DPSCL TARIFF ORDER-02-03

ORDER

ORDER OF THE

WEST BENGAL ELECTRICITY REGULATORY COMMISSION

In Case No. T.P. 2 of 2002 - 03

IN RE THE TARIFF APPLICATIONS OF DISHERGARH POWER SUPPLY CO. LTD. (DPSCL) UNDER SECTION 22(1)(a) OF THE ERC ACT, 1998 FOR THE YEAR 2002 - 03

Present:
Justice (Retd.) S. K. Phaujdar, Chairperson
Shri A. K. Jain, Member (Finance & Accounts)
Shri N. C. Roy, Member (Technical)

For the petitioners:

Shri A. Dasgupta, Director and Chief Executive, DPSCL
Shri S. Radhakrishnan, Secretary & General Manager(Commercial)
Shri D. Sanyal, Chief Engineer

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

Shri S. C. Bhattacharjee, Superintending Engineer, WBSEB
Shri Aditya Jajodia for Jai Salasar Balaji Industries Pvt. Ltd.
Shri Hardev Singh for JSIS Iron and Steel India Pvt. Ltd.
Shri Ajit Jain for Hooghly Mills

Objectors who had filed written objections:

West Bengal State Electricity Board
Jai Salasar Balaji Industries Pvt. Ltd.
JSIS Iron and Steel India Pvt. Ltd.

Dated: The 10th of December, 2002

CHAPTER - 1: INTRODUCTORY.

1.1 The West Bengal Electricity Regulatory Commission in short, WBERC, formed u/s 17 of the Electricity Regulatory Commissions Act, 1998 (in short, ERC Act, 1998), had already heard and disposed of the 2 tariff petitions of the Dishergarh Power Supply Co. Ltd. (DPSCL) for the years 2000-01 and 2001-02. The Commission had already disposed of review petitions for review of the aforesaid two orders vide T.P.(R)-2/01-02 & T.P.(R)-3/01-02 filed by DPSCL and WBSEB. The Commission has also disposed of 2 applications of DPSCL for determination of fuel and power purchase cost adjustment of the DPSCL in terms of the aforesaid 2 tariff orders and these 2 applications were marked as FPPCA-01/00-01 and FPPCA-02/00-01 and order on these applications was recorded on 8th March, 2002.

1.2 Certain directions were given by the Commission to the DPSCL in the aforesaid tariff orders.

1.3 The application in the instant case was filed on 30.1.2002, within the extended time that was allowed to DPSCL to come up with their petition.

1.4 The Commission constituted by the Chairperson, Justice (Retd.) S. K. Phaujdar, Shri A. K. Jain, Member(F&A) and Shri N. C. Roy, Member(Technical) admitted the matter and sought for certain clarifications and certain details from the DPSCL.

1.5 Due notification was made in prominent newspapers published from Kolkata and certain other local newspapers published from Asansol calling upon everybody interested to file objections, if any, against the revision of tariff proposed through the petition of DPSCL. The interested parties were afforded opportunities to inspect the records and to take copies thereof.

1.6 Only 3 objections were received from the WBSEB, JSIS Iron and Steel India Pvt. Ltd. and Jai Salasar Balaji Industries Pvt. Ltd.

1.7 Hearing was taken up on 18.3.2002 at Dishergarh in the office of DPSCL after due notification in the newspapers as aforesaid and all the objectors who had filed objections had taken part in the hearing. In addition to these persons, Shri Ajit Jain prayed for and was allowed to make his submission during hearing on behalf of M/s Hooghly Mills.

1.8 During hearing certain points were raised by the Members of the Commission and the DPSCL was allowed to answer those in writing within 15 working days from the date of hearing. It was clearly indicated to them that any factual assertions must be made on affidavit. The directions have been complied with.

1.9 After hearing while the matter was under consideration by the Commission for determination of tariff, the Hon'ble Calcutta High Court recorded an order on 14.5.2002 in FMAT 2 of 2002 in the matter of CESC Ltd. Vs. The West Bengal Electricity Regulatory Commission.

1.10 Although the matter before the Hon'ble Court and the matter in the present tariff application were different, certain points decided by the Hon'ble Court had a general impact on all the proceedings for tariff determination.

1.11 In short, the Hon'ble Court in FMAT 2/2002 held that consumers' participation was not practicable under the law and certain regulations of the Commission require amendment.

1.12 The Hon'ble Court had also given its opinion on the supremacy of Schedule VI of the Electricity Supply Act, 1948 over the provisions of the ERC Act, 1998 and had also observed, for the CESC, that the utility had the right to determine its own tariff subject only to the verification of the accounts by the Commission.

1.13 In view of the Judgement of the Hon'ble Calcutta High Court it was thought proper to move the Hon'ble Supreme Court and to keep in abeyance the recording of orders in all pending tariff petitions.

1.14 As such the Commission moved the Hon'ble Supreme Court in a Special Leave Petition with appeal and had stayed its hands from recording its orders on the pending tariff petitions including the present one.

1.15 The Supreme Court Judgement in the concerned civil appeal has been delivered on 3.10.2002 and the official communication of the order from the Supreme Court was received even thereafter. Accordingly the present order is being recorded following the directives of the Supreme Court on the interpretation of several provisions of law and on the applicability of Schedule VI of the 1948 Act in determination of tariff.

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

2.1 The tariff application in question was filed under regulation 43 of the West Bengal Electricity Regulatory Commission's Conduct of Business Regulations (CBR, in short) for approval of the tariff for the year 2002-03.

2.2 It was stated that the operation of the DPSCL was spread over an area of 618 sq. km and supply was made in 11 KV, 3.3 KV, 550 Volt and 440 Volt to different category of consumers, mostly in the 11 KV supply.

2.3 The major consumption in the licenced area of DPSCL was made by industrial consumers and the sales increased from 1997-98 to 2000-01 by 2.56% p.a. from 707.397 million units to 763.439 million units.

2.4 According to the DPSCL the consumption by industrial consumers rose by 0.62% while sales to other subsidized category of consumers had risen at a rate of 8.24% per annum.

2.5 The DPSCL expressed difficulty in continuing with the cross-subsidization of tariff structure in view of the above figures on sale-mix.

2.6 They stated that the capital expenditure budget for 2002-03 envisaged a total expenditure of Rs. 1,767 lakhs and they proposed the expenditure to be funded by way of borrowing to the extent of Rs. 1,500 lakhs and by internal accruals of Rs. 267 lakhs. They gave a break up of capital expenditure for the concerned year as per the following table.

(Rs. in lakhs)

	Capital Works	Amount
A)	Chinakuri 10 MW Plant	441
B)	Evacuation facilities at Chinakuri Power Station	228
C)	132/33/11 kV sub-station at Mongalpur	148
D)	132/33/11 kV sub-station at Bankola	400
E)	Other Jobs /assets / IDC	550
F)	**Total**	**1767**

2.7 The DPSCL stated that their tariff proposals were based on the average cost of supply of energy in accordance with the ERC Act. They indicated that the tariff proposals also dealt with the matters related to timely or delayed payment for supply of electricity, fuel cost adjustment and any other cost/levies/duties on account of power purchase and transmission and distribution loss (including transformation loss) etc.

2.8 They proposed to rely on the Schedule VI of the Electricity Supply Act, 1948 for determination of tariff on the basis of expected Annual Revenue Realisation and on this score they indicated to include the expenses relating to purchase of electricity from DVC and WBSEB together with cost of own generation including cost of loss till the point of delivery. They also included the Operation and Maintenance Costs and establishment cost, cost of transmission and distribution system as also interest liability on all borrowings for the business needs of them. They proposed to include any other cost, duties, charges levied by supplier of electricity as pass through or any penal provisions in the Power Purchase Agreement.

2.9 They asserted that as a licencee they had the right to earn reasonable return on capital base in terms of Schedule VI. They asserted that their present tariff proposals were based on the views of the Commission in the orders for earlier 2 years.

2.10 On the question of directions of the Commission, in the earlier tariff orders to come up with a suggestion of reducing the class of consumers, the DPSCL submitted that more than 97% of its energy sales (in quantity terms) was accounted for by class A consumers and only the residual 2 to 3% by class B consumers and they did not require any re-classification.

2.11 On the question of surcharge for delayed payment it was indicated that this was 1.25% per month making it 15% per annum and this prevalent rate was lower than the average interest charged by the banks on clean overdrafts on demand without prior arrangements. It was stated that this lower rate would encourage the consumers to delay payment of energy consumed. The DPSCL, accordingly, submitted that the delayed payment surcharge should be enhanced to at least 1.5% per month. The DPSCL indicated that in the determination of tariff and the Annual Revenue Requirement for 2002-03 they had assumed the tax liability of Rs. 565 lakhs under the present structure of tax legislation. The provisions were likely to undergo a change during the year in question and accordingly the DPSCL made a prayer for allowing them to recover the actual tax liability as may arise in the concerned year.

2.12 In their petition the DPSCL indicated that they were taking suitable and effective measures to regulate power purchase in accordance with the power purchase agreements entered into with the suppliers and also in terms of the directions of the Commission.

2.13 They furnished the audited data for the previous year, the estimated data for the current year as also the projected data for the ensuing year meaning thereby the years 2000-01, 2001-02 and 2002-03.

2.14 For estimating the performance for 2001-02 and projecting for 2002-03 they had made certain assumptions. Cost of fuel had been worked out on the current coal price and heat efficiency rate. Employees cost had been assessed on an assumption of increase in weekly WPI (7.2) and CPI (3.8) as on 31.3.2001. The expenses on repair and maintenance, travel, rates and taxes etc have been assumed by increasing the previous year's figure by 7.2 %.

2.15 They indicated further that the requirement for insurance premium payment would go up considering the increase in net block during 2002-03. They further indicated that the level of fuel stock was kept at 16 days consumption level during the current year and the level of capital stores had been adjusted keeping in view the expected capitalization up to the current year.

2.16 They further indicated that receivables have been kept at 35 days sales equivalent as was the level during 2000-01 and the cash and bank balance has also been kept at the level of 2000-01.

2.17 For liability in respect of payables for power purchases the sum was kept at 30 days equivalent. The shortfall in funds available during 2001-02 and 2002-03 for operation and capital investments was expected to be arranged in the shape of borrowings for working capital and term loans besides sales of existing investment.

2.18 T & D losses were assumed to be 6.70% of the energy available with the petitioners, which according to them was the actual current level of T & D loss.

2.19 Sale volume was assumed to be growing @ 2.83% per annum being the CAGR during the period from 1997-98 to 2001-02.

2.20 They presumed the bank rate applicable for 2002-03 as 6.5% which is the current rate.

2.21 They highlighted that their financial health was required to be given a due consideration for a better appreciation of the tariff proposals. It was indicated that the last tariff revision was made in August 2001 after a gap of almost 4 years and the petitioners were going through an unprecedented liquidity crisis. Their company was a zero debt company and they were now being compelled to borrow to meet their operational and capital requirements. It was stated that the tariff revision in the past years was inadequate. It was stated that the Commission had allowed only 4% T & D Loss in the earlier tariff orders and this target was not possible to achieve in practice.

2.22 The DPSCL had given a summary of the financial implications in a tabular form for the 2 financial years 2001-02 and 2002-03 side by side as per the following table:

Rs. in lakhs

		2001-02	2002-03
A)	Estimated Cost of sale of power	24885	25982
B)	Reasonable Return	1014	1037
C)	Special Appropriations	14	606
D)	Miscellaneous receipts	382	222
E)	**Revenue Requirement (A+B+C-D)**	**25530**	**27404**
F)	Expected revenue from sale of energy at existing tariff	23147	23868
G)	Gap to be recovered by way of increase in tariff (E-F)		3535
H)	Average increase in Tariff to cover ARR (paise/unit)		43.31

The DPSCL submitted that they had suffered a shortfall of Rs. 416.64 lakhs for the FY 1999-2000 and Rs. 1,658.00 lakhs for the FY 2000-01 in earning reasonable return due to what they called an uneconomic tariff structure. It was further submitted that due to tariff structure set by the Commission in 2001-02 they would suffer a shortfall to the extent of Rs. 1,637.87 lakhs. They had already approached the State Government for allowing the recovery of the losses as special appropriation.

2.23 It was indicated that the losses were seriously affecting the capacity of the petitioner for appropriate and adequate maintenance and expansion of its transmission and distribution work.

2.24 They submitted that the utility had to meet the expectation of the society besides its consumers and in order to introduce a certain degree of certainty in the tariff setting mechanism they prayed for laying down benchmark which could be achieved over a reasonable time frame.

2.25 They also submitted that the FPPCA currently applicable in terms of the Commission's order dated 10.8.2001 be approved for 2002-03 also.

2.26 The DPSCL indicated in their application how they had taken action or propose to take action on the directions given by the Commission regarding T & D Loss and on methods of bifurcation between technical and non-technical losses. They also gave information regarding calculation of profit earned vis-à-vis entitlement of reasonable return.

2.27 FURTHER CASE OF THE UTILITY

2.27.1 After the presentation of the petition a preliminary scrutiny was made in the office of the Commission and the utility was asked to give certain information and clarifications in addition to those the utility itself offered suo moto.

2.27.2 In their clarification dated 15.2.2002, the DPSCL explained that certain amendments were necessary in pages 9 and 13 of volume 1 of their tariff petition wherein the aggregate capital expenditure for 2002-03 should be read as Rs. 1,773 lakhs in place of Rs. 1,767 lakhs and that tax liability was to be read as Rs. 584 lakhs in place of Rs. 565 lakhs.

2.27.3 In pages 17 and 18 of the tariff petitions, sale figures for 2001-02 and 2002-03 were to be read as 792 MU and 816 MU respectively. The special appropriation for 2001-02 should be read as Rs. 13 lakhs to account for the rounding off effect and the estimated cost of sale of power was to be read as Rs. 25,983 lakhs to account for the rounding off package. Shortfalls for 1999-2000 and 2000-01 were to be read as Rs. 141 lakhs and Rs. 1,658 lakhs respectively as per annual accounts made under the provisions of the Electricity Act 1910.

2.27.4 At page 19, an amendment was sought to be made to read the first sentence at paragraph 7.6 as "These losses are seriously affecting the capacity of the petitioner to appropriately and adequately maintain and expand its transmission and distribution network".

2.27.5 In page 26, the projected consumption for "C" class of consumers for the concerned year was to be read as 0.001 MU. In page 31, the corrected figures for reasonable return, clear profit and shortfall were given as follows :

Rs. in lakhs

	Rs. in lakhs		
	1998-99	1999-2000	2000-01
Reasonable Return	963	966	1018
Clear Profit	566	825	(-) 640
Shortfall	397	141	1658

2.27.6 In volume 2 of the tariff petition also amendments were suggested in pages 36, 47, 48 and 69 giving the corrected figures for projection of other income, average cash and bank balance for the concerned year, details of inventory and total revenue realization.

2.27.7 In volume 4 of the tariff petition at page 302, the figures concerning special appropriation were corrected.

2.27.8 In volume 5 at pages 309, 310, 312, 318 and 362, corrections were made concerning energy requirement, generation and purchase plan as also energy purchase cost and depreciation (to be read as Rs. 486 lakhs) and it was indicated that the amount of interest income should be read as Rs. 87 lakhs and the value of inventory as on 31.3.2001 should be read as Rs. 13.98 lakhs.

2.27.9 In response to the direction of the Commission for further information the DPSCL came up with a further petition on affidavit on 15th March, 2002. In this petition the DPSCL had indicated in different pages the remarks concerning annexure 1 and 3 in volume 3 and annexure 2 and 4 in volume 4 of the original tariff petition.

2.27.10 The tariff petition and the further information were available for inspection to any party desirous to inspect and were available for copies also.

CHAPTER - 3 : OBJECTIONS AGAINST THE TARIFF PETITION

3.1 Objections were raised by the West Bengal State Electricity Board (WBSEB), JSIS Iron & Steel India Pvt. Ltd., Jai Salasar Balaji Industries Pvt. Ltd..

3.2 In their objection the WBSEB indicated that they have been purchasing electricity from DPSCL at 11 KV on radial mode at different off-take point for a total demand of around 40 MVA to meet the power requirement of their local consumers taking supply at low and medium voltage consequent upon revocation of few licences by the Government of West Bengal.

3.3 The WBSEB further indicated that although no formal agreement had been entered into between them and DPSCL, the tariff chargeable to the WBSEB by the utility was used to be decided upon by the Power Department, Govt. of West Bengal. The tariff chargeable to the WBSEB for 2000-01 and 2001-02 had been approved by the Commission vide its order dated 10th August, 2001 and this included a demand charge of Rs. 100/- per KVA per month for supply of power of 11 KV as approved by the Commission and an energy charge at a rate of 168 p. per KWH.

3.4 The WBSEB also indicated that they had been supplying power to DPSCL at 33 KV at Bankola and under the advice of the Power Department the supply by the WBSEB was set off from the supply by the DPSCL. The WBSEB indicated that the Commission had directed that the matter was to be taken up between the parties to be covered by a power purchase agreement.

3.5 The WBSEB challenged the figures concerning net sale by DPSCL to them. They also challenged the figures concerning special appropriation on the ground that certain expenditure towards contingency reserve was not shown in the last preceding two years. They also challenged the amount of special appropriation as inadmissible.

3.6 The WBSEB pointed out to the discrepancy in the statement of annual revenue requirement for the concerned year and had submitted further that the addition of generation asset at Dishergarh Power station during 2002-03 could not be reconciled from the tariff petition.

3.7 The WBSEB challenged the depreciation cost as shown for the year 2002-03, which according to them could not have been more than Rs. 167 lakhs. There was a challenge on the statement of other income amount also.

3.8 The JSIS Iron & Steel India Pvt. Ltd. limited their objections to a few points only. They opposed the prayer for hike in tariff with retrospective effect on the ground that the manufacturers could not recover any cost from their customers after their ware had been sold.

3.9 This objector further stated that by the tariff structure proposed by the DPSCL, the most profitable segment of utility was being freezed in the fact that they opposed the concept of cross subsidy by the industries.

3.10 They insisted that for the mini steel plants a lower tariff should be fixed.

3.11 They also insisted that instead of purchase from DVC the utility should increase its own generation and reduce costs instead of price hike.

3.12 The Jai Salasar Balaji Industries Pvt. Ltd. also came up with a set of objections and indicated that power constitutes 65% of their production cost and any unreasonable increase in power tariff would render their steel industry sick.

3.13 They also opposed giving retrospective effect to the tariff hike.

3.14 They indicated that the tariff of DPSCL was much higher than that of other power supply agencies such as DVC and DPL and further rise was not called for. They prayed for a special tariff for mini steel plants.

3.15 They insisted that in the tariff order for the present year a discount of 35% on energy and fuel charges be allowed to the consumers having a load factor over 35%. They also insisted for a rebate of 15 p. per unit for timely payment of bills. A further rebate for power factor to be based on 90% as a floor level with a ceiling of 2.5% instead of 92% and ceiling of 2%. They also opposed the concept of cross subsidy and insisted that the DPSCL should resort to merit order purchase.

3.16 They also prayed for reframing the TOD tariff.

CHAPTER - 4 : OBJECTIONS RAISED AT THE HEARING

4.1 As indicated earlier the three objectors filed written objections and made their submissions during hearing and one more objector, who had not filed objection in writing was also permitted to join the hearing. He was Shri Ajit Jain representing Hooghly Mills Projects Ltd..

4.2 On behalf of the WBSEB, Dr. S. C. Bhattacharjee highlighted the points raised in the written objection and criticized the claim of DPSCL to conclude that fixation of tariff was to be made on a realistic basis.

4.3 On behalf of Jai Salasar Balaji Industries Pvt. Ltd., Shri Aditya Jajodia indicated that about 65% of their production costs in making steel inguts was attributable to electricity and he prayed for a special package for mini steel industries. He indicated that his industry was having a high load factor and power factor and the industry was having a continuous process for which he demanded special package as stated above.

4.4 On behalf of JSIS Iron & Steel India Pvt. Ltd., Shri Hardev Singh adopted the points raised by Shri Jajodia. It was further pointed out that as a new industry they had been enjoying certain subsidy, the period of which would expire on 31.3.2002 and any rise in tariff would put them in immense difficulties.

4.5 Shri Ajit Jain indicated that for establishment of a new industry they were offered 25% power subsidy for 3 years. It was stated that the DPSCL intended to withdraw the subsidy. Accordingly, they prayed that the power subsidy might be continued for 6 years. He indicated that their power requirement bill would be amounting to more than Rs. 90 lakhs per month.

4.6 At the hearing certain points were raised by the two Jt. Directors and members of the Commission and the DPSCL was permitted to reply to these points within 15 working days as indicated above. The points and the reply thereto shall be taken up in the next chapters.

CHAPTER- 5 : POINTS RAISED BY THE COMMISSION

(A) Joint Directors (Officers of the Commission)

5.1 It was indicated that the DPSCL had not specified the sources of financing capital expenditure in 2001-02 and for 2002-03. It was indicated that the capital expenditure would be incurred by borrowing Rs. 1,500 lakhs at a rate of 15% and Rs. 267 lakhs out of internal resources. As per audited accounts upto 31st March, 2001 and the tariff order for 2001-02, the utility would not generate internal resources to that extent, but would liquidate the current assets. They were required to explain/ justify the incurring of capital expenditure to the extent of Rs. 26.80 crores and to indicate the sources of finance.

5.2 Further details were required on amount of borrowing in capital accounts specifying the sources, date of receipt, terms, interest paid / payable upto the date of capitalization of assets and thereafter upto 31st March, 2003. Details were also required on the amount borrowed (if any) in revenue accounts and interest chargeable thereon.

5.3 On the question of working capital, a deviation was noted in the value of inventory as on 31.3.2001 as per the audited Accounts and as shown in the application. The reason for such a deviation was required to be submitted. The inventory included insurance items valued at Rs. 6.76 crores out of which Rs. 3.58 crores pertain to Chinakuri power station, which was a leased property. A clarification was sought for as to how insurance spares for Chinakuri could come in the accounts of DPSCL. Clarification was also sought for on the point whether value of capital stores had been included in the value of work-in-progress or treated as part of the inventory. A statement showing projected average cash and bank balance during 2002-03 was also asked to be given.

5.4 On the question of revenue expenses under the head Employees' Cost certain discrepancies were indicated concerning the actual salary and wages and a clarification was asked for. Under the head Repair and Maintenance a break-up of the figures of expenses on the head "Others" was required to be filed. The agreement under which the service charge was payable, was asked to be indicated in details. Under the head legal expenses a point was raised that the projected sum was quite high. Under the head fuel related cost justification and specification of the projected cost for "other fuel related costs" was required. Under the head depreciation a specification was asked for whether any part of the amount of depreciation claimed pertained to a short provision for the earlier years. The details of working for the amount claimed for depreciation was also required to be submitted. Under the head insurance a justification was sought for to specify the value and coverage, as there was a high increase under this score from 2000-01 to 2002-03. A clarification was also required, if any, insurance claim was lodged in past 3 years and if so, the amount realized. Under the head miscellaneous expenses details of break-up were sought for. Under the head other receipts explanation was sought for as to why projected miscellaneous receipts came down from Rs. 79.57 lakhs to only Rs. 50 lakhs from 2000-01 to 2002-03. Explanation was also required as to how interest income came down when fixed income bonds purchased during 2000-01 and average cash and bank balance remained almost the same. A justification was sought for on the question of writing back of provision of Rs. 655.56 lakhs in connection with excess transmission loss.

5.5 The failure on the part of the utility to follow the directives given by the Commission in the earlier tariff orders was also pointed out. It was stated that the utility did not undertake comprehensive technical valuation of usability of old fixed asset and of the assets retired from active use. It was also pointed out that gross assets were being increased every year without significant increase in generation and sales. Action under clause 38(2) of the CBR and section 29(6) of the ERC Act were sought to be taken. The utility was required to indicate the principle of capitalization. The utility's attention was drawn to the Commission's directives in regard to stores and spares and it was indicated that the Chartered Accountant had not specified the period during which study was made for submission of report for technical valuation.

5.6 On the question of verification of report on fixed assets and stores it was indicated that reports of last physical verification were necessary to be filed.

5.7 The tariff petition was viewed from the finance aspect also and it was indicated that the utility should furnish the detailed cost estimate and a cost benefit analysis with supporting documents for capital expenditure. They were required to file the general layout of the Chinakuri TPS and Dishergarh TPS, their power evacuation system and transmission and distribution system.

5.8 A cost benefit analysis of Mangalpur sub-station was also required to be furnished. DPSCL had to show why six numbers of CC and CVT and four numbers of isolators with E/SW had been shown for two numbers of feeder bays at Mangalpur in its cost estimate.

5.9 Details of "other jobs" to the tune of Rs. 5.5 crores were required to be furnished along with cost estimate and cost benefit analysis.

5.10 The utility was required to furnish declared lower and upper use value and latest price list of coal from the respective suppliers.

5.11 They were also required to indicate the heat rate of the four power stations of DPSCL. If there was any grade slippage of coal what measures were taken to stop such slippage should be stated. They were also to state whether price of coal is inclusive of transport charges.

5.12 They were required to indicate whether new installation at Chinakuri, Mangalpur and Bankola would reduce the necessity of bulk power from DVC at 33 KV.

5.13 On the question of demand of transformation loss, the utility was required to furnish energy audit report in respect of transformation loss by an accredited energy auditor of GOWB/GOI.

5.14 They were also required to indicate what modification in combustion system at Dishergarh and Seebpore was to be carried out to reduce coal consumption and also to furnish a comparative statement showing the cost benefit.

5.15 On the question of installation of Coal Handling Plant (CHP) and a Crusher at the old plant at Seebpore, they were required to explain how the plant did work without a CHP and Crusher in the past.

5.16 They were required to indicate what were the distances of the load centres from the purchase / generation points.

5.17 Explanation was sought for as to why project cost and date of completion of Mangalpur sub-station had been increased compared to its reference parameters.

5.18 They were required to explain the anomaly in the figure of fuel stock as at one point it was indicated as 25/26 days and at other place as 16 days.

5.19 Details were required of the cost estimate for construction of 1(c) and 1(d) type Quarter at Chinakuri TPS at a cost of Rs. 46 lakhs. The utility was asked to explain what was the philosophy behind proposing low tariff increase for the highly subsidized category of consumers where the load growth was showing upward trend compared to the subsidizing category of consumers.

5.20 Further explanation was called for as to why Mangalpur sub-station was required to purchase costly power from DVC instead of increasing the quantum of purchase from WBSEB at Bankola.

5.21 Sufficient justification for costly generation at Seebpore power station was also called for. The man MW ratio (both technical and non-technical) for individual plant was required to be furnished.

5.22 The DPSCL was also required to furnish the reasons for frequent failures of WBSEB and DVC.

5.23 Clarification was sought for all the assertion of slowly developing fault at Seebpore and Luchipur so far DVC's CT were concerned.

5.24 It was stated that the utility had not indicated the auxiliary consumption of the stations as well as their own consumption and these figures were to be furnished immediately.

5.25 Explanation was called for as to why plant load factor as projected for FY 2002-03 had gone down compared to the year 2001-02.

They were required to furnish the projected figures of sale and revenue collection categorywise for the year 2002-03 at the existing and proposed tariff rates.

5.26 They were required to indicate the ownership of the transformers for 'B' class HT and 'B' class LT consumers with a clarification as to why they had allowed the installation of transformers of capacities three times the connected load and allowed HT connection at low load of 6.32 kw..

5.27 The utility was to clarify the reason for forced shut down of the units of Chinakuri TPS under several occasions in the month of May, 2001 due to rain and thunder storm.

5.28 In addition to the clarifications and explanations certain further directions were also given.

(B) Member (Technical) wanted to know aggregate capacity of power transformer installed by DPSCL. He also asked for the justification for constructing one 132 / 33 KV sub-station at Mangalpur to facilitate purchase of additional power from DVC specially when full utilization of New Chinakuri power station generation may take another 3 to 4 years at existing growth rate.

CHAPTER - 6: FURTHER REPLIES BY THE DPSCL.

6.1 The DPSCL submitted para-wise reply to the written objections filed by the 3 objectors and the points raised by the Commission.

6.2 As regards the objections by the WBSEB, the DPSCL in their reply dated 10.4.2002 stated that they had been supplying electricity to WBSEB at 11 KV scattered in its licenced area at different off-take points. They had been honouring their commitments for purchase of power at those points of supply.

6.3 They further indicated in respect of the objection of WBSEB that the tariff chargeable to the WBSEB was decided upon by the Department of Power, Government of West Bengal but for the years 2000-01 and 2001-02 charge was being calculated as per the order of the Commission.

6.4 It was further stated in this respect that for a power purchase agreement the DPSCL was awaiting and initiated by the WBSEB. Formal replies were given to certain other assertions and it was indicated that the figure of Rs. 27,855 lakhs had been amounted to Rs. 27,626 lakhs through a petition dated 15.2.2002. It was indicated that the addition of Rs. 2,047.19 lakhs in generation assets was on account of capitalization of 10 MW plant in generation assets.

6.5 The DPSCL further explained in reply to the objection of WBSEB that the average rate for 2000-01 was 182.66 paise/unit but in the projections a rate of 184.80 paise/unit for the financial years 2001-02 and 2002-03 had been considered.

6.6 It was pointed out that the figure of other income for the years 2000-01 included write back of T&D Loss provision created in earlier years amounting to Rs. 655.56 lakhs and the income from interest on bank deposits of Rs. 187.96 lakhs in 2000-01 stood reduced to a nominal amount in 2002-03 due to fall in deposit amount with the company's bankers.

6.7 As regards the objection raised by the JSIS Iron & Steel India Pvt. Ltd., the DPSCL stated that they had been charging the customers for the years 2000-01 and 2001-02 @ fixed by the Commission and the proposed schedule of rates were to apply for the year 2002-03 only.

6.8 It was pointed out in this respect that the DVC supplied power to its consumers at 33 KV whereas the DPSCL supplied power to their consumers including JSIS Iron & Steel India Pvt. Ltd. at 11 KV. It was stated that they had not envisaged any change in the incentive structure, as any revision in the incentive structure would have an adverse impact on the revenue of the DPSCL.

6.9 On the question of capital discount scheme, the DPSCL stated that they have not envisaged any change in this regard also.

6.10 On the objections raised by the Jai Salasar Balaji Industries Pvt. Ltd., the DPSCL stated they have been following the order of the Commission for tariff rates for 2000-01 and 2001-02 and the proposed schedule of rates was to take effect for the year 2002-03 only. The answers herein were similar to those given in reply to the objections of JSIS Iron & Steel India Pvt. Ltd.

6.11 It was indicated that as regards the proposal for rebate for power factor to be based on 90% as a floor level with ceiling of 2.5% instead of 92% floor level and ceiling of 2%, the tariff proposal of the petitioner was based on the guidelines given by the Commission.

6.12 As regards the points raised under chapter 5, DPSCL came up with a voluminous response on 11.4.2002 as detailed below.

6.12.1 In volume 1 of their reply to the technical queries, the DPSCL submitted that generation assets had increased by Rs. 20.47 crores due to capitalization of 10 MW project and clarified that the explanation at Chinakuri Power station, a part of Dishergarh network was reflected under Dishergarh.

6.12.2 They also indicated that T & D assets of Rs. 1054 crores included the cost of 29 KV Satgram evacuation line, TOD meters for Dishergarh network and other transmission lines. They had placed the cost benefit analysis for the concerned year in an annexure.

6.12.3 They had also given the general layouts and network diagrams in another annexure and given the techno-commercial feasibility of the Mongalpur and Bankola substations along with cost benefit analysis.

6.12.4 They explained why six numbers of CC and CVT and four numbers of isolators with E/SW had been shown for two numbers of feeder Bays at Mongalpur/Bankola.

6.12.5 They furnished the details of other jobs to the tune of Rs. 5.5 crores and explained the purpose, necessity and benefit for each item.

6.12.6 They furnished the grade mix of coal (station-wise) in UHV range and in terms of costs.

6.12.7 They also furnished the heat rate of different power stations indicating that for Seebpore, Chinakuri and DPS the rates were 6999, 3962, 5532 k.cal./kwh, the overall being 4695 k.cal/kwh.

6.12.8 They also indicated the station-wise auxiliary consumption and own consumption in the instant answer.

6.12.9 It was indicated that no noticeable slippage of grade of coal had been observed, but they had kept one additional sample each for all the suppliers to settle any dispute regarding any mis-match in results.

6.12.10 They also indicated what measures were taken for weighment of coal at entry point of a plant and explained the transport charges included transportation upto the respective plant.

6.12.11 They also furnished station-wise bills for purchase of coal and indicated that the moving inventory did not include stock of coal.

6.12.12 On the question whether the new installations at Chinakuri, Mongalpur and Bankola would reduce the necessity of import of power in bulk from DVC, the utility had answered in affirmative. Station-wise figures were given showing the extent of load reduction. They also indicated what was the point of bulk supply to meet the consumers' demand.

6.12.13 They also indicated why they have charged transformation loss and explained that all their transformers were of 1950's Parsons make and as such the loss was higher. It was indicated that the loss furnished by them was a notional one in line with DVC's consideration of 2% transformation loss.

6.12.14 They also annexed the Energy Audit Report. The DPSCL indicated the measures to improve coal consumption and had given the cost benefit analysis indicating the savings in coal consumption.

6.12.15 In answer to the queries, the utility explained how the plant used to run in the absence of coal handling plant and crusher before the installation of these devices.

6.12.16 The utility also explained why the project cost for Mongalpur sub-station had increased and why the date of completion had been deferred.

6.12.17 It was explained that they had already corrected the contradiction regarding fuel stock equivalent.

6.12.18 The utility also explained why they proposed low tariff increase for highly subsidized category and submitted that it was open for the Commission to issue necessary directives to remove cross-subsidy at a rate faster than proposed by the utility.

6.12.19 Explanation was advanced as to why Mongalpur substation was required to purchase costly DVC power instead of increasing the quantum of purchase from WBSEB at Bankola. They also indicated what was the outcome of persuasion with DVC regarding 15% rebate for the power wheeled to WBSEB.

6.12.20 The DPSCL tried to justify the high cost of generation at Seebpore Power Station stating that they had been running small capacity power plants at three locations for providing survival power.

6.12.21 They furnished Man-MW (Firm Capacity) Ratio (both technical and non-technical) for individual plant as per following table :-

Unit	Capacity (MW)	No. of Employees	Man-MW ratio
CPS	20.0	92	4.60
SPS	5.8	116	20.00
DPS	14.2	220	15.49
Overall	**40.0**	**428**	**10.70**

6.12.22 They furnished total failure reports of WBSEB and DVC stating reasons thereof.

6.12.23 They indicated the requirement of Shift Engineers in different shifts as also the type of switch gears used and explained why 32 MT of 105 lbs rail and 3000 cu.M. of concrete had been considered in estimation of Bankola sub-station.

6.12.24 In answer to the observation of selection of appropriate size of conductor keeping in mind the future load growth, the DPSCL indicated that they had augmented few of their lines by DOG conductor replacing MINK / WEASEL conductors. It was further indicated that for augmentation from DOG to WOLF / PANTHER conductor the support structures were required to be replaced and as such costing for augmentation did not remain limited within the conductor cost only.

6.12.25 They further indicated that energy audit was conducted by an agency which was an accredited one approved by competent authority.

6.12.26 They admitted that they did not have class-1 CT for majority of their installation. It was indicated further that the DVC metering system at Seebpore and Luchipur were observed to have high error in the past when compared with their calibrated check meters on the respective 11 KV side. It was stated that the DVC authorities replaced the CTs on a later date, but during that period the error kept on increasing. It was further stated that as per Indian standard specification, a meter could be accepted after testing and calibration only if the accuracy of the same remained within the specified limits of the corresponding accuracy class.

6.12.27 For Bankola R/S it was stated that the supply from WBSEB was at 33 KV and not at 132 KV and the transformation loss was measured through the difference in two meters between 33 KV side and the meter on the 11 KV side.

6.12.28 They explained that thunder storm often lead to consumers switching off consumption. This was to explain the shut down at Chinakuri station.

6.12.29 They stated that the PLF figures given at page 56 of volume II of the petition had shown a slight decrease in the year 2002-03. The reason for fall in PLF for Chinakuri Power Station was the coming up of the new 10 MW unit for which the old system had to be shut down several times during the commissioning period. For the Seebpore Power Station certain renovation of boilers for improvement in combustion system were to be undertaken in FY 2002-03 and the PLF would fall slightly.

6.12.30 They indicated that a consolidated statement showing projected sale was given in annexure-12 of these answers and they also drew the attention of the Commission to highlight their assertion that although the Commission had allowed an average tariff of 299 paise/unit for FY 2001-02, the average tariff realization was only about 292 paise/unit as against an average cost of supply of 323 paise/unit.

6.12.31 It was indicated that the ownership of the transformers for 'B' class HT and 'B' class LT consumers were with the consumers only. The utility was not responsible for determining the capacity of the transformers and the capacities chosen by the individual consumers might be higher as they might be looking for some growth in the consumption in future. The utility was licenced to provide supplies at high tension only and it was upto the consumers to choose.

6.13 The Commission is to look to the case forwarded by the DPSCL on all the items and test the same against the objections raised and would form its own view on accepted methods of accounting as also on the historical aspects of the claim. Section 29 of the ERC Act, 1998 directs the Commission to keep in its accounts the interest of the consumers, the economical uses of resources, good performance, optimum investment and improved level of efficiency together with commercial purposes etc.

6.14 Accordingly, in the following chapter the Commission would take up the questions of generation, sales and purchases, T&D loss, fixed and variable cost, capitalization of assets and other necessary aspects for determination of permissible reasonable return as per Schedule VI of the Electricity Supply Act, 1948.

6.15 In addition to their original objection against the tariff petition of Dishergarh Power Supply Co. Ltd., the WBSEB submitted a further reply to meet the points raised by DPSCL in their answer.

6.15.1 It was stated that income tax of a year is adjusted with depreciation allowance calculated on the basis of income tax where rate of depreciation were much higher. It was stated that the concerned utility did not pay any income tax for the last few years and that is calculated on net taxable income was set off with loss for the previous 8 years and depreciation allowance allowed by the assessing authority. It was pointed out that the amount of income tax payable by the utility for the year 2002-03 could not be reasonably considered right now for the purpose of estimation of the revenue expenditure for the year 2002-03.

6.15.2 It was further stated that addition of Rs. 2047.19 lakhs in generation on account of capitalization of 10 MW plant at Dishergarh Thermal Power Station could not be reconciled. Addition of generation asset as stated by the utility was not convincing for the reason that there had been no addition in generation assets at Dishergarh Thermal Power Station. Moreover, the utility had mentioned at page 42 of their tariff petition that a 10 MW plant was likely to be commissioned at Chinakuri Power Station on a capital cost of Rs. 1880 lakhs. The WBSEB submitted that as per their record two units of Chinakuri Thermal Power Station commissioned earlier were the captive power plants of ECL and the capital cost of those units was borne by the ECL. The third 10 MW plant was also qualified as a captive thermal unit in various correspondences between DVC, the utility and the WBSEB. DPSCL was liable to spell out clearly whether the capital cost of the 3rd unit of Chinakuri Power Station was borne by the DPSCL or the ECL.

6.15.3 The WBSEB pointed out that the average rate of purchase of power from WBSEB was stated in different figures in different pages of the tariff petition. In the reply it was stated to be 182.66 paise/unit, but in the tariff petition the figure was given as 184.80 paise/unit.

6.15.4 The WBSEB asserted that adjustment of depreciation for earlier years on account of change in methodology of computation could not be considered for the purpose of computation of depreciation cost for FY 2002-03.

6.15.5 It was submitted by the WBSEB that although the utility provided an amount of Rs. 655.56 lakhs in their account for the year 1999-2000 apprehending an additional liability towards purchase of power from DVC on account of defect in their metering system, the DVC ultimately did not raise any supplementary bill on account of any undercharged energy. This sum of Rs. 655.56 lakhs shown as miscellaneous income in the annual accounts was not reflected in the tariff petition for the years 2000-01 and 2001-02 and this did not find place in order of the Commission for these two years. This sum remains refundable to the consumers, as the sum was not actually paid to the DVC. Therefore, there should be a reduction by that sum in the revenue expenditure for the year 2002-03.

CHAPTER - 7: GENERATION AND AUXILIARY CONSUMPTION FOR THE YEAR 2002 - 03.

7.1 The DPSCL meets the requirement of its consumers by partly generating power and by partly purchasing the same from different sources. The distribution is made to the consumers at 11 KV only and there is almost no low-tension supply.

7.2 DPSCL has thermal generating stations at Dishergarh, Seebpore and Chinakuri. For Chinakuri, there are 2 units designated in the petition as old and new. The capacity of these stations as per projection by the DPSCL is as follows: -

Dishergarh	14 MW
Seebpore	5.8 MW
Chinakuri (Old)	20 MW
Chinakuri (New)	10 MW
Total	49.8 MW.

Although the present petition is silent as to whether the indicated capacity is the de-rated one, from the figures presented in the earlier tariff petition, it appears that the rated capacity of Dishergarh, Seebpore and Chinakuri old power stations were 18 MW, 8.375 MW and 20 MW respectively. We take it that the present figures for Dishergarh and Seebpore represent only de-rated capacity while for the 2 units at Chinakuri they tally of the rated capacity.

7.3 For the concerned year, the DPSCL has projected a gross generation of 257 MUs indicating the plant load factors of the individual power stations. It has been observed in the projection for the year 2002-03 that plant-wise PLF and generation had been shown even less than those for the last year - without assigning any reason. The Commission directs DPSCL to maintain generation at least at last year's level. We are presenting hereunder a statement showing Plant Load Factors and generation as projected by DPSCL and as being admitted by us.

	Dishergarh	**Seebpore**	**Chinakuri(Old)**	**Chinakuri(New)**	**Total**
Plant Capacity (MW)	14	5.80	20	10	49.80
Plant Load Factor (%) Projected……….. Admitted…..……..	64 66	43 45	80 80	70 70	
Generation (MU) Projected……….. Admitted………..	80 81	22 22.80	140 140	15.33 15.33	257.33 259.13

7.4 DPSCL has shown auxiliary consumption as 9.16% (overall). During plant visit by the Commission officials it was observed that the boilers at Seebpore have no FD Fan, which consumes around 1% of auxiliary consumption. Moreover, there is no mill system for pulverization of coal as the boilers require sized coal for consumption. The coal mills along with crushers, conveyers and other associated auxiliaries including ESPs consume more than 2.5% of auxiliary consumption. In the absence of above, the auxiliary consumption asked for in the petition is not admissible. As per CEA norms, 9.5% auxiliary consumption is allowable for the plants having cooling towers. This percentage is to cover needs of all auxiliaries including coal mills, crushers, ESPs etc. keeping in view the relevant CEA norms, the Commission allows the following auxiliary consumption rates in percentage for the plants of DPSCL:

Dishergarh 7%
Chinakuri (Old & New) 7%
Seebpore 6%

The weighted average of auxiliary consumption comes to 6.91%.

7.5 The Commission will adopt the admitted station-wise plant load factors, generation and auxiliary Consumption as stated in para 7.3 and 7.4 for the purpose of energy balance, fuel cost etc. for the year 2002-03 in subsequent chapters.

CHAPTER - 8: ENERGY BALANCE & SALE OF POWER FOR THE YEAR 2002 - 2003.

8.1 Under this chapter Sales, T&D loss and Energy Balance shall be kept under consideration.

8.2 For the year under consideration, the petitioner kept in consideration an average CAGR of 2.83% during the last 5 years and projected the total sale at 816 MUs. The following table placed by them is reproduced below in toto which would show their projection of sale with a break up for different utilities.

	Sale Break-up	1997-98	1998-99	1999-00	2000-01	2001-02	CAG 97-98 t01-02	ProjectionsFor 2002-03
1	WBSEB	112	130	139	148	161	9.51%	176
2	Set off	40	41	50	46	50	6.00%	53
3	WBSEB (1+2)	151	171	189	195	211	8.62%	229
4	ECL	461	460	457	449	458	-0.13%	458
5	Others	77	81	89	99	100	6.69%	107
6	Industry (4+5)	538	540	547	548	558	0.94%	564
7	Pus	8	9	9	9	10	5.90%	10
8	Class B	10	11	10	11	12	4.83%	13
9	Class C	0	0	0	0	0	-60.74%	0
10	Total (3+6 to 9)	708	731	755	763	791	2.83%	816

8.3 It is seen that for some categories of consumers the annual growth rate was as high as 9.51% and for some other it was as low as (-) 60.74%. It was pointed out by the DPSCL that the consumers having subsidized tariff had shown more increase in consumption compared to the subsidizing segment. However, it has been observed from their Misc. Petition filed on 19.7.2002 that the sale to the industry during 2001-02 was 571 M.U against 558 M.U shown above and 564 M.U projected for FY 2002-03.

8.4 It was indicated in the order dated 10.8.2001 as to how WBSEB supplied to DPSCL on one point and took power from them on several points. In the presentation the DPSCL have taken care to indicate separately what amount of power taken from WBSEB and what amount was set off.

8.5 There was a clear direction in the earlier order that the matter must be resolved between WBSEB and DPSCL through a power purchase agreement with clear indication that the supply made by the WBSEB was to be taken back as a supply for their own uses. There has been no clarification in this regard in the present tariff petition.

8.6 On the question of transmission and distribution loss the DPSCL kept the level at 6.70% and it was submitted in attachment 2 of their tariff petition that in a transmission and distribution network losses were unavoidable phenomenon because of the resistance in the T&D lines. Losses also occurred, according to DPSCL, for error in energy meters, current transformers and potential transformers. Loss was mounted due to theft of energy through pilferage, damaged meters or even for un-metered supply, which were all known as commercial losses. The DPSCL indicated that for them only technical losses were to be considered and not the non-technical losses which were negligible for their network.

8.7 It was indicated that quantum of technical loss for T&D network depends on various factors likes voltage level, annual loading with respect to Surge Impedance loading, length of line, conductor size, load factor, power factor, quality of maintenance (all for transmission network) and voltage level, KVA Km loading of the line, conductor size, load factor, power factor, load distribution factor, quality of maintenance (all for distribution network).

8.8 It was pointed out by the utility that they were primarily a distributing licencee and their loss came under the loss in distribution network only. It was pointed out that there were no transmission lines in the true sense because transmission was made at 11 KV voltage level. They wanted calculation of technical loss to be made on factors related to distribution system.

8.9 It was pointed out that the utility covered a large area of 618 sq. km. with low load density and accordingly long distribution lines emanated from the primary sub-stations. Normally, a capacity of a primary sub-stations may not exceed 15/16 MVA but for this utility this capacity was 45 MVA at Luchipur and Seebpore and 37.5 MVA at Dishergarh.

8.10 It was stated that in the 11 KV system the recommended KVA-Km loading was 24 MVA-Km for Panther conductor and 12 MVA-Km for Dog conductors. The utility indicated that they used mostly Dog and Panther conductors although for a 11 KV system Panther conductor were not economical in consideration of the standard loading of the feeders. The DPSCL had to use Panther conductors to reduce loss since loading of the feeders had crossed the 11 KV limit.

8.11 It was further submitted that an individual energy auditor had conducted a loss assessment study of the utility's distribution network in June, 2001 and they determined the loss to vary between 6% and 8%. It was pointed out that some metering error could create T&D loss of almost 4% in extreme cases. They submitted that the estimation of T&D loss by the Commission in the last tariff order restricting it to 4% was not to be adhered to in the present tariff order. It was stated that the Commission had not included the transformation loss which was due to power purchase at 33 KV level while certain consumers took supply at 3.3 KV and 550 Volt. In enclosure 2 to attachment 2 the actual T&D loss were given graphically for the years 1995-96 to 2000-01. It was observed here that the loss ranged below 5% upto 1996-97, fell to below 4% in 1997-98, further slipped down to a mere 1.40% in 1998-99 and then started rising again to reach 3.06% in 1999-2000 and to reach a height of 5.77% in 2000-01. A further chart in enclosure 3 gave a graphical diagram of T&D loss from 1989-90 till 2000-01 and it is noticed that in the years between 1989-90 till 1994-95 the loss ranged between 5.93% to 8.45%.

8.12 The Commission had estimated the T&D loss at 4% in its tariff order recorded at 10.8.2001. The DPSCL advanced their reasons for claiming the T&D loss of 6.7% and stated that the use of Panther conductor for 11 KV feeders enabled the reduction of loss and improving the voltage profile at the consumers' point. They had also installed state-of-the-art electronic meters at consumers' point to eliminate commercial loss. It was stated that despite all these steps the loss had increased to 6.69% due to increase in loading on the feeders and also the purchase point meters of DVC and WBSEB which were calibrated frequently.

8.13 The Commission however observed and is of the view that DPSCL had not taken the measures to contain the losses which may include possible pilferages and has to re-check the accuracy of the meters, consumption of energy based on capacity of the installations and contract demand at consumers' end. The Commission observed that on a query to DPSCL they had given the connected load of the consumers vis-à-vis capacity of the transforms installed by them. DPSCL could not satisfactorily explain how the utility had permitted installation of transformers of much higher rating, in certain cases even more than 25 times than the connected load. In some cases the additional transformers were allowed to be installed by the consumers even when the capacity of the existing transformers was much above the connected load. The utility has neither given nor co-related it with the contract demand. It is evident from the petition that the energy consumed appears to be disproportionate both with reference to transformer capacity and connected load. This creates a reasonable doubt on the metering accuracy also. No satisfactory explanation has come from the utility for the same except that demand has gone down subsequently for such consumers. The commission will like to get the matter investigated fully along with the energy audit.

8.14 DPSCL claimed that due to defects in metering system of DVC, T&D loss was recording low in earlier years. The energy audit conducted by an energy auditor in the year 2000-01, determined the technical loss in the DPSCL system at 6 to 8%. The actual T&D loss after rectification of DVC' s metering system recorded in the year 2000-01 was 5.74% as per audited accounts for the concerned year. The submissions made by the utility reveals the fact that the T & D loss in their transmission and distribution network since 1995-96 up to 1999-2000 were within maximum 3.85% whereas their projection for the same in FYs 2000-01 and FY 2001-02 was 5.5% and 6% respectively. If the submission of the utility is true, then it indicates that the defective metering system of DVC persisted for a prolonged period of around 5 years. Commission advises DPSCL to get detailed energy audit by the energy auditor to be selected by the Commission and not by the utility. However, as per the findings of the energy auditor and the commercial auditors' report for the same financial year, i.e. 2000-01, Commission allows T&D loss for the year 2002-03 at 5.74% as a special case.

8.15 It is observed in the projection for FY 2002-03, that DPSCL have indicated their PLF and generation even less than those for last year which clearly indicates a declining trend in performance which is not admissible. Hence, the Commission directs DPSCL to maintain generation at least in last year's level. The computation of fuel cost has been made on the basis of such generation and corresponding rise in PLF to maintain that level of generation. The detailed computation for fuel cost in tabular form has been shown in Table-2 (Page 51).

8.16 DPSCL has indicated their total colony consumption as 3.90 MU, which is higher than last year's figures. The commission feels that free electricity should be discouraged even to the employees. The average consumption per employee per month is also high. The Commission restricts such enhancement in colony consumption and allows at last year's level only and direct DPSCL to introduce supply to their employees on payment basis to have meaningful control on such consumption. Pending this the consumption in colony should be curtailed and consumption in offices in colony, if any, be shown separately.

8.17 Based on the analysis as given in chapter 7 and in the present chapter, we draw the supply plan for 2002-03 as under: -

	MU	MU
1. Own Generation		259.13
2 Auxiliary Consumption (6.91%)		17.91
3. Ex-Bus Generation (1 - 2)		241.22
4. Power Purchase		
a) WBSEB	53.34	
b) DVC	583.99	
		637.33
5. Total Energy Available (Ex-Bus) (3+4)		878.55
6. Own Consumption (restricted to quantity allowed in earlier year		3.55
7. Energy available for Sale		875.00
8. T & D Loss (5.74%)		49.91
9. Un-accounted energy		9.09
10. Energy for Sale		816.00

8.18. It may be observed from para 8.2 that the CAGR in case of ECL is (-) 0.13% for the period 1997-98 to 2001-02 whereas the new 10 MW New Chinakuri Station has been sanctioned by WBSEB under Section 44 of the Electricity (Supply) Act, 1948 exclusively for giving supply to collieries of ECL and also with stipulation that DPSCL would not reduce their contract demand from agreed level in respect of purchase of power from DVC along with other conditions. But there is no sanction of ECL, the owner of old Chinakuri Station, (DPSCL is only lessee) for establishing new station on their land and property and also no Power Purchase Agreement with ECL for the purchase of power has been made. This raises the basic question of accuracy of projected sale or validity of establishment of new station and accordingly, it is dealt subsequently. DPSCL should obtain clear NOC from ECL in respect of their new unit and furnish the copy of the same along with the tariff petition for FY 2003-04 and also showing the impact of non-reduction of demand from DVC in view of WBSEB' s stipulation in their sanction. DPSCL should persue with DVC and adjust their demand according to the requirement in the light of new installation of New Chinakuri TPS.

CHAPTER - 9: FIXED COST

9.1 Under this chapter the Commission is to look to several aspects to determine the fixed cost and the different components of the same are taken up one by one.

9.2.1 Employees' Cost

The projected expenditure on this head is a sum of Rs. 1797.38 lakhs for the concerned year with the following break-up.

	Rs. in lakhs
i) Generation	720.43
ii) Transmission, Distribution and Sale of Energy	358.63
iii) Others (including Directors' remuneration and Management fees)	516.77
iv) Contribution to P.F. & Gratuity etc.	198.30
v) Expenses on apprentice & other Training Scheme	3.25
	1797.38

The manpower position of the company as given at the end of December, 2001 was as under:-

Workers	Nos.	Nos.
Generation	428	
Distribution	177	
Administration	266	
		871
Others (Executives, Supervisors & Assistants)		191
		1062

9.2.2 While determining the cost under this head of accounts for the tariff period 2000-01 and 2001-02, the Commission in its order dated 10.8.2001, observed that the cost then projected was very high in view of DPSCL's small generation capacity and limited number of customers around 360 only. The Commission desired DPSCL to take immediate steps to reduce the employees' cost and to submit a detail note on the matter. The explanatory note submitted in compliance with the tariff petition for 2002-03 is found not convincing. They tried to justify the staff strength and expenditure stating that the ratio of number of employees per M.U. sold came to 1.36 as against all India average of 3.16. The comparison with all India norm in regard to number of employees per M.U. sold does not give the fair picture in case of DPSCL in view of the fact that the company is primarily a power distributor with small generation base and around 360 consumers only. The number of employees per consumer comes around 3 in their case, which is beyond any norm. In addition to that, DPSCL shares around Rs. 190 lakhs towards expenses including salary with Andrew Yule & Co. for using common facility at corporate headquarters in Calcutta where the company is not having any operational and practically no functional base. It has further been noted from audited accounts for 2000-01 that DPSCL is not complying with the requirements of Indian Electricity Rules, 1956 framed under the provision of section 11 of the Indian Electricity Act, 1910 in regard to disclosure of the number of persons employed on regular basis under different technical and administrative categories [vide item No: 18 of format prescribed in Annexure IV under Rule 26(3)] and in getting that audited by the auditors appointed under the Rule. It was also observed that though they claimed Rs. 1742.60 lakh under employees' expenses, the actual expenses was only Rs. 1363.40 lakh against Rs. 1350 lakh allowed by the Commission.

9.2.3 Under the position as explained above, we proceed to asses the employees' cost of DPSCL for the year 2002-03 based on the information subsequently submitted.

	Rs. in lakhs	Rs. in lakhs
Actual salary & wages for 9 months upto December, 2001	881.55	
Proportionately for the full year 2001-02		1175.40
P.F. Contribution etc. stated as actual for 2001-02		188.00
Others (Executives, Supervisors & Assistants)		191
Employees' Cost for 2001-02		1363.40
Average annual increase as projected @ 5.5%		74.99
Assessed Cost for 2002-03		1438.39

9.3.1 Repair and Maintenance including consumption of stores and spares

Under this head the projected cost is Rs. 771.41 lakhs with the following break-up.

	Figures in Rs. Lakhs			
	Generation	Distribution	Other Services	Total
Plant & Machinery	490.98			490.98
Main/Meters Transformers		75.04		75.04
Buildings	51.46	7.50	42.88	101.84
Vehicle	4.40	9.90	11.00	25.30
Others	2.14	31.09	7.50	40.73
	548.98	**123.53**	**61.38**	**733.89**
Consumables				37.52
Total				**771.41**

9.3.2 While allowing expenditure under the head Repairs & Maintenance for the tariff period 2000-01 and 2001-02, the Commission urged DPSCL to reduce the cost as the same was on the higher side in view of its small generation and distribution base. The explanatory notes justifying the high expenditure advanced by DPSCL in compliance with the Commission's directive are found not convincing. As it appears from the additional information provided subsequently, the company entered into an ENERGY SAVING PARTNERSHIP AGREEMENT with M/S DESCON LTD., according to which 45% of the benefits to be accrued from the performance advice of DESCON would be payable to them as fees. The payments made / to be made to M/S DESCON LTD. under this agreement for the year 2000-01 worked out to Rs. 373.65 lakhs and was treated as Repairs & Maintenance expenses. To operate the plants with optimal efficiency is the normal activity of the utility and as such system of sharing benefits derived out of the advice of DESCON LTD. appeared not convincing to us particularly when DESCON is a closely held company of employees of DPSCL and managed by them mainly by their employees on deputation with common facilities and such payments are not considered to be re-imbursible through tariff. Moreover, such type of expenses is not recurring in nature, which should not be incurred as a regular feature. It appears from the audited Statement of Accounts for the year 2000-01, the Repairs & Maintenance expenses of the generating Plant & Machinery was Rs. 662.52 lakhs which as indicated above includes amount paid/payable to DESCON towards such consultation. The actual expenditure on this account thus was Rs. 288.87 lakhs. Taking this amount as a base we shall proceed to assess to allowable expenditure under this head in the next para.

9.3.3 Based on our observations above and projections made by DPSCL we admit expenditure towards Repairs and Maintenance for the year 2002-03 as under:-

	Rs. in lakhs	Rs. in lakhs
i) Plant & Machinery		
Expenditure during 2000-01	288.87	
Add: 10% increase	28.89	
		317.76
ii) Main/Meters & Transformers (as claimed)		75.04
iii) Others (Building, Civil engineering works furniture, & fixtures, office equipments etc.)		
Actual in 2000-01 as per audited A/cs	139.02	
Add: 10% increase	13.90	
		152.92
iv) Consumables (as claimed)		37.52
		583.24

9.4 Rent, Rates & Taxes (Other than Taxes on Income & Profit)

The expenditure projected under this head is Rs. 36.95 lakhs. The actual expenditure incurred during 2000-01 was Rs. 32.60 lakhs as per audited accounts. The projected expenditure i.e. Rs. 36.95 lakhs for the year 2002-03 is admitted.

9.5 Legal charges

DPSCL claimed Rs. 50.00 lakhs towards legal charges and the break-up of the amount provided subsequently is as given in next sheet:-

	Rs. in lakhs
Company law matter	10.00
Income Tax matters	19.00
Labour, Civil and Contract matters	21.00
	50.00

The projected expenditure appears to be very much on the higher side keeping in view of its small localised operations and number of consumers. As per audited accounts actual expenditure incurred in 2000-01 is Rs. 30.73 lakhs only against Rs. 15 lakhs allowed by the Commission with directions to make every endeavour to curtail their expenses looking into small operations of the company. However, it was observed that no such steps have been taken and expenses have been doubled in FY 2000-01. DPSCL has further asked for substantial enhancement during FY 2002-03 without giving convincing reasons. We again direct DPSCL to keep control on expenses under this head and admit Rs. 20.00 lakhs for the year 2002-03 which is about 33% over the expenses allowed in 2001-02.

9.6 Audit fees & Expenses

We allow Rs. 6.50 lakhs towards audit fees and expenses as against Rs. 7.50 lakhs claimed for 2002-03 as the existing audit fee and expenses itself is quite high.

9.7 Interest

DPSCL had been a zero debt company upto the previous year. They, however, arranged for cash credit limit with the State Bank of Patiala and United Bank of India for Rs. 270 lakhs and Rs. 370 lakhs respectively during 2001-02. These cash credit facilities are stated to be in the Revenue Accounts and withdrawals and deposits in these accounts are made keeping in view the operational requirements and depending on cash flow. The estimated total amount of interest payable on these accounts during the year 2002-03 is Rs. 45.76 lakhs. The company also projected to borrow Rs. 1500 lakhs for financing their capital construction works including a new 10 MW generation set at Chinakuri. The estimated amount of interest payable on this capital borrowing at the rate of 15% p.a. is Rs. 209.38 lakhs of which Rs. 167.19 lakhs will be capitalized and the balance Rs. 42.19 lakhs will be chargeable to Revenue Account during the year after completion of capital construction works. However, it has been noted that the rate of 15% interest is too high keeping in view the continuous downward trend in the interest rates particularly this zero debt company. The PLR of most of the banks are around 11% to 12%. DPSCL also keeps substantial amount in Current Account and the necessity of taking loan to the above extent is open to question as it is not prudent Financial management. DPSCL could not justify the same. We directed DPSCL to seek alternative financing keeping in view the market trends and we allow interest on capital borrowing @ 13% only. Accordingly, the total interest allowed on such borrowing will come to Rs. 181.46 lakhs out of which Rs. 144.90 lakhs will be capitalized and the balance Rs. 36.56 lakhs will be chargeable to Revenue Account. The interest on borrowing chargeable to Revenue Accounts, thus, comes to Rs. 82.32 lakhs. In addition to that interest payable on Consumers' Security Deposit is Rs. 6.50 lakhs. We thus, admit total interest of Rs.88.82 lakhs chargeable to Revenue Account. However we direct DPSCL to carefully look into their Cash Management as it is not in the interest of the consumers that the funds are kept in either no interest or low interest and simultaneously funds are taken on loan at higher rate of interest.

9.8 Fuel Related Cost

DPSCL asked for Rs. 53.60 lakhs towards fuel related cost for the year 2002-03. As per audited accounts for the year 2000-01 the expenditure under this score was Rs. 68.53 lakhs and the same has been estimated to be Rs. 50.00 lakhs during 2001-02. In view of the addition of 10 MW generating capacity in the last quarter of the year 2002-03 we admit the projected expenditure of Rs. 53.60 lakhs for the year.

9.9.1 Other Administrative, General and Miscellaneous charges

DPSCL claimed Rs. 830.50 lakhs against Rs. 624.05 lakhs allowed in FY 2001-02 towards other Administrative, General and Miscellaneous charges with the following break up.

	Rs. in lakhs
i) Water charges	11.31
ii) Lease Rentals	350.00
iii) Ash handling charges	49.31
iv) Other Administrative & General charges	419.88
Total	830.50

9.9.2 In regard to water charges it is observed that the actual expenditure as per audited statement of Accounts for the year 2000-01 was Rs. 10.91 lakhs. Considering addition of 10 MW capacity at Chinakuri which will be in operation during the last quarter of 2002-03, we admit Rs. 11.31 lakhs for water charges for this year.

9.9.3 Lease Rental is for fixed amount payable annually to Coal India for Chinakuri power station and is admitted for Rs. 350.00 lakhs as claimed.

9.9.4 In regard to claims for Ash handling charges separately it has been observed in the audited accounts that no payments had been made in the past under this head. It might had been accounted for under the head "Fuel Related Cost" or other heads of claims. We, therefore, do not allow any amount under this score.

9.9.5 DPSCL claimed Rs. 419.88 lakhs towards other Administrative and General expenses. As detail break up provided subsequently, the expenses are under the following heads.

	Rs. in lakhs
Travelling	49.31
Insurance	42.21
Consumers' Job	44.69

Vehicle Running Expenses	42.00
Advertisement & Publicity	24.00
Printing and Stationery	24.00
Bank Charges	22.00
Office Lighting Expenses	26.00
Other Misc. Office Expenses	145.67
Total	419.88

Out of the above projected expenses, an amount of Rs. 42.00 lakhs have been estimated to be recovered from the consumers towards jobs to be done in their accounts. It is stated that insurance charges will be to the extent of estimated amount due to addition in the fixed assets during the current year. In regard to projected expenditures in other accounts, we feel, there is need to curtail the expenditures specially under traveling, vehicle running, office lighting, miscellaneous expenses. For the site offices, DPSCL is claiming deduction in the saleable power towards own consumption. The expenditure of Rs. 26.00 lakhs claimed for office lighting is for their Kolkata office and the amount is considered to be very much on the higher side. Rs. 22.00 lakhs claimed under bank charges is not justified and also on the higher side in view of allowing interest on cash credit accounts separately. Besides insurance charges (Rs. 42.21 lakhs) and consumers job (Rs. 44.69 lakhs), we assess total expenditure under other head of accounts at Rs. 216.00 lakhs. We, therefore, allow Rs. 302.90 lakhs towards other Administrative and General expenses. The total amount we admit as against the projection of Rs. 830.50 lakhs is with the following break up :-

	Rs. in lakhs
Water charges	11.31
Lease Rental	350.00
Other Administrative & General charges	302.90
	664.21

The above represents an increase of about 6.5% over Rs. 624.05 lakhs allowed for the last year.

9.10.1 Depreciation

The depreciation charge claimed by DPSCL in their projection is Rs. 485.57 lakhs which amount includes Rs. 93.20 lakhs for 2000-01 and Rs. 103.21 lakhs for 2001-02 towards arrear short depreciation provided in those year due to wrong adoption of ANNUNITY method in contravention of Government notification of 1992. The balance amount of Rs. 289.16 lakhs are for the year 2002-03. In its earlier Tariff order dated 10th August, 2001, the Commission directed 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 latest notification issued under the provisions of Electricity Act on assets necessary and in use, the depreciation actually charged and submit a note along with calculations to enable the Commission to examine and decide the issue. Commission also desired that the difference between the entitled reasonable return on such cost and the depreciation computed under the straight-line method for 2000-01 and 2001-02 to be adjusted in the tariff of 2002-03. The detailed calculation has not been submitted by DPSCL in the line as desired by the Commission. Moreover, as it appears from the explanatory notes incorporated by them in the Annual Accounts of 2000-01, they are yet to undertake a comprehensive technical evaluation of the usability of old assets against which stand by assets have been capitalized and there are no details available of assets returned from active use. The auditors of the company also commented on this point and stated that the financial impact is not presently ascertainable.

9.10.2 In view of the position as explained above it will not be possible to consider and permit to adjust the depreciation differential in the tariff 2002-03. We provisionally allow depreciation of Rs. 289.16 lakhs as stated to be calculated under the straight-line method as per the latest notification issued in this regard. We direct DPSCL to carry out the exercise as desired by the Commission and to come up with a note before the tariff application is submitted for the next period. The Commission will then take a view whether the same is permissible and if yes, to what extent along with its effects on other items.

9.11.1 Special Appropriation

DPSCL asked Rs. 616.67 lakhs total as special appropriation with the following breakup.

	Rs. in lakhs
(a) Taxes on Income and Profit	584.32

(b) Contribution to Contingency Reserve	21.68
(c) Installment of written down amount in respect of Intangible Assets	10.67
Total	616.67

The admissibility of appropriations in above accounts are examined in the following paragraphs.

9.11.2 In regard to Taxes on Income and Profit, the Commission gave certain directives to DPSCL in regard to settlement of their large outstanding balances under advance tax and provision for the tax which have remained unadjusted even for a period of 10 years. The matter appears to have not been settled and final adjustment/recoveries are yet to be carried out. Also the balance of Rs. 908.52 lakhs as on 31.3.2001 in Deferred Taxation Reserve has been shown as Reserve & Surplus under Shareholders Funds which has been collected from the consumers in advance on differential rate of depreciation as pointed out in the earlier order. No adjustment of the same has been done even though the amount also pertains for considerable long period. The reply of DPSCL is unconvincing and they have not taken steps to rectify the above matters. We have allowed Rs. 100 lakhs and Rs. 90 lakhs during 2000-01 and 2001-02 towards Income Tax but as per audited accounts for 2000-01, the tax liability is nil. Similarly it appears that there is no tax liability for FY 2001-02. Tax is special appropriation to cover actual liability and its payment and normally not accounted for in advance. However, the Commission has allowed Tax liability during 2000-01 and 2001-02 against which it is stated that no liability has actually incurred. In view of above we do not allow any sum under this Head and will allow to the extent paid and admissible after adjusting the balance amount out of the amount allowed during 2000-01 and 2001-02 for Income Tax.

9.11.3 In regard to the appropriation to Contingencies Reserve, the provision of Para IV(1) of the Sixth Schedule of Electricity (Supply) Act, 1948 is to make such appropriation minimum @ 0.25% of the original cost of fixed assets each year subject to maximum of 5% of such original cost of fixed assets. As explained by us elsewhere of this order the original cost of fixed assets necessary and are in use for DPSCL in not beyond doubt. They are yet to take out the value of assets not in use or not useable from their gross block of assets. We, however, provisionally allowed Rs. 6673.26 lakhs as original cost of fixed assets by the end of 2002-03 and accordingly, allow 0.25% of this cost as annual contribution i.e., Rs. 16.68 lakhs to Contingencies Reserve.

9.11.4 Installment of intangible assets to be written off during 2002-03 has been admitted for Rs. 10.67 lakhs as projected by DPSCL.

CHAPTER - 10 : VARIABLE COSTS AND EXPENDITURE

10.1.1 Fuel Cost

Fuel cost represents cost of coal in case of DPSCL as they have no oil input in the process of their generation. The cost of coal depend on the quantum of coal consumption as well as on the price of coal. Quantum of coal consumption, in turn, depends on the useful heat value of the grade of coal being used in the plant and the heat rate of the generating unit. In the absence of proper information, the Commission allowed the fuel cost in earlier two years, i.e. in 2000-01 and in 2001-02 mainly on the basis of specific consumption coal (kg./kwh) recommended by the Consultants even though the calculated heat rate of the plants, especially for Seebpore was felt too high. Commission had accepted the Fuel Cost keeping in view that the old technology of the plants and the vintage of the stations led to higher heat rate and consequently high cost of coal per kwh. However, the Commission has directed DPSCL to make every effort to reduce such costs.

10.1.2 For the current year, i.e., FY 2002-03, DPSCL in their tariff filing projected specific consumption of coal for their power station as below:

Dishergarh : 1.02 kg/kwh.
Chinakuri : 0.725 kg/kwh.
(weighted average value of Old and new
Chinakuri).
Seebpore : 1.35 kg/kwh.

On further query, DPSCL intimated that they consume Grade-B coal from ECL and the upper and lower useful heat value of Gr.B coal is 6200 and 5600 k.cal/kg. respectively.

The above heat rate is very much on higher side and makes generation unviable for Dishergarh and Seebpore as the fuel cost alone comes to Rs. 1.74 and Rs. 2.20 per kwh respectively on energy sent out basis and normative auxiliary consumption. The total sent out power is only 75 M.U. and 21 M.U. respectively which can be met from alternative cheaper sources. Even the fuel cost of Chinakuri is not less as it will be Rs. 1.25 per kwh. It may be added that these stations generate power both in peak and off peak period and therefore, generation from these stations when other fuel efficient stations are backed down or power exported outside the state of West Bengal needs to be re-examined as it is neither in the interest of the consumers nor efficient performance. DPSCL should therefore, justify continuation of generation at Seebpore and Dishergarh in their next tariff petition. The inefficiencies of the management cannot be passed on to the consumers. It is not clear from the petition of DPSCL whether Boiler Fitness Certificate regarding Safe and Efficient operation for each Boilers for all the plants of DPSCL are obtained periodically as per rule from Boiler Inspector, Govt. of West Bengal. Commission directs DPSCL to furnish copies of certificates in respect of all the Boilers along with the petition for FSC for the financial year 2002-03.

10.1.3 If minimum useful heat value of Grade-B coal i.e., 5600 k.cal/kg. is considered for evaluation of heat rate of the stations of DPSCL, the following will be the heat rate for their stations:

Dishergarh : 5712 k.cal/kwh.
Chinakuri : 4060 k.cal/kwh.
Seebpore : 7717 k.cal/kwh.

Against Commission's query, DPSCL in their reply furnished the heat rate for their plants as below:

Dishergarh : 5532 k.cal/kwh.
Chinakuri : 3962 k.cal/kwh.
Seebpore : 6999 k.cal/kwh.

10.1.4 The corresponding specific consumption of coal comes to 0.988 and 1.25 kg/kwh for Dishergarh and Seebpore respectively on the basis of above heat rates.

It is observed in case of heat rate for Chinakuri, DPSCL have asked for higher heat rate compared to the same recommended by the Consultant, ASCI, for FY 2000-01. Hence, the value of heat rate for Chinakuri has been allowed as that for FY 2000-01, i.e., 3703 k.cal/kwh. The corresponding specific consumption of coal for Chinakuri TPS (both Old and New) comes to 0.661 kg/kwh. The Commission is of the view that there is ample scope to improve the efficiency in regard to coal consumption including reduction in Heat Rate. Some of the points observed are as given in next page:

a) Reducing leakage of heat.
b) Improving system to ensure maximum combustion of coal.
c) Improving system of measurement of coal at entry point.
d) Optimal utilization of exhaust gas temperature.

The specific consumption of coal allowed by the Commission for the different plants of DPSCL for FY 2002-03 with minimum useful heat value of coal as 5600 k.cal/kg is summarized hereunder:

Dishergarh : 0.988 kg/kwh.
Chinakuri : 0.661 kg/kwh.
Seebpore : 1.250 kg/kwh.

With the above figures the cost of fuel of DPSCL for FY 2002-03 has been evaluated in a tabular form in Table-1 (Page-50) and Table-2 (Page-51).

However, the Commission is of the same opinion as was in the year 2000-01 regarding the higher heat rate for the plants of DPSCL, especially for Seebpore. The Commission directs DPSCL to furnish the details regarding the proposed improvement in heat rate before taking up renovation work for the plants at Seebpore and Dishergarh and cost benefit analysis should be furnished for both Seebpore and Dishergarh plant during tariff filing for 2003-04.

As it is statutory to obtain periodically clearance certificate from the Boiler inspector, Govt. of West Bengal in respect of Safe and Efficient operation of each Boiler for all the plants owned by the utility, Commission directs DPSCL to furnish the copy of clearance certificate from the Boiler inspector in respect of Safe and Efficient operation of each Boiler of the plants owned by DPSCL.

10.2 Cost of Power Purchase

In para 8.15, we specified the power purchase requirement of DPSCL 53.00 M.U. from WBSEB and 559.33 M.U. from DVC. The cost for such purchases as projected by DPSCL and as being allowed by us are as shown in the next page:-

Sources As projected by DPSCL As allowed by Commission
Qty.MU Ratep./kwh AmountRs.in lakhs Qty.MU Ratep./kwh AmountRs.in lakhs
WBSEB 53.34 184.80 985.74 53.34 184.80 985.74
DVC 591.59 284.00 16801.03 583.99 284.00 16585.32
644.93 - 17786.77 637.33 - 17571.06

Sources	As projected by DPSCL			As allowed by Commission		
	Qty.MU	Ratep./kwh	AmountRs.in lakhs	Qty.MU	Ratep./kwh	AmountRs.in lakhs
WBSEB	53.34	184.80	985.74	53.34	184.80	985.74
DVC	591.59	284.00	16801.03	583.99	284.00	16585.32
	644.93		17786.77	637.33		17571.06

It is evident from the petition of the utility that they transport coal from Colliery to their plants directly by truck. ECL arranges transportation of coal from their respective pitheads to nearest linkage upto 3 km. - Nil, upto 5 km. - Rs. 30 per M.T., between 10 and 20 kms. - Rs. 50 per M.T. and beyond 20 Kms. is payable on actual basis. The utility, in their petition, have asked for transportation charges @ Rs. 100/- per M.T. for all the plants which clearly indicates they are to transport coal for their plants more than 20 km. from the pitheads although their plants are either on the pitheads or in the vicinity of Collieries and no convincing clarification in this regard has been furnished. Hence, Commission allows provisionally transport charges @ Rs. 50 per M.T. but will like to examine this issue at the time of FPPCA claim for the concerned period.

Table-1.

Name of the Power Stations of DPSCL.	FY 2000-01.	FY 2001-02.	FY 2002-03.			
	Heat Rate recommended by consultant, ASCI and allowed by Commission.	Specific Consumption allowed by Commission.	Heat Rate asked by DPSCL.	Sp. Cons. asked by DPSCL.	Heat Rate allowed by Commiss.	Sp. Cons. allowed by Commiss.
Dishergarh Power Station.	5774 K.Cal/kwh.	1.039 Kg/kwh.	5532 K.Cal/kwh.	1.02 Kg/kwh.	5532 K.Cal/kwh.	0.988 Kg/kwh.
Chinakuri Power Station.	3703 K.Cal/kwh.	0.726 Kg/kwh.	3962 K.Cal/kwh.	0.725 Kg/kwh.	3703 K.Cal/kwh.	0.661 Kg/kwh.
Seebpore Power Station.	7871 K.Cal/kwh.	1.378 Kg/kwh.	6999 K.Cal/kwh.	1.35 Kg/kwh.	6999 K.Cal/kwh.	1.25 Kg/kwh.

Cost of Fuel for DPSCO for FY 2002-03.

Table-2.

			Dishergarh.		Seebpore.		Chinakuri (Old).		Chinakuri (New).		Total	
Sl. No.	Description.	Unit.	Proj.by DPSCO.	Appro.by Commi.	Proj.by DPSCO.	Appro.by Commi.	Proj.by DPSCO.	Appro.by Commi.	Proj.by DPSCO.	Appro.by Commi.	Proj.by DPSCO.	Appro.by Commi.
1	Plant Capacity.	MW.	14	14	5.8	5.8	20	20	10	10	49.8	49.8
2	PLF.	%	64	66	43	45	80	80	70	70	58.99	59.4
3	Gross Geneneration.	MU.	80	81	22	22.8	140	140	15.33	15.33	257.33	259.13
4	Aux.	%	8.94	7	9.82	6	9.19	7			9.16	6.91

	Consumption.											
5	Aux. Consumption.	MU.	7.15	5.67	2.16	1.37	14.28	10.87	Includ.In Chinaku(O).		23.58	17.91
6	Ex-Bus Gen.(3-5).	MU.	72.85	75.33	19.84	21.43	141.05	144.46	Includ.In Chinaku(O).		233.75	241.22
7	Colony Consump.	MU.									3.9	3.55
8	Sp. Consum.of Coal.	Kg/ Kwh.	1.02	0.988	1.35	1.25	0.728	0.661	0.7	0.661	0.87	0.815
9	Qty. of Coal.(3*8).	MT.	81600	80028	29700	28500	101920	92540	10731	10133	223951	211201
10	Av. Coal Price.	Rs. / MT.	1812	1762	1812	1762	1812	1762	1812	1762	1812	1762
11	Cost of Coal. (9*10).	Rs. (lacs).	1479	1410.09	538	502.17	1847	1630.55	194	178.54	4057.99	3721.35
12	Cost/ Unit. (11/6)	P/ kwh.	203.02	174.09	271.17	220.25	144.7	125.23	Includ.In Chinaku(O).		173.6	154.27

CHAPTER - 11 : CAPITAL BASE AND REASONABLE RETURN

11.1 In this chapter we shall take up the analysis of the different factors for ascertaining the Net Capital Base of the DPSCL so as to determine the Reasonable Return allowable to them.

11.2.1 Original Cost of Fixed Assets

DPSCL projected original cost of fixed assets available for use and necessary Rs. 8670.24 lakhs by the end of year 2002-03. This is as against Rs. 4382.31 lakhs (projected) and allowed Rs. 3990.77 lakhs at the end of 2000-01. The additions in fixed asset estimated to be Rs. 1040.82 lakhs during 2001-02 and Rs. 3247.11 lakhs in 2002-03. The detail break-up of the proposed addition during the referred two years is

	Rs. in lakhs
Building	690.00
Furniture	99.04
Land	0.28
Machinery (including 10 MW Generating Set at Chinakuri)	2031.12
Switchgears	6.26
Transformer	315.61
Meters	61.80
Overhead Lines	1083.82
	4287.93

In addition to above, the value of capital work-in-progress by the end of 2002-03 has been projected to be Rs. 799.33 lakhs. They also projected further expenditure in Capital Accounts in coming years mainly on the following projects -

	Rs. in lakhs
Mangalpur Substation	1352.40
Bankola Substation	1600.00

2952.40

11.2.2 From the above analysis of capital expenditure incurred and the capital expenditure committed to be incurred, it is evident that DPSCL is going on adding to the value of fixed assets and capital works-in-progress without significant increase in their generating capacity and sales volume except for a new addition of 10 MW generating capacity at Chinakuri Power Station at an estimated completion cost of Rs. 1880.00 lakhs. However, based on the orders placed and other expenses projected, the estimated cost should be Rs. 1340 lakhs. The projected expenditure on this account has been reduced for the following reasons:

a) Price of TG as per LOI on M/S BHEL is Rs.1,047 lac including auxiliaries and essential Spares.

b) The total cost for unloading, storage, transportation at site, erection, commissioning including PG test, complete civil works, design etc. is Rs 218 lac as per LOI on M/S BHEL.

c) The instrumentation and piping, being an integral part of the main equipment, is definitely within the scope of supply and erection of M/s BHEL failing which commissioning and PG tests cannot be conducted. Moreover, no details for such expenditure are either available in their Tariff Petition or submitted subsequently. Hence an additional 60.00 lac towards cost of foundation and associated civil structure including instrumentation & piping for the same is not justified and is disallowed. However, if separate order for supply and erection of instrumentation had been placed on M/s BHEL or any other agency, the copy of the same may please be produced during tariff filing for FY 2003-04 for reassessment of expenditure on this account. Pending the requisite information, the cost i.e, Rs. 60 lac is disallowed.

d) M/s BHEL in their list of Civil Works vide Sl. No. 4 have included civil works for CW pipings. However, Rs.3.50 lacs towards the cost for extension of CW floor for installation of additional CW pumps for the new Unit is allowed. Cost of CW pump & motor including sluice gate valve, BF valve, LTAC Board comes to Rs. (6.15+3.20+1.46+3.22+2.97)=Rs.17.00 lac.against Rs. 30.50 lac claimed.

e) Cost towards HT and LT cables including installation & supply of light is Rs.(16.84+7.74) lac=Rs.24.58 lac. For TGMCC and DCDB (both for 24-volt and 220-volt with trolley system) Rs. (1.63+6.65+6.10) lac i.e, Rs. 14.38 lac. is allowed against their claim of Rs. Rs. 29.00 lac.

f) The other expenses like Turbine oil Centrifuge, emergency oil pump starter, A/c machine, steel, cement etc. comes to Rs. (6.89+ 0.14+ 0.70+ 0.41+ 0.05+ 4.35+0.51)=Rs.13.05 lac. Erection for these equipment including that for CW pump set, TGMCC & DCDB (say) Rs. 3.00 lac. is allowed.

The total cost thus allowed for 10 MW set at Chinakuri comes to Rs. (i.e,1265.00+3.50+17.00+24.58+13.05+3.00+14.38) lacs.=Rs.1340.51 lac. (Say) Rs. 1340 lac.

As the spares (termed as Initial Spares) are supplied along with main equipment and are used during Operation and Maintenance of the Unit, the cost of spares is disallowed.

In absence of any relevant document, Commission could not examine amount claimed towards escalation @ 10 %. Moreover, it is evident from their subsequent submissions that most of the orders are on "Firm Price" basis. Hence their claim towards escalation of 10% is disallowed.

The construction of building at Salt Lake at the cost of Rs. 690.00 lakhs and addition in furniture at the cost of Rs. 99.00 lakhs are in no way related to increase in business and can not also be treated as cost cutting measure.

11.2.3 Where capital additions are considered for replacement of old non-working assets and augmentation of the existing transmission and distribution system, the value of replaced assets should have been removed from the capital base. The utility projected to spend Rs. 61.80 lakhs for procurement of new meters for their around 350 consumers for whom meter installations are already there. But they are not proposing to withdraw the value of old meters from the capital base. Highlighting these points, the Commission, in its earlier tariff order, directed the DPSCL to review the position and to take out the assets which are not in economic use or not usable.

In compliance of above directive, they identified assets having original cost of Rs. 16.15 lakhs (written down value Rs. 5.51 lakhs) only as not in use and excluded from the capital base. But such exclusion is not enough. As committed by themselves in an explanatory note incorporated in their Annual Statement of Accounts for the year 2000-01 the company was yet to undertake a comprehensive technical evaluation of the usability of old assets against which standby assets have been capitalized. They further committed that there were no details available of assets returned from active use.

11.2.4 The cost-benefit analysis advanced by DPSCL for construction of a corporate office building at Salt Lake by a capital addition of Rs. 690.00 lakhs is also not found justifiable. A savings of Rs. 104.00 lakhs per annum has been assessed by shifting their departments dealing with development, taxation, treasury operations, PF/Pension/Gratuity trust, liaison etc. from their present location at Andrew Yule Building, Kolkata, to their proposed new building. The question of maintaining an expensive office in Kolkata for a company localized at Dishergarh with only around 350 consumers to serve remains unanswered. Moreover, there is no proposal for significant reduction in the corporate office share of expenses and overhead in 2002-03. Admission of this capital addition during 2002-03 and allowing return on that through tariff will not be justified from consumers' point of view.

11.2.5 The proposed addition is fixed assets includes Rs. 1083.82 lakhs for overhead lines of which Rs. 1028.00 lakhs are for evacuation of power from Chinakuri power station where addition in 10 MW generation capacity will be completed in December 2002. Proper and detailed justification of installation of additional 29 KV Chinakuri-Satgram line, specially when the interconnection already exists "for supply power on emergency basis, if required load can be shifted from one circuit to another" as revealed from the executive summary of DPSCL's reply vide Vol.-III shall be furnished along with relevant work order, if any. If the work is yet to be taken up, we direct DPSCL not to take it up unless the requisite details are not furnished to the Commission and approval obtained. However, if the work has already been started, the same shall be kept in abeyance for the time being till the approval of Commission is obtained. On scrutiny of the detailed estimates submitted on this account, we are of the view that the expenditure on this account will be around Rs. 730.00 lakhs only and allows provisionally . This amount will be adjusted in the tariff for FY2003-04 in the event of failure to furnish the work order and satisfactory clarification by DPSCL as asked for herein above. However the reasons for reduction in projected cost are detailed herein below:
In the replies to technical queries vide vol.-I (page-75,table-A), DPSCL have indicated 2 Nos.15 MVA,11/33 KV (step-up) transformers for 1 No. 10 MW set. Hence only one no. of above transformer & associated breaker has been allowed. Cost of one no. 33 KV indoor switch gear (including CT, PT, Relay) has been considered as 12.00 lac. Which is too high. The current market price (around 2000-01) is about 7.5 lac. Which has been allowed. Cost allowed in table-A thus arrived at, is Rs. 71.60 lacs. Cost allowed in table-B is Rs. 3.00 lacs. In table-C, the utility of 33 KV cable is not clear and is disallowed. The 33 KV line shall be made overhead utilising the surplus Rail poles which have no role to play in 33 KV Sub-station at Bankola except an insignificant quantum required to place the transformers on plinth. Cost of foundation of transformer has been allowed as one in place of two. Hence total cost allowed in Table-C is Rs. 76.6 lac. Cost allowed in table-D is Rs. 92.04 lacs. In table-E, cost of 11 KV VCB has been shown as Rs. 8.00 lacs which is abnormally high. However the same has been admitted at reasonable (1.5 lac.) rate. The amount allowed in Table-E is Rs. 19.00 lac. Cost allowed in table-F is Rs. 26.80 lacs. The total of A to F comes to Rs.289.04lacs.10% contingency has been disallowed, but 10% towards cost of erection and commissioning has been allowed.

In the submission, the cost of transmission line and that for conductors & insulators have been enhanced by 25% & 20% respectively which unnecessarily raises the amount and hence disallowed. The total cost thus allowed by Commission comes to Rs.726.29 lacs. Say, Rs.730.00 lac against their claim of Rs. 1028.00 lakhs are for evacuation of power from Chinakuri power station.

11.2.6 The commission will, however, again like to direct DPSCL to refrain from taking major new capital works prior to furnishing the detailed Techno-economical feasibility report including justification for the work indicating advantage to the consumers, to Commission and obtaining its approval. No ex-post facto sanction for such major new capital investment will be allowed in normal circumstances.

11.2.6 On the basis of the analysis given above we allow the original cost of fixed assets by the end of the year 2002-03 as under:

Rs. in lakhs

Amount projectedLess : (i) Cost disallowed in 2000-01 provisionally in regard to assets not in economic use / not usable minus cost of un-serviceable assets identified so far and removed from capital base	302.00 16.15	8670.24
(ii) Proposed addition in meters without giving detailed justification and also not deducting the value of meters to be replaced	285.85 61.80	

(iii) Reduction in the capitalization of interest (iv) Proposed addition in furniture and fixtures (v) Cost of Building at Salt Lake and others (vi) Excess estimated cost of power evacuation from Chinakuri as pointed out at para 11.2.5 and 10 MW generation project.	22.29 99.04 690.00 838.00	1996.98
		6673.26

11.3 Consumers' Contribution

The consumers' contribution has been projected to Rs. 325.00 lakhs by the end of 2002-03. It has been noted from the audited accounts of the company for 2000-01 that contribution from consumers was shown Rs. 306.12 lakhs besides an amount of Rs. 145.47 lakhs received as advance from the consumers. While projecting the contribution from consumers by the end of 2002-03 the amount of advance received or to be received from consumers towards capital job has not been considered. We consider that the balance in the advance from consumers will remain almost at the same level of 2000-01 and admit consumers' contribution Rs. 470.47 lakhs.

11.4 Cost of intangible assets

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

11.5 Cost of capital works-in-progress

DPSCL projected Rs. 799.33 lakhs on this score. The break-up of the projected amount as can be had from their petition are Rs. 147.60 lakhs and Rs. 400.00 lakhs for construction of Mangalpur sub-station and Bankola sub-station respectively. Itemwise break-up of the balance amount of Rs. 25.73 lakhs has not been provided and hence not been considered for admission. Out of the two proposed new sub-stations, the one at Mangalpur is said to be for receiving power from DVC. DVC power is always costlier than that from WBSEB and hence the proposal for establishing a new sub-station for procuring power from DVC is not logical. The Commission has directed DPSCL in its earlier Order dated 10.8.2001 to examine and purchase cheaper power from WBSEB. Therefore, the proposal to have a Sub-station to purchase power from DVC is also not justified. Also there is enough scope for proper planning for drawal of power from various input points of DVC instead of avoidable investments in Assets for transferring the power. DPSCL should enhance the quantum of power intake from WBSEB at Bankola to meet the load demand of existing / prospective consumers at Mangalpur area through internal network connecting their own power station and sub-stations. We, therefore, disallow the projected capital expenditure of Rs. 147.60 lakhs at Mangalpur and allow only Rs. 400.00 lakhs proposed to be spent for Bankola sub-station upto the end of 2002-03. The value of capital works-in-progress at the end of 2002-03 is, thus, admitted for Rs. 400.00 lakhs only.

11.6 Compulsory Investment

The projected balance at year end under this score is Rs. 232.67 lakhs which is inclusive of proposed fresh investment of Rs. 13.55 lakhs during 2002-03 in regard to proposed appropriation to Contingencies Reserve in terms of provisions contained in para IV (1) and (2) of the sixth schedule of Electricity (Supply) Act 1948. We admit the proposed balance of Rs. 232.67 lakhs on this score.

11.7.1 Working Capital
The working capital projected by DPSCL for inclusion in the Capital Base for the concerned year are Rs. 459.57 lakhs towards average cash and bank balance and Rs. 1300.12 lakhs towards average cost of store.

11.7.2 So far cash and bank balance is concerned, as per provision contained in para XVII(e)(ii) of the sixth schedule of the Electricity (Supply) Act 1948, the utility is entitled for one-twelfth of the sum of cash and bank balances (whether credit or debit) and call and short-term deposits at the end of each month of the year of account for inclusion in the capital base. The amount so to be arrived at is not to exceed in the aggregate an amount equal to one-quarter of the expenditure under certain specified heads. DPSCL did not present the projected cash and bank balance at the end of each month of 2002-03; rather claimed the maximum amount allowable as per second part of the referred provision of the Act. This approach is not correct. DPSCL is having cash credit limits with State Bank of Patiala and United Bank of India (UBI) for Rs. 270.00 lakhs and Rs. 370.00 lakhs respectively in the Revenue Account. In both these accounts opening and closing overdraft balances have been projected and interest has been claimed in the revenue accounts. In addition, they also projected to borrow Rs. 360.00 lakhs from the UBI for working capital loan for which estimated interest payable Rs. 26.63 lakhs has been claimed in the revenue requirements. With such projected credit balances in the bank accounts, we can not admit the cash and bank balance of Rs. 459.57 lakhs as claimed by them for inclusion in capital base instead allow them the projected interest payable on such bank borrowings for working capital vide para 9.7 and also allow adhoc Rs. 100 lakhs as Cash and Bank Balance. However, Commission will again like to direct DPSCL to have proper cash management to avoid situation where substantial cash is kept in current account or fixed deposit for considerable period and simultaneously takes loans at higher rate of interest. This is against the interest of consumers and indicates management inefficiency.

11.7.3 The DPSCL claimed Rs. 1300.12 lakhs to be included in capital base towards average cost of stores of which Rs. 283.06 lakhs for fuel stock and Rs. 1017.06 lakhs for other stores. Average cost of other stores holding appeared to be very much on higher side in comparison to annual value of consumption of such stores. The Commission in its earlier order, observed that the cost of stores is very high and may have inclusion of dead stock or unserviceable stock might have been included in the inventory and directed DPSCL to contain their inventory cost with effective steps towards reduction of stores and spares, etc. to an acceptable level within two year. But that can be achieved by excluding the value of spares meant for assets retired from active use or not serviceable. As stated earlier the company has not yet identified the un-serviceable assets and consequently the value of spare parts in store meant for those assets. We, therefore, allow 50% of the amount claimed by them toward value of other stores which comes to Rs. 508.53 lakhs. The amount we allow as working capital towards stores / spares in hand is as under :

	Rs. in lakhs
(i) Cash and Bank Balance	100.00
(ii) Cost of fuel in hand (equivalent to 25 days' consumption as asked for)	262.12
(iii) Other Stores	508.53
Total	870.65

11.8 Accumulated Depreciation

Accumulated depreciation upto the end 2002-03 has been projected by DPSCL to be Rs. 1869.06 lakhs including depreciation to be provided Rs. 474.93 lakhs during 2002-03. In the projected expenditure statement they claimed Rs. 485.57 lakhs as depreciation provision for the year. The difference of Rs. 10.64 lakhs in two projections at two different places remained un-reconciled. Moreover, in view of our observations at para 9.10.1 and para 9.10.2 DPSCL requires to re-cast their depreciation account and adjust the impact thereof. Pending such final adjustment we accept accumulated depreciation at the end of 2002-03 as under.

	Rs. in lakhs
Amount accumulated upto 2001-02 (as allowed during last year petition)	1407.71
Add : Depreciation allowed for 2002-03	289.16
	1696.87

11.9 cost of Intangible assets written off

We accept the amount of Rs. 107.06 lakhs on this score as projected by DPSCL.

11.10 Loans in Capital Account
DPSCL projected borrowing of Rs. 1500.00 lakhs for carrying out capital construction works. It has been projected to repay Rs. 500.00 lakhs within the year leaving a balance of Rs. 1000.00 lakhs. We admit this projected amount.

11.11 Cash security deposit by consumers

Cash security deposit by the consumers had been Rs. 204.95 lakhs at the end of the year 2000-01. DPSCL considered this amount to remain constant upto the end of 2002-03. In view of limited consumer base of the utility we admit the amount.

11.12 Development Reserve

Development Reserve (credit balance at the close of the year) Rs. 170.04 lakhs as projected by DPSCL is admitted by us.

11.13 Consumers' Account

Pending review of T & D losses in earlier years, DPSCL created a provision of Rs. 655.56 lakhs in their accounts during 1998-99 towards liabilities. In its earlier tariff order for the year 2000-01and 2001-02, the Commission considered this amount as a part of consumers' account and directed DPSCL to give a detailed note leading to creation, continuation and manner in which the amount to be adjusted / dealt with so that it could give further necessary directions in this regard. But without seeking any further direction from the Commission, DPSCL adjusted this amount in their Income Account during the year 2000-01 which was against the directions of the Commission and against the interest of the consumers. We, therefore, admit the balance in Consumers' Account for Rs. 660.98 lakhs adding the amount of Rs. 655.56 lakhs to their projected amount of Rs. 5.42 lakhs.

11.14 Net Capital Base

Based on above detailed analysis of the different components of capital base, we draw the statement of Net Capital Base in then next page:-

STATEMENT OF NET CAPITAL BASE

RS. IN LAKHS

PARTICULARS	AS PROJECTEDBY DPSCL	AS ADMITTEDBY COMMISSION
1. Original cost of Fixed Assets in use and necessary …………. Less : Consumers' contribution	8670.24 325.00	6673.26 470.37
	8345.24	6202.89
2. Cost of Intangible Assets	183.12	183.12
3. Cost of capital works-in-progress	799.33	400.00
4. Compulsory Investment	232.67	232.67
5. Working capital (a) Cash and Bank balance (b) Stores Sub-total (A)	459.57 1300.12	100.00 770.65
	11320.05	7889.33
Less :1. Accumulated Depreciation	1869.06	1696.87
2. Cost of Intangible Assets written off	107.06	107.06
3. Loans	1000.00	1000.00

4. Cash security deposit by customers 5. Development Reserve6. Consumers' Account Sub-total (B)	204.95 170.04 5.42	204.95 170.04 660.98
	3356.53	3839.90
NET CAPITAL BASE (A) - (B)	7963.52	4049.43

11.15 Reasonable Return

Based on the above decisions in regard to Net Capital Base, we allow Reasonable Return to DPSCL for the concerned year.

STATEMENT OF REASONABLE RETURN

PARTICULARS	Rs. in lakhs	
1. Standard rates on capital base (a) on Net Capital Base upto 31.3.1965 7% on Rs. 106.29 lakhs (b) on Net Capital Base from 1.4.65 to 15.10.91 8.5% on Rs. 1991.04 lakhs (c) on Net Capital Base from 16.10.91 to 31.03.99 11.5% on Rs. 1952.10 lakhs	 7.44 169.24 224.49	401.17
2. Other items (a) Income on investments other than Contingency Reserve (b) 0.5% on Development Reserve of Rs. 170.04 lakhs (c) 0.5% on loan in Capital Account	70.00 0.85 5.00	75.85
Total Reasonable Return	7963.52	477.02

CHAPTER - 12 : OTHER INCOME & REVENUE REQUIREMENT FOR THE YEAR 2002-03

12.1 Other Income

DPSCL projected Rs. 222.00 lakhs as receipt from other income as against Rs. 436.99 lakhs actual during 2000-01 and Rs. 382.00 lakhs estimated during 2001-02. The reduction in the rate of power factor from 1% to 0.5% and the late payment surcharge from 2% to 1.25% are said to be the main reason from fall in other income. There will also be fall in the interest income from bank balance. We, therefore, admit Rs. 222.00 lakhs as other receipt during 2002-03.

12.2 Statement of Revenue Requirement

The foregoing analysis of fixed costs, variable cost, reasonable return and other income lead us to the determination of Revenue Requirement for the year 2002-03 and we give below the same in a tabular form in the next page.

STATEMENT OF REVENUE REQUIREMENT

(RS. IN LAKHS)

Sl. No	PARTICULARS	AS PER PETITION	AS DIRECTED BY COMMISSION
1.	Fuel cost of own generation	4057.99	3721.35
2.	Cost of power purchase	17786.77	17571.06
3.	Employees' cost	1797.38	1438.39
4.	Repairs & Maintenance	771.41	583.24
5.	Rent, rates and taxes (other than taxes on income & profit)	36.95	36.95
6.	Legal expenses	50.00	20.00
7.	Audit fees & expenses	7.50	6.50
8.	Interest	94.45	88.82
9.	Fuel related cost	53.60	53.60
10.	Other Admn.,General and Misc. expenses	830.50	664.21
11.	Depreciation	485.57	289.16
12.	Total Expenses	25972.12	24473.28
13.	Special Appropriation		NIL
	(a) Taxes on income and profit	584.32	16.68
	(b) Contribution to Contingency Reserve	21.68 10.67	10.67
14	(c) Intangible asset value to be written offReasonable Return	1036.94	477.02
15.	Gross Revenue Required (12 to 14)	27625.73	24977.65
16.	Other Income	222.00	222.00
17.	Net Revenue Required (15-16)	27403.73	24755.65

12.3 Average cost of supply

We shall now work out the average cost of supply for 2002-03. It is pertinent to mention here that WBSEB supplies power to DPSCL on one point and takes power from them at several points and under the direction from the State Government, billing is done by DPSCL on net quantity basis after "setting off" the supply to them by WBSEB. Subject to our observations in this regard in our earlier years' tariff order, we allow this year also to continue the same system. But WBSEB is to bear the cost of additional power purchase from DVC on account of the T & D loss caused for supplying the such set of energy. The average cost of supply for 2002-03 excluding the effect of the WBSEB "set off" power with associated T & D loss works out as follows :

Total Revenue	Rs. 24755.65 lakhs
Less : Cost of import of "set off" energy (53.34 MU	Rs. 985.74 lakhs
Less : Cost of wheeling on account of T & D loss on import of 53.34 MU from DVC	

(5.74% of 53.34)MU @ 284 paise/kwh)	Rs. 86.95 lakhs
Less: Cost of un-accounted energy of 9.09 MU @260.54 paise/ unit, considering variable cost/ unit (ex-bus) plus 7.5% extra as overhead	Rs. 236.83 lakhs
Net Revenue to be realized from consumers	Rs. 23446.13 lakhs
Net sale (816.00 - 53.34) MU	= 762.66 MU
Average cost of supply	= 307.43 p/kwh
Average increase over previous year 2.88%.	

12.4 Once the Commission has come to a finding on the revenue requirement of the concerned utility for the year 2002-03 and also at the average cost of supply, it is necessary to make a reference to the government to know if the Government of West Bengal would exercise its right u/s 29(5) of the ERC Act, 1998 for any class of consumers of the concerned utility and if so to what extent and how the same is to be effected. Communication is to be taken up with the Government requesting a reply within 15 days.

12.5 Only on receipt of communication from the Government the final tariff order will be issued showing customer-wise tariff. In the tariff order the Commission would indicate the formula for calculation of Fuel and Power Purchase Cost Adjustment (FPPCA) for the concerned utility. The Commission would also indicate in the tariff order terms, conditions, rebates, incentives and charges as also delayed payment surcharge if to be levied.

Sd/- 10.12.2002 (A. K. Jain) Member (F & A) Sd/- 10.12.2002 (S. K. Phaujdar) Chairperson.

I agree to the above except the method of computation of consumption of coal on the basis of lower useful heat value. The utility has declared that they use B Grade coal. They have also indicated the lower and upper useful heat value of B Grade coal as varying between 5600 Kcal/kg and 6200 Kcal/kg respectively. The utility has neither indicated the weighted average useful heat value of coal earlier received by them nor they have asked for taking into consideration lower heat value of coal for computation of coal consumption.

Under such circumstances it would have been a rational approach to consider the average of the upper and lower useful heat value as the heat value of coal for the purpose of calculation of coal consumption.

Sd/- 10.12.2002
(N. C. Roy)
Member (Technical)

FURTHER ORDER OF THE
WEST BENGAL ELECTRICITY REGULATORY COMMISSION
IN

Case No. T.P. - 2 of 2002 - 03

IN RE THE TARIFF PETITION OF
THE DISHERGARH POWER SUPPLY COMPANY LTD.
FOR THE YEAR 2002-03
AFTER THE ORDER OF THE COMMISSION
DATED 10.12.2002

Present :

Shri A. K. Jain, Member (Finance & Accounts).
Shri N. C. Roy, Member (Technical).

Dated : 6th January, 2003.

CHAPTER - 1.

1.1 The present order may be treated as a sequel to the order of the Commission dated 10.12.2002 signed by the Chairperson, the Member (F&A) and the Member (Technical) and is to be read along with it.

1.2 Since the Chairperson of the Commission has retired on 20.12.2002, the present order has been recorded and signed by the Member (F&A) and the Member (Technical).

1.3 In page 66 of the order dated 10.12.2002, in para 12.4 and 12.5, the Commission had directed a reference to be made to the Government of West Bengal to know from them, if any subsidy under Section 29(5) of the ERC Act was to be conceded by the Government for any class of consumers and if so, to what extent and how the same is to be effected.

1.4 Accordingly, the Commission, vide letter no. ERC/B-4/2/478 dated 11.12.2002, had written to the Principal Secretary, Power Department under the signature of the Secretary of the Commission, which is reproduced in Annexure I of this order.

1.5 In the aforesaid letter, the Government was informed of the sale figures in million units as also the average cost of supply in paise / kwh for the year 2002-03. The Commission requested the State Government to indicate within 15 days from the date of receipt of the communication, if the State Government desires to subsidize any category of consumers under Section 29(5) of the ERC Act and if so, the extent thereof and the method of payment.

1.6 The reply from the State Government for subsidy to be given, if any, has not been received.

CHAPTER - 2.

2.1 The Commission is now to fix the tariff for the financial year 2002-03 and in fixing the tariff, the Commission has kept in view the Judgement of the Hon'ble Supreme Court and bearing in mind the findings and directions issued by the Hon'ble Supreme Court in the Judgement dated 3rd October, 2002 in the case of CESC Ltd.

2.2 The Commission had already determined the total revenue requirement and the average cost of supply. The Commission has also examined the questions relating to cross subsidy, two-part tariff and TOD tariff in its tariff order dated 16.12.2002 in case no. T.P. 1 of 2000-01 and T.P. 1 of 2001-02 in case of CESC Ltd. and concluded that in view of the judgement and directions of the Hon'ble Supreme Court in the said judgement, the consumers has to be charged only for the electricity consumed based on average cost of supply and given the various reasons for coming to such conclusions and decisions in the said order.

2.3 The Commission in its order dated 16.12.2002 in case of CESC Ltd. in case no. T.P. 1 of 2000-01 and T.P. 1 of 2001-02 has also decided to impose some penalty or conceding some incentives for better utilization of available infrastructure and better response to the contracted demand keeping in view the additional cost of procurement of power during any particular period/time. Similarly, it was also concluded that the utility should not get abnormal additional revenue towards fixed cost in case of more sales than projected.

2.4 The Commission has given the detail reasons for arriving at such conclusions and decisions in that order. The same is not being repeated in this order for the purpose of duplication but the Commission is of the opinion that same principles and reasons hold good in the present case also.

CHAPTER - 3: TARIFF ORDER.

3.1 In view of the observations made in the earlier chapter, the Commission fixes the tariff for all categories of consumers at the average rate of supply as determined in its order dated 10.12.2002. To be precise the rate for consumption of electricity in the year 2002-03 for all categories of consumers would be 307.43 paise/kwh. This average cost of supply is based on sale of 762.66 million units. There shall be FPPCA over the above for increase in the price of Fuel or Purchases as considered in the order dated 10.12.2002. The reimbursement will not exceed the actuals and will be further limited to approved norms and parameters and deductions stipulated in this order as per the formula given at the end as Annexure II.

3.2 As the tariff for the year 2002-03 is to take effect from 1.4.2002, the Commission directs the above rates of tariff shall be applicable from 1st April, 2002.

3.3 The Commission is aware that the arrears to be recovered/refunded is for more than nine months and it will not be a much difficult task for the utility to recast its bills as the number of consumers is not much but at the same time it will be a practical difficulty for the consumers who are to pay more now, under this order, to pay at an enhanced rate and at the same time to clear the arrears at that rate. It will be an equal practical difficulty for the utility to return/adjust the sums payable to those consumers who had earlier paid more than the rate which has been determined through this order.

3.4 Keeping these aspects in mind, the Commission feels that there should be a breathing time both for the utility and for the consumers and directs that realization in terms of the present order is to be made from the billing month of February, 2003. For arrears either for realization or for refund / adjustment the Commission feels, that a sufficiently long period should be given to make it easy both for the consumers and for the utility. We direct that realization of arrears and refund / adjustment is to start from the billing month of April, 2003 and shall be spread over a period of six months from that date in equal monthly installments. It is further made clear that refund in terms of the order is to be made proportionately to all persons entitled to refund / receipt from the sums realized from the arrears.

3.5 The Commission further directs that no interest shall be paid to or by the utility for any realization / refund / adjustment.
3.6 Once the tariff and mode of realization / refund has been directed, the Commission is now to proceed on the question of incentive and penalty for efficiency / inefficiency on the part of both the utility and the consumers.

3.7 On the question of penalty, the Commission directs that unless the consumption reaches at least the 20% load factor level of the contract demand in any month, the HT consumer is to pay a penalty at a rate of 20 paise/kwh on the shortfall of consumption from the 20% level.

3.8 The above concept is also associated with a penalty for the utility in case it fails to provide at least 90% availability of supply in terms of time. If there be any such failure below this level, the utility is to compensate the HT consumers at a rate of 1% of the net amount of the energy bill for each drop of 2% or part below 90% level.

3.9 Likewise, it is directed that when a HT consumer having a particular contract demand attains a load factor of more than 80% level of the contract demand in any month, he will get a rebate of 20 paise/kwh in the average tariff on the excess consumption above 80% level of load factor with reference to the contract demand.

3.10 The percentage indicated above will always be calculated on the available hours of supply at the desired voltage.

3.11 On the concept of penalty and incentive, the Commission further directs that bills are to be raised in terms of the rates fixed by the Commission and a rebate for timely payment at a rate of 10 paise/kwh is to be given while for payment made after the due date there will be an extra payment of 10 paise/unit in addition to the delayed payment surcharge which shall be 1.25% per month or part thereof. It is further directed that any over-realization or under-realization on this score will be taken care of in the next tariff petition and the utility is to keep a separate account for this.

3.12 The Commission further directs that if a HT consumer who draws more than the contract demand in any month, the recorded maximum demand will be treated as contract demand for that month for all purposes and in addition to this provision such HT consumer will have to pay a penalty @ 1% of the net amount of the energy bill.

3.13 The Commission further directs that in case the sale exceeds the figure of 762.66 million units then the amount realizable from the additional sales over this figure based on average cost of supply minus the associated fuel cost based on the approved norms as per the order dated 10.12.2002 will be kept separately in an account and will be taken care of and decided in the next tariff petition along with the adjustment indicated in para 3.11.

3.14 It is still open for the State to indicate its intention to subsidize any class of consumers. If at all any subsidy under Section 29(5) of the ERC Act is intimated to the Commission by the Government of West Bengal with clear indication of the category to be subsidized, the amount of subsidy and the proposed mode of payment to the utility, the Commission will issue further orders / directions for subsidized tariff for such category as may be indicated by the Government of West Bengal.

3.15 Before conclusion, we indicate clearly that in addition to the tariff whatever is legally chargeable in the bill towards meter rent and miscellaneous charges shall be charged as usual. The existing terms and conditions and charges shall stand modified in terms of the instant orders.

3.16 The utility will publish the gist of this order in leading newspapers of the area for which they will submit the drafts of the gist within a week of the date of receipt of this order along with the names of the newspapers in which the gist is proposed to be published. The gist of the order will be published in such newspapers within seven days of the receipt of approval from the Commission for the publication of the gist.

Sd/- 6.1.2003 (N. C. Roy) Member (Technical) Sd/- 6.1.2003 (A. K. Jain) Member (F&A)

Annexure II

FORMULA FOR FUEL AND POWER PURCHASE COST ADJUSTMENT (FPPCA)

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

$$\text{FPPCA (p/kwh)} : \frac{(FC + PPC) - CD - \pm A}{(Gown + Eimp) \times (1 - L)} - \frac{fc + ppc}{(gown + eimp) \times (1-L)} \times 100$$

FC (Rs.) : Fuel cost of generation as per Normative parameters fixed by the Commission and /or on actual basis (whichever is lower) during the adjustment period.

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

CD (Rs.) : Cost disallowed/disallowable 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.

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.

Eimp(KWH) : Total energy purchased at the sent out bus from different sources during the adjustment period.

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

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

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

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

eimp : Power purchase at sent out bus as admitted by the Commission in the tariff order corresponding to the adjustment period.

The proposal for adjustment shall be submitted to the Commission and subject to its approval. Once the proposal is approved, it should be reflected in the consumers' bill in a separate entry for their information. At the end of each adjustment period, which can be half-yearly, the DPSCL shall calculate the FPPCA as per approved formula 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 ubject matter revisions and duly audited for the whole year for the March revision, shall be submitted to the Commission for approval.

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