

KERALA STATE ELECTRICITY REGULATORY COMMISSION
Thiruvananthapuram

Petition No.TP-32 of 2007

ARR&ERC OF THRISSUR CORPORATION FOR FY 2007-08 to 2009-10

October 25 , 2007

Present : Shri. C.Balakrishnan, Chairman
: Shri C. Abdulla, Member
: Shri.M.P.Aiyappan, Member

Thrissur Corporation
Thrissur : Petitioner

ORDER

The Kerala State Electricity Regulatory Commission having scrutinized the Petition on ARR&ERC for 2007-08 to 2009-10 filed by Thrissur Corporation *vide* their letter No. E1-1005/03 vol. III dated 15 th June 2007 and heard the views of the petitioner and consumers in the Commission's proceedings on 25th September 2007 and having considered other documents and materials on record passes the following order in exercise of the powers vested in it under the Electricity Act, 2003 in this behalf.

Sd/-
M.P.Aiyappan
Member

Sd/-
C.Abdulla
Member

Sd/-
C.Balakrishnan
Chairman

Authenticated Copy for issue

Sd/-
Secretary (in charge)

CONTENTS

Chapter	Para	Description	Page
I		INTRODUCTION	
	1.1	Preamble	3
	1.2	Procedural History	3
II		ENERGY REQUIREMENT PROJECTIONS	
	2.1	Methodology	4
	2.2	Projections by the Licensee	4
	2.3	Commission's Observations	4
III		AT & C LOSSES	
	3.1	Introduction	4
	3.3	Commission's Observations	5
IV		AGGREGATE REVENUE REQUIREMENT	
	4.1	Introduction	5
	4.2	Purchase of Power	6
	4.3	Interest & Finance Charges	6
	4.4	Depreciation	6
	4.5	Employee Cost	8
	4.6	Repair & Maintenance Charges	8
	4.7	Administration & General Expenses	10
	4.8	Statutory Surplus/Return on Equity	11
	4.9	Overall Position regarding ARR	11
V		REVENUE RECEIPTS	
	5.1	Revenue from Tariff Income	12
	5.2	Revenue from Non-Tariff Income	12
	5.3	Expected Revenue from Charges	12
VI		COMMISSION'S ORDER ON ARR & ERC	
	6.1	Aggregate Revenue Requirement for	13
	6.2	Expected Revenue from Charges	13
	6.3	<i>Commission's Order</i>	13
VII		COMMISSION'S DIRECTIVES	13

CHAPTER I

INTRODUCTION

1.1 Preamble

Thrissur Corporation is a deemed distribution Licensee under the provisions of Section 14 of Electricity Act 2003, in accordance with the distribution license issued by H.H. the Maharaja of erstwhile Cochin State for distribution of electricity in the area contained within a radius of ten miles from the Vadakkumnathan temple in Thrissur and in particular the towns of Thrissur, Ollur and Pudukkad which were separate towns at the time of issue of licence. Presently, Thrissur Corporation (TC) receives power at 66 kV from the Kerala State Electricity Board (KSEB) for supplies to the consumers within the Corporation area.

1.2 Procedural History

Thrissur Corporation (TC) filed a petition for ARR and ERC for the financial year 2007-08 to 2009-10 on 15th June 2007. The petition for ARR and ERC was placed before the Commission after initial scrutiny for the procedural requirements and the petition was admitted and registered as TP 32 of 2007.

As the next step in processing the petition, the Commission held proceedings for public hearing at Thrissur on 25th September 2007.

The proceedings of the public hearing were conducted smoothly. The Commission has thus ensured that the due process contemplated under the governing Act and Regulations were followed and adequate opportunity was provided at every stage to all individuals and organizations concerned, to express their views.

In finalizing the order on the ARR & ERC for the FY 2007-08 to 2009-10, the Commission has taken into consideration the materials filed by the Licensee the clarifications furnished by the Licensee in the meeting with the Commission, and further views expressed by the Stakeholders during the proceedings held for hearing their objections.

Chapter II

ENERGY REQUIREMENT PROJECTIONS FOR 2007-08

2.1 Methodology

In estimating the demand and energy requirement, the Licensee had adopted a strategy that the sales will increase by 7% over the figures for 2006-07.

2.2 Projections by the Licensee

The energy requirement projections for 2007-08 made by the Licensee are summarized below:

Year	Sales in MU
2007-08	81.77
2008-09	87.66
2009-10	93.79

The Licensee has stated to assume a 7% growth per annum in consumption.

2.3 COMMISSION'S OBSERVATIONS

The Licensee has not furnished the number of consumers in spite of repeated reminders. 7% growth in an urban area seems reasonable and Commission accepts the same.

CHAPTER III

A T & C LOSSES

3.1 Introduction

3.2 The AT&C loss assumed for all the years is 24.9%. Commission while approving the ARR for 2006-07 has accepted a loss of only 23% with a direction to reduce losses further.

3.3 COMMISSION'S OBSERVATIONS

The loss figure is very high. TC should conduct energy audit immediately to find out ways to reduce losses. Replacement of faulty meters should be done immediately. In the case of high value consumers, check meters should be installed outside the premises of the consumer. Commission approves a loss of 23% only for the year 2007-08, 21% for 2008-9 and 19% for 2009-10. Anti power theft measure have to be intensified by utilizing KSEB expertise in the field.

CHAPTER IV

AGGREGATE REVENUE REQUIREMENT FOR 2007-'08

4.1 Introduction

The ARR& ERC submitted by the Licensee projected a total expenditure of Rs 40.16 crores for 2007-08, 44.43 Cr for 2008-09 and Rs 47.70 Cr for 2009-10. The details in comparison to the provisions in respect of various items for 2006-07 and estimated 2007-08 to 2009-10 are furnished below:

Rs. lakh

Sl No	Particulars	2006-07 As approved	2007-08	2008-09	2009-10
1	Power Purchase Cost	2403	2892	3095	3311
2	Repairs & Maintenance cost	57	372	397	414
3	Employee costs	497	397	412	433
4	A&G Expenses	82	79	84	89
5	Depreciation	65.71	176	238	282
6	Interest & Finance charges	-	100	-	-
7.	ROE	192	189	217	241
8	Total expenses	3333.71	4016	4443	4770

4.2 Purchase of Power

The cost of power purchase from KSEB has been given as follows.

2007-08	Rs 2892 lakh
2008-09	Rs 3095 lakh
2009-10	Rs 3311 lakh .

This is based on AT&C loss os 24.9%. As commission approves loss of 23% in 2007-08, 21% in 2008-09 and 19% in 2009-10. The revised power purchase cost are as follows.

2007-08	Rs 2805 lakh
2008-09	Rs 2940 lakh
2009-10	Rs 3046 lakh

4.3 Interest and Finance Charges

4.3.1 Licensee has given the projection for interest and finance charges as Rs 100 lakh. for 2007-08.

4.3.2 COMMISSION'S OBSERVATIONS

This is the interest on arrears payable to KSEB. The same is accepted.

4.4 Depreciation

4.4.1 The Licensee has projected a provision of Rs 175.93 lakh for depreciation during the year 2007-08 ,Rs 238 lakh for 2008-09 and Rs 282 lakh for 2009-10. Details are given below.

Item	Amount approved for 2006-07	Rs lakh		
		2007-08 (estimated)	2008-09 (estimated)	2009-10 (estimated)
Substation machineries	26.93	78.13	110	138
Distribution area P&M	37.55	82.76	103	116
Vehicles	0.42	1.14	2	2
Computer Accessories	0.64	5.15	5	5
Furniture and fixtures	0.17	0.414	1	1
Tools & testing equipment		1.35	3	5
Photostat machine		0.07		
Electrification of buildings		6.9	14	14
Total	65.71	176	238	282

4.4.2 COMMISSION'S OBSERVATIONS

Asset additions made in 2006-07 to 2008-09 are as given below.

Item	2006-07 Rs lakh	2007-08 Rs lakh	2008-09 Rs lakh
Substation machineries	42	995	780
Distribution area P&M	197	676	466
Vehicles		10	10
Computer Accessories	4	9	
Furniture and fixtures		2	2
Tools & testing equipment		5	5
Electrification of buildings		230	
Total	243	1927	1263

Depreciation allowed as per CERC norms for the additions are as follows.

Item	2007-08 Rs lakh	2008-09 Rs lakh	2009-10 Rs lakh
Substation machineries	1.51	35.82	28.08
Distribution area P&M	7.092	24.3	16.77
Vehicles		1.8	1.8
Computer Accessories	.	0.24	0.54
Furniture and fixtures		0.12	0.12
Tools & testing equipment		0.18	0.18
Electrification of buildings		8.28	

Adding the above to last years figures depreciation for 2007-08 works out as follows
Rs lakh

Item	Amount approved for 2006-07	Amount for 2007-08	Amount for 2008-09	Amount for 2009-10
Substation machineries	26.93	28.44	64.26	92.34
Distribution area P&M	37.55	44.64	68.94	85.71
Vehicles	0.42	0.42	2.22	4.02
Computer Accessories	0.64	0.64	0.88	1.42
Furniture and fixtures	0.17	0.17	0.29	0.41
Tools & testing equipment			0.18	0.36
Photostat machine				
Electrification of buildings			8.28	8.28
Total	65.71	74.31	145.05	192.54

4.5 Employee Cost

4.5.1 *The employee cost projected by the Licensee are as follows.*

2006-07(Approved)	Rs 497 lakh
2007-08(Estimated)	Rs 397 lakh
2008-09(Estimated)	Rs 412 lakh
2009-10(Estimated)	Rs 433 lakh

4.5.2 **COMMISSION'S OBSERVATIONS**

Commission would like to point out that the employee cost is very high compared with similar Licensees. Licensee should bring down the cost to be less than 2.5 Cr. However the figures are approved.

4.6 Repair and Maintenance Charges

4.6.1 *The repair and maintenance cost projected by the Licensee are as follows.*

2006-07(Approved)	Rs 57 lakh
2007-08(Estimated)	Rs 450 lakh
2008-09(Estimated)	Rs 479 lakh
2009-10(Estimated)	Rs 499 lakh

4.6.2 COMMISSION'S OBSERVATIONS

Details of R&M costs as furnished by the licensee are follows.

Rs lakh

SI No	ITEM	2006-07	2007-08	2008-09	2009-10
1	Mains & Services	44.65	30.66	30.95	31
2	Repairs-Building		55	57.55	31
3	Transformers	0.18	3		
4	66 KV S/S	14.60	125	131	137
5	Furniture		1	1	1.1
6	Vehicle	1.55	2.5	2.62	2.75
7	Street Light	27.53	149	154	160
8	Photostat Machine	0.025	6.3	16	16.86
9	Tools	0.15			
10	Total	88.7	372	397	414

Commission is of view that the allocation for repairs to building, vehicle, Photostat machine and street lights are very high considering the fact that the area of Licence is only a portion of the Corporation. Commission approves the following only

Rs lakh

SI No	ITEM	2007-08	2008-09	2009-10
1	Mains & Services	30.66	30.95	31
2	Repairs-Building	5	5	3
3	Transformers	3	3	3
4	66 KV S/S	125	131	137
5	Furniture	1	1	1.1
6	Vehicle	2.5	2.62	2.75
7	Street Light	70	70	80
8	Total	237.16	243.57	257.85

4.7 Administration & General Expenses

4.7.1 The administration and general expenses projected by the Licensee are as follows.

2006-07(Approved)	Rs 82 lakh
2007-08(Estimated)	Rs 79 lakh
2008-09(Estimated)	Rs 84 lakh
2009-10(Estimated)	Rs 89 lakh

4.7.2 COMMISSION'S OBSERVATIONS

Details of A&G costs as furnished by the licensee are follows.

Rs lakh

SI No	ITEM	2007-08	2008-09	2009-10
1	Insurance	4	4.2	4.41
2	Telephone charges	2	2.1	2.2
3	Legal charges	6.2	6.51	6.83
4	Audit fees	43	46.46	50.22
5	Inspection fees(Transformers)	2	2.1	2.2
6	Postage and telegrams	0.22	0.23	0.24
7	General charges	5	5.25	5.51
8	Books	0.1	0.15	0.11
9	Printing	8	8.4	8.82
10	Advertisement	4.5	4.72	4.96
11	Misc	4	4.2	4.41
12	Total	79.02	84.32	89.91

Commission is of view that charges are very high and allows only the following.

SI No	ITEM	2007-08	2008-09	2009-10
1	Insurance	4	4.2	4.41
2	Telephone charges	2	2.1	2.2
3	Legal charges	6.2	6.51	6.83
4	Audit fees	5	5	5
5	Inspection fees(Transformers)	2	2.1	2.2
6	Postage and telegrams	0.22	0.23	0.24
7	General charges	5	5.25	5.51
8	Books	0.1	0.15	0.11
9	Printing	8	8.4	8.82
10	Advertisement	2	2	2
11	Misc	4	4.2	4.41
12	Total	38.52	35.94	41.73

4.8 Statutory Surplus/Return On Equity

4.8.1 Licensee has given the ROE as 14% on 30% capital.

4.8.2 COMMISSION'S OBSERVATIONS

Commission accepts the request though the details of assets has not been furnished. From next year onwards details of capital assets giving the depreciation right from the beginning should be given.

4.9 OVERALL POSITION REGARDING AGGREGATE REVENUE REQUIREMENT FOR 2007-08

Based on the above discussion, the overall position regarding the Aggregate Revenue Requirement for 2007-08 to 2009-10 would be as below:

Rs.lakh

Sl No	Item	2007-08	2008-09	2009-10
1	Power Purchase Cost	2805	2940	3046
2	Repairs & Maintenance cost	237.16	243.57	257.85
3	Employee costs	397	412	433
4	A&G Expenses	38.52	35.94	41.73
5	Depreciation	74.31	145.05	192.54
6	Interest & Finance charges	100		
7.	ROE	189	217	241
8	ARR	3840.99	3993.56	4212.12

CHAPTER V

REVENUE RECEIPTS DURING 2007-'08

5.1 Revenue from Tariff Income

Revenue from Tariff Income has stated to have been projected by the Licensee on the basis of the anticipated consumption by various categories of consumers under different slabs at the prevailing tariff rate under each slab and each category

Rs lakh		
2007-08	2008-09	2009-10
4307	4646	5023

5.2 Revenue from Non Tariff Income

The details are as follows.

Rs lakh		
2007-08	2008-09	2009-10
190	193	197

5.3 Expected Revenue From Charges

Rs lakh			
	2007-08	2008-09	2009-10
Tariff Income	4307	4646	5023
Non-tariff income	190	193	197
Total	4497	4840	5220

CHAPTER VI

COMMISSION'S ORDER ON THE ARR & ERC

6.1 Aggregate Revenue Requirement

As discussed in the Chapter IV on ARR Commission approves an Aggregate Revenue Requirement of Rs 38.40. Crores for 2007-08, Rs 39.93 Crores for 2008-09 and Rs 42.12 Crores for 2009-10.

6.2 Expected Revenue from Charges

As discussed in the Chapter V on Revenue Receipts, the Commission has accepted the total expected revenue from charges at Rs 44.97 crores for 2007-08, Rs 48.40 Cr for 2008-09 and Rs 52.20 Cr for 2009-10.

6.3 COMMISSION'S ORDER

AR & ERC and surplus are as follows

	2007-08	2008-09	2009-10
ARR	3841	3994	4212
ERC	4497	4840	5220
Surplus	656	846	1008

Rs. Lakh

CHAPTER VII

COMMISSION'S DIRECTIVES

1. On finalization of the accounts for the FY 2006-07, TC shall submit the actual audited accounts for the electricity distribution business .
2. Licensee shall conduct energy audit and take loss reduction measures to bring down AT&C losses to 23 % in 2007-08 , 21% in 2008-09 and 19% in 2009-10.
3. Licensee shall deploy excess staff to other activities to the extent possible and bring down employee cost in a phased manner.

4. Licensee should explore the possibility of availing loan from REC/PFC for capital works .
5. Licensee should introduce Ring Main System for 11 KV with SCADA at the earliest.
6. Licensee shall submit a tariff proposal within a month utilizing 50% of the surplus taking into consideration tariff rationalization as envisaged in the Tariff Policy of Government of India.
7. The scheme of TCMS (Trouble Call Management System) now available at all Corporations in the State of Kerala shall be introduced in Trissur Corporation also and reduce public complaints on power interruptions and outages.
8. The 110KV substation work may be expedited.
9. A detailed report on Performance levels now achieved and the improved performance levels shall be furnished.
10. The corporation may initiate a consumer awareness programme in the area of electricity.
11. Licensee shall make an application for annual performance review as stipulated in Section 10.1, 10.4 and 10.5 of the Regulation dated 12th October 2006 on MYT framework. The application for 2007-08 shall be submitted within 30 days.