

Jharkhand State Electricity Regulatory Commission

Ranchi

(Case No. 11 of 2014)

Dated: 26th September, 2014

Quorum: Hon'ble Mr. Justice N.N.Tiwari, Chairperson
Hon'ble Mr. T. Munikrishnaiah, Member (Engineering)
Hon'ble Mr. Sunil Verma, Member (Finance)

M/s. Jamshedpur Utilities & Services Company (JUSCO) Appellant(s)

Present for the Appellant(s) : Mr. Sharad Kumar
Mr. V.P.Singh
Mr. K.C. Jha

ORDER

The petitioner-JUSCO has filed this petition under section 94 of Indian Electricity Act, 2003 and Regulation 36 of JSERC (Conduct of Business) Regulations, 2011 for review of Tariff Order for FY 2013-14 issued on 4th June, 2014.

The petitioner has prayed for review/clarifications on the following:

- (a) **Interest on Security Deposit during FY 2012-13**
- (b) **Power purchase rate from Tata Steel during FY 2012-13**
- (c) **Interest on security deposit for MYT Control Period**
- (d) **Determination of R&M cost of FY 2011-12 and of MYT Control Period**

Heard the representative of the petitioner.

Section 94(1)(f) of the Electricity Act, 2003 and Regulation 36 of JSERC (Conduct of Business) Regulation, 2011 read as follows:

Electricity Act 2003

“94. (1) The Appropriate Commission shall, for the purposes of any inquiry or proceedings under this Act, have the same powers as are vested in a civil court under the Code of Civil Procedure, 1908 in respect of the following matters, namely: -

(f) reviewing its decisions, directions and orders;”.

JSERC's (Conduct of Business) Regulations 2011

“36. Review of the decisions, directions and orders

(1) The Commission may at any time, on its own motion, or on an application of any of the person(s) or parties concerned, within 30 days of the making of such decision, directions or order, review such decision, directions or orders and pass such appropriate orders as the Commission deem fit;

Provided that power to review by the Commission on its own motion under this clause may be exercised only for correction of clerical or arithmetical mistakes arising from any accidental slip or omission.

(2) An application for such review shall be filed in the same manner as a petition under Chapter II of these Regulations. ”.

After hearing the representative of the petitioner and considering the facts and provisions of law, the Commission finds the application maintainable and arrives at the following:

FINDINGS:

(a) Interest on Security Deposit during FY 2012-13

Petitioner's Submission

- 1 The Petitioner submitted that during FY 2012-13, the interest on security deposit should be allowed as Rs. 3.32 Cr. as against the approval by the Commission of Rs. 1.73 Cr. This is because the closing balance of security deposit at end of FY 2012-13 should be considered as Rs.43.52 Cr instead of Rs. 2.96 Cr as considered by the Commission.
- 2 In addition, the Petitioner also submitted that it has paid the interest on security deposits to all customers having security deposits during the year at an average rate of 8.40% The total payment made under the head interest on security deposit to customers was Rs. 3.32 Cr during FY 2012-13 and same is prayed to be allowed by the Commission.

Commission's view:

- 1 The Commission in its Tariff Order for JUSCO dated 4th June 2014, had considered that closing security deposit as on 31st March 2013 to be Rs. 2.96 Cr as per the booking made under the head of security deposit in the audited accounts. However, as per the Note -2 of the audited annual accounts

of power business division of JUSCO, closing security deposit as on 31st March 2013 also included amount of Rs. 36.92 Cr being booked under trade payables head and Rs. 3.64 Cr booked under contribution head in the audited accounts. As mentioned by the Petitioner now, this amount is towards security deposits and should be considered while computing interest on security deposit.

- 2 Thus, the closing balance of security deposit works out to Rs. 43.52 Cr. Further, the Commission has also allowed the average rate of interest rate of 8.40% for computation of interest on security deposit for FY 2012-13. Accordingly, the interest on security deposit considered for FY 2012-13 is now approved at Rs. 3.31 Cr as shown in following table:

Particulars (Amount in Rs crore)	Approved in the Order 4.6.14	Approved now by the Commission	Differen ce to be adjusted in Revenue gap for FY 2012-13
Opening Balance of Security Deposit	35.40	35.40	-
Additions	(32.44)	8.12	-
Closing Balance of Security Deposit	2.96	43.52	-
<i>Average Balance of Security Deposit</i>	<i>19.18</i>	<i>39.46</i>	-
Interest Rate	9.0%	8.4%	-
Interest on Security Deposit	1.73	3.31	1.58

(b) Power purchase rate from Tata Steel during FY 2012-13

Petitioner's Submission

- 1 The Petitioner submitted that the Commission in the Tariff Order dated 04th June 2014 for TSL had approved average power purchase cost of Tata Steel from all sources for FY 2012-13 as Rs. 3.85 / unit, whereas in the Tariff Order dated 04th June 2014 for JUSCO, the Commission had approved average power purchase cost of Tata Steel, from all sources as Rs. 3.28 /unit. Consequently the total power purchase cost from TSL source has been approved lower by Rs. 10.15 Cr and same should be approved by the Commission.

Commission's view:

- 1 The average power purchase cost of Tata Steel Ltd (TSL) from all sources as approved by the Commission in the Tariff Order for TSL dated 4th June 2014 was Rs. 3.85 per unit instead of Rs. 3.28 per unit which is the average rate of power purchase for TSL from Tata Power Company Ltd (TPCL). Accordingly, the Commission accepts the submission made by the Petitioner and now approves revised power purchase rate as Rs. 3.85 and revised power purchase cost for the Petitioner from TSL during FY 2012-13 as Rs. 68.23 Cr.
- 2 Thus, the total power purchase cost for Petitioner for FY 2012-13 is now revised to be Rs.99.99 Cr as against earlier approval of Rs. 89.92 Cr in Order dated 4th June 2014. The following table summarizes the revision in power purchase cost during FY 2012-13:

Particulars (Amount in Rs crore)	Approved in the Order 4.6.14	Approved now by the Commission	Difference to be adjusted in Revenue gap for FY 2012-13
DVC	30.20	30.20	-
From Tata Steel Ltd.	58.16	68.23	10.07
132 kV	57.78	67.78	10.00
6.6 kV	0.38	0.45	0.07
RECs	1.56	1.56	-
Others/ ST purchase	0.00	0.00	-
Total power purchase cost	89.92	99.99	10.07

(c) Interest on security deposit for MYT Control Period

Petitioner's Submission

- 1 As mentioned in issue no. 1 for computation of interest on security deposit for FY 2012-13, the Petitioner has submitted that the closing balance of security deposit for FY 2012-13 should be considered as Rs. 43.52 Cr instead of Rs. 2.96 Cr. approved by the Commission in Order dated 4.06.2014.
- 2 The Petitioner has submitted that this would also increase the interest on security deposit approved by the Commission for the MYT period i.e. FY 2013-14 to FY 2015-16 in its Order dated 4.06.2014 and the Petitioner has prayed to pass on that impact in ARR.

Commission's view:

- 1 After analyzing the audited accounts for FY 2012-13 in detail, the Commission has now approved the closing security deposit during FY 2012-13 as Rs. 43.52 Cr. Further, this amount shall be considered as opening balance of security deposit for FY 2013-14 while computing the interest on security deposit for FY 2013-14 and same shall be taken into account while undertaking final true up for FY 2013-14 and determination of tariff for next financial year at the time of processing next tariff petition by the Petitioner.

(d) Determination of R&M cost of FY 2011-12 and of MYT Control Period

Petitioner's Submission

- 1 The Petitioner submitted that in the Tariff Order dated 4th June 2014 for JUSCO, the Commission has considered cost of services which is in nature of R&M expenses in the A&G cost while approving total O&M expenses for FY 2011-12.
- 2 In this regards, the Petitioner has now provided head-wise breakup of expenses booked under 'cost of services' head and mentioned that all these expenses are in nature of R&M costs and should be included in R&M costs and not under A&G costs as approved by the Commission in order dated 4th June 2014. The Petitioner has also clarified that from now onwards, the Petitioner shall include a separate row for security services and other cost of services under Note-09 of its P&L account details.
- 3 The Petitioner requested the Commission to, not transfer the amount of Rs 0.81 Cr from R&M Cost to A&G Cost and accordingly R&M cost for FY 2011-12 should be approved as Rs 1.51 Cr. This change shall also impact the determination of R&M expenses for the MYT period which are considered as per the actual ratio of R&M expenses of gross fixed assets during FY 2011-12 and FY 2012-13 and same should also be revised by the Commission.

Commission's view:

- 1 The Commission while approving the O&M expenses (A&G and R&M expenses) had adopted the same methodology as followed by the Commission in the previous tariff order. Moreover, at present there is no separate head in the P&L accounts for FY 2011-12 submitted by the Petitioner. The Commission is of the view that lack of clarity and transparency at the time of preparation of books of accounts has led to this differentiation in methodology. The Commission from time to time has been directing the Petitioner to prepare separate books of accounts as per the Companies Act for the Power business division and submit the same to the Commission along with correct schedules and notes.

- 2 In absence of above, the Commission finds no merit in submission made by the Petitioner. The Commission again directs the Petitioner to prepare its accounts separately with clear bifurcation of operating costs into employee costs, A&G costs and R&M costs and submit the same along with next tariff petition for consideration of the Commission.

The case is accordingly, disposed of in the above terms.

Sd/-
Member (Fin)

Sd/-
Member (Engg.)

Sd/-
Chairperson