

Compliance to OERC Query against ARR 2011-12

1. In compliance to observation against Sl. No-1, it is submitted that there are 44 consumers under HT (GP) category having contract demand more than 110 KVA are estimated to consume 38.104 MU for the FY 2011-12. So the consumption of HT(GPS) category in T1 format is not nil.
2. In compliance to observation against Sl No-2, it is submitted that the consumption from April $\text{\textcircled{0}}$ to Oct $\text{\textcircled{0}}$ against all HT consumers are submitted in annexure-A. Actual consumption for the FY 2009-10 in LI category was 500.383 MU whereas actual consumption from April $\text{\textcircled{0}}$ to Sept $\text{\textcircled{0}}$ is only 202.107 MU which is less than 50% of consumption in FY 2009-10. For final projection of 2010-11, actual consumption from April $\text{\textcircled{0}}$ to **Oct'10** has been considered and on the basis of present trend of 1st 7 months, consumption of balance 5 months has been estimated. 6% growth has considered over avg. consumption of 1st 7 months consumption. In NESCO area, mainly the LI consumers under HT category are under Jajpur and Keonjhar District and mining based. Due to administrative problem in mining activities, most of the mines have ceased operation and few mining companies have reduced operation due to want of lumps iron ore. Also, large industries like M/s Sree Metalik, M/s Hima Ispat, M/s Deepak Steel and Power, M/s Pattnaik Steel and Power are availing power from their own CGP. Large Industries like Beekay Steel, Maithan Ispat have been switched over to EHT. M/s Jagannath Metaliks Ltd. has reduced load in order to avail power from its own CGP. So, in spite of projecting 6% more consumption for the period Nov $\text{\textcircled{0}}$ to March $\text{\textcircled{1}}$ over actual consumption from April $\text{\textcircled{0}}$ to Oct $\text{\textcircled{0}}$, there is negative growth of 17% for the FY 2010-11 over FY 2009-10.

In case of Bulk Domestic Supply, there is no prospective consumer in pipe line to avail power supply in BDS tariff. Earlier, the apartments were availing power supply in BDS tariff, now shift to avail individual connections in the name of occupants. M/s Jindal Stainless Steel, M/s Kalinga Iron Works avail power from their own CGP. Total consumption during 2009-10 was 21.702 MU. But in the 1st six months of 2010-11, total consumption in BDS category is only 10.130 MU. On the basis of present trend of consumption in BDS, total consumption for 2010-11 is estimated at 20.512 MU which is 5% less than consumption of 2009-10.

3. In compliance to observation no. 3, it is submitted that under the Minimum fixed charge billing , sum of MMFC for all the categories consumers like those with ok meter billed on actual meter reading, consumers with defective meters as well as unmetered supply has been shown . In place of Minimum Fixed charge billing , it may be read as minimum fixed charges.

Meters have already been installed in all the unmetered 6nos. of domestic consumers with load more than 3KW (Urban area)

4. In compliance to the observation under point 4, it is submitted that consumption of unmetered supply has been derived as per average basis considering the consumption of consumers on actual basis. The same will be revised after installation of new meters as per the provisions under OERC Distribution (Condition of Supply) Code -2004.
5. In compliance to the observations made under point no. 5, it is to submit that to save the crops and due to non-availability of appropriate meters , power supply to agricultural purpose have been given on emergency basis.
6. In compliance to point. No-6, the required data is submitted in Annexure-(B).
7. The assessment of miscellaneous receipt and revenue outgo is furnished as annexure 6©
8. In compliance to the observations made under point -8, the required data are furnished as annexure-(D)
9. The licensee has forecasted an amount of Rs. 1243.36 crores for the quantum of 5686 MU towards total power purchase cost at the existing tariff, the segregated figures are as under :

Particulars	Amount (Rs. in crores)
Bulk Power Purchase Cost	1108.72
Transmission Charges	133.62
SLDC Charges	1.02
Total	1243.36

10. The licensee has estimated an amount of Rs. 75.38 crores for the FY 2010-11 and Rs. 113.62 crores for the FY 2011-12 to be expended towards Capex under the project scheme of GoO-CAPEX. The integrated investment plan has been drawn by the State Government with the participation of State Govt. by means of Loan with a combination of interest free and with interest with the counter part funding by the licensee. The State Government has outlined the following projects under the System Improvement Scheme to check the distribution loss attributable to improvement in distribution system and reduction of AT&C losses :

1. Replacement of LT conductors by AB cables in theft prone areas.
2. Installation of Pillar Box metering system.

3. Upgradation and replacement of Transformers to cater to additional load.
4. Replacement of old Circuit Breakers with Vacuum Circuit Breakers (VCBs).
5. Replacement of faulty insulators wherever necessary.
6. Replacement of existing weak LT/HT poles.
7. Installation of new substation to improve voltage profile wherever needed.
8. Re-conductoring in case of old lines with conductors of optimum size.
9. Conversion of single phase into 3-phase system.
10. Earthing of substations.
11. Installation of Lightning Arrestors.
12. Complete Distribution Transformer Metering for energy audit purpose.
13. Provision of boundary wall/fencing wherever necessary around the S/S to ensure safety of the equipment and human lives and other such things.

On implementation of the above Capex Plan it is projected that the loss level of AT & C shall be reduced in the following manner:

FY 2009-10	54 %
FY 2010-11	51 %
FY 2011-12	45 %

11. The licensee had forecasted the distribution loss in its Business Plan based on the capital expenditure funds to be infused to upgrade the system to curtail the transmission and distribution loss, while the capex as forecasted could not be incurred. Due to non-incurring of capex coupled with inclusion of numbers of tail end subsidized consumers under RGGVY and BGVY scheme led to more loss than forecasted. The licensee in its ARR application has forecasted the loss level in accordance to its trend during the FY 2010-11 @ 29.58% so also the loss level for the FY 2011-12 @ 27.66 % with an aspiration to reduce to the extent of 1.92 %.

12. The licensee has estimated an amount of Rs. 14.26 crores on account of interest on security deposit @ 6 % to be paid in the FY 2011-12 on the estimated security deposit as on 31-03-2011 amounting to Rs. 237.74 crores. The year wise net security deposit received from the consumers are as under :

Year	Amount Rs. in crores
1999-00	1.05
2000-01	2.37
2001-02	14.12
2002-03	1.43
2003-04	10.44
2004-05	16.71
2005-06	28.48
2006-07	25.52
2007-08	40.58
2008-09	16.38
2009-10	19.77

The opening balance of security deposit transferred as per transfer scheme as on 31-03-1999 was Rs. 28.20 crores and as on 31-03-2010 is Rs. 205.03 crores. During the FY 2010-11 and FY 2011-12 , there is an estimate of net receipt of Security Deposit duly considering the refund amounting to Rs.32.71 crores and Rs. 9.85 crores respectively. The Net Security Deposit is prudently invested in the Scheduled Banks in form of Fixed Deposits, the updated Deposits in form of Fixed Deposits along with the terms as on 31-03-2010 and as on date are annexed as **Annexure – F-1**.

13. The Fund Position of NESCO's Trust for the benefit of terminal benefits namely PF Trust, Pension Trust, Gratuity Trust as of date are enclosed as **Annexure-F-2** . The actuarial valuation for the FY 2007-08, FY 2008-09 and FY 2009-10 are enclosed as **Annexure – F-3** .
14. The total cash outgo on account of employer's contribution to various trust funds for the FY 2009-10 and FY 2010-11 (upto November 2010) are as under :

For the FY 2009-10

Particulars	Amount Rs. in crores
Provident Fund	0.37
Pension Fund	14.83
Gratuity Fund	2.10
Leave	5.46
Total	22.76

For the FY 2010-11 (upto Novø2010)

Particulars	Amount Rs. in crores
Provident Fund	0.41
Pension Fund	18.10
Gratuity Fund	6.58
Leave	2.88
Total	27.97

15. The actual cash outflow on account of Basic Pay, GP, DA, HRA and other allowance for the period from August 2010 to November 2010 are as under :

Amount Rs. in crores

Month	Basic Pay	GP	DA	HRA	Other Allowance	Total
Augø10	3.53	0.72	1.42	0.73	0.30	6.70
Septø10	3.58	0.73	1.44	0.74	0.31	6.80
Octø10	3.69	0.79	1.91	0.78	0.32	7.49
Novø10	3.73	0.82	2.01	0.80	0.32	7.68
Total	14.53	3.06	6.78	3.05	1.25	28.67

16. The licensee has proposed an additional employee cost for the recruitment plan for the FY 2011-12. It is proposed that 84 nos of personnel shall be recruited during the FY 2011-12 which are tabulated as under :

PROPOSED

RECRUITMENT

	TECH	NON-TECH	TOTAL
EXECUTIVE	1	2	3
NON-EXECUTIVE	0	81	81
	1	83	84

The additional employee cost to that effect shall be as tabulated below :

ADDITIONAL EMPLOYEE COST				Amount Rs. in lakhs
		TECH	NON-TECH	TOTAL
EXECUTIVE @ 25000		3.00	6.00	9.00
NON-EXECUTIVE @ 12000		0.00	116.64	116.64
		3.00	122.64	125.64

17. The licensee has availed Escrow Relaxation for an amount of Rs. 6.20 crores for repair and maintenance @ Rs. 3.10 crores for the month of April 10 and May 10 and the same has been expended in toto towards the expenditure.

18. The licensee has proposed an amount of Rs. 20.89 crores and Rs. 26.34 crores as Additional A & G Expenses for the FY 2010-11 and FY 2011-12 respectively. At present the licensee company is meeting the expenses out of the source from rebate earned on prompt payment of BST and some source from the supervision charges received. It is expected that the licensee company shall not be in position to source the fund from rebate as the company will be cash trapped in discharging the BST Bill given the present tariff. The licensee prays for escrow relaxation to that effect to discharge the payment of additional A & G Expenses in addition to the normal A & G Expenses which is very much essential for smooth running of the utility. The details of Additional A & G Expenses for the FY 2010-11 and FY 2011-12 with respect to the actual of FY 2009-10 are as under :

			Amount Rs. in lakhs
PARTICULARS	2009-10	2010-11	2011-12
Expenditure for operation of 5 Nos. Police Station		37.84	227.09
Expenditure on Man Power Assessment		9.00	5.00

Expenditure in respect of Spot Billing	90.08	271.32	305.64
Expenditure for Energy Audit (Dist. Transformer)			16.00
Expenditure for Consumer Indexing & Pole Scheduling	0.00		129.00
Expenditure for Customer Care Centre	10.92	10.00	30.00
Expenditure for Customer Satisfaction Survey			5.00
Expenditure towards incentive for collection based franchise	35.13	145.80	370.50
Expenditure on input based franchise	274.47	282.70	302.49
Expenditure on Construction Cess		697.36	564.16
Expenditure on Inspection Fees	526.50	542.30	580.26
Expenditure on IT - Automation	52.94	92.64	99.12
TOTAL	990.04	2088.96	2634.26

The actual expenses on account of additional expenses during the FY 2010-11 (upto November 2010) are as under :

PARTICULARS	Amount (Rs. in lakhs)
Spot Billing Expenses	155.77
IT Automation	61.76
Customer Care Expenses	5.12
Incentive for collection based franchise	36.68
Input based franchise expenses	200.47
Energy Police Station Expenses	0.72
Total	460.52

19. The licensee has investment to the tune of Rs. 164.28 crores in the fixed deposits with the Scheduled Banks as on 31-03-2010. The detail bank wise investment is enclosed as **Annexure –F-4**. It is pertinent to mention that the amount so invested is to mitigate the payment of interest on Security Deposit to the consumers which are sourced by way of receipts from the consumers towards security deposit and from other sources viz. rebate, Supervision charges to replenish the gap of security deposit inherited from the erstwhile GRIDCO which was not been received in form of cash.

20. The month-wise cash flow considering revenue items is enclosed as **Annexure – F-5** .

21. The month wise details of Escrow Account for the FY 2009-10 and FY 2010-11 (actual upto November 2010) is annexed as **Annexure – F-6**
22. The bifurcated data of collection of revenue for the FY 2009-10 and FY 2010-11 (actual upto December 2010) is annexed as **Annexure –F-7.**
23. The licensee has identified the actual bad debts during the FY 1999-00 to FY 2009-10 in respect of LT consumers. Out of the total write off of bad debts amounting to Rs. 67.43 crores in respect of LT consumers, the licensee has identified an amount of Rs. 27.30 crores as bad debts from the FY 2005-06 and FY 2009-10 and the equivalent amount has been written off from the Debtors account and reduced from the provision from bad and doubtful debts. No write off of bad debts has been done in respect of HT and EHT consumers till date. An amount of Rs.45.38 crores has been provided as bad and doubtful debts as on 31-03-2010 in respect of HT and EHT consumers.
24. The licensee has shown an amount of Rs. 59.73 crores under the head other revenue, out of which an amount equivalent to Rs. 8.36 crores which is an accounting adjustment entry against the higher provision during the previous years and the same is not the actual income. The details of which are as under :

Particulars	Amount (Rs. in crores)
Adjustment of provision for Bad & Doubtful debts ó FACOR	6.35
Write back of provision for Gratuity on the outcome of actuarial valuation report as on 31-03-2010	1.16
ED Commission on the ED collected which are never been received from the GoO	0.85
TOTAL	8.36

As against the actual of FY 2009-10, the licensee has estimated an amount of Rs. 34.66 crores during the FY 2010-11 on realistic approach and as per the actuals upto September 2010. There is a substantial reduction of other income during the FY 2010-11 and the same shall be drastically fall during the FY 2011-12 given the

present tariff and drawal by the consumers. There shall be no incidence of income under the head ODP, collection of DPS and the rebate on BST being the company shall be cash trapped to discharge the bills of BSP in time. Under the circumstances, the licensee has forecasted an amount of Rs. 24.31 crores as other income which are as under

Particulars	Amount (Rs. in crores)
Interest on Fixed Deposit at the present card rate	15.15
Meter Rental Income	8.46
Miscellaneous Charges	0.70
TOTAL	24.31

Apart from the adjustment entries of Rs. 8.36 crores for the FY 2009-10 as above which are of non-recurring in nature, the licensee has not considered other incomes viz. ODP, Rebate on BST, Supervision Charges which shall not accrue during the year under review and prays for considering the other income applying the realistic situation of the licensee company as submitted.

25. The Licensee is in the process of finalization of Fixed Assets Register upto 31-03-2010 which is in the stage of compilation and shall be submitted before the Commission in due time. It is further submitted that there is no incidence of any assets, the value of which is exhausted over 90 %.