya Janata Party.

4.2 The objections raised by WBSEB for this year were similar in nature as those for the previous year. It was stated that in the year 2001-02 there will be an increase (from the existing rate) by 60.5 p. per KWH for basic tariff and by 20 p. per KWH towards fuel charge so far the WBSEB was concerned. It was asserted that the T & D loss percentage could not be enhanced from 3% in 1999-2000 to 6 or 8% this year. Similar objections as were there for 2000-01 were also taken for this year so far differential tariff rates for sale of power from DPSCL to WBSEB and WBSEB to DPSCL. Here also it was stated that the fuel cost of Chinakuri TPS could not be burdened on the other consumers as Chinakuri was a captive station for ECL. Objections were also taken for this year on the applicability of Section-51 of the 1948 Act to utilities other than the SEBs. A specific objection was taken on the increased rate of auxiliary consumption. In 1999-2000 it was 9.5% but for 2001-2002 it was raised to 14% which, according to WBSEB, should not be allowed. Objections were raised on the figures projected for generation, capital assets, etc.

4.3 Response to these objections were not filed separately as the DPSCL simply repeated their objections for 2000-01 for this year also.

4.4 The other objector for the year 2001-02 was Shri S. Bhattacharya in his capacity as the Vice President of the Asansol Unit of the BJP. Although the objections purported to be for two years 2000-01 and 2001-02, it could not be considered for the first year as it was not filed in time (by 12.2.01). These objections related to certain facts as may be stated below.

4.5 The DPSCL was to supply power mainly to the collieries (64%) and to the WBSEB (25%). The rest of the generation went in part to Govt. undertakings (7%) and private consumers (4%). It was stated that all the Govt. undertakings including the WBSEB, served by the DPSCL were sick.

4.6 It was alleged that the DPSCL is being mis-managed and there were certain other allegations.

4.7 It was stated that the DPSCL had already made huge profits for last three years by raising FSC and they were capable of making profit even after enhanced tariff of DVC.

4.8 Objections were raised on the projected T & D loss also which, according to this objector, could not be more than 3 to 4%. The figures regarding Ash disposal cost were also challenged and so were the increased O & M costs and contingent provisions.

4.9 At the hearing, however, Sri Bhattacharya failed to appear for argument / submission. He appeared through his lawyer who had only prayed for an adjournment. The prayer was disallowed.

4.10 Subsequently, on 11.6.2001 Sri Bhattacharya came up with an "objection" in his personal capacity. The objection was filed beyond time and hence was not acted upon.

CHAPTER-5 : ANALYSIS BY THE CONSULTANTS AND OBJECTIONS THERETO

5.1 The Consultants analysed the data, collected additional data and clarification and scrutinised the same. For the year 2000-01 it was pointed out that for sale projected growth rate was 2.5% over the last year but actually it was 1.04% only. ASCI proposed to act upon the actual sale.

5.2 On T and D loss the ASCI opined for 5% for reasons given by them.

5.3 On generation, costs under different heads, and on capital assets and reasonable return the ASCI expressed their opinion.

5.4 The WBSEB strongly objected to the rate of T & D loss suggested by the ASCI. DPSCL explained that the increase in T & D loss was due to rectification of the technical problems from DVC side and these problems were putting hindrances in actual measurement of the T & D loss. For calculation of fuel costs the DPSCL had furnished revised figures of coal consumption with a proportionate reduction in costs. DPSCL also made an increased claim for power purchase. On the suggestion of ASCI that DPSCL should purchase more power from SEB in preference to DVC, the DPSCL came up with a plea that the DVC Act does not permit any other agency to operate in DVC Command Area at voltage level of 33 kv and above. However, they were ready to purchase more power from WBSEB if reliable power was assured. In the opinion of ASCI, DPSCL should follow merit order purchase and get more power from WBSEB, if necessary, by extending the transmission net.

5.5 The Commission will look into the projection by the DPSCL on all the items as also to the assessment made by the Consultants and form its own view on accepted norms, accepted methods of accounting and also on the historical aspects of the claims. Under Section 29 of the ERC Act, the Commission is not only to look to the interest of the utility, but also to the interest of the consumers, to the economical use of the resources, to good performance, optimum investments, improving levels of efficiency, commercial principles, etc.

5.6 We shall take up discussions in the following chapters on sale, generation, purchase, T & D loss, fixed and variable costs, capital assets etc. and permissible reasonable return as per Schedule VI to the E.S. Act, 1948.

CHAPTER - 6 : GENERATION FOR THE YEAR 2000-01

6.1 The DPSCL is basically a Distribution Company. It has a generation capacity of 40 MW and it meets the requirement of its consumers not only from own generation, but also from purchase of power from DVC and WBSEB. DPSCL distributes its powers to its consumers at 11 kV only and there is no consumer in LT supply nor is there any LT supply nor is there any LT net-work for this utility.

6.2 The utility has three thermal generating stations at Dishergarh, Seebpore and Chinakuri and the following table will give stationwise rated capacity and derated capacity.

Sl. No.	Name of the Station	Rated Capacity (KW)	Derated Capacity (KW)
1.	Dishergarh	18000	14200
2.	Seebpore	8375	5800
3.	Chinakuri	20000	20000
	TOTAL	46375	40000

TOTAL 46375 40000

6.3 Although the DPSCL has estimated its own generation at 234 MU for the concerned year, the actual generation is 242.55 MU (rounded : 243 MU) as per the following table showing, stationwise, the estimated and actual generation and PLF and auxiliary consumption.

Station	Derated capacity (KW)	Estimated generation			Actual generation		
		Generation (MU)	PLF (%)	Auxiliary consumption (MU)	Generation (MU)	PLF (%)	Auxiliary consumption (MU)
Dishergarh	14200	76.00	61	7.98	80.17	64.5	7.17
Seebpore	5800	22.8	45	2.28	22.15	44	2.17
Chinakuri	20000	135.0	77	12.19	140.23	80	12.91
TOTAL	40000	233.8	66.7	22.45 (9.6%)	242.55	69.2	22.25 (9.2%)

6.4 As per the above table, the PLF ranges for the three stations from 44 to 80%. It appears that the auxiliary consumption in the average is only 9.2% which is reasonable. We may, therefore, accept the figures of total generation and auxiliary consumption for the purpose of energy balance, fuel cost etc. for this year.

6.5 However, certain points are worth-note in this connection. It is gathered from the tariff petition of DPSCL that there are ten boilers in Dishergarh and out of the old five boilers, only two are stated to be running at a time or kept in service along with the other three comparatively new boilers. Two additional old boilers are kept as stand-by. Repair is being shown to be done on five old boilers during the earlier period, but the data for the year under review is not projected. It is also gathered that three sets of turbo-generators are working and the set no. 2 is kept as stand-by. While working out PLF this has not been considered. The turbo-generator no. 2 in Seebpore, is stated to be not in a position to run continuously. The turbo-generator set no. 5 has been shown to be down since August, 1999 ; but at the same time was reflected for maintenance for nil days in 1999-2000 and for six days only in 2000-01 which is contradictory. The authority that had approved the derating of the stations has not been indicated in the petition. This is important in the face of the audited account of the DPSCL for 1999-2000 under the Electricity Act, 1910, wherein installed capacity has been certified as 46375 KW.

6.6 With our acceptance of the actual generation, PLF and auxiliary consumption at 242.55 MU, 69.2% in the average and 9.2% in the average respectively, we direct DPSCL to submit a note giving the required details on the working of the boilers and turbo-generators at Dishergarh and Seebpore stations.

DPSCL is also directed to submit a detailed note giving the reasons and justifications for keeping these assets in the Asset Base which can not be economically used and are not fully operational and also incur unnecessary expenditure on repair and maintenance, at the time of submission of their claim for fuel cost adjustment. We further direct them to improve generation to the extent possible at Chinakuri and Dishergarh stations and with these directions, the aforesaid generation figures are accepted.

CHAPTER - 7 : SALE FOR 2000-01

7.1 In this chapter we shall take up sale and purchase and T & D loss. As per projection of DPSCL, the sale for the concerned year was 774 MU. The year being over, the actual sale as verified by our Consultants, amounted to 763.44 MU after T & D loss of 5.8% and self consumption 3.550 M.U.. We accept the sale figure (actual) for 2000-01.

7.2 It is gathered that the WBSEB supplies power to DPSCL on one point and takes power from them at several points and under direction from the State Government, billing is done by DPSCL on net quantity basis after "setting off" the supply by WBSEB from their supply to WBSEB at 11 KV. In DPSCL's view this setting off for adjustment is a commercial arrangement and the whole of the sale by DPSCL to WBSEB has been indicated in their sale figure so that the total metered

power could be accounted for and separate accounts may be kept for the amount supplied by WBSEB to DPSCL for the purpose of adjustment. From the correct accounting and financial angle, the sale and purchase should be supported by bills both from buyers and sellers and it is also not correct to notionally show first as purchase and then as sale of same portion of quantity at same rate between same parties during same period. However, for the time being this is not being objected under these petitions but WBSEB is to bear the cost for the T & D loss on account of that supply which is being adjusted and not being billed because of billing being on the basis of net quantity.

7.3 We further direct that this matter is to be taken up between WBSEB ad DPSCL for proper coverage in their power purchase agreement with a clear indication if the supply made by WBSEB is to be taken back as a supply for their own use, in which case WBSEB is to pay wheeling charge to the DPSCL including T & D losses and both should reflect the same in their accounts appropriately. This observation will have its own reflection while we take up the tariff petition of WBSEB and it will suffice here to indicate that in their petition WBSEB have not shown sale and purchase of such set off quantity.

7.4 On T & D loss, the projected figure was 5.5% and the actuals was 5.8%. A table below would give an idea of the energy generation and other items for estimation of T & D loss.

Sl.No.	I t e m	M U	
		Projected	Actuals
1.	Energy generation	234.00	242.548
2.	Auxiliary consumption	22.00	22.249
3.	Energy available ex-bus	212.00	220.299
4.	Purchases	611.00	593.977
5.	Generation and purchases	823.00	814.276
6.	Less self consumption	4.00	3.550
7.	Energy available for sale	819.00	810.726
8.	Energy sales (actuals)	774.00	763.440
9.	Energy losses	45.00	47.286
10.	Loss percentage (%)	5.5	5.8

7.5 Our Consultants have made a comparison of the T & D losses of DPSCL for the last several years as per the following table.

Item	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000
Net energyavailable for sale (MU)	695	702	732	735	745	779
Energy sales (MU)	642	675	705	707	731	755
T & D loss (MU)	53	27	27	28	14	24
T & D loss (%)	7.62	3.85	3.69	3.80	1.87	3.08

7.6 Barring an exceptional high for 94-95 and an exceptional low for 1998-99 the T & D loss

percentage was ranging between 3 & 4%. It may be noted here that the low T & D loss in Dishergarh power system prompted a Rajya Sabha question and it was pointed out that the low projected loss was due to defective metering at DVC points of supply to DPSCL. The State Govt. appointed a Committee to look into the matter and it was confirmed that defective metering at DVC points of supply was the cause of the abnormal fall in T & D loss. This was rectified. The Consultants have therefore recommended T & D loss for the year at 5%.

7.7 The Consultants, however, failed to note that the State Govt. in May, 2000 intimated in the material for information for the Rajya Sabha that after the rectification of defect by DVC, the T & D loss came back to the normal figure of 4%. The DPSCL is a utility supplying energy to a small number of consumers (only 358) at 11 KV and the area of operation is also not wide. Moreover, there has been substantial capital expenditure on transmission and distribution assets over the last so many years. From all these figures we can only opine that the projected T & D loss for the concerned year is high and only 4% T & D loss could be allowed and we are allowing that much only. We further direct the DPSCL to make all-out efforts to reduce the T & D loss further.

7.8 Actual sale is 763.440 MU. This includes sale of energy to WBSEB on set-off basis of 46.397 MU and also T & D loss thereon of 1.856 MU at 4% basis. This T & D loss of 1.856 MU shall be charged to WBSEB at the rate at which power from DVC is being purchased.

7.9 Having accepted the "Metered-sale" of 763.44 MU as actual sale for 2000-01 which includes sale of energy to WBSEB on set off basis, the following table indicates the energy requirement and the energy supply plan for FY 2000-01.

Energy requirement

Actual supply / sales to consumers (metered)	: 763.44 MU
Normative T & D losses	: 31.81 MU
Energy requirement for supply / sales (Ex-bus)	: 795.25 MU
Own consumption	: 3.55 MU
Total energy requirement (Ex-bus)	: 798.80 MU
Energy supply plan	
Own generation	: 242.548 MU
Aux. consumption	: 22.249 MU
Ex-bus generation	: 220.299 MU [WBSEB : 46.397 DVC : 532.10]
Total energy available (Ex-bus)	: 798.80 MU
Less : Own consumption	: 3.55 MU
Energy available for sale (Ex-bus)	: 795.25 MU
T & D loss (@ 4%)	: 31.81 MU
Actual supply / sales to consumers (metered)	: 763.44 MU

From the above table it would be evident that with the ex-bus own generation fixed at 220.299 MU, the normative purchase of power from WBSEB and DVC sources works out to 578.50 MU to meet the actual sales of 763.44 MU. As we have already indicated in paragraphs 7.2 and 7.8, WBSEB is to bear the cost of additional power purchase from DVC on account of the T & D loss caused for supplying the "set off" energy to WBSEB which works out to 1.856 MU @ 4% on 46.397 MU of "set off" energy.

CHAPTER - 8 : FIXED COSTS

8.1 Under this head, we are to look to several aspects and we take them up one by one.

8.2 Employees Cost

On this count, the utility has projected a sum of Rs. 1656.79 lakhs for the year 2000-01 against Rs. 1499.40 lakhs for the last year. The employees cost has been included in various heads of cost

and we have dealt with such costs at one place under the present head.

8.3 As per the analysis by our consultants, there is an increase by 11.6% in employees cost over the last year and they have opined that this increase is reasonable, in view of annual increment in pay, increase in DA and other expenses. They have further opined that employees cost covered only 5.2% of the total expenditure. Together with it, the consultants have pointed out a sum of Rs. 480 lakhs projected as expenditure relating to employees in the corporate office and then the total would amount to 7% of the total expenditure. The ASCI opined that in most of the utilities in India the employees cost ranges between 5.25% to 12% and as such they recommended acceptance of the estimated cost.

8.4 We have given a thought over the recommendation of the consultants. In our view the employees cost as projected was very high in view of the fact that the total number of employees is 1030 even though the total number of consumers served by the DPSCL is around 350-360 and that too at 11 KV supply. There is a small generation from 40 MW stations, the balance power is purchased from DVC or WBSEB. The projected cost is Rs. 10 crores for the employees in generation, transmission, distribution and sale Rs. 4.80 crores for the corporate office, Rs. 0.06 crores for the Directors, Rs. 1.66 crores for PF and pension and Rs. 0.06 crores for Apprentice and Training. The salary and wages and other employees cost charged, if any, under other expenditure head like R and M work for customers, fixed assets and capital work in progress have not been disclosed. The employees cost at the corporate office at Rs. 480 lakhs excluding cost of PF pension etc. is abnormally high.

8.5 We further observe that the PF Gratuity and pension contribution is 11% of total salary wages including facilities and perquisites and it needs review as contribution not covered by law or scheme approved by State Govt. is not admissible. We also feel that the provisions for leave and post retirement medical benefit etc. are not admissible. The projected rate of increase in the employees cost by 11.6% over the last year is also high. We are, therefore, not allowing any increase in the employees cost, rather imposing an adhoc cut over the expenditure of last year and reducing the provisions included therein and fixing the amount at Rs. 13.50 crores. The adhoc cut works out at about 5% only. We further direct that the utility shall take immediate steps to reduce the employees cost further and give a detailed note on the action taken towards reduction of cost within a time bound period. The note should be placed with the next tariff petition.

8.6 Repair and Maintenance including consumption of stores and spares

On this score the expenses in 1999-2000 were Rs. 6.75 crores and our consultants have recommended for 2000-01 a sum of Rs. 7.34 crores based on actuals including the amount of stores and R and M covered under miscellaneous expenses and other expenses against a projected claim of Rs. 8.73 crores. We may not make a comparison between these expenses and the assets as the cost of Chinakuri Power Station (CPS) has not been included, it being on lease, and the cost of assets other than CPS is Rs. 40.63 crores which includes substantial amount of assets which are not used / available for use or kept stand by as discussed elsewhere in this order. Moreover the utility has spent substantial amounts by way of capital expenditure including expenses on renovation, replacement and conversion etc. during the last seven years. It further appears that a substantial sum is being spent towards R and M in the head office. The consumption of stores component and spares out of the R and M expenses in the last two years was 23% and 26% of R and M expenses. We are of the view that the sum claimed under this head should be reduced as there is no justifiable reason for incurring such huge expenses. We decide to retain the R and M figures for the last year with an adhoc cut of 10% and allow 6.075 crores (6.750 - 0.675) for this year towards R and M expenses with a clear direction upon the DPSCL to curtail the costs further by avoiding unnecessary expenditure and give a detailed note justifying such expenditure.

8.7 Fuel related cost

This is delinked from fuel costs and is brought under the general head of fixed costs. For this year, this cost has been recommended as Rs. 40 lakhs. There are no details and the expenses are similar to those for the last year. Fuel related cost has some bearing with the actual fuel consumption. Even though coal consumption is less by 4% this year than the last year, total consumption of coal is 214650 MT and the fuel related cost has been projected as Rs. 71.20 lakhs. We accept the recommended fuel related cost of Rs. 40 lakhs.

8.8 Miscellaneous and other costs

This covers lease rental of Rs. 3.50 crores, insurance Rs. 21 lakhs, TA Rs. 30 lakhs, water charges Rs. 8 lakhs. Other details concerning small items are not available. We accept the recommendations of our consultants in this respect and allow Rs. 6.11 crores as expenses on the present head although we feel that for a small unit like the DPSCL the expenses are on the higher side. We advise the utility to contain the expenses on this head.

8.9 Rent, Rates and Taxes

Consultants have recommended a sum of Rs. 29 lakhs on this head against a projected claim of Rs. 51 lakhs, as expenditure on registration of land and building in Salt Lake which could not be completed. This is accepted for 29 lakhs only against a total claim of Rs. 145 lakhs projected by DPSCL.

8.10 Depreciation

Our consultants have recommended depreciation amounting to Rs. 132.53 lakhs. This is about 3% of the Capital cost of the fixed assets. This depreciation has been claimed and recommended stating the ANNUITY method and adopting the method prescribed under clause 1(i) of the notification dated 12.12.86 with amendments made for prescribed period of life based on the notification of 1992. The consultants are of the view that the assets of the DPSCL are very old, some plants having vintage of 50 to 70 years, but still the cumulative depreciation is Rs. 1271.47 lakhs against gross assets of Rs. 4292.77 as on 31.3.2001. As we had observed earlier in this order, concerning boilers and turbo-generators, a good number of other assets are also not used or are not usable, but still they have not been deleted from asset value. We did not get any detailed justification from our consultants or from the utility for making calculations in the present method. The DPSCL however by a subsequent communication gave the relevant figures based on 1994 notification and admitted the mistake in adopting the present method of calculation.

8.11 In our view, charging of lower yearly depreciation apart from charging less depreciation in the initial years has its own impact on raising the reasonable return to the utility as it is calculated on higher net costs of the fixed assets from year to year. The impact on depreciation ultimately will not be there as initial less amount of depreciation will be fully covered upto the limit of 90% of the asset value including the interest calculated under such annuity method. DPSCL has also claimed Deferred Taxation Reserve which has been discussed separately. There is impact on certain other items which will be taken up separately.

8.12 We direct the DPSCL to work out correctly its cost of net fixed assets to be brought forward from year to year from 1992 onwards by applying correct rates and method of depreciation based on assets necessary and in use, the depreciation actually charged and submit the note along with calculations to enable the Commission to examine and decide the issue including the net cost of Fixed Assets to be taken on 1.4.2000 with further directions to charge depreciation accordingly in future from the FY 2002-03.

8.13 Pending this, we allow the depreciation as worked out by the consultants, amounting to Rs. 132.53 lakhs for this year and we shall follow this line for 2001-02 also with a further direction that any difference between the entitled reasonable return on such cost and the depreciation computed under the straight line method for these two years is to be adjusted (either positive or negative) in the tariff petition for 2002-03.

8.14 Interest on consumer deposit

On this head DPSCL has claimed and our consultants have recommended a sum of Rs. 6.50 lakhs and we accept the recommended amount of expense in this regard.

8.15 Audit and legal fees

On this head, DPSCL has claimed and our consultants have recommended for 2000-01 a sum of Rs. 7 lakhs towards audit fee and Rs. 15 lakhs towards legal fees. Both appear to be high looking to the small operation of the company. During the last three years, the Audit fee has increased

many folds. We, therefore, retain the level of 1998-99 towards Audit fee and allow Rs. 6.52 lakhs. Although high, we may not interfere with the legal fee of Rs. 15 lakhs as projected. We direct the DPSCL that they must make every endeavour to curtail their expenses on audit and legal accounts also.

8.16 Taxes on income and profit

On this score the DPSCL has claimed and our Consultants have recommended a sum of Rs. 600 lakhs subject to actual payment and have supported their view with reference to last year figure of Rs. 570 lakhs. However, they missed the important point that in this petition even though for the next year the Reasonable Return claimed in petition has increased more than 100% but Taxes on Income including Taxation Reserve shown has gone down to less than half. DPSCL, however, have amended the figures for Income Tax in 2001-2002 in the petition submitted after about 20 days and brought it to Nil in the relevant Annexure (though in another Annexure it has been shown to Rs. 6.70 lakhs). DPSCL has given date-wise payment details. The figure given by the DPSCL in this regard is Rs. 586 lakhs including TDS of Rs. 5 lakhs. This is really the advance tax deposited against a business profit of Rs. 1600 lacs (tax being 35% and surcharge on tax 13%).

Schedule - VI of E.S. Act, 1948 permits inclusion in expenditure (properly incurred) all taxes on income and profits. Although PROFIT has not been defined but CLEAR PROFIT stands defined as the difference between the amount of income and expenditure plus specific appropriations as specified therein. CLEAR PROFIT may not exceed the reasonable return. The tax on profit, therefore, is to be calculated accordingly.

The figures quoted by Consultants are towards payment of advance tax and we are concerned with payment of actual tax liability. The Balance Sheet for the concerned year (dt. 31.3.2000) shows that the Loans and Advances Schedule has an outstanding balance of Rs. 5315.60 lakhs shown as recoverable / advance payment of tax and a separate provision for taxation had been created for Rs. 5240.97 lakhs. Even on above average, and otherwise also, it looks that amounts pertain to more than 10 years and adjustments appears to be not much. In addition to this, a Deferred Taxation Reserve of Rs. 873.72 lakhs had also been created up to 31.3.2000 and shown in the Balance Sheet under Reserve and Surplus as a part of Share Holders' Fund. This, in our view, is not correct as it appears to have been created over the years to cover uncertain amount of future tax liability collected well in advance on differential rate of depreciation between Income Tax Act and the Electricity (Supply) Act and has been claimed under special Appropriations to be covered through tariff in the petition for this year also for Rs. 34.95 lakhs. This has been decided later. Also THE CREATED AMOUNT IS / SHOULD HAVE BEEN ADJUSTED AGAINST INCOME TAX IN FUTURE including for difference in Income Tax rates. This cannot be taken as shareholders FUND. Income carried on this, if any, to be also seen for appropriate adjustments.

8.17 We direct DPSCL to give for last 5 years all the relevant details, papers, documents, tax-audit reports, note of filing, assessment, appeal of I-T cases, refunds received etc. and reasons and justification for such large outstanding balances under the above heads to enable the commission to examine the issue in depth and then taken appropriate action as may be required including credit to consumer account.

8.18 We allow the DPSCL under this head tax calculated at 35% of the clear profit in Reasonable return that has been allowed plus 13% surcharge on the tax less the tax free amount and income from other investments included therein, if any, after considering and reducing differential depreciation and the sum under this head is assessed at Rs. 74 lakhs but we provisionally allow adhoc Rs. 100 lakhs.

8.19 Intangible Assets

An amount of Rs. 10.67 lakhs is allowed towards installment of intangible assets.

8.20 Contingency Reserve

For Contingency Reserve, the ASCI has recommended Rs. 6.18 lakhs being limited to 5% of original cost of fixed assets. The total Contingency Reserve as on 31.3.2000 is Rs. 208.46 lakhs and has been shown as Share Holders' Fund but the same is required to be used by utility for

meeting such charge as specified in the Act with the approval and balance to the purchaser. If the purchaser is the Govt. or the Board, then the balance is to be paid to purchaser after deduction of the compensation payable to the employees. We are not allowing any appropriation this year for the reasons given under Fixed Assets costs.

8.21 Other Appropriations

On this head, an amount of Rs. 130.93 lakhs has not been recommended by the Consultants as there was no approval from the State Govt. we do not allow this claim for an additional reason for refusal for an amount of Rs. 34.95 lakhs as deferred taxation reserve for reasons which we have already covered and as tax should be claimed as and when determined and actually paid on appropriate income at applicable rates on the date of liability.

CHAPTER - 9 : VARIABLE COSTS / EXPENDITURE

9.1 Power purchase costs

DPSCL has claimed an amount of Rs. 158.19 crores towards power purchase cost for the year 2000-01 on the basis of their actual drawal of energy of 593.977 MU from DVC and WBSEB. The quantum of purchase required by DPSCL from the above two sources have been re-worked by the Commission on the basis of normative energy requirement for the FY 2001 as explained in para. 7.9. Power purchase allowed from WBSEB and DVC sources to meet the actual sales for the year 2000-01 is furnished below :

WBSEB … 46.40 MU
D V C … 532.10 MU

The power purchase cost for the FY 2001 works out to Rs. 149.19 crores at an average purchase rate of 183.29 p./unit for WBSEB and 264.40 p./unit for DVC as indicated in DPSCL's petition.

We, therefore, allow an amount of Rs. 149.19 crores towards power purchase cost against Rs. 151.59 crores as recommended by the Consultants for the FY 2001.

Further, out of the above cost, an amount of Rs. 49.01lakhs shall be charged extra against WBSEB drawal to account for the T & D loss of 1.856 MU as explained in the paras. 7.2 and 7.8 (purchase of 1.856 MU from DVC source @ 264.40 p./unit).

9.2 The power from WBSEB (without considering the revision from 19.1.1997) is found cheaper than the power from DVC (considering the revision from 1.9.2000). At any point of time if WBSEB power is cheaper than DVC power, the DPSCL must opt for the cheaper one subject to system constraints. We further find that the generation cost of power at the Seebpore unit is very high and when cheaper power is available, the DPSCL must justify the continuance of this unit for generating about 20 M.U. p.a. (at Bus Bar) and if they cannot, they must plan and phase out this old and inefficient unit.

9.3 In Chapter-7 of this order we had indicated how to take into account the power supplied by WBSEB to DPSCL and vice-versa. It is an undisputed fact that the DVC gives a rebate of 15% on power supplied to the SEBs in Bihar (now Jharkhand) and West Bengal. It is to be seen by the DPSCL if the matter could be taken up with WBSEB so that the power taken from DVC and sold by DPSCL to WBSEB may be considered as wheeling of that amount of power by the DPSCL for WBSEB and if DVC may permit the allowable rebate of 15% over this supply instead of continuing subsidised power to WBSEB as has been demanded by WBSEB.

9.4 Fuel Costs

The complete break-up and basis of the projected fuel costs have not been given. The Consultants have recommended the actual fuel costs amounting to Rs. 3611.86 lakhs including Rs. 40 lakhs as fuel related costs. The heat rates (K.CAL / KWH) for the Dishergarh Power Station (DPS), Chinakuri power station (CPS) and Seebpore Power Station (SPS) have been taken as 5774, 3703 and 7871 respectively. These rates, specifically the one for SPS, are quite high. Considering the

vintage of the Stations and the old technology of the plants we accept the fuel cost of Rs. 3571.86 lakhs as recommended by our Consultants and Rs. 40 lakhs fuel related cost allowed separately. We, however, call upon the DPSCL to make every effort to reduce the costs. As we have accepted the actual costs, we direct that for this year no further Fuel Adjustment or Fuel Surcharge shall be allowed for cost covered under this para.

CHAPTER-10 : CAPITAL ASSETS AND REASONABLE RETURN

10.1 For the present year and the next (2000-01 and 2001-02) we propose to assess the fixed assets on the closing balance of the year. This approach may be reviewed for the future years (i.e., 2002-2003 onwards).

10.2 Original cost of fixed assets

As per recommendation of the Consultants, the Fixed Assets are valued at Rs. 4292.77 lakhs at the close of the year less a sum of Rs. 286.44 lakhs as contribution from consumers, taking the net to Rs. 4006.33 lakhs. It is observed that the gross block of the assets is being increased every year and in the last seven years it has virtually doubled from Rs. 2189.07 lakhs on 1.4.1993 to Rs. 4169.19 lakhs on 31.3.2000. The generation capacity has, however, not increased. The expenditure on generation assets is not much in comparison to that incurred on transmission and distribution assets and other assets. The figures have been projected after withdrawal of assets sold or discarded. For five years, including the current, the amount of assets withdrawn appears to about Rs. 48 lakhs. There are large number of items which had already lived out their prescribed life period. Such assets as per audited accounts under the Electric Supply Act were valued at Rs. 380 lakhs on 31.3.2000. We had already indicated that some of the assets are not being fully and economically utilised or capable to be used or kept as stand by. There is lot of work relating to replacement etc., construction of quarters, purchase of meters for future customers for which no cost benefit analysis has been given. If we take a total view of these aspects for the past years, we may reach a substantial figure. As a signal of our disapproval of the inefficiency as pointed out above, we reduce provisionally on adhoc basis Rs. 302 lakhs which comes to about 10% of net assets as on 31.3.2001 and ASSESS THE VALUE OF ORIGINAL COST OF NET ASSETS AT RS. 3990.77 lakhs and direct the utility to give full details and justification along with cost benefit analysis not only from the point of view of utility but also of the consumers and review the assets which are not in use or not economically used or not usable and take them out of the gross block. This report may be submitted with the tariff petition for 2002-2003 and then commission will take a final view. This exercise in future be done periodically preferably at least once in a year before closing and finalisation of accounts.

10.3 Consumer Contribution

This has been assessed by the Consultants at Rs. 286.44 lakhs, but they have not included the advance from the consumers. The net figure of this sum on 31.3.2000 is Rs. 92.72 lakhs, but figure of 31.3.2001 are not given. Both figures are to be deducted from the sum posed as capital assets. In the absence of the advance figure we assume the same amount for 2001-02 and the assets, after this deduction, comes to Rs. 3611.61 lakhs.

10.4 Cost of intangible assets

On this score, the Consultant have recommended a sum of Rs. 183.12 lakhs for inclusion in the capital base and deducted separately the written off figure of Rs. 85.71 lakhs. So the net amount which may be included in the capital base as cost of intangible assets is Rs. 97.41 lakhs.

10.5 Cost of work in progress

Our Consultants have recommended a sum of Rs. 1373.31 lakhs on this score but complete details of major items of this expenditure are not given. It appears that it also includes other project work relating to construction of a new 10 MW project at Chinakuri PS and for evacuation of power from CPS. These two items may not be taken as work in progress for tariff because these are new projects and not work in existing system and as such the projected expenditure on these projects

for this year along with the actual expenditure at the beginning of the year amounting to Rs. 567.55 lakhs is to be deducted from the projected sum of Rs. 1373.31 lakhs.

10.6 The DPSCL proposes to construct substations at Bankola and Mongalpur at estimated costs of Rs. 2000 lakhs and Rs. 1500 lakhs respectively, but has not come forward with any cost benefit analysis and justification. They have already incurred Rs. 34.59 lakhs till last year. The expenditure already incurred is also not allowed.

10.7 Though the Consultants have reported that Office Building at Salt Lake is not taken in the Fixed Assets but they have not reported whether it has been also taken out from cost of work in progress if included and the amount so included. For the Office Building at Salt Lake, a cost of Rs. 569.26 lakhs is involved. No cost benefit analysis or detailed justification have been given. If there is no demonstrable saving in expenditure or any other justification, such a huge cost for a small an localised company like DPSCL may not be rational. Once they are allowed to include this cost without any justification, they would be entitled to get a 16% return thereon and certain other costs which would finally be burdened on the consumers. A feeble explanation has been given by the DPSCL for this expenditure saying that they run their Kolkata office in a rented accommodation and for liaison with the Government and this Commission it was necessary to have their office at Kolkata in their own building. The petition in details indicates that the annual rent paid by them is only Rs. 18 lakhs for the present rented office building. This splits up into a mere Rs. 1.5 lakhs per month. Moreover, most of their consumers are located near or around Asansol. Making an office at Kolkata with such a cost would neither be consumer-friendly nor cost-efficient. We, therefore, can not allow this expenditure to be included in tariff. We, however, give the utility a direction to give detailed justification along with cost benefit analysis including Techno-economic viability for taking up such a massive expenditure at an early date so that it can be examined whether expenditure was necessary, required, economical and with optimum use of Resources.

10.8 In the absence of adequate details and justifications we instead of Rs. 1373.31 lakhs, allow Rs. 300 lakhs under this head provisionally which shall be reviewed after receipt of details and adjustment if any required will be done appropriately in the light of the above decisions.

10.9 Compulsory Investments

On this score the recommendation of the Consultants speak of a sum of Rs. 200.59 lakhs including a sum of Rs. 6.18 lakhs to be appropriated during this year under compulsory investments against Rs. 219.71 claimed by DPSCL. If we take on this basis then we would be allowing not only an appropriation but also full return on the same. As per sub-para. (2) of Part IV of Schedule-VI the amount of contingency reserve appropriated is to be invested within 6 months of the close of the year in approved securities. We must therefore take the opening balance for the year i.e the amount before appropriation for the year (we have not allowed appropriation this year). Consultants have, however, missed the point that appropriation of the last year shall be available for investments and Contingency Reserve balance is Rs. 208.46 lakhs against investment of Rs. 194.41 lakhs as on 31.3.2000. We, therefore, allow Rs. 208.46 lakhs.

10.10 Working capital

On this score the Consultants have recommended a rise from Rs. 1549.53 lakhs to Rs. 1664.62 as claimed by DPSCL as in their opinion Rs. 1280 lakhs stand for one month's fuel cost and cost of stores etc. plus average cash and bank balance of Rs. 384.62 lakhs. According to assessment of Consultants increase is 7.4% over the last year. In our analysis, percentage of increase is 5.88 for stores and fuel and on this basis, the cost of fuel in hand for one month comes to Rs. 280 lakhs and the rest Rs. 1000 lakhs are to go for costs of stores. The last mentioned figure according to our analysis, is equivalent to about 67 months' consumption and not of one month as recommended. This has been worked out on the basis of last years average consumption of stores which includes stores purchased and consumed directly and other stores. Either the inventory kept is very high or dead stock or non-admissible items are not taken out or both. We do not accept the sum projected as working capital and we make an adhoc cut in the cost of stores / spares at hand. We allow

Cash and bank balance	… Rs. 384 lakhs
Fuel at hand	… Rs. 280 lakhs
and Stores/spares in hand	… Rs. 500 lakhs
Total	… Rs. 1164 lakhs

only on the present head. We also direct the DPSCL to give a detailed note on correct classification and identification of stores, spares and other components and also direct them to contain their costs with effective steps towards reduction of stores and spares, etc. to an acceptable level along with justification and that should be achieved within the next two years.

10.11 Accumulated depreciation

The Consultants have recommended a sum of Rs. 1271.47 lakhs towards accumulated depreciation. While discussing depreciation under expenditure head we had indicated how the calculations are to be made. We presently, therefore, accept the views of our Consultants and fix the sum under this head provisionally at Rs. 1271.47 lakhs.

10.12 Security deposit by consumers

We accept the recommendation of Consultants in this respect and assess the sum under this head at Rs. 209.06 lakhs.

10.13 Development Reserve

Consultants have recommended a sum of Rs. 68.59 lakhs on this score. They have however not shown any reason to exclude a sum of Rs. 101.46 lakhs appearing in the audited balance sheet forming part of Annual Report and Accounts for 1999-2000, as Development Reserve II. This amount is also in the nature of Development Reserve and adding the two sums, we fix a sum of Rs. 170.05 lakhs on this score.

10.14 Tariff and Dividend Control Reserve and Consumer Account

Consultants have recommended for accepting a sum of Rs. 5.42 lakhs on this head (consumer account). The tariff petition states that clear profit was less than entitlement and as such no addition was to be made in this account. This position needs to be checked thoroughly after determination of Tariff for this year and after considering the impact of Fuel Surcharge adjustment, taxes on income and profits and impact of the scrutiny of the documents, information etc. to be furnished in terms of the directions given in this order. We, however, find that a provision for Rs. 655.56 lakhs has been made in 1998-99 pending review of T and D losses. The Auditors has qualified for this contingency provision for T & D losses in their Auditor's Report on the Balance Sheet and Profit & Loss Account for the year 99-2000. We have already discussed on T & D loss in chapter 7 earlier. We are of the opinion that as the amount has been billed and collected from consumers there is no reason or justification to have kept this as a separate provision. We, therefore, direct for inclusion of this amount of Rs. 655.56 lakhs in the opening balance of consumer account of 2000-2001 and further direct DPSCL to give a detailed note leading to creation, continuation and manner in which it is proposed to be adjusted / dealt with so that we may give further necessary directions in this regard. We presently fix consumer account balance at Rs. 660.98 lakhs at the beginning of the year.

10.15 Reasonable Return

Based on the above decisions, the net Capital Base and Reasonable Return thereon are as under :

	Para	(Rs. in lakhs)	(Rs. in lakhs)
A. Capital Base	10.2 /		3611.61
1) Original cost of Fixed Assets (Net of contributions from consumers)	10.3 10.4		97.41 300.00

2) Cost of Intangible Assets (net)	10.8		208.46
3) Cost of work in progress	10.9		1164.00
4) Compulsory Investments	10.10		
5) Working Capital			
Sub-Total			
Less :			5381.48
1) Accumulated Depreciation	10.11	1271.47	
2) Security deposit by consumers	10.12	209.06	
3) Development Reserve	10.13	170.05	
4) Consumer Account	10.14	660.98	
Sub-Total			2311.56
Net Capital Base			3069.92
B. Reasonable Return			
1) On capital base upto 31.3.1965 @ 7% on Rs. 106.29			7.44
2) On capital base from 1.4.1965 to 15.10.1991 @ 10% on Rs.1991.04			199.10
3) On balance @13% on Rs. 972.59			126.44
Rs. 3069.92			332.98
Total B			
C. Other items			
1) Income from investments other than Contingency Reserve Investments	11.2		
2) 0.5% on accumulation of Development Reserve of Rs.170.05			

Total C		16.68	17.53
Reasonable Return (Total B+C)		0.85	
			350.51

CHAPTER - 11 : OTHER INCOME

11.1 Consultants have recommended acceptance of Rs. 302 lakhs as other income. The fall in other income is by 25% over the last year and the major shortfall is in interest and general receipts. In our view, the general receipts may be kept at the level of 1999-2000 at Rs. 61.44 lakhs instead of Rs. 28 lakhs as projected. According to this calculations the figure under this head comes to Rs. 335.44 lakhs and we fix the same on this score.

11.2 The Consultants have recommended Rs. 210 lakhs as Investment Income other than Contingency Reserve as claimed by DPSCL to be added in Reasonable Return. No details or justification for this sum have been given. It is observed that Investment Income as per audited accounts for 1999-2000 was only Rs. 40.48 lakhs including Contingency Reserve investments. The total investments as at 31.3.2000 was Rs. 330.40 lakhs out of which Contingency Reserve is Rs. 194.41 lakhs and Rs. 135.99 lakhs other investments. The total interest and investment income has been projected at Rs. 234 lakhs for this year out of which investment income other than investment income for Contingency Reserve is Rs. 210 lakhs which looks to be doubtful as it leaves only Rs. 24 lakhs for Bank interest and Contingency Reserve investments. The Bank interest becomes practically nil against Rs. 268.09 lakhs of last year. We, therefore, fix the figure, based on last year investment income and bifurcate the same on the basis of Contingency Reserve Investments and other Investments, to Rs. 16.68 lakhs.

CHAPTER - 12 : REVENUE REQUIREMENT FOR THE YEAR 2000-01

12.1 The above analysis of costs of generation, energy purchase and other expenditures including Reasonable Return and other income leads us to the determination of Revenue Requirement for the FY 2000-01 and we give below the same in a tabular form.

STATEMENT OF REVENUE REQUIREMENT

	Particulars	As Per Tariff Petition of DPSCL	As per Consultants Analysis	As Directed By Commission
	REVENUE REQUIREMENTS	RS	IN LAKHS	
1.	Purchase of power	15819.00	15159.18	
2.	Fuel cost of own generation	3408.00	3571.86	14919.13
3.	Employees cost	1656.79	1656.79	3571.86
4.	Repairs & maintenance	848.59	709.35	1350.00
5.	Misc. expenses	636.12	636.13	607.50
6.	Rent, rates & taxes	51.00	29.00	

7.	Legal expenses	15.00	15.00	611.00
8.	Fuel related cost	40.00	40.00	29.00
9.	Audit fees and expenses	7.00	7.00	15.00
10.	Depreciation	145.00	132.53	40.00
11.	Interest on consumer's security	6.50	6.50	6.52
12.	Total Expenses (1 to 11)	22633.00	21963.34	132.53
13.	Special Appropriation			6.50
	a) Taxes on Income & Profit	600.00	600.00	21289.04
	b) Intangible asset written off	10.67	10.67	
	c) Others	130.93		100.00
	d) Contingency Reserve	25.30 *	6.18	10.67
14.		978.54	904.90	
15.	Reasonable Returns	24353.14	23485.09	
16.	Gross Revenue Required (12-14)	302.00	302.00	350.51
17.	Other income	24051.14	23183.09	21750.22
	Net Revenue Required (15-16)			335.44
				21414.78

* Shown by the utility as a separate item below the line, but not included in the total claim - hence not indicated in the present total.

Note : The figures of DPSCL and of Consultants have been re-grouped / re-arranged to make those comparable.

12.2 The Reasonable Return and the consequent tariff may undergo some small changes based on review and scrutiny of the informations, data, documents, details, notes etc. required to be given by DPSCL under this order and based on such review we shall decide further action, if any required to be taken under clause 38(2) of the CBR and section 29(6) of the ERC Act 1998.

12.3 The average cost of supply for the FY 2000-01 works out to 286 p. / KWH excluding the effect of the WBSEB "set off" energy with associated T & D losses as given below.

Net Revenue	: Rs. 21414.78 lakhs
Less : Cost of import of "set off" energy	: Rs. 850.41 lakhs
Less : Cost of import of energy on account of associated T & D loss	: Rs. 49.01 lakhs
Net revenue to be realised from consumers	: Rs. 20515.36 lakhs

Net sale for average cost of supply : 763.44 MU - 46.397 MU (rounded 46.40 MU) = 717.04 MU

Average cost : 286 p. / KWH (rounded off)

12.4 The FY 2000-01 is already over. The utility shall be entitled to realise within the FY 2001-02 a sum of Rs. 49.01 lakhs from WBSEB on account of cost of import of energy associated with T & D loss suffered for supply of the "set off" energy to WBSEB as indicated in paragraph 7.8 of this order. The utility will realise the sum in equal monthly instalment from September 2001 to March 2002. The utility shall calculate the difference in revenue between the sum allowed in the order for 2000-01 and the sum actually realised / realisable from the WBSEB as directed above. Any over-realisation or shortfall is to be adjusted by refund or realisation to or from the consumers on such percentage of average cost as the consumer was being charged on 31.3.2000. This refund / realisation is to be made during the fiscal in equal monthly instalments.

CHAPTER - 13 : REVENUE REQUIREMENT FOR THE YEAR 2001-02

13.1 On the following analysis of cost of generation, energy purchase and other expenditure including reasonable return and keeping in view the other income we proceed to determine the revenue requirement for FY 2001-02.

Sales :

The projected total sale for this year is 775.00 MU as against an actual sale of 763.44 MU in the previous year. The growth rate is approximately 1.5% and is reasonable in our view and we accept the projected sale figure of 775 MU for the present year.

13.2 Energy requirement and supply plan

As per projection of DPSCL the energy requirement and supply plan is as under :

Sl No.	Item	Energy requirement in MU
1.	Sales to consumers	775.00
2.	T & D loss	37.09 (inclusive of own consumption)
3.	Energy requirement for supply / sales (Exus)(1+2)	
4.	Own consumption (not separately shown)	
5.	Total energy required	812.09

Sl No.	Item	Energy requirement in MU
	Energy supply plan	
1.	Own generation	243.80
2.	Auxiliary consumption and percentage	39.25 (16.1%)
3.	Ex-Bus generation (1 - 2)	204.55

4.	Purchase :	
	a) WBSEB (set off)	50.40
	b) DVC	557.14
5.	Total energy available(Ex-Bus)(3 + 4)	812.09
6.	Own consumption (Not separately shown)	
7.	Energy available for sale (5-6)	812.09
8.	T & D loss and percentage	37.09 (4.57%)
9.	Sale	775.00

13.3 We have accepted the normative auxiliary consumption at 9.2% and T & D loss at 4%. We have also kept the figures for the own consumption by DPSCL at the same level of last year at 3.55 MU. In our view the following energy requirement and supply plan is to be acted upon for 2001-02.

Sl No.	Item	Energy requirement in MU
1.	Sales	775.00
2.	T & D loss	32.29
3.	Energy requirement for supply / sales (Exus)(1+2)	807.29
4.	Own consumption	3.55
5.	Total energy required(3+4)	810.84

Sl No.	Item	Energy requirement in MU
	Energy supply plan	
1.	Own generation	243.80
2.	Auxiliary consumption	22.43
3.	Ex-Bus generation (1 - 2)	221.37
4.	Purchase :	
	a) WBSEB (set off)	50.40
	b) DVC	539.07
5.	Total energy available(Ex-Bus)(3 + 4)	810.84
6.	Own consumption	3.55
7.	Energy available for sale (5-6)	807.29
8.	T & D loss	32.29

9.	Sale	775.00

From the above table it comes out that with the Ex-Bus own generation fixed at 221.37 MU and purchase of energy from WBSEB at 50.40 MU, the normative purchase from DVC for the year 2001-02 will be 539.07 MU.

Employees Cost

For the same reason as given in paragraph 8.5 we allow only Rs. 1350 lakhs on this score for this year also.

Repair and Maintenance

We allow a 5% increase on the costs on this head that was permitted for the previous year and the amount comes to Rs. 607.5 lakhs x 1.05 = Rs. 637.88 lakhs.

Fuel related cost

On this score also we allow a 5% increase over the cost of the previous year and we permit a fuel related cost of Rs. 42 lakhs for this year.

Miscellaneous and other costs

The expenses allowed on this head in the last year was Rs. 611 lakhs covering Rs. 350 lakhs as rent for Chinakuri power station. On the rest of Rs. 261 lakhs we give a rise by 5% taking it to Rs. 274.05 and taking the total on this head to Rs. 624.05 lakhs.

Rent, rates and taxes

We maintain the figure for the last year on this head and allow the same sum of Rs. 29 lakhs.

Depreciation

The sum allowed on this head in the previous year was Rs. 132.53 lakhs. Assets added in the last year is valued at Rs. 123.57 lakhs and taking 3% of this value of added asset as depreciation the total under this head goes to Rs. 136.24 lakhs. We, however, give the same directions to DPSCL as given in paragraphs 8.12 and 8.13.

Interest on consumer deposit

We maintain the figures of the last year and allow Rs. 6.50 lakhs on this head for the present year.

Audit and legal fees

The expenses under this head are also maintained at the level of last year at Rs. 6.52 lakhs for audit and Rs. 15 lakhs towards legal expenses.

Taxes on income and profit

For the present year we assess this sum at Rs. 90 lakhs.

Intangible Assets written off

We allow Rs. 10.67 lakhs for this year also under the present head.

Claim on other heads

Claim on other heads was projected at Rs. 45 lakhs. We find no reason to allow any sum under this head.

Power purchase cost

The DPSCL has claimed an amount of Rs. 16492.00 lakhs towards cost of power purchase on the basis of their projected drawal of energy of 557.14 MU from DVC and 50.40 MU from WBSEB. The quantum of purchase from the two sources have been indicated above in our energy supply plan in the earlier part of this chapter and the cost of such normative energy purchase comes as under :

Sl Source Energy purchased Rate Amount
no. in MU (p/kwh) (Rs. in lakhs)

Sl no.	Source	Energy purchased in MU	Rate (p/kwh)	Amount (Rs. in lakhs)
1.	WBSEB	50.40	183.29	923.78
2.	DVC	539.07	279.43	15063.23
	TOTAL			15987.01 (say Rs. 15987 lakhs)

Cost of fuel

For the past year the consultants had reported that the DPSCL had achieved the following rates of specific consumption of coal in their different plants.

Chinakuri	0.726 kg./kwh
Dishergarh	1.039 kg/kwh
Seebpore	1.378 kg/kwh

For the present year also we accept the above rates of specific consumption of coal in the above plants. The following would show plantwise generation, specific consumption rate as accepted, quantity of coal required as projected and as calculated according to specific consumption rate and generation, weighted average price as provisionally accepted in the absence of details and we have calculated the cost on the basis of the lower figure of consumption of coal between the projected figure and the calculated figure.

Sl. No.	Plant	Generation (MU)	Specific Consumption Rate (kg./kwh)	Quantity of coal (MT)		Weighted Average price of coal (Rs./MT)	Amount on the lower figure of col.5 (Rs.in lakhs)
1	2	3	4	5		6	7
				Projected	Calculated		
1.	Chinakuri	140.00	0.726	109200.17	101640.00	1620.02	1646.59
2.	Seebpore	22.80	1.378	31692.00	31418.40	1710.40	537.38
3.	Dishergarh	81.00	1.039	83346.00	84159.00 (allowed only 83346.00)	1686.98	1406.03
							3590.00

CHAPTER - 14 : CAPITAL BASE AND REASONABLE RETURN

14.1 As indicated in paragraph 10.1 we shall assess the fixed assets on the closing balance of the year.

14.2 Original cost of Fixed Assets

For the past year this was assessed at Rs. 3990.77 lakhs and we have directed the utility to give full details and justifications along with cost benefit analysis not only from the point of view of utility but also of the consumers and to review the assets which are not in use or not economically used or not usable and take them out of the gross block. Conceding that assets have been added during the present year or would be added in the next few months we assess the original cost of fixed assets for the present year at Rs. 4090.77 lakhs and give the same directions to the utility as given in paragraph 10.2.

14.3 Consumer Contribution

For the same reasons as given in paragraph 10.3 we assess this amount at Rs. 389.16 lakhs adding Rs. 10 lakhs to the corresponding figure for the past year and deducting this sum from the original cost of fixed assets for 2001-02 the total comes to Rs. 3701.61 lakhs.

14.4 Cost of Intangible Assets (net)

From the figures of the last year this cost is assessed at Rs. 86.74 lakhs

14.5 Cost of capital work-in-progress

With the same reason as given in paragraph 10.5 onwards we allow Rs. 300.00 lakhs under this head provisionally. We shall be reviewed after receipt of details and adjustment, if any required will be done appropriately in the light of the decisions given on this point in chapter 10.

14.6 Compulsory Investment

We maintain the figure on this head at par with the last year at Rs. 208.46 lakhs.

14.7 Working capital

On this head also we maintain the sum allowed for the last year at Rs. 11.64 lakhs, because the scale of operation remains the same as for the last year. The directions given in paragraph 10.10 would be applicable for this assessment also.

14.8 Accumulated Depreciation

For the present year we allow provisionally a sum of Rs. 1407.71 lakhs.

14.9 Security deposit from consumers

On this head we allow a sum of Rs. 214.06 lakhs, adding Rs. 5 lakhs to the sum for the last year.

14.10 Development Reserve

We maintain the sum allowed last year on this head at Rs. 170.05 lakhs.

14.11 Tariff and dividend control reserve and consumer account

For reasons given in paragraph 10.14 we maintain the sum under this head at par with the figure for the last year (Rs. 660.98 lakhs).

14.12 Based on the above decision the net Capital Base and Reasonable Return thereon as under :
Statement of Capital Base and Calculation for Reasonable Return

Particulars	As projected (Rs. in lakhs)	As admitted (Rs. in lakhs)
1. Original cost of fixed assets	6222.98	4090.77
Less : Consumers' contribution	296.44	389.16
	5926.54	3701.61
2. Net cost of Intangible asset	86.74	86.74
3. Capital work-in-progress	5109.73	300.00
4. Investment compulsorily made	268.32	208.46
5. Working capital	1720.35	1164.00
Total ..... (A)	13111.68	5460.81
1. Accumulated depreciation	1438.65	1407.71
2. Security deposit from consumers	214.06	214.06
3. Development Reserve	68.58	170.05
4. Consumers' Account	5.42	660.98
Total .....(B)	1726.71	2452.80
Net Capital Base (A - B)	11384.97	3008.01
Calculation of Reasonable Return		
A. On Rs. 106.29 lakhs @ 7%	7.44	
On Rs. 1991.04 lakhs @ 10%	199.10	
On Rs. 3414.77 lakhs @ 13%	443.92	
On Rs. 5872.87 lakhs @ 16%	939.65	
Rs.11384.97 lakhs		
On Rs. 106.29 lakhs @ 7%		7.44
On Rs. 1991.04 lakhs @ 10%		199.10
On Rs. 910.68 lakhs @ 13%		118.39
Rs. 3008.01 lakhs		
	1590.11	324.93
B. (a) Income on Investment other than Contingency Reserve	70.00	16.68
(b) 0.5% on the accumulated Development Reserve	0.34	0.85
Total Reasonable Return	1660.45	342.46

CHAPTER 15 : OTHER INCOME, REVENUE REQUIREMENT AND AVERAGE COST

15.1 In line with our approach and reasoning in chapter 11 we assess other income (non-tariff income) at Rs. 235.44 lakhs as against a projection of Rs. 90 lakhs for the present year.

The following table gives a statement of revenue requirements :

STATEMENT OF REVENUE REQUIREMENT

Particulars	As per petition (Rs. in lakhs)	As admitted (Rs. in lakhs)
1. Purchase of power	16492.00	15987.00
2. Fuel cost of own generation	3723.00	3590.00
3. Employees' cost	1742.60	1350.00
4. Repair and Maintenance	1044.19	637.88
5. Miscellaneous Expenses	815.42	624.05
6. Rent, Rates and Taxes	40.75	29.00
7. Legal charges	20.89	15.00
8. Fuel related cost	66.00	42.00
9. Audit fees and expenses	7.50	6.52
10. Depreciation	154.79	136.24
11. Interest on consumers' security	6.50	6.50
12. Total Expenses (1 to 11)	24113.64	22424.19
13. Special Appropriation		
a) Taxes on Income and Profit	670.00	90.00
b) Instalment of intangible assets written off	10.67	10.67
c) Others	45.00	
d) Contingency Reserve	48.61*	
14. Reasonable Return	1660.45	342.46
15. Gross Revenue Requirement (12 to 14)	26499.76	22867.32
16. Other Income	90.00	235.44
	26409.76	22631.88

* Shown by the utility as a separate item below the line, but not included in the total claim - hence not indicated in the present total.

Note : Petitioner's figures have been re-grouped / re-arranged to make those comparable.

15.2 The average cost of supply for 2001-02 excluding the effect of the WBSEB "set off" energy with associated T & D loss works out as follows :

Total Revenue : Rs. 22631.88 lakhs
Less : Cost of import of "set off" energy : Rs. 923.78 lakhs
Less : Cost of import of energy on account of :
associated T & D loss Rs. 56.44 lakhs

Net revenue to be realised from consumers : Rs. 21651.66 lakhs
Net sale : 775.00 MU - 50.40 MU = 724.60 MU
Average cost of supply : 298.81 p/kwh

CHAPTER - 16 : PRINCIPLES OF TARIFF STRUCTURE

16.1 It is noted that the DPSCL has the following categories of consumers and as per the figures given by them we give below in a tabular form the category of consumers, their voltage of supply and percentage of consumption compared to the total estimated sale during the year 2001-2002.

Category of Consumers	Voltage of Supply	Consumption (MU)	% of total Sale
CLASS 'A' (Industrial /Non-industrial having aggregated load of 50 KVA / 50 HP & above)			
i) WBSEB (other than "set off")	11 KV	155.60	20.07
ii) WBSEB (Set off)	- do -	50.40	6.50
iii) Public Utility Services	- do -	9.00	1.16
iv) Other than WBSEB & PUS	- do -	549.00	70.84
CLASS 'B' (Industrial/Non-industrial having aggregated load of 50 KVA /50 HP & below)	- do -	10.64	1.37
CLASS 'C'	- do -	0.36	0.046
TOTAL		775.00	

16.2 It may be noted that the concept of two part tariff is normally followed by the utilities for pricing of supply of electricity. Under this tariff system, a consumer is liable to pay a 'demand charge' on the KVA supply and energy charge, for the energy consumed, to cover the various costs of supply, like purchase of power, cost of generation and costs of transmission of distribution. The 'demand charge' should normally be proportional to the fixed costs of the system.

16.3 For efficient and economic use of electricity the commission intends to shift progressively towards the two part tariff system ('demand charge' & 'energy charge') for all the consumers. Keeping this in view a 'fixed charge' has been introduced for the class 'B' consumers. Although the 'fixed charge' should be proportional to the contract demand / maximum load of the consumers, we have decided to charge the same initially on 'per consumer' basis till the utility updates the details about the connected load data of the consumers. Being the first year, the 'fixed charge' has been kept at a nominal value to allow the consumers to get used to the concept of 'fixed charge'. However, this will not change the 'overall' rate of the consumers at normal drawal. Meanwhile, DPSCL is directed to furnish the details about the connected load / maximum demand of the consumers belonging to the class 'B' category.

16.4 During the public hearing M/s. Jaisalasar Balaji Industries had taken up objection to DPSCL's charging of 'demand charge' even during 'no supply' periods contrary to the practice followed by DVC in such situations. It was contended that DVC does not charge any 'demand charge' during 'no supply' periods. The commission finds sufficient justification in the objection and directs the utility to rectify the anomaly.

16.5 Although we are of the view that there should not be any artificial classification between two consumers of the same voltage, we maintain the existing classes of consumers as no abrupt change is thought to be prudent. However, in their next tariff petition, the utility may come up

with suggestion of reducing the classes so that the matter may be settled after open hearing and after taking into consideration the view of all classes of consumers.

16.6 It is found from the existing system and existing rates for different classes of consumers that WBSEB gets power from DPSCL at a rate lower than other consumers of the same voltage level. The concession given to WBSEB is compensated by charging more from the Industrial consumers of higher consumption. It is normal principle of market that a bulk purchaser gets a commodity at a rate cheaper than retail purchasers. The power market however runs counter to this principle. The bulk takers (Industries) are taxed more by way of a higher tariff to give relief to retail consumers, may be with a view to make available electricity to the weaker section. But it is also a fact that every retail consumer may not be one in a weaker section. Looking from the point of view of the Industries, electricity is one of the major factors of expenditure and that tells upon the cost of their products. In the days of globalisation of business, industries are to face hard competition from foreign products and they are crying hoarse for cheaper rate of electricity, at least for a rate nearer to cost of supply. The spirit of the ERC Act is also to achieve uniformity in tariff based on cost of supplies. However, any abrupt change would only lead to chaos and the change must be brought slowly but steadily. We must however see that no consumer (except the Life Line consumer) may get power at a rate lower than the marginal cost of supply.

16.7 Upon these considerations, we feel that the tariff structure that follows would be the first step towards rationalisation of tariff on commercial basis to give a signal to the consumers that they are to pay for the benefit they enjoy and also to send signal to the utility that they have a duty towards the consumers to supply continuous and consistent power and also to curtail costs by improvement in operational efficiency.

CHAPTER - 17 : TARIFF STRUCTURE FOR 2001-02

17.1 We have already set out our line of approach towards formulating the tariff structure on a rational basis which would progressively reflect the average cost of supply at an adequate and improving level of efficiency. With this approach in view we do make the tariff structure as detailed in the subsequent paragraphs.

17.2 While framing the Tariff schedule and other associated conditions the following points have been kept in view :-

i) As already explained a 'fixed charge' has been introduced for class 'B' consumers. Being the first year, the 'fixed charge' has been kept at a nominal value to allow the consumers to get used to the concept of 'fixed charge'. However, introduction of such charge shall not change the overall rate of the consumer at normal drawal.

ii) 'Time Of Day' tariff has been made compulsory for H.T industrial consumers so that it can be used as a tool for 'Demand Side Management'. The concession proposed by DPSCL for night period drawl is considered not enough to achieve the purpose. The Commission has, therefore, rationalised the energy charges both for 'peak' & 'off-peak' periods under TOD tariff.

iii) The 'demand charge' for class 'A' industrial consumers (other than WBSEB & PUS) has been kept at the same level till a detail study is made by DPSCL about the 'demand related cost' imposed by the consumer class on the utility.

iv) The additional cost imposed on account of T & D losses in the DPSCL net work due to supply of the 'set off' power to WBSEB, has been charged against WBSEB (other than set-off).

v) The definition of 'billing demand' has been rationalised in consistent with the TOD tariff concept.

vi) The proposed power factor rebate / surcharge has been rationalised.

17.3 The Tariff schedule for the year 2001-2002 and other associated conditions are given below :-

Class 'A' Consumers
(All types of Industrial and Non-industrial consumers having aggregated load of 50 HP & above and MD of 50 KVA & above per month).

I. WBSEB (other than set off)
Demand charge : Rs. 100.00/kva/month
Energy charge : 168 p/kwh
FPPCA : As applicable as per formula given in the order.

II. Public Utility Services
Demand charge : Rs. 125.00/kva/month
Energy charge : 186 p/kwh
Rebate (for payment within due date) : 12p/kwh
(for Educational institutions & Hospitals only)
FPPCA : As applicable as per formula given in the order.

III. Consumers other than WBSEB & Public Utility Services
Demand charge : Rs. 250.00/kva/month
Energy charge : 262 p/kwh
FPPCA : As applicable as per formula given in the order.

Class 'B' Consumers
(All types of Industrial and Non-industrial consumers having aggregated load of 50 HP & below and MD of 50 KVA & below per month).

Fixed charge : Rs. 20.00 per consumer per month

Energy charge : Up-to 500 units : 140 p / kwh
Next 1500 units : 270 p / kwh
Next 3000 units : 300 p / kwh
Next 2000 units : 395 p / kwh
Consumption above 7000 units : 315 p / kwh
(all units)

Rebate (on payment within due date) : 10 p / kwh
FPPCA : As applicable as per formula given in the order.

Class 'C' Consumers
(For irrigation and agricultural purposes other than WBSEB)
Energy charge : 75 p / kwh
Rebate (on payment within due date) : 10 p / kwh

General

i. TOD tariff (compulsory for Industrial consumers) :

From	To	Energy charge
6 A.M.	5 P.M.	Normal Rate
5 P.M.	11 P.M.	135% of Normal Rate
11 P.M.	6 A.M.	75% of Normal Rate

ii. Power Factor Rebate / Surcharge
(For Industrial consumers only)
Rebate : @ 0.5% on the energy charge for every 1% increase in the P.F. above 92% subject to a ceiling of 2%.
Surcharge : @ 0.5% on the energy charge for every 1% fall in the P.F. below 85% subject to a ceiling of 2.5%.

iii. Billing Demand : Demand charge for any month shall be based on maximum KVA demand recorded between 6 A.M. and 11 P.M. of the day or 75% of average maximum demand of preceding 12 months, whichever is higher.

iv. Demand charge shall not be payable by the consumer for the periods when the load of a consumer is totally shed / interrupted.

Miscellaneous Charges : No changes are considered in the miscellaneous charges as given below :-

Description	Charges (Rs.)
The monthly rental for hire of HT metering equipment (one KWH meter with MDI and one RKVAH meter) supplied by the Company.	350.00
The monthly rental for hire of HT metering equipment (Trivector meter / TOD meter / Static meter) supplied by the Company.	1200.00
For testing of HT meters supplied by the company at the request of the consumers as per rules. i. KWH meters with MD indicator ii. RKVAH meters iii. Trivector/TOD/Static meters	 300.00 200.00 600.00
Disconnection & reconnection charges for Medium/High/ Extra high voltage supply. i. Disconnection charges ii. Reconnection charges	 200.00 400.00
Fuse call for Medium/High/Extra high voltage supply.	150.00 per call

Delayed Payment Surcharge :

Presently it is 2% per month. We direct that it should be 1.25% per month.

17.4 **Expected Revenue for the full year (2001-2002) at the approved tariff**

Category of consumers	No. of consumers	Sales (MU)	Demand/ fixed charge per month	Energy charge (p/kwh)	Overall rate (p/ kwh)	FPPCA (p/kwh)	Revenue from power supply bills Rs.(L)
Class 'A' (Industrial & non-industrial load of 50 HP/ KVA and above)							
i. WBSEB (other than set off)	18	155.60	Rs.100 per KVA	168.00	192.00	nil	2931.08 +56.44 *** = 2987.52
ii. Public Utility	10	9.00	Rs.125 per KVA	186.00	221.00	nil	198.90

Service							
iii. Consumers other than WBSEB&PUS	176	549.00	Rs. 250 per KVA	262.00	331.00 rounded off	nil	18194.46
Class 'B' (Industrial & non-industrial load of 50 HP/ KVA and below)		10.64			305.00	nil	324.52
First 1- 500 units	17		Rs.20 per consumer	140.00	146.00		
501- 2000 units	51		- do -	270.00	214.00		
2001-5000 units	43		- do -	300.00	260.00		
5001-7000 units	9		- do -	395.00	290.00		
Consumption above 7000 units (all units)	29		- do -	315.00	324.00		
Class 'C' (Irrigation)	1	0.36		75.00	75.00	nil	2.70
Total	354	724.60					21708.10

WBSEB(set off) 50.40 183.29

Total : 775.00 MU

Revenue from power supply bills : Rs. 21708.10 (L)

Financial value of supply of 'set off' energy : Rs. 923.78 (L)

Total : Rs. 22631.88 (L)

*** Additional cost of purchase of energy on account of T & D loss associated with the supply of 'set off energy' to WBSEB.

17.5 Impact of approved tariff of 2001-2002 vis-à-vis existing tariff on projected sale for 2001-2002

Category	As per existing tariff		As per approved tariff		% increase over existing tariff
	Overall Rate (p/kwh)	% of Avg. Cost	Overall Rate (p/kwh)	% of Avg. Cost	
Class 'A' (Industrial & non-industrial having load of 50 KVA/ 50 HP and above)					
i. WBSEB (other than set off)	170.00	59	192.00	63	12.94
ii. Public Utility Services	204.00	71	221.00	74	8.33
iii. Other than BSEB&PUS	324.00	112.50	331.00	111	2.16
Class 'B' (Industrial & non-industrial having	295.00	102	305.00	102	3.39

load of 50 HP and below)					
Class 'C' (Irrigation)	69.00	24	75.00	25	8.70
Average Rate	289.00		299.00		3.46

CHAPTER - 18 : F.C.A. / F.S.C. FORMULA

18.1 As indicated in the last chapter on tariff structure, in addition to the tariff already fixed as above, the utility would further be entitled to an added sum towards fuel surcharge and cost of enhanced purchase price. Neither cost of fuel nor the price of power purchased from DVC is under the control of the DPSCL. It is the norm in the power sector to take into account the costs of fuel and purchased power at the beginning of the year for determination of tariff and then to provide for compensation / adjustment for any variation in such costs in the intervening period and adjustment may be made every six months. We prescribe the following formula for such adjustment-

Formula for Fuel & Purchase Power Cost Adjustment

Fuel and Purchase Power Cost Adjustment charge per unit of energy sold during an adjustment period, shall be applicable in terms of the following formula :-

$$\text{FPPCA (p/kwh)} : \frac{(FC + PPC) - CD - CR + A}{(Gown + Eimp) \times (I - L)} \times 100$$

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.

CD (Rs) : 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.

CR (Rs) : Fuel and power purchase cost already realized through basic tariff and associated FPPCA charge during the relevant adjustment period.

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 periods.

Gown(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.

Eimp(kwh) : Total energy purchased at the sent out bus from different sources during the adjustment period corresponding to actual level of sales.

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

18.2 The adjustment period shall be every six months. But in our order we had indicated that as we had accepted the actuals for the year 2000-01 for prices of fuel, we do not allow any increase towards cost of fuel for this year and the utility may apply the formula for 2000-01 only if there had been any change in power purchase cost. For 2001-02, however, realisation may be made on the basis of the above formula. The dates of adjustment would be 30.9.2000, 31.3.2001 and

30.9.2001 and 31.3.2002 and any proposal for adjustment shall be subject to approval of the Commission and it should be reflected in the consumers' bill in a separate entry for their information. The normative parameters fixed by the Commission and the costs taken have been appropriately dealt with in this order. At the end of each adjustment period the DPSCL shall calculate the FPPCA as per approved formula and based on approved parameters, costs and consumption. The complete details along with the cost data, quantitative details and the relevant information / documents, duly certified for the September revision and duly audited for the whole year for the March revision, shall be submitted to the Commission for its approval.

I sign the order with the following observations.

Sd/- (R. R. Ganguly) Member (Tech.) **Sd/- (S. K. Phaujder) Chairperson**

Observations of Sri R. R. Ganguly, Member (Tech.)

i. Being the first tariff order under Regulatory regime, the major cost cuts, which had to be imposed under 'Employees Cost' & 'Repair & Maintenance' to match the industry norms, should have been gradual to give the licensee scope to move towards the 'efficient cost levels' within a given time frame without being exposed to excessive revenue risk.

ii. The required details could have been obtained from the licensee beforehand wherever ad-hoc cut/disallowance had to be made in the cost figures due to lack of full information/justifications, to make the tariff order more objective & transparent.

Sd/-
(R. R. Ganguly)
Member (Tech.)

Note of dissent

I am not able to agree with the above majority decisions except on points covered in chapters 6, 7.7, 8, 9.2 to 9.4, 10, 11, 12.2, 14 and for similar matters in chapter 13 of the order and differ due and on account of the Financial Principles, legal provisions and relevant issues etc. on the following points/ issues and also keeping in view the relevant objections filed/raised.

1) The majority decisions in the above order that revenue requirements for 2000-2001 be worked out but tariff for 2000-2001 is not to be determined is against the provisions of ERC, Act 1998 and E.S.Act, 1948. As per Section 22 and Section 29 of ERC Act, 1998, it is the duty and responsibility (function) of the Commission to determine the tariff and not revenue requirement and majority decision in the order that only Revenue requirements for 2000-2001 will be fixed but not tariff is beyond the Powers of the Commission and against the Act's. If right to determine includes not determining than Petitions for tariff revision for 2000-2001 itself are to be rejected in all such cases.

The Commission separately invited and accepted tariff petitions for 2000-2001 and invited objections thereon and had public hearings in connection with tariff fixation for the year 2000-2001 and should have fixed tariff in accordance with the provisions of the ERC Act, 1998 and clear and specific directions in a transparent way for amount to be refunded (realised if applicable) and the manner by which even consumers can clearly understand and check instead of fixing the revenue requirement and than deciding that since F.Y. is already over therefore tariff will not be fixed and recovery/ refund to be calculated and made by the utility on such percentage of average cost as the consumer was being charged on 31-3-2000. However only the amount of cost of energy on account of associated T&D loss to be recovered from WBSEB has been determined and fixed which is also not correct and in accordance with the provisions of law.

The Commission has already interpreted and decided in case of Petitions No. TP-5/00-01 and TP-4/01-02 of WBPDCL that revision of tariff may be allowed only once FOR any financial year and has fixed the tariff accordingly for 2000-2001 after close of the year and therefore adopting a different stand, which is not only against Schedule VI of E.S.Act and ERC Act, means following non

consistent and uniform and transparent policy /decision without strong valid reasons and justification.

2) The set-off power is exchange of power on displacement basis between DPSCL and WBSEB and as per orders of Govt. of WEST BENGAL billing for net Quantity only is to be done between the parties after reducing set off power from the total power taken by WBSEB. Therefore quantity exchange of the power cannot be shown both sale and than purchase for the same quantity at same rate between same parties during same period when even bills are not raised for such set off quantity. The objection of WBSEB is correct and it may not be shown both sale and purchase first in DPSCL and than in WBSEB as it is not correct both from accounting and financial points of view as well as in terms of Schedule VI of E.S. Act, 1948 and ERC Act, 1998.

Also allowing T&D loss on this power at the rate applicable for overall Transmission and Distribution and charging it to WBSEB at a substantial higher non tariff rate without proper justifiable reason is arbitrary and not correct as even non-set off power to WBSEB is charged at much lower rate. Also if the quantity assumed for drawl for set off power in 2001-2002 is actually to be drawn or actually drawn less as in case of 2000-2001 but even than WBSEB has to pay higher rate/amount as cost of such T&D loss on projected set off power has been billed in the tariff rate for non-set off power. The delivery of set-off power should have been reduced for reasonable Transmission loss at 11K.V. (the voltage of supply) in future so that WBSEB, if desires, can increase supply to that extent and status quo meanwhile be maintained.

On same analogy and principles will Commission allow T&D loss again on sale of same power to DPSCL by WBSEB at their % of T&D loss as may be allowed apart from on sale of power to their real consumers by WBSEB. How this will be again accounted for in DPSCL petition. In real terms by adopting wrong accounting system and policy one simple displacement/wheeling and than sale of power by WBSEB to its consumers is to be accounted for 3 times as sales, 2 times as purchase and probably 3 times full T&D loss on same power if both utilities are taken together instead of 1 wheeling/displacement and 1 sale and losses accordingly.

3) The acceptance of the quantitative figures of actual sale for 2000-2001, which neither has been submitted in accordance with prescribed procedures nor got verified, and calculations based thereon in the above decision is not correct particularly when the Commission has observed so many points, discrepancies mistakes inaccuracies etc. in the data, figures and documents given in the petition and even after the same has been scrutinised by the consultants as has been already stated in the order. Even the consultants, on whose obtaining the figures of actual sale appears to have been taken (not confirmed to have verified by them), have quoted two different figures of actual sales i.e. 763.44 M.U (June 2001) and 774 M.U at Rs. 21827.56 lakhs at existing tariff (July 2001- may be projected figures wrongly taken as actual) in their report /analysis. The Commission has taken 763.44 M.U. The Commission should have taken energy available for sale (781.705 M.U. without impact of point at Sl.2 because of comparison purposes) as per the Provisions of the Electricity Act, 1910 and rules framed there under and than based calculations as per Schedule VI of E.S.Act, 1948. Further reasons and impact covered in point at Sl.No.4.

The figure of total projected sales for 2001-2002 and accepted in the above majority decision is almost same as for 2000-2001 excluding power being given to WBSEB even though new meters are being purchased and installed including for new customers and other capital expenditure incurred in this regard. The growth rate of 1.5% may be correct on overall basis but total increase of 11.56 M.U. is almost on account of WBSEB 4.00 MU. (Set off -actually no sales) and 7.46 M.U (non set off). Even when the WBSEB (purchaser) has given its non-set off power purchase requirements of 160 M.U. for 2001-2002 (projected 150 MU and actual 148.14 MU during last year) from DSPCL in its Petition, the above decision takes only 155.60 M.U. The projected sale for others in 2001-2002 has been shown to go down by 3.54% and 7.23% in two categories and increase of only 0.16 % in one category and in case of class C (Irrigation - 1 consumer) increase of 36 times. Sales in earlier year have also shown some increasing trend. The correct projection and assessment of sales including under various categories and sub-categories of consumers has a direct link with the determination of correct tariff and tariff structure. Also consumers of having load of 50HP and MD OF 50 kVA has been placed both in class 'A' and class 'B' of consumers in principles of Tariff structure and Tariff structure itself and how the projected sale quantity for different classes has been accounted for in tariff structure and rates and who has final option to choose the category in such a case. In my opinion, the above is also not correct.

4) The working out of normative purchase instead of energy available for sale (normative sale) and only deducting based on purchase cost of excess T&D loss/ unaccounted energy under Para 9.1 read with Para 7.9 is also not correct from accounting and financial angle as well as E.S.Act, 1948, Electricity Rules - Annexure IV and ERC Act, 1998 and gives DPSCL about Rs.186.42 lakhs more than entitlement on this account in 2000-2001 excluding FSC impact and amount for 2001-2002 can not be quantified at present. The impact in the present case may not be very substantial but because of this policy, which in my opinion is not correct, the impact can/will be very substantial in other cases depending on the decision taken at that time.

It is also objected as (a) it will allow the utility not only Fixed/other expenses but also the profit and appropriations on unaccounted energy over the T&D loss norms allowed by the Commission, (b) The FSC may be admissible to the utility on such excess T&D loss/ un accounted power as per formula (c) not uniform, consistent and fair as in case of Tariff of WBPDCL the tariff has been fixed on normative sales and not actual sales by disallowing only fuel cost (relevant of purchase cost) for excess over other norms. All other fixed expenses including profit (return) also have been disallowed on difference between normative and actual sale. (d) If there is no purchase or purchase is less, will under this policy/principle than cost of fuel will only be reduced accordingly. (e) Tariff for the year 2001-2002 for this utility (DPSCL) however has been fixed on projected sale and therefore no consistency in the policy /method. (f) Normative Sale (Normative PLF converted into energy) is the normal and correct concept and not normative purchase as power is lost/unaccounted during sale and not purchase. (g) Energy has been actually injected, used the transmission and distribution resources and is lost/unaccounted for being more than the allowed norms due to unexplainable reasons. (h) The T&D loss as claimed appears to in my judgment consists both Technical and Non -Technical loss and such excess Technical and Non- Technical loss is not justified in view of metered high voltage supply to very small number of consumers out of which substantial sale is to Govt. or its concerns, substantial capital expenditure done on T &D and if utility (DPSCL in this case) gets all fixed/other costs including profit and appropriations on such unaccounted energy than it is not fair to the consumers.

In case the actual sale is less than projected/normative in 2001-2002 due to excess T&D loss/ unaccounted energy, which will be there, than after close of the year the Commission may have to rework out tariff at higher rate and allow profit, other/ fixed charges and FSC on such unaccounted energy. With adopting this principle, I fear Commission may have to allow. Is it fair to the consumers and in accordance with the commercial principles and other principles under Section 29 of ERC Act, 1998 and E.S.Act, 1948, normal Financial Principles and with in the powers of the Commission. I am of the considered opinion that this is not correct and also in accordance with the law.

5) Allowing own consumption of 3.55 M.U (excluding Aux. Consumption), for this unit for 2000-2001 and same for 2001-2002 serving 354 HT consumers (even treating WBSEB as 18 consumers), is high (average 10028 units per consumer) and needs to be properly accounted, billed, controlled and allowed only if allowable as per Schedule VI of the Act. The separate figures for consumption in office and given free to employees not disclosed even in accounts. The Commission should have considered these aspects, consumption allowable checked and only allowed if and to the extent permitted by the Act.

6) Some of the Consumers, Consumers associations, Chambers of Commerce and Industry, Association of Trade/Industry bodies, WBSEB etc. have raised issues on the legal validity of the points including relating to levy by Licensee of Fuel variation clause, Power purchase variation clause, the proposed Fuel/Power variation formula, consumer charge, minimum charge, fixed charge and demand charges -levy, excess levy and minimum demand charges with supporting court judgments and provisions of E.S.Act, 1948 and Electricity Act 1910 and also pending court cases in this regard in various petitions received by the Commission. Distinction also has been made between Powers available to Boards and Licensees in relevant provisions of the Act and accordingly in the court judgments. It would have been better if the objections and issues suitably examined and decided and dealt before introducing new concept of fixed charge for a category, change in billing demand (minimum demand) and substantial increase on adhoc basis in the existing rate of demand charge only for WBSEB in the above majority decision also as energy charge is quite less than even fuel cost plus power purchase cost whereas demand charges being recovered is more than the fixed/ other costs including return and appropriations to the utility and is also not in line with the principles of tariff structure laid down in the above order. F.C.A./F.S.C.

Formula as specified in the above majority decision can lead to different interpretations and it would have been better if it was more rationale, clear and specific preferably with example to make the intention of the commission absolutely clear in a transparent way to all.

7) As regards observations of Member (Tech.) is concerned, it is indicated that as pointed out in the order the Employees Cost and Repairs & Maintenansce is very high and only gradual cut has been imposed and utility has been directed to take action to reduce costs further under paragraph 8.5 and 8.6 of the above order. The adhoc cut/disallowances has been made after due scrutiny and reasons and the utility has been asked to give further details and justifications and further action as contemplated has been given in paragraph 10.2, 10.8 and 12.2.

Sd/-
(A. K. Jain)
Member (F&A)

I had the privilege of going through the observations of our Member (Tech.) and the comments of our Member (F & A) at paragraph 7 of his dissenting note. In my view the observations in paragraph 7 of the dissenting note answer the observations made by our Member (Tech.) and I agree with the views expressed in paragraph 7 of the dissenting note.

Sd/-
(S. K. Phaujder)
Chairperson

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