

BEFORE THE ORISSA ELECTRICITY REGULATORY COMMISSION BHUBANESWAR

IN THE MATTER OF

An Application for approval of Annual Revenue Requirement and Retail Supply Tariff for the financial year 2010-11, under Section 62 and other applicable provisions of the Electricity Act 2003 and in conformity with the provisions of OERC (Terms and Conditions for determination of Tariff) Regulations, 2004 and OERC (Conduct of Business) Regulations 2004.

AND

IN THE MATTER OF

North Eastern Electricity Supply Company of Orissa Ltd (NESCO)

Regd. Office-N-1/22, IRC village, Nayapalli, Bhubaneswar-751012.

-----Licensee

Affidavit verifying the Reply to the queries of Hon'ble Commission on the Annual Revenue Requirement and Tariff Application for the FY 2010-11.

I,, Son of, aged aboutyears, residing at....., do hereby solemnly affirm and state as follows:-

I am theof the North Eastern Electricity Supply Company of Orissa Limited (NESCO), Regd. Office-N-1/22, IRC village, Nayapalli, Bhubaneswar-751012.

The statements made above along with the Annexures annexed to this application are true to the best of my knowledge and the statements made are based on information and records and I believe them to be true

Bhubaneswar

Date 08.01.2010

DEPONENT

Chief Executive Officer

NESCO

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Most respectfully Sheweth

1. The Petitioner is the Distribution and Retail Supply Licensee in the state of Orissa registered under the Companies Act, 1956. The licensee already submitted Annual Revenue Requirement (ARR) and Retail Supply Tariff Application for the FY 2010-11 on 30th November 2009.
2. That the Hon'ble Commission on preliminary scrutiny of the application, noted a list of the information and analysis which are relevant for the purpose of the scrutiny of the ARR and Tariff for 2010-11 vide letter no 142/2009/3041 dated 29.12.2009. Hon'ble Commission directed in the said letter, to furnish the information by 10.01.2010.
3. That the licensee submits point wise reply hereunder for perusal of Hon'ble Commission.

Technical Issues

1. During 2008-09, consumption in HT (Large Industry) category was 481.892 MU. In first six months of 2009-10, HT (Large Industry) consumption is 260.835 MU. In ARR 2010-11, the consumption for whole year of 2009-10 is 558.600 MU. Due to market recession and global meltdown, consumption in 2008-09 was less which has been revived slowly. On the basis of present consumption pattern of the industrial consumers, consumption for whole year of 2009-10 is projected at 558.600 MU. Since during 2008-09, consumption was less due to market recession, the growth in 2009-10 over 2008-09 is 16%. But the consumption of Large Industry (HT) category during last part of 2009-10 and in 2010-11 is expected to be uniform. Also the potential HT (Large Industry) consumers like Sreemetaliks Ltd, Deepak Steel and Power Ltd., Pattnaik Steel and Power Ltd have installed power plants and they are going to export power from their CGP. So consumption of HT(Large Industry) category will be reduced. The potential consumers like Beekay Steel, MSP Sponge Iron Ltd, Maithan Ispat etc. will be converted into EHT category by end of 2010-11. So consumption in HT has been curtailed and projected in EHT category of ARR 2010-11. So the consumption in HT (Large Industry) category during 2010-11 is 9% more than 2009-10 though the consumption in 2009-10 is more by 16 % over 2008-09. The consumer wise projection of HT (Large Industry) consumption for 2009-10 and 2010-11 are submitted in **Annexure 1 & 2** respectively.
2. **Minimum Fixed Charge billing in T-2 Format.**
In T 2 format vide table C & D information on minimum fixed charge for Domestic Consumers under Urban & Rural category is being provided. The information as desired under the said table are average no of consumers and their CD, slab wise consumption (prohibited as per format as it is not required for MMFC), total MU billed, amount of billing and realisation thereof. Respective field of average no of consumers and their CD along with total consumption has already been provided in the same T 2 format vide table A & B for Urban and Rural category of consumers, which may please be referred. The licensee submits that the MMFC is need to be continued to cover the fixed cost incurred for the consumers irrespective of their drawal of energy.

3. **In T-1 Format, the no of KutirJyoti Consumers is 38137 where as in T-2 Format it is 940.**

No of Kutir Jyoti consumers as on 01.04.2009 is 940. Due to rural electrification scheme, it is projected to be 75333 as on 31.03.2010. For calculation of monthly charge, it has been averaged as $(940 + 75333)/2=38137$. So there is no discrepancy between T-1 and T-2 formats so far as Kutir Jyoti consumers are concerned.

4. **Reason for Un-metered supply in Rural and Urban Areas in T 2 format.**

These are very old cases where billing is being carried out on average basis. Action has already been initiated for installing meters to those consumers and the process is going on.

5. **Reasons for reduction of No. of consumers in domestic category in FY 2009-10 (first six month) as compared to FY 2008-09 in T-2 Format.**

Total No of domestic consumers in 2009-10 (First six month) was 5,27,870 against 5,13,599 in 2008-09. The mis classification of consumers between rural and urban areas have been rectified in database this year.

6. **Reason for Un-metered supply in Rural Areas under GP <100 KW category in T 3 format.**

These are very small consumers having CD of 0.5 KW. 587 nos of consumers in rural area and 287 nos of consumers in urban area whose monthly billings are Rs.4.32 lac and Rs.2.16lac respectively. Steps have been taken to replace the meters/install new meter.

7. **Revenue Billed in LT Industrial category in T-4 format.**

Revenue billed for 1st six month is 366.94 P/U and realisation is 352.64 P/U. Collection during 1st six month is low which will be realised in 2nd half of the year being harvesting period. Most of the SI (LT) units under NESCO are Rice huller. The realisation from current dues as well as from arrear will be made during harvesting period.

8. **Calculation of Revenue in T-7 & T-8 format considering Load Factor instead of Consumption Ratio.**

Total revenue for the ensuing year considering consumption ratio is Rs. 108116.82 lac with existing tariff and Rs.138214.60 lac with proposed tariff. However if Load Factor will be considered for calculation of Energy Charges then the revenue will be Rs.107859.72 lac and there will be no change in proposed revenue as the licensee proposed for withdrawal of graded slab tariff. The detail calculation in T-7 & T-8 is enclosed herewith **Annexure-3(i) & 3(ii)**.

9. Month-wise power purchase (MU) and SMD (MVA) from April'09 to Dec'09 are furnished below for kind reference of Hon'able Commission :

Month	Power Purchase (MU)	SMD (MVA)
Apr-09	400.048	706.432
May-09	371.370	671.689
Jun-09	373.729	654.759
Jul-09	391.692	708.173
Aug-09	417.294	705.420
Sep-09	401.130	702.530
Oct-09	407.633	697.687
Nov-09	380.741	673.932
Dec-09	393.294	688.302

10. **Consumers in allied agriculture and allied agro-industrial categories.**

Hon'ble Commission vide its Notification dtd.19.10.2009 has brought necessary amendment to Regulation 80(5) of OERC Distribution (Condition of Supply) Code 2004 which has been published in Orissa Gazette No. 1586 (Extra Ordinary) dtd.26.10.2009. As per the notification the following categories has been created

80(5)(i): Irrigation Pumping and Agriculture

80(5)(ii): Allied Agricultural Activities

80(5)(iii): Allied Agro-industrial Activities

The List of existing allied agro-industrial consumers/ allied agricultural consumers is submitted in **Annex-4**.

11. **The list of Industrial Consumers who availed 20% off-peak MD benefit and loss on account of the same.**

The list of industrial consumers who availed 20% off-peak MD benefit and also resorted to over drawl during peak hours along with revenue lost on account of the same is enclosed herewith in **Annexure-5**.

12. **Documentary evidence in support of Distribution Loss**

Documentary evidence in support of Distribution loss for 2008-09 is the audited accounts, submitted before Hon'ble Commission. Based on the above the ARR for 2010-11 is being filed. In addition to the above actual distribution loss for 1st

six month of the current year has already been submitted before the Hon'ble commission which was apprised in the performance review meeting held on 09-12-09.

13. **Statement of Meter Rent Receipts from all categories of consumers voltage-wise at EHT/HT/LT.**

The statement of meter rent receipts from all categories of consumers' voltage wise at EHT/HT/LT three phase and LT single phase for FY 2008-09 and up to September, 2009 of the current year is submitted below:

	<u>Rs. in lac (2008-09)</u>	<u>Rs. in lac(Apr'09 to Sept'09)</u>
LT (1 ph)	142.92	67.02
LT (3 ph)	155.72	87.88
HT	17.59	10.17
EHT	1.16	0.73
Total	317.39	165.80

14. **Regarding Open Access Charges and reduction of Cross Subsidy.**

Regarding phasing of the Open Access surcharge and cross subsidies, Hon'ble Commission may frame suitable guideline considering the ARR of the licensee for the year 2010-11.

FINANCE ISSUES :

15. The Licensee in its ARR application has submitted the Form F-37 as per the accounts prepared in line with the Accounting Policies prescribed by the Hon'ble Commission. The licensee use to prepare the accounts as per Schedule VI of Companies Act' 1956 and as per the accounting policies prescribed by the Hon'ble Commission. The licensee has submitted the annual accounts prepared as per Schedule VI of Companies Act'1956 vide letter no. 15759 dated 06th November 2009. Further, the licensee has also submitted the Audited Annual Accounts prepared in line with the Accounting Policies prescribed by Hon'ble Commission vide letter no. CSO/Fin/2696 dated 23rd December 2009. The figures pertaining to previous year 2008-09, the current year 2009-10 and the ensuing year 2010-11 at Form F-37 and Form F-38 as per the accounts prepared in line with Hon'ble Commission's guidelines are reproduced as Annexure & .

16. The Licensee has prepared the audited accounts for the FY 2008-09 in line with the Accounting Policies circulated vide letter no. 26/98/838(5) dated 05-05-1999. Accordingly the licensee has already submitted the audited accounts pertaining to the FY 2008-09 vide letter no. CSO/Fin/2696 dated 23-12-2009.

17. The accounts prepared and submitted in line with the formats prescribed by the Hon'ble Commission may kindly be referred. The figures related to CWIP, Inventory, Reserve and Surplus and Current Liability as on 31-03-2008 are compared on perusal to the accounts prepared and submitted as per Schedule VI of Companies Act, which is not comparable. Hence, there are no discrepancies as per the accounts submitted in line with the prescribed guidelines of Hon'ble Commission.

18. The licensee has estimated and projected the Capital Expenditure based on the actual expenditure during the base year i.e FY 2008-09 and the progress undergone during the current year. The Capital Expenditure has also been drawn on the revised project cost of RGGVY. The projection as regards Capex undergone changes on the basis of progresses of the works which didn't arise at the time of projection while submitting the Business Plan.

19. Format F-7 and F-9 is meant for calculation of cost of supply in different voltage end for the current year 2009-10 and 2010-11 respectively. EHT and HT categories of consumers are cross subsidising LT category of consumers. The format so designed by Hon'ble Commission where cost of supply can be derived for each voltage end by putting the entire input in EHT 1st and the balance to HT after effecting EHT sale.

20. Format F-17 represents statement of sundry debtors and provision for bad & doubtful debt. Collection figure shown in the format has include both current as well as arrear. However the bifurcation of the same is as under:

	Rs. Lacs		
	Previous Year	Current Year	Ensuing Year
Collection for the year			
Out of current dues			
Out of Arrears			

21. Employee Cost : The licensee submits that the arrear salaries and wages due to impact of 6th Pay Commission and wage revision to the tune of Rs. 47.76 crores

has already been provided in the accounts for the FY 2008-09 based on the accrual system of accounting and the amount provided is already shown under current liabilities. Out of Rs. 47.76 crores, the licensee has already paid an amount Rs. 19.00 crores during the current year as 40 % of the arrear. Accordingly the licensee has shown the figures of Rs. 33.43 crores in the cash flow as the 70 % to be released during the current year 2009-10 and Rs. 14.33 crores, the balance 30 % to be released during the ensuing year 2010-11. As such, based on the accrual basis of accounting the licensee need not show the pay outs as shown in the cash flow in Form F-21. The licensee prays to consider the cash outgo towards payment of arrear for the FY 2009-10 and FY 2010-11 in the ARR to discharge the employee liabilities.

22. A & G Expenses :

The licensee has estimated A&G expenses for FY 2009-10 at Rs. 24.81 Crore based on actual expenses till September 2009 as against the approved A&G expenses of Rs 15.75 Crore including special additional expenditure of Rs. 11.90 crs.

The Administration and General expenses for the ensuing year have been forecasted based on estimated expenses during FY 2009-10 in line with the Commission's earlier Orders, the increase in A&G expenses for the ensuing year has been projected by considering 7% increase over the approved A&G expenses for FY 2009-10 mainly to account of inflation.

The A&G expenses for FY 2010-11 is projected at Rs 42.20 Crore.

The licensee submits that during the FY 2008-09 as against the total A& G Expenses amounting to Rs. 14.02 crores an amount of Rs. 2.93 crores has been incurred as additional expenditure towards spot billing, consumer indexing & pole scheduling, expenditure towards pilot project of franchisee, IT automation and taxes. Alike, the licensee has estimated an amount of Rs. 24.81 crores including the additional expenditure of Rs. 11.90 crores considering the 7 % increase and other initiatives. Accordingly the licensee proposed to incur Rs. 42.20 crores including Rs. 26.66 crores as additional expenditures for the operational initiatives as under :

- Operating expenses of Customer Care Centres in each Divisions of the Licensee area for enhancing customer services. Presently there are 1 nos customer care centre is operating in Balasore.
- Introduction of Spot Billing in various divisions to expedite the meter reading, bill preparation and bill distribution and proposes to roll out spot billing plan in all other divisions. The Licensee incurred Rs. 1.38 crore and estimated for the expenditure of Rs.2.64 crore and Rs. 3.96 crore during the year 2009-10 and 2010-11 respectively. The Hon'ble Commission directed in para 362 of the RST order for 2008-09 to allow the expenses towards spot billing as and when the licensee come out with the details of the expenditures. Under the circumstances the licensee is submitting for kind approval of the additional expenditure under this head for FY 2010-11.
- Introduced Energy Audit at 33 and 11 kV feeders and proposes to carry out in respect of at least 20 nos of DTRs in each section total to 2000 nos of distribution transformer. Licensee submits that the activities of pole scheduling, consumer indexing activities are outsourced and the said the licensee proposed to allow the said expenditure keeping in view the large benefits of the Energy Audit and consequent loss reduction.
- Licensee proposes to conduct consumer indexing & pole scheduling of all the consumers for starting Energy Audit during the ensuing year.
- Automation of the operation and customer care activities through IT intervention is planned by licensee during FY 2010-11. The creation of the hardware related expenditure are covered in the capital expenditures during the ensuing year and the expenses like consumables etc for running the said system are considered in the A&G expenses.
- The Licensee is in the process of appointing more number of franchisees in line with direction issued by Hon'ble Commission with the terms for payment of incentivised fees based on the performance improvement in the inputs at the feeder level. Besides, the licensee is also appointing micro franchisees in the rural areas on need base cases.
- The Licensee proposes for payment of the incentives for the collection of the Arrears in the ensuing year.

- **Franchisee:** At present 36269 numbers of LT consumers (below 110 KVA) under Dharmasala and JajpurTown Sub-Divisions of Jajpur Circle have given under Input Based Franchise system. Another two nos. of Sub-Divisions namely Khaira and Tihidi under Bhadrak Circle will be given under franchisee within the current year. Hence the approximate amount of expenses is expected to be Rs. 2.67 crores for FY 2010-11.

Cess as per the Building and other construction Workers (RE&CS)Act, 1996 & Building and other construction Workers Welfare Cess Act, 1996

The licensee hereby submits that during the FY 2009-10 has expended an amount of Rs. 16.03 crores upto November 2009 at Annexure .

23. NESCO has expended an amount of Rs. 18.56 crores towards repair and maintenance expenses during the FY 2009-10 (upto November 2009) as against the equal amount of Escrow Relaxation made by GRIDCO during the current year. The utilization to that effect is continuously communicated to GRIDCO as well to the Hon'ble Commission on each drawal of the escrow relaxation which may also be referred into.

24. Cash Flow considering the revenue items for the FY 2008-09 and FY 2009-10 (actuals upto November, 2009) is submitted as Annexure - .

25. The disclosure of miscellaneous income as per the accounts prepared as per Schedule – VI and the accounts prepared as per the formats prescribed by OERC differs. The reproduced F-38 and the audited accounts submitted vide letter no. 2696 dated 23-12-2009 may kindly be referred. The licensee has projected an amount of Rs. 24.58 crore and Rs. 17.30 crore for the FY 2009-10 and FY 2010-11 respectively. During the base year the licensee has shown an amount of Rs. 44.38 crores as miscellaneous income and the reproduced Formt F-38 at Annexure may kindly be referred. The licensee submits that an amount of Rs. 2.19 crores included in FY 2008-09 is of non-recurring in nature and will not accrue during the FY 2009-10 and FY 2010-11 and not considered while estimation and projection. The licensee submits that the actual miscellaneous income as per FY 2008-09 may not treated as base while determining the income during FY 2009-10 and the ensuing year 2010-11. The licensee submits the details of miscellaneous income as per actual upto November'2009 as Annexure -.

26. The company has maintained fixed assets register up to 31.03.2006 showing particulars including quantitative details and situation of fixed assets and the same has been submitted to the Hon'ble Commission. The updating till 31.03.2009 is in process and all possible steps are being taken to complete the job at the earliest and the same shall be submitted by May' 2010.

Prayer

In the aforesaid facts and circumstances, the licensee prays that the Hon'ble Commission may be pleased to :

- ❖ Consider the additional information and clarification while approving the Annual Revenue Requirement and Tariff application for FY 2010-11.

By the Applicant

Through its Chief Executive Officer

Bhubaneswar

Dt.08-01-2010