

**KERALA STATE ELECTRICITY REGULATORY COMMISSION  
THIRUVANANTHAPURAM**

Petition No. : OP. No.32 of 2013

In the matter of : ARR & ERC of M/s Thrissur Corporation for 2014-15

Petitioner : M/s Thrissur Corporation, Thrissur

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

**ORDER DATED 19-5-2014**

1. Thrissur Corporation (hereinafter referred to as the *Corporation or the Licensee*) has filed petition for the approval of ARR&ERC for 2014-15, on 18-12-2013. The Commission admitted the petition as OP No.32/2013 on 31-12-2013. In the petition, the total revenue requirement for 2014-15 is projected at Rs.9882.26 lakh and the total revenue at Rs.9114.75 lakh, thereby showing a revenue deficit of Rs.767.51 lakh. After receiving the petition, the Commission sought clarifications on the petitions vide letter dated 3-1-2014 and the Licensee vide letter dated 28.01.2014, furnished clarifications on the petition. The summary of the petition is given below:

**Summary of the Petition for approval of ARR&ERC for 2014-15**

Particulars	2012-13 (provisional)	2013-14 (approved)	2014-15 (projections)
<b>Revenue</b>			
Revenue from Sale of power	7,577.52	7,943.51	8,866.25
Non – Tariff Income	711.38	262.95	248.50
<b>Total Revenue</b>	<b>8,288.89</b>	<b>8,206.46</b>	<b>9,114.75</b>
<b>Expenses</b>			
Purchase of Power	7,223.90	8,526.08	7,401.00
Repair & Maintenance	51.28	133.94	152.70
Employee costs	899.17	831.28	1,260.70
A & G Expenses	277.33	196.82	313.60
Depreciation	277.38	269.67	360.05
Interest & Finance		45.03	120.00
Return on Capital	408.87	10.00	274.21
<b>Total Expenses</b>	<b>9,157.06</b>	<b>10,012.82</b>	<b>9,882.26</b>

Surplus/(Deficit)	-868.17	-1,806.36	-767.51
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## Hearing on the Matter

2. Hearing on the petition was held on 4-3-2014 at the Conference Hall, Ramanilayam, Thrissur. Shri. Jose, Electrical Engineer, presented the petition on behalf of the Corporation. He stated that the Electricity Department of the Corporation has taken all possible steps for complying with the directions issued by the Commission. He also narrated the capital expenditure programme to be taken up by the Corporation. Representing the KSEB Limited, Shri. Sharmakumar, Dy.CE, presented the comments on the petition. The projections given by the licensee is considerably higher than the approved levels. The estimate of R&M expenses for LT line maintenance proposed by the licensee for 2014-15 is Rs.63 lakh, whereas the actual expenses was only Rs.2.99 lakh in 2012-13. According to M/s KSEB Limited, many items of capital nature might have been booked under revenue expenses, which might have boosted the R&M expenses. The petitioner has projected Rs.313.60 lakh towards A&G expenses, of which Rs.172 lakh is towards rent, rates & taxes. The Commission had directed the petitioner to provide certificates from statutory authorities for allowing the rent. The petitioner did not give the documentary evidence on the rent being charged towards own buildings. The claim of higher rent will invariably affect the BST and hence the financial position of KSEB Limited. The duty under section 3 of Electricity Duty Act is to be disallowed. The licensee has projected exorbitantly high printing charges, consultancy charges, advertisement expenses other charges etc. The pension contribution has increased by 113% and employee costs by 51.66%. KSEB Limited has pointed out that the O&M expenses (R&M, A&G and employee expenses) may be allowed as per the formula based on CPI-WPI only to the petitioner. In such case the allowable expenses would be Rs.142.68 lakh for R&M, Rs.60.14 lakh for A&G expenses and Rs. 741.40 lakh for employee costs. The petitioner has not filed the details of consumer contribution and assets created out of contribution. The petitioner also has to provide the details of age wise assets to determine the depreciation as per the CERC norms. The large capital investment proposed for Rs.3389.26 lakh as per the Gross fixed additions, is without providing the cost benefit analysis of the proposed investment. It is to be noted that the entire fixed assets as of now is only Rs.5081 lakh whereas the capital expenditure proposed only for the year is Rs.3389 lakh. Hence, proper regulatory scrutiny is required after establishing the reasonableness of the investment.

3. The respondent also requested that Commission may scrutinize the security deposits available with the licensee before allowing the interest on security deposits. The claim of bad debts under 'other debits' should also be disallowed as it is not reasonable. The distribution loss proposed is also much higher than the approved levels for the previous year. In the case of revenue from tariffs, M/s KSEB Limited pointed out that the average realization for non-domestic categories have been projected much lower. The non-tariff income of the licensee should also include the interest on surplus funds as has been pointed out by the Commission in the previous occasion. The RoE for the small licensees may be allowed only after finalizing the norms. The licensee shall not be allowed to take the funds for payment of electricity duty demanded by the Electrical Inspectorate. The electricity duty has been collected from the consumers and it cannot be allowed again from the funds. The licensee has not submitted the details of implementation of ToD meters for the industrial consumers. The petitioner has claimed Rs.350 lakh for computer accessories, which is exorbitant considering market price of computers.
4. Representing the worshipful Mayor, Shri.C.S Sreenivasan, Councillor requested that the Commission may favourably consider the issues faced by the TCED. The Electricity Department of the Corporation has been traditionally managing the street lights, which are being charged now. The BST charged for the Thrissur Corporation is high and is to be reduced. The special provision for local authorities in the Electricity Act may be retained to protect the TCED so as to serve the consumers well. Shri. Rajagopal, Electrical Inspector (Rtd) stated that revenue gap details are not provided and arrears so far are also not available. The T&D loss has not been reduced and programmes for harnessing the solar power has to be encouraged. Shri. Gijo Anto Thankan pointed out irregularities in the billing of residential buildings used for commercial purposes. The streetlights are not properly switched off and street mains are not properly maintained. The licensee has to introduce new bill payment systems for the benefit of the consumers. Shri. Wilson Pandarathil pointed out that CFL should be promoted and safety of the electrical system has to be improved.

### **Analysis and Decision of the Commission**

5. 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:

6. **Energy Sales:** The Licensee has projected total sales for the year 2014-15 as 130.11 MU as shown below:

**Energy Sales Projected by the Licensee for 2014-15**

Particulars	2011-12		2012-13		2013-14		2014-15	
	(Provisional)		(Provisional)		(Approved)		(Projection)	
	No. of Consumers	Energy Sold in (MU)	No. of consumers	Energy sold (MU)	No. of Consumers	Energy Sold in (MU)	No. of Consumers	Energy Sold in (MU)
Domestic	18055	33.64	19241	34.39	19667	41.16	21091	36.31
Non- domestic	15673	70.80	14754	75.68	15588	77.40	16321	83.31
Agricultural	535	0.12	371	0.11	389	0.08	355	0.08
Industry	1098	3.82	1187	3.68	787	5.03	618	4.92
Street lighting	8812	4.22	195	3.70	195	4.51	220	5.48
<b>Total</b>	<b>44173</b>	<b>112.61</b>	<b>35378</b>	<b>117.56</b>	<b>36626</b>	<b>128.18</b>	<b>38605</b>	<b>130.11</b>

7. The average annual growth of consumption projected for 2014-15 is only 1.5% from 2013-14, whereas the average annual growth from 2011-12 is about 4.3%.. 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. According to the licensee, considering the past growth of sales and energy conservation measures to be adopted, the sales for 2014-15 is reasonable. The Commission accepts the projections of the Licensee for the year 2014-15.
8. **Distribution Loss and Energy Requirement:** The distribution loss projected by the Licensee for 2014-15 is 9.0% which is about 1.16% higher than the approved losses for 2013-14. The actual loss reported for the year 2012-13 is 10.53%. According to the licensee, there was an error in estimation of distribution loss in the year 2013-14, which resulted in the higher base and the matter is referred to the Electrical Inspector. Hence the licensee stated that distribution loss may be finalized once the report from the Electrical Inspectorate is available, till such period the proposed distribution loss may be approved.
9. The Licensee has stated several measures for reduction in losses have been taken up such as replacement of sluggish meters, replacement of meter boards, intensive theft detection etc. In 2012-13 the department has realized Rs.18.89 lakh from anti theft measures.

10. The licensee has not given convincing reasons for higher estimates of losses. It has not properly explained the role of Electrical Inspectorate in estimating the distribution losses. While estimating higher level of loss, the licensee has proposed several measures for reduction in losses. Considering the measures proposed by the license, the Commission is of the view that distribution loss target set for the year 2013-14 may be retained for the year 2014-15 also. Accordingly, the energy requirement and distribution loss approved for the year are as given below.

#### **Distribution Loss and Energy Requirement**

Particulars	2011-12	2012-13	2013-14	2014-15	
	Actual	Actual	Approved	Projections	Approved
Energy sales (MU)	112.61	117.56	128.18	130.11	130.11
Distribution loss (MU)	12.10	13.83	10.91	12.89	11.07
Gross energy requirement (MU)	124.72	131.39	139.09	143.00	141.18
Distribution loss in %	9.71%	10.53%	7.84%	9.01%	7.84%

11. **AT&C Loss:** In the distribution business, distribution loss and AT&C loss are the common performance parameters employed. In the previous year, the Commission has fixed the collection efficiency as 100%. The same level is approved for this year also. Hence, approved AT&C loss for 2014-15 shall be 7.84%.

12. **Cost of Power Purchase:** In the ARR, the Licensee has projected the cost of power purchase at Rs.7401 lakh with average cost of power purchase of Rs.5.18 per unit as shown below:

#### **Estimate of Cost of Power Purchase for 2014-15**

	2013-14 (Actuals)	2014-15 (projected)
Energy requirement (MU)	133	143
Maximum demand (kVA)	330000	369600
Rate of Demand charge (Rs./kVA)	300	300
Demand charges (Rs.lakhs)	945.00	1109
Rate of energy charges (Rs./kWh)	4.40	4.40
Energy charges (Rs.lakhs)	5946	6292
Total cost of Power (Rs.lakh)	6,891.00	7,401.00
Average cost (Rs./kWh)	5.18	5.18
Estimated Load Factor	55%	53%

The Licensee has estimated the cost of power purchase as per the revised BST. effective from 1-5-2013. The power purchase cost projected by the licensee is Rs.7401 lakh. The average cost of purchase is Rs.5.18/kWh which is same as that of previous year. However, it can be seen that the billing demand for the year 2014-15 is proposed to increase by 3.3MW which invariably increases the demand

charges. The estimated load factor for the year 2014-15 is about 53%, reduced from 55% in the 2013-14. This shows increase in peak load without corresponding increase in energy sales. This is not a desirable trend and the licensee has to take effective measures to contain the peak load. With these comments, the Commission approves the cost of power purchase at Rs.7320.92 lakh as shown below:

**Cost of power purchase approved by the Commission for 2014-15**

	2014-15 (projected)	2014-15 (Approved)
Energy requirement (MU)	143.00	141.18
Maximum demand (kVA)	369600	3,69,600
Rate of Demand charge (Rs./kVA)	300	300
Demand charges (Rs.lakh)	1,109.00	1,109.00
Rate of energy charges (Rs./kWh)	4.40	4.40
Energy charges (Rs.lakh)	6,292.00	6,211.92
<b>Total cost of Power (Rs.lakh)</b>	<b>7,401.00</b>	<b>7,320.92</b>
Average cost (Rs./kWh)	5.18	5.19

**13. Interest and Financing Charges:** The Licensee has projected the interest & financing charges at Rs.120 lakh, which is the interest due to consumers on the security deposits furnished by them. According to the licensee, the security deposit held by the licensee is Rs,1446.42 lakh and Rs.512.8 lakh has been collected as additional security deposit in 2012-13.

14. As per the filing, the security deposit held by the licensee at the beginning of 2013-14 is Rs.1446.42 lakh. As per the provisions, the interest on security deposit is to be at the prevailing bank rate. Reserve Bank of India has revised the bank rate and the prevailing bank rate is 9% (w.e.f. 28/01/2014). Accordingly the interest on security deposit for the year 2014-15 will be Rs.130.18 lakh. It is hereby directed that the licensee shall promptly pay the interest on security deposits to all eligible consumers as per the provisions of Kerala State Electricity Supply Code 2014.

**15. Depreciation:** The depreciation estimated by the Licensee for the year 2014-15 is Rs.360.05 lakh. The GFA at the beginning of the year 2014-15 is projected at Rs.5081.97 lakh. The addition during 2014-15 is projected at Rs.3389.26 lakh.

### Depreciation projected for 2014-15

Particulars	2014-15 (Projected)		
	Balance at the beginning of the year	Additions during the year	Balance at the end of the year
Substation – Machineries	2,819.21	2,034.20	4,853.41
Distribution area - P&M	2,131.23	1,005.06	3,136.29
Furniture & Fixtures	7.64		7.64
Computer & Accessories	96.08	350.00	446.08
Departmental vehicles	14.00		14.00
Tools & testing equipments	12.64		12.64
Photostat machine & Duplicator	1.17		1.17
Solar Power Generation	-		
	<b>5,081.97</b>	<b>3,389.26</b>	<b>8,471.23</b>

16. The Commission has examined the estimates of the Licensee. The actual asset addition for the year 2011-12 is Rs.121.37 lakh. The asset addition in 2012-13 is Rs.73.36 lakh, in place of the proposed addition of Rs. 843.03 lakh for that year. The licensee has submitted a capital expenditure plan mainly consist of the construction of substations and lines for the year. The Commission has not approved any capital expenditure for the year 2013-14. Accordingly for the purpose of estimating depreciation, asset as on the beginning of the year 2013-14 has to be taken into consideration. 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. 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 revert to previous norms. The Licensee has not given details of consumer contributions and assets created out of consumer contributions. The Commission has in the previous ARR&ERC order had directed the licensee to submit the details of consumer contributions. As per the petition filed for truing up of accounts for 2011-12, the licensee has disclosed that the consumer contribution is Rs. 318.43 lakh. Depreciation on assets created out of grants and consumer contribution is not allowable. The admissible depreciation for the year 2014-15 is as shown below:

### Depreciation Approved for 2014-15

Particulars	2014-15		
	Balance at the beginning of the year (Rs.lakh)	Depreciation rate (%)	Depreciation (Rs. Lakh)
Substation – Machinery	1,854.85	5.28%	97.94
Distribution area - P&M	2,290.82	5.28%	120.96
Furniture & Fixtures	9.35	6.30%	0.59
Computer & Accessories	98.25	15.00%	14.73
Departmental vehicles	46.45	6.30%	2.93
Tools & testing equipments	12.64	6.30%	0.80
Photostat machine & Duplicator	1.86	6.30%	0.12
	<b>4,314.22</b>		<b>238.05</b>
Less Depreciation on assets created out of Consumer contribution	318.43	5.28%	16.81
<b>Depreciation admissible</b>			<b>221.24</b>

**17. Employee Cost:** The employee cost proposed by the Licensee for 2014-15 is Rs.1260.70 lakh, against the approved cost of Rs.831.28 lakh for 2013-14 and the provisional amount of Rs.899.17 lakh for 2012-13. The details of employee cost projected by the Licensee are shown below:

### Employee Cost Projected for 2014-15

Category	2014-15
	(Rs.lakh)
	Estimates
Salary including DA	775.00
Other allowances	3.50
Stipend & Daily wages	35.20
Bonus	4.00
Medical reimbursements	2.00
CVP and Pension contribution	216.00
EL encashment	100.00
Staff welfare expenses	6.50
Provision for pay revision due	118.50
<b>Total</b>	<b>1,260.70</b>

18. Projected employee cost forms 12.7% of the total distribution cost. The employee cost includes salaries including DA of Rs. 775 lakh and Pension contribution of

Rs.216 lakh. Pension contribution includes pension contribution of Rs.116 lakh and commuted value of pension arrear of Rs100 lakh. The licensee has also included Rs.118.5 lakh towards provision for pay revision. Provision for EL encashment is given as Rs,100 lakh where as the actual for 2012-13 was only Rs.48.28 lakh.

19.As per the details given by the licensee, the proposed staff pattern is as shown below:

Asst. Executive Engineer	:	1 no
Asst. Engineers	:	9 nos
Technical staff	:	117nos
Non – Technical staff	:	50 nos
<b>Total</b>	:	<b>177 nos</b>

20.As against the projected number of employees of 177 persons, the actual number of employees is 163. The cost per employee works out to be Rs. 7.12 lakh per annum and salary & DA alone works out to be Rs.4.38 lakh.

21.The projections of employee costs made by the licensee are devoid of merits. The items such as provision for pay revision of Rs.118.5 lakh and arrear of commuted value of pension of Rs.100 lakh included as part of employee cost is not reasonable. Since the projections of the licensee are not realistic, the Commission has no option but to provide an adhoc increase over the approved levels. Accordingly, a 10% increase over the approved expenses for 2013-14 is allowed for 2014-15. Accordingly, the approved employee cost for 2014-15 is Rs 914.41 lakh.

22.**Repair and Maintenance Expenses:** The Licensee has projected Rs.152 lakh as R&M expenses for 2014-15. Against this, the actuals for 2012-13 was Rs.51.28 lakh and the approved amount is Rs.133.94 lakh for 2013-14. Out of the total Rs.152.7 lakh, Rs.40 lakh is for consumption of materials and Rs.112.7 lakh is for other expenses.

23. Average annual growth of R&M expenses from 2006-07 is about 27%, whereas the GFA has increased only 10% during the same period. The R&M expenses proposed for 2014-15 is 1.87% of GFA, which was increased from 1.09% in 2006-07. The increase in expenses is unreasonably high as shown below.

#### R&M expenses over the years

	R&M Expenses (approved/ projected)	Increase over previous year	Average GFA	% of GFA
2006-07	38.50		3,516.71	<b>1.09%</b>

2007-08	69.80	81%	3,984.30	<b>1.75%</b>
2008-09	86.26	24%	4,538.62	<b>1.90%</b>
2009-10	78.06	-10%	4,717.41	<b>1.65%</b>
2010-11	112.44	44%	4,868.21	<b>2.31%</b>
2011-12	110.70	-2%	5,021.29	<b>2.20%</b>
2012-13	51.28	-54%	6,014.87	<b>0.85%</b>
2013-14 (approved)	133.94	161%	6,776.89	<b>1.98%</b>
2014-15 (projectd)	152.70	14%	8,471.00	<b>1.80%</b>

24. As shown below, the licensee has projected Rs.40 lakh under other items and about Rs.63 lakh towards LT service connection etc. In the clarification given by the licensee, it was stated that Rs.25 lakh is for transformer maintenance and Rs,38 lakh is for other repair works. However, this does not match with the projections given in the petition. .

#### **Details of R&M expenses**

	2012-13 (Rs.lakh) Actual	2013-14 (Rs.lakh) Approved	2014-15 (Rs.lakh) Projected
Substations	46.89	5.50	39.00
LT Lines service connections etc	2.99	-	63.00
Vehicles	1.00	16.50	2.70
Furniture & fixtures	0.01	5.50	0.50
Office Equipment	0.40	5.50	7.50
Others		100.94	40.00
<b>Grand Total</b>	<b>51.28</b>	<b>133.94</b>	<b>152.70</b>

25. In these circumstances, the Commission is of the considered view that an increase of 10% over the approved expenses for 2013-14 can only be allowed as R&M expenses for 2014-15. Accordingly, the Commission approves R&M expenses for 2014-15 as Rs.147.33 lakh. .

26. **Administration and General expenses:** The Administration and General expenses proposed by the Licensee is Rs. 313.60 lakh against the approved amount of Rs.196.82 lakh for 2013-14. The major item under A&G expenses is Rs.172. lakh included under rent, rates and taxes. Other items to be specifically mentioned are consultancy charges (Rs.18 lakh) and duty under Section 3(1) of the Kerala Electricity Duty Act 1963 (Rs.80 lakh). The Licensee has stated that they have approached both the Tahasildar and Executive Engineer PWD for fixing rent and the certificate is expected shortly. Technical fee projected is towards payment for assistance of KSEB during exigencies, for testing relays, and amount to be paid

to electrical inspector for their periodical inspection. In 2013-14, Rs.2.65 lakh has been paid towards periodical inspection charges. A provision of Rs.11 lakh is made towards printing charges as the licensee has to print new forms etc., under the new Supply Code. Advertisement charges are for giving window advertisement for various tenders and already Rs.7.5 lakh have been spent in 2013-14. The consultancy charges (Rs.18 lakh) is made towards for engaging consultants for preparation of truing up petitions for 2011-12, 2012-13 and 2013-14. Based on this premise, the licensee requested to admit the claims projected.

27. The Commission has in its ARR&ERC order for 2013-14 had clearly mentioned that the rent towards the building is not a reciprocal arrangement for charging street lighting. The licensee can pay reasonable rent towards the building and land; however it shall not be at unreasonable rates. Accordingly, the Commission in the ARR&ERC order for 2013-14 had directed as below:

*“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.*

28. The licensee has not complied with the above direction, instead stated that they have approached concerned department for assessing the rent. As has been held many occasions, the A&G expense is a controllable item of expenditure and hence in the case of rent, the Commission is not in a position to agree on the proposal of the licensee. In the absence of any sufficient materials given by the licensee for estimation of rent, the Commission is forced to rely on the materials produced during its earlier proceedings for determining reasonable rent. In the petition for review of BST applicable to Thrissur Corporation and ARR&ERC of Thrissur Corporation for 2013-14 filed by KSEB (RP No.5/2013), rent prevailing in Thrissur Corporation area has been produced by the Board. As per the information filed by the Board, the monthly rent payable in Thrissur as per the PWD Technical circular No. B1/59974/90 dated 25-05-2011 is Rs.51.71 per sq.meter or Rs.4.67 per sq.ft per month. Thrissur Corporation did not object to the above data furnished by the Board in the said proceedings, but maintained that the Corporation is

empowered to fix the rates for its assets. It can be seen that the alternate rent administered by Government agency is about 10% of the rent proposed by the petitioner. On the same parlance, the rent for land can also be considered as 10% of the proposed rates of the petitioner. Accordingly, the rates now arrived at is provisionally used for approving the ARR till the licensee has furnished the information as directed or any alternate decision on rent is fixed by the Commission. The rent allowable for the year 2014-15 for the purpose of ARR will be Rs.17.2 lakh as shown below:

**Rent Proposed and provisionally approved by the Commission for 2014-15**

Particulars	Proposed by the Licensee*			Approved by the Commission	
	Area	Rate (per month)	Amount (Rs.) per month	Reasonable rate as fixed by PWD (Rs./sq.ft)	Rent assessed (Rs.)
Office space (Sq.ft)	7000	50	3,50,000	5	35,000
Store building (Sq.ft)	2000	50	1,00,000	5	10,000
Land area (Sq.mt)	698	250	1,74,419	25	17,450
33 KV S/s (Sq.mt)	1214	250	3,03,450	25	30,350
66 /110 KV S/s (Sq.mt)	2023	250	5,05,750	25	50,575
Rent per month			14,33,619		1,43,375
<b>Total rent for the year</b>			<b>172,03,423</b>		<b>17,20,500</b>

29. Since the A&G expense is a controllable item, for other items of A&G expenses, reasonable increase to cover the inflation can be provided. Accordingly, the Commission for the purpose of approving ARR, allows the rent provisionally as mentioned in para 28, and for other items 10% increase over the approved levels in 2013-14 is allowed. The duty under section 3(1) of Kerala Electricity Duty Act is disallowed, whereas considering the actual expenses in previous years, printing and advertisements, higher provision is allowed. The approved A&G expenses for 2014-15 is as shown below:

**A&G Expenses Allowed Provisionally for 2014-15**

	2012-13 (Actual) (Rs.lakh)	2013-14 (Approved) (Rs.lakh)	2014-15 (Projected) (Rs.lakh)	2014-15 (Approved) (Rs.lakh)
Rent, rates and taxes	172.27	172.03	172.00	17.20
Insurance	1.87	3.30	3.30	3.30
Telephone charges	1.15	1.89	2.00	2.00
Internet		0.50	1.00	0.55
Legal charges	2.61	1.00	3.00	1.10
Audit fees		-		

Consultancy charges	6.55	10.00	18.00	11.00
Technical fees	0.10	0.30	4.00	0.33
Professional charges		2.00	2.00	2.20
Conveyance and vehicle hire charges		-	1.00	
Other expenses	9.08	0.25	6.10	0.28
Section 3 Duty	70.33	-	80.00	
Books and periodicals	0.01	0.05	0.20	0.06
Printing & stationery	5.92	2.20	11.00	5.00
Advertisements	5.31	1.10	7.00	5.00
Miscellaneous expenses	2.13	2.20	3.00	2.42
<b>Total</b>	<b>277.33</b>	<b>196.82</b>	<b>313.60</b>	<b>50.44</b>

**30. Return on Equity:** The Licensee has projected Rs.274.21 lakh towards return. 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 lakh is allowed for the year 2014-15 also.

**31. Aggregate Revenue Requirements:** Based on the above, the Aggregate Revenue Requirements proposed and approved for 2014-15 are as given below.

#### Approved Aggregate Revenue Requirements for 2014-15

Expenses	2014-15 (projected) (Rs.lakh)	2014-15 (Approved) (Rs.lakh)
Purchase of Power	7,401.00	7,320.92
Repair & Maintenance	152.70	147.33
Employee costs	1,260.70	914.41
A & G Expenses	313.60	50.44
Depreciation	360.05	221.24
Interest & Finance	120.00	130.18
Return on Capital	274.21	10.00
<b>Total Expenses</b>	<b>9,882.26</b>	<b>8,794.52</b>

**32. Revenue from Tariff :** The Licensee has projected the revenue from tariff as Rs.8866.26 lakh. The licensee has estimated the revenue based on the existing tariff for separately for different consumer categories. The KSEB Limited has commented on the lower realization of many consumer categories projected by the

licensee in relation to the actual for 2012-13. The Commission has examined the projections of the licensee. The higher realization noted in many categories may be due to the fact that the licensee has included the revenue from electricity duty as part of the revenue from tariffs.

#### Revenue estimates for 2014-15

Particulars	Actual for 2012-13			Projected for 2014-15		
	Energy sold (MU)	Revenue Rs	Average Realization Rs kwh	Energy sold (MU)	Revenue	Average Realization Rs kwh
Domestic	34.39	1,331.97	3.87	36.31	1,530.62	4.22
Non-domestic	75.68	7,063.28	9.33	83.31	6,897.67	8.28
Agricultural	0.11	2.56	2.28	0.08	1.81	2.15
Industry	3.68	218.60	5.95	4.92	267.06	5.43
Street Lighting	3.70	82.77	2.24	5.45	164.34	3.01
Public Lighting				0.03	4.76	15.86
<b>Total of I</b>	<b>117.56</b>	<b>8,699.17</b>	<b>7.40</b>	<b>130.11</b>	<b>8,866.26</b>	<b>6.81</b>

33. Considering the detailed category wise projections given by the licensee, the Commission accepts the estimation of revenue by the Licensee for 2014-15.

**34. Non- Tariff Income:** The Licensee has projected Rs.248.50 lakh as non- tariff income which includes Rs.47.50 lakh towards interest on fixed deposits, Rs.66 lakh towards meter rent and Rs.2 lakh towards sale of scrap. The Commission notes that the projected non-tariff income is substantially lower compared to previous years. The interest on fixed deposits is not properly reflected in the accounts. According to the licensee, the surplus funds available is required for construction of 110kV substation and for payment of dues of Rs. 25 crore for electricity duty so as to avoid the revenue recovery proceedings initiated by the Electrical Inspectorate. Hence the entire surplus amount is likely to be used for 2014-15. However, the arguments of the licensee are not sustainable. The licensee cannot use the surplus arrived at after the truing up process without express sanction of the Commission. The license as part of the clarifications has stated that actual bank balance available is Rs.46.48 crore at the end of 2011-12. The interest income on this amount at the rate of 8% works out to be Rs.371.84 lakh. The same has to be included as part of the non-tariff income. Thus, total non-tariff income for the year approved is Rs.572.84 lakh.

### Non Tariff income approved for 2014-15

	2014-15 (projections) (Rs.lakh)	2014-15 (Approved) (Rs.lakh)
Interest on fixed deposits and security deposits	47.50	388.63
Sale of scrap	2.00	2.00
Meter rent	66.00	66.00
Commission for collection of electricity duty	8.00	8.00
Miscellaneous recoveries	125.00	125.00
<b>Total</b>	<b>248.50</b>	<b>572.84</b>

**35. Total Revenue:** The total approved revenue for the year 2014-15 is Rs.9439.10 lakh as shown below:

### Total Revenue Approved for 2014-15

	Rs.in lakh
Revenue from sale of power	8866.26
Non- Tariff Income	572.84
<b>Total Revenue</b>	<b>9439.10</b>

**36. Revenue Surplus/Gap:** The revenue gap proposed by the Licensee is Rs.767.51 lakh. After considering the materials and explanation by the Licensee and the views of stakeholders, the Commission has arrived at a surplus of Rs. 419.26 lakh for the year 2014-15 as follows:

### Approved ARR&ERC for 2014-15

Expenses	2014-15 (projected) (Rs.lakh)	2014-15 (Approved) (Rs.lakh)
Purchase of Power	7,401.00	7,320.92
Repair & Maintenance	152.7	147.33
Employee costs	1,260.70	914.41
A & G Expenses	313.6	50.44
Depreciation	360.05	221.24
Interest & Finance	120	130.18
Return on Capital	274.21	10.00
<b>Total Expenses</b>	<b>9,882.26</b>	<b>8,794.52</b>
Revenue from sale of power	8,866.26	8,866.26
Non-Tariff Income	248.50	572.84
<b>Total revenue</b>	<b>9,114.76</b>	<b>9,439.10</b>
<b>Revenue Surplus/(Gap)</b>	<b>-767.50</b>	<b>644.58</b>

### **Orders of the Commission**

37. After analysis of the ARR&ERC and the clarifications thereon submitted by the Licensee, the Commission provisionally approves the ARR of Rs.8794.52 lakh and the estimated revenue of Rs.9439.10 lakh, leaving a revenue surplus of Rs.644.58 lakh for the year 2014-15 for Thrissur Corporation as stated above. The average cost of distribution (except power purchase cost) is approved for 2014-15 is Rs.1.13 per unit compared to Rs.1.91 per unit proposed by the Licensee and Rs.1.16 per unit approved by the Commission for the year 2013-14. The Licensee shall limit the expenses at the approved level. The licensee shall pay the interest on security deposits to the consumers at the revised rate of 9% per annum. The existing Retail Supply Tariff (RST) and the Bulk Supply Tariff (BST) shall continue till further orders.
38. The petition is disposed of. Ordered accordingly.

**Sd/-**  
**P. Parameswaran**  
**Member**

**Sd/-**  
**Mathew George**  
**Member**

**Sd/-**  
**T.M. Manoharan**  
**Chairman**

Approved for issue

Secretary