KERALA STATE ELECTRICITY REGULATORY COMMISSION

THIRUVANANTHAPURAM

PRESENT : Shri. T.M.Manoharan, Chairman
Shri. P. Parameswaran, Member
Shri.Mathew George, Member

15th May, 2013

Petition OP. No.1 of 2013

In the matter of
ARR&ERC of Thrissur Corporation for 2013-14

Thrissur Corporation - Petitioner

ORDER

1. Thrissur Corporation (hereinafter referred to as the *Corporation or the Licensee*) is a deemed distribution licensee. The Licensee has filed petition for the approval of ARR&ERC for 2013-14, on 19.12.2012. The Commission admitted the petition as OP No.1/2013. In the petition, the total revenue requirement for 2013-14 is projected at Rs.10761.55 lakh and the total revenue at Rs.7785.95 lakhs, thereby showing a revenue deficit of Rs.2975.60 lakh. After receiving the petition, the Commission sought clarifications on the petitions and the Licensee vide letter dated 28.01.2013, furnished clarifications on the petition. The summary of the petition is given below:

Summary of the Petition for approval of ARR&ERC for 2013-14

Particulars	2011-12 Provisional (Rs. lakhs)	2012-12 Approved (Rs.lakhs)	2013-14 Projected (Rs.lakhs)
Revenue from sale of power	6,106.06	6,743.43	7,523.00
Non – Tariff income	631.98	629.92	262.95
Total Revenue	**6,738.04**	**7,373.35**	**7,785.95**
Expenses			
Power purchase cost	4,762.03	4,889.12	8,526.08
Interest & Finance charges	52.50	37.60	60.00
Depreciation	179.25	220.67	250.20
Employee cost	896.09	797.97	1047.00

Particulars	2011-12 Provisional (Rs. lakhs)	2012-12 Approved (Rs.lakhs)	2013-14 Projected (Rs.lakhs)
R&M Expenses	140.13	121.77	201.45
A&G Expenses	93.36	32.05	320.01
Return on Investment	437.98	10.00	346.81
Other Debits		5.00	10.00
Total Expenditure	**6,561.34**	**6,114.18**	**10,761.55**
Revenue Surplus/(Gap)	**176.70**	**1,259.17**	**(2,975.60)**

Hearing on the Matter

2. Hearing on the petition was held on 26.02.2013 at the Conference Hall, Ramanilayam, Thrissur. Shri. I.P.Paul, the Worshipful Mayor of Thrissur Corporation, representing the Licensee and as a representative of the people, stated that the Electricity Department of the Corporation is in a financial crisis, mainly after the hike in the BST. Moreover the Govt. of Kerala has not granted the subsidy and discount in tariff for the domestic consumers of Thrissur Corporation licence area whereas the same is available to other domestic consumers in the State. He submitted a memorandum before the Commission expressing the demands and grievances of the public. Shri.M.G.Rajagopal, Chief Electrical Inspector (Retired) who is also the third member in the CGRF of Thrissur Corporation, suggested that all streetlights need to be converted to LED and the Licensee should through open access get energy from other sources, rather than depending exclusively on KSEB. In their objections, KSEB has stated that per unit realisation projected by the Licensee is less than the actual realization during 2011-12 in spite of the tariff revision effected from 01.07.2012. Whereas, as per the data provided by the Licensee, in the review petition in the ARR&ERC order, 2012-13 (RP No. 8 of 2012), the Licensee had admitted that there is 23.6% increase in tariff due to tariff revision. They requested the Commission to re-estimate the revenue. The interest from deposits projected by the Licensee is only Rs.90 lakhs though the closing cash balance for 2012-13 is Rs.5783.16 lakh. The projected pension contribution is increased by 31.48% and the employee cost increased by 31.21%. A&G expenses projected are higher by 898% from the last year's approved level. The Licensee has included duty under Section 3 (1) of the Kerala Electricity Duty Act, 1963 in the A&G expenses. The projected O&M expense is increased by 65%. Depreciation on assets created from consumers' contribution may not be allowed, as in the case of KSEB. The proposed capital investment plan may be admitted only after getting detailed plan with cost benefit analysis. The arrears projected by the Licensee shows an upward trend, but the collection efficiency proposed is

99.49%. The interest and finance charges to the tune of Rs.60 lakh need not be admitted as the capital expenditure can be met from the cash surplus rather than from borrowings.

Analysis and Decision of the Commission

3. The Commission has considered in detail, the petition, the clarifications given by the Licensee, and the objections of the stakeholders. Decision on each of the components in the petition is given below:

4. **Capital Expenditure :** The Licensee has submitted Capital Expenditure plan for Rs.802.71 lakh for the year 2013-14 vide letter dated 07.01.2013 as detailed below:

Capital Expenditure Proposed by the Licensee for 2013-14

Particulars	**Rs.in lakh**
Substation	225.00
Service Connection	146.78
Line Extension	191.67
Transformer Installation	132.27
Meter Replacement	106.99
Total	**802.71**

5. The capital expenditure programme given by the Licensee is limited to the cost estimates of the projects and no details of requirement analysis and cost/ benefit analysis of the investments are seen given. Thus, it is difficult to examine the prudency of the proposed investments. The Licensee proposes to construct a 110 kV substation of 2x12.5MVA capacity at the western area of the Licensee area to meet the future load demand of the consumers at a cost of Rs.2 crores. Other works under the sub head substation includes construction of yard for 11 kV outgoing feeders (110 kV Substation side), replacement of VRLA battery 110 kV side, construction of yard for 11 kV outgoing feeders in the existing 33kV substation, and oil filtering equipment. The Licensee has proposed Rs.146.77 lakh towards providing service connection to 889 single phase consumers,1070 three phase consumers and 16 HT consumers. 23 new transformers are proposed to be installed at a cost of Rs.132 lakh. Out of this, 16 numbers are to be installed by consumers. Distribution line extension works include 2600 meters, 11 kV line extension work at a cost of Rs.1.63 lakh, 40,000 meters 3 phase LT line conductor changing at a cost of Rs.85.36 lakh, 60 nos post changing 7 Nos DP structure changing, 2 nos A poles providing and 3671 meters U.G.cable installation with a cost of Rs.73.43 lakh.Rs.107 lakh is provided for replacing 2660 numbers of 3 phase meters and 7671 numbers of single phase meters .The source of funds for executing the capital investment plan is not provided. The routine investments such

as replacement of conductors, transformer installation, service line etc., can be executed by the Licensee, where as the major investments has to be undertaken after the approval from the Commission, for which proper supporting data need to be provided.

6. **Energy Sales:** The Licensee has projected total sales for the year 2013-14 as 128.18 MU as shown below:

Energy Sales Projected by the Licensee for 2013-14

Particulars	2011-12 (Provisional)		2012-13 (Approved)		2013-14 (Projection)	
	No.of Consumers	Energy Sold in (MU)	No.of consumers	Energy sold (MU)	No.of Consumers	Energy Sold in(MU)
Domestic	18055	33.64	18550	38.17	20109	41.15
Non- domestic	15673	70.80	16535	71.19	15859	77.70
Agricultural	535	0.12	520	0.12	400	0.08
Industry	1098	3.82	895	4.09	930	4.74
Street lighting	8812	4.22	8812	3.35	8812	4.51
Total	44173	112.61	45312	116.92	46110	128.18

7. The sales for 2013-14 is projected as 128.18MU. The average annual growth of consumption projected for 2013-14 is 9.6% from 2011-12. The Licensee has clarified that the energy sale forecast has been made based on the past data, present consumer strength, new service connections proposed during the ensuing year, increase in consumption per consumer, seasonal variations and change in consumer habits. The average actual sales from September to November is about 9 to 9.5MU p.m, which translates to about 114MU per year. after accounting growth for the year, the estimates of the Licensee for 2013-14 works out to be reasonable, and hence the Commission accepts the projections of the Licensee for the year 2013-14.

8. **Distribution Loss and Energy Requirement:** The distribution loss projected by the Licensee for 2013-14 is 7.84% which is 0.66% less than the approved level for 2012-13. The Licensee has stated that they could achieve a loss reduction of 12.29% from 2006-07 (22%) to 9.71% during 2011-12. The energy requirement given by the Licensee vide letter dated 28.01.2013 is as follows:

Distribution Loss and Energy Requirement

Particulars	2011-12 (actual)	2012-13 (estimate)	2013-14 (projection)
Energy sales(lakh units)	1126.10	1169.20	1281.80
Distribution loss (lakh units)	121.10	100.80	109.00
Gross energy requirement (lakh units)	1247.10	1270.00	1390.80
Distribution loss in %	9.71%	7.94%	7.84%

9. The Licensee has revised the estimates of distribution loss vide letter dated 02.03.2013. The distribution loss estimated for 2013-14 is 13.54MU which is about 9.5%. The distribution loss estimated by the Licensee for 2012-13 is 7.94 % against the approved loss of 8.5%. The Licensee has clarified during hearing that all the faulty meters have not been replaced. The Commission notes that there is still scope for loss reduction and is not in a position to approve a loss target higher than previous year. Hence, the loss target for 2013-14 shall be 7.84% as proposed by the Licensee as per the original petition.

Approved Distribution Loss for 2013-14

	2013-14
Energy sales in MU	128.18
Energy input in MU	139.09
Distribution loss in MU	10.91
Distribution loss (%)	7.84

10. **AT&C Loss:** In the distribution business, distribution loss and AT&C loss are the common performance parameters employed. As part of the clarifications, the collection efficiency reported by the Licensee was 99.49% against the current demand. As per the information provided by the Licensee total receivable as on 31-3-2014 is Rs.2627.48 lakh, which is about 127 days of receivables. The arrears are high considering the limited area of operation of the Licensee. So the Commission insists that the Licensee shall take immediate action for collection of arrears. The Commission fixes the collection efficiency for the year 2013-14 as 100%. Hence, approved AT&C loss for 2013-14 shall be 7.84%.

11. **Cost of Power Purchase:** In the ARR, the Licensee has projected the cost of power purchase as Rs.8526.08 lakhs with average cost of power purchase of Rs.6.13 per unit. The Licensee has provided the following details.

Estimate of Cost of Power Purchase for 2013-14

	2013-14 (Estimate)
	66/110kV
Maximum Demand (kVA)	369543
Rate (Rs./kVA)	350.00
Demand Charges (Rs.lakhs)	1293.40
Energy purchased (lakh units)	1390.90
Rate (Rs./kWh)	5.20
Total Energy charges (Rs.lakhs)	7232.68
Total Charges (Rs.lakhs)	**8526.08**

The Licensee has estimated the cost of power purchase as per the revised BST effective from 1-7-2013. The Commission approves the estimates of the Licensee.

12. **Interest and Financing Charges:** The Licensee has projected the interest & financing charges at Rs.60.00 lakhs, which is the interest due to consumers on the security deposits furnished by them. The security deposit of the consumers as per the Balance Sheet is Rs.750.55 lakh as on 31-3-2013. The interest charges at 6% works out to Rs.45.03 lakh only and hence the same is approved for 2013-14.

13. **Depreciation:** The depreciation estimated by the Licensee for the year 2013-14 is Rs.250.20 lakh. The GFA at the end of the year 2012-13 is projected at Rs.6436.39 lakhs. The additions during 2013-14 is projected at Rs.781.00 lakh. The Licensee has proposed investment plan for 2013-14 as Rs.802.71 lakhs and assets addition proposed at Rs.781 lakh. as shown below:

Depreciation projected for 2013-14

Particulars	2013-14 (Projected)		
	Balance at the beginning of the year	Additions during the year	Balance at the end of the year
Substation - Machineries	2,653.94	225.00	2,878.94
Distribution area - P&M	3,345.14	504.00	3,849.14
Furniture & Fixtures	17.63	5.00	22.63
Computer & Accessories	296.86	20.00	316.86
Departmental vehicles	54.00	15.00	69.00
Tools & testing equipments	17.64	2.00	19.64
Photostat machine & Duplicator	1.17	10.00	11.17
Solar Power Generation	-		-
	6,386.39	**781.00**	**7,167.39**

14. The Commission has examined the estimates of the Licensee. The actual asset additions for the year 2011-12 is Rs.121.37 lakhs. The asset additions proposed for 2012-13 was Rs. 843.03 lakhs. The Commission has specifically directed the Licensee to get approvals for capital expenditure by providing details separately. The capital expenditure for 2012-13 has not been approved so far. Since the Licensee has not furnished the details and the status of execution of the capital works proposed for 2012-13, the Commission is not clear about the addition to assets for the year 2012-13.

15. At present the Commission is following the depreciation norms as per the CERC (Terms and Conditions of Tariff) Regulations, 2009. However, the depreciation norms notified by the CERC are conditional and linked to repayment obligation and

useful life. Accordingly, the Commission allows the depreciation as per the revised CERC norms for the Licensee. However, the Licensee has to maintain the accounts in line with revised CERC norms. During the truing up process, the Licensee has to provide the details as per the norm and in case the details are not available, the Commission will resort to previous norms. The Commission in its order dated 13-4-2012 decided as follows:

> *"A. Depreciation need not be allowed on assets created out of contributions and grants by any Licensee in the State as a general rule. In the case of KSEB, this will be made applicable from 2010-11 and proposal for clawing back the depreciation already claimed upto 2009-10 is dispensed with.*
>
> *B In future, all licensees shall provide separate statements under capital works programme for assets to be created out of contributions and grants in their ARR&ERC / truing up petitions. The depreciation estimations in these petitions shall also distinctly indicate the value of assets for which depreciation is claimed and that which is created out of contributions and grants"*

Accordingly, the depreciation is not available for assets created out of consumer contributions. However, the Licensee has not given details in the petition on consumer contributions and assets created out of consumer contributions. The Licensee has to provide such details as part of ARR&ERC petition and truing up petition now onwards. Based on the above, the Commission approves the depreciation as shown below subject to the fulfilment of conditions as explained. In the truing up process, the depreciation on assets created out of grants and consumer contribution will be deducted from the allowable depreciation.

Depreciation Approved for 2013-14

Particulars	**2013-14**		
	Balance at the beginning of the year (Rs.lakhs)	Depreciation rate (%)	Depreciation (Rs.lakhs)
Substation – Machinery	2,819.21	5.28%	148.85
Distribution area - P&M	2,131.23	5.28%	112.53
Furniture & Fixtures	7.64	6.30%	0.48
Computer & Accessories	96.08	6.30%	6.05
Departmental vehicles	14.00	6.30%	0.88
Tools & testing equipments	12.64	6.30%	0.80
Photostat machine & Duplicator	1.17	6.30%	0.07
	5,081.97		269.67

16. **Employee Cost:** The employee cost proposed by the Licensee for 2013-14 is Rs.1047.00 lakhs, against the approved cost of Rs.797.97 for 2012-13. The projected cost is about 31% more than the approved level in 2012-13. The details of employee cost projected by the Licensee are shown below:

Employee Cost Projected for 2012-13

Category	2011-12 (Rs.lakhs) (provisional)	2012-13 (Rs.lakhs) (approved)	2013-14 (Rs.lakhs) (projected)
Salary including DA	581.92	600.00	820.00
Overtime		1.38	7.00
Stipend & Daily wages	23.93	11.15	8.20
Pension contribution	237.68	91.95	120.90
Other allowances	3.07	2.23	3.90
Bonus/Festival allowances	2.57	2.68	4.00
Sub Total	**849.18**	**709.39**	**964.00**
Medical expenses	0.03	0.02	2.00
Earned leave Encashment	46.88	-	70.00
Sub total	**46.91**	**0.02**	**72.00**
Staff welfare expenses			11.00
Salary arrears		88.56	
Sub total		**88.56**	**11.00**
Total	**896.09**	**797.97**	**1047.00**

17. The Licensee has clarified that 5% increase in the basic pay from 2012-13 is expected for the year 2013-14 and DA to the employees are allowed periodically in line with the policy of the Govt. of Kerala. The employees are also eligible for earned leave encashment for 30 days. Regarding pension contribution the Licensee has stated in the letter dated 02.03.2013 that the Licensee transfers the required amount to the pension fund every month and adjust the same when the allotment is received, but the Licensee did not get allotment from the Govt. for the last six years. Now as per the direction from the Commission the Licensee started adjusting the amount of pension contribution towards pension allotment.

18. The Licensee has estimated the salary and DA for 2012-13 as Rs.820 lakhs. However, since the estimation is often not in conformity with the clarification given, the Commission has no option but to provide an adhoc increase over the approved levels. Accordingly, a 10% increase over the approved rates for 2012-13 except for overtime and earned leave encashment. The leave encashment is allowed at a rate of one month's salary and DA. The Commission notes that the Licensee already has much lower consumer per employee ratio. Hence the Licensee has to

seriously take measures for effective HRM measures to optimize the employee cost. Unless such measures are taken and properly justify the expenses, the Commission will be forced to disallow the expenses in future, as the O&M expenses are considered as controllable. The approved employee cost for 2013-14 is as shown below:

Employee Costs Approved for 2013-14

Category	2012-13	2013-14	
	Approved	Projected	Approved
	(Rs.lakhs)	(Rs.lakhs)	(Rs.lakhs)
Salary including DA	600.00	820.00	660.00
Overtime		7.00	-
Stipend & Daily wages	11.15	8.20	8.20
Pension contribution	91.95	120.90	101.15
Other allowances	2.85	3.90	3.13
Bonus/Festival allowances	2.68	4.00	2.94
Sub Total	**708.63**	**964.00**	**775.42**
Medical expenses	0.02	2.00	0.02
Earned leave Encashment	-	70.00	55.00
Sub total	**0.02**	**72.00**	**55.02**
Staff welfare expenses	0.76	11.00	0.84
Salary arrears	88.56	-	
Sub total	**89.32**	**11.00**	**0.84**
Total	**797.97**	**1047.00**	**831.28**

19. **Repair and Maintenance Expenses:** The Licensee has projected Rs.201.45 lakhs as R&M expenses for 2013-14. Against this, the actuals for 2011-12 was Rs.140.13 lakh and the approved amount is Rs.121.77 lakh for 2012-13. Out of the total Rs.201.45 lakhs, Rs.130.00 lakhs is for consumption of materials and Rs.71.45 lakhs is for other expenses. The split up details given by the Licensee are as follows:

R&M Expenses Proposed by the Licensee

	2011-12 (Actual) (Rs.lakhs)	2012-13 (Approved) (Rs.lakhs)	2013-14 (Projected) (Rs.lakhs)
Sub Stations	0.01	5.00	5.00
Transformer			5.50
Vehicles	2.18	15.00	4.00
Furniture& fixtures		5.00	0.20
Office equipments		5.00	7.00
Others	137.94	91.77	179.75
Total	140.13	121.77	201.45

20. The projections given by the Licensee for the year 2013-14 are unreasonably high compared to the provisional amount for 2011-12 and the approved amount for 2012-13. The average annual growth of R&M expenses from 2006-07 is about 27% where the GFA has increased only by 10% during the same period. The R&M expenses proposed is 2.97% of GFA which was increased from 1.09 % in 2006-07. The increase in expense is unreasonably high as shown below:

Increase in R&M Expense Over the Years

Year	R&M expenses	Increase over previous year	Average GFA	% of GFA
2006-07	38.50		3516.71	1.09%
2007-08	69.80	81.3%	3984.30	1.75%
2008-09	86.26	23.6%	4538.62	1.90%
2009-10	78.06	-9.5%	4717.41	1.65%
2010-11	112.44	44.0%	4868.21	2.31%
2011-12	110.00	-1.5%	5021.29	2.20%
2012-13 (Approved)	121.77	10%	6014.87	2.02%
2013-14	201.45	65.4%	6776.89	2.97%

21. The Licensee has stated that most of the assets of the Licensee are very old and has to be repaired and maintained for ensuring desired level of performance. In the clarification dated 28.01.2013 proposed replacement of pole structures etc., as part of R&M assets. The Commission notes that most of the replacements proposed are in the nature of capital expenditure and has to be capitalised. The Licensee has to properly account the R&M expenses.

22. The projected R&M expense for 2013-14 is about 16 paise per unit. There are no details on the other items of Rs. 179.75 lakhs. The total provision under consumption of stores is projected at Rs. 130 lakhs, most of which falls under capital expenditure. The balance amount ought to have labour costs. However, as mentioned above, the employee cost and number of employees are very high and cost is already covered in employee costs. Hence additional amount for out sourcing for labour costs at Rs.71.45 lakhs is not justifiable. In these circumstances, the Commission is of the considered view that an increase of 10% over the approved expenses can only be allowed as R&M expenses for 2013-14. Accordingly, the Commission approves R&M expenses for 2013-14 as Rs.133.94 lakhs. The Licensee has to utilize the available human resource, improve their productivity and limit the R&M expenses to the approved level and properly account them based on the observations made in the order.

23. **Administration and General expenses:** The Administration and General expenses proposed by the Licensee is Rs.320.01 lakhs against the approved amount of Rs.32.05 lakh for 2012-13. The major item is Rs.180. lakh included under Rent, rates and taxes. Other items to be specifically mentioned are consultancy charges (Rs.38 lakh) and duty under Section 3(1) of the Kerala Electricity Duty Act 1963 (Rs.76.91 lakh). The Licensee has stated that since the revenue from street lighting is included as part of revenue, rent to be paid to the Corporation's General Section is included. The Commission notes that the Licensee has made accounting income for street lighting and booking rent for the building reciprocal arrangement, which is not correct. As per the provisions of the Act, any concession in tariff has to be as per Section 65 of the Act. Hence, the Licensee is duty bound to charge the street lights as per the existing tariff and to realize the amount. As per the direction issued by the Commission during the hearing, the Licensee has produced copies of the Note dated 01.03.2013 of the Revenue Officer, Thrissur Corporation, Agenda for the meeting for Finance Standing Committee, Agenda for the Council meeting and its decision No. 42 dt.11.12.2012. An abstract of the Demand is given below:

Details of rent Assessed by Thrissur Corporation

Particulars	Area	Rate	Amount (Rs.)
Office space	7000 sq. feet	50/s.f./month	350000/Month
Store building	2000sq.feet	50/ ,,	100000/month
Land area	698 sq.metre	250/sq.m/month	174419/month
33 KV S/s	1214 ,,	,,	303450/month
66 /110 KV S/s	2023 ,,	,,	505750/month
Total Rent/month			1433619
For one year			**172,03,423**

The rates of rent assessed by the Corporation for the office space and store building at the rate of Rs. 50 per sq. ft. per month appear to be excessively high for the space for office and store of a distribution licensee. Whenever a building is taken on rent, the premises around it is also taken into consideration for fixation of rent. No separate rent can be fixed for the premises of the buildings. Similarly the rate of lease rent fixed for the space occupied by the substations at the rate of Rs. 250 per sq.m does also appear to be excessively high in view of the norms for fixing lease rent of land and properties. The authority to fix rent for buildings is the Executive Engineer PWD having jurisdiction over the area and the authority to fix lease rent for the land and property is the Tahsildar having jurisdiction over the area. Therefore the amounts claimed by the Corporation towards rent for office space and store as well as the lease rent for the land area occupied by substations can be allowed only on production of certificates from the above authorities fixing standard rent/ lease rent. The licensee may also look for office space and store with lesser rent.

24. The Standing Committee has also decided to realise the rent from 2006-07. In the orders of the Commission in the ARR&ERC for 2012-13, it was stated, *"the Commission will allow such expenditure in future once the accounts of distribution business is totally segregated from the accounts of the Corporation and all amounts receivable from the Corporation, as a consumer, is properly accounted*." The Licensee has accounted revenue from streetlight in the ARR petition. Since, the Electricity Department of the Corporation is functioning as a separate entity, the Commission considers the demand raised by the Corporation. As noted above, though booking of income from street lighting and booking of rent are not reciprocal arrangement, the Commission admits Rs.172.03 lakh towards rent, rates and taxes provisionally subject to finalisation in the truing up after prudence check on production of certificates from the concerned authorities as indicated in the previous paragraph. The Licensee has clarified that Rs.38 lakh projected towards consultancy charge is for imparting training to accounting staff in financial techniques and skill development and computer application for about 40 staff, which works out to more than Rs. 1lakh for each employee. Though the Licensee has not provided the details of the training programme, the Commission cannot underestimate the training needs of the employees especially, the Licensee is taking steps to move towards Double Entry system. Hence the Commission provisionally approves Rs.10 lakh for this purpose. The Licensee has also clarified that Rs.2 lakh projected as professional charge is the amount to be paid to the Chartered Accountant for helping to implementing double entry accounting system. Progress report on this should be sent to the Commission on a quarterly basis. The Commission has time and again pointed out that duty under Section 3(1) of Kerala Electricity Duty Act 1963 to be borne by the Licensee and cannot be passed over to consumers. So the projection of Rs.76.91 lakh towards duty under section 3(1) of the Kerala Electricity Duty Act cannot be admitted. Since, A&G expense is a controllable item the Commission can admit only a maximum of 10 % increase in other items and the Licensee has to limit the expenses at the approved level. The A&G expenses allowed for 2013-14 is Rs.197.12 lakh as shown below:

A&G Expenses Allowed Provisionally for 2013-14

	2012-13 (Approved) (Rs.lakhs)	2013-14 (Projected) (Rs.lakhs)	2013-14 (Approved) (Rs.lakhs)
Rent, rates and taxes		180.00	172.03
Insurance	3.00	3.30	3.30
Telephone charges	1.72	2.00	1.89
Internet	-	1.00	0.50
Legal charges	0.91	1.50	1.00
Audit fees	12.00	-	-
Consultancy charges	4.00	38.00	10.00
Technical fees	0.20	4.00	0.30
Professional charges	-	2.00	2.00
Conveyance and vehicle hire charges	-	1.00	-
Section 3 Duty		76.91	-
Other expenses	5.18	0.25	0.25
Books and periodicals	0.04	0.05	0.05
Printing & stationery	2.00	5.00	2.20
Advertisements	1.00	2.50	1.10
Miscellaneous expenses	2.00	2.50	2.20
Total	32.05	320.01	196.82

25. **Other Debits:** The Licensee has included Rs.10 lakhs as provision for doubtful debts. Since the Licensee has all powers to recover the electricity charges, the Commission is not in a position to allow such higher provision for bad debts. The Commission has allowed Rs.5 lakh in the orders on ARR&ERC for 2012-13, considering the commercial nature of the business, as a token provision for doubtful debts, provided, the provision will be reverted if adequate efforts are not made to recover the arrears. But the balance sheet reveals that the receivables are projected to increase to Rs.2627.48 lakh from 2585.65 approved for 2012-13. It means the Licensee is not making earnest efforts to realise the dues. The Commission considers that it is not fair to pass over the inefficiency of the Licensee to the prompt consumers. So the claim for other debits estimated at Rs.10 lakh is disallowed.

26. **Return on Equity:** The Licensee has projected Rs.346.81 lakhs towards return on equity for the year computed based on 6% of capital base estimated at Rs.5780.16lakh.The Commission is of the view that a reasonable level of return is allowable for commercial operation of the distribution business. The Commission has already initiated a study by consultants for determining the appropriate rate base for allowing return on equity. Till then a provisional return of Rs.10 lakhs is allowed for the year 2013-14 also.

27. **Aggregate Revenue Requirements:** Based on the above, the Aggregate Revenue Requirements proposed and approved for 2013-14 are as given below.

Approved Aggregate Revenue Requirements for 2013-14

Expenses	2013-14 (projected) (Rs.lakhs)	2013-14 (Approved) (Rs.lakhs)
Purchase of power	8,526.08	8,526.08
Repair & Maintenance	201.45	133.94
Employee costs	1,047.00	831.28
Interest & Financing charges	60.00	45.03
A& G expenses	320.01	196.82
Depreciation	250.20	269.67
Other debits	10.00	-
Return on investment	346.81	10.00
Total Expenses	**10,761.55**	**10,012.82**

28. **Revenue from Tariff :** The Licensee has projected the revenue from tariff as Rs.7523.00 lakhs. As per the directions of the Commission, the Licensee has revised the estimates several times. The Commission has considered the estimates given on 27.03.2013. A comparison of original and revised projection is given below :

Comparison of Revenue Estimates

	Original estimates				Revised Estimates			
	No. of consumers at end of the year	Energy Sales (lakh units)	Revenue (Rs.lakhs)	Average Realisation (Rs./kWh)	No. of consumers (mid year)	Energy Sales (lakh units)	Revenue (Rs.lakhs)	Average Realisation (Rs./kWh)
Domestic	20109	41.15	1,431.99	3.48	19,667	411.60	1,476.05	3.59
Non - Domestic	15859	77.70	5,725.89	7.37	15,588	773.96	6,071.75	7.85
Agricultural	400	0.08	1.81	2.26	389	0.84	1.54	1.83
Industry	930	4.74	237.54	5.01	787	50.29	268.40	5.34
Street light	8812	4.51	124.67	2.76	195	45.08	124.67	2.77
Total	46110	128.18	7,521.90	5.86	36,626	1,281.77	7,942.41	6.20

29. The Commission accepts the latest revised estimation of revenue by the Licensee for 2013-14 subject to further verification of the records of the Licensee. The total revenue from tariff is estimated to be Rs.7942.41 lakhs. Other miscellaneous charges such as reconnection fee, delayed payment charges etc., are projected as Rs.1.10 lakhs. Thus, the total income from charges for 2013-14 is projected as Rs.7943.51 lakhs.

30. **Non- Tariff Income:** The Licensee has projected Rs.262.95 lakhs as non- tariff income which includes Rs.90 lakhs towards interest on fixed deposits, Rs.66.16 lakhs towards meter rent and miscellaneous recoveries Rs.100.35 lakh and commission for collection of electricity duty at Rs.6.44 lakh. The Commission notes that the projected non-tariff income is substantially lower compared to previous years. However the Commission approves the other income as projected by the Licensee.

31. **Total Revenue**: The total approved revenue for the year 2013-14 is Rs.8206.46 lakhs.as shown below:

Total Revenue Approved for 2013-14

	Rs.in lakh
Revenue from sale of power	7943.51
Non- Tariff Income	262.95
Total Revenue	**8206.46**

32. **Revenue Surplus/Gap:** The revenue gap proposed by the Licensee is Rs.2975.60 lakhs. After considering the materials and explanation by the Licensee and the views of stakeholders, the Commission has arrived at a gap of Rs. 1806.36 lakhs for the year 2013-14 as follows:

Approved ARR&ERC for 2013-14

Expenses	2013-14 (projected) (Rs.lakhs)	2013-14 (Approved) (Rs.lakhs)
Purchase of power	8,526.08	8,526.08
Repair & Maintenance	201.45	133.94
Employee costs	1,047.00	831.28
Interest & Financing charges	60.00	45.03
A&G expenses	320.01	196.82
Depreciation	250.20	269.67
Other debits	10.00	-
Return on investment	346.81	10.00
Total Expenses	**10,761.55**	**10,012.82**
Revenue from sale of power	7,523.00	7,943.51
Non-Tariff Income	262.95	262.95
Total revenue	**7,785.95**	**8,206.46**
Revenue Surplus/(Gap)	**(2,975.60)**	**(1,806.36)**

Orders of the Commission

33. After analysis of the ARR&ERC and the clarifications thereon submitted by the Licensee, the Commission provisionally approves the ARR of Rs.10012.82 lakhs and the estimated revenue of Rs.8206.46 lakhs, leaving a revenue gap of Rs.1806.36 lakhs for the year 2013-14 for Thrissur Corporation as stated above. The average cost of distribution (except power purchase cost) is approved for 2013-14 is Rs.1.16 per unit compared to Rs.1.74 proposed by the Licensee. The average power purchase cost works out to be Rs. 6.65/unit. The Licensee shall limit the expenses at the approved level. The Retail Supply Tariffs effective from 1.7.2012 will continue till 30.4.2013. The Retail Supply Tariff as approved by the Commission in the order dated 30.4.2013 will be applicable to the consumers of the licensee also with effect from 1.5.2013. Orders on BST applicable with effect from 1.5.2013 will be issued separately.

34. The petition is disposed of. Ordered accordingly.

Sd/-	Sd/-	Sd/-
P. Parameswaran **Member**	**Mathew George** **Member**	**T.M. Manoharan** **Chairman**

Approved for issue

Secretary