

**KERALA STATE ELECTRICITY REGULATORY COMMISSION  
Thiruvananthapuram**

**Petition No.TP-17 of 2006  
ARR&ERC OF THRISSUR CORPORATION FOR FY 2006-07**

October 9, 2006

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

Thrissur Corporation, Thrissur : Petitioner

**O R D E R**

The Kerala State Electricity Regulatory Commission having scrutinized the Petition on ARR&ERC for 2006-07 filed by Thrissur Corporation vide their letter No.E1-1005/03 dated 21-12-05 and considered the comments of the KSEB on the petition, heard the views of the petitioner, public, stake holders and KSEB in the Commission's proceedings on 20<sup>th</sup> June 2006 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

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## 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 through two 11 kV feeders from the Kerala State Electricity Board (KSEB) to supply to the consumers within Thrissur Corporation area.

#### 1.2 Procedural History

Thrissur Corporation (TC) filed a petition for ARR and ERC for the financial year 2006-07 on 21-12-05. 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 .17 of 2006 on 06-02-06.

A copy of the ARR & ERC was forwarded to KSEB on 13<sup>th</sup> February 2006 for comments. Comments from KSEB were received vide letter dated 2nd May 2006. The comments from KSEB were forwarded to TC on 8<sup>th</sup> May 2006.

As the next step in processing the petition, the Commission held proceedings for public hearing at Thrissur on 20<sup>th</sup> June 2006.

The proceedings of the public hearing were conducted smoothly. Views expressed by stakeholders during public hearing are enclosed as Annexure I.

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 2006-07, 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 2006-07

#### 2.1 Methodology

In estimating the demand and energy requirement for 2006-07, the Licensee had adopted a strategy that the sales increase by 5% over the figures for 2005-06. The consumption (energy sold) for 2005-06 is given as 599.9 lakh units, purchase for 2005-06 is given as 896 lakh units. The corresponding figures for 2006-07 are given as 629.3 lakh units, 941 lakh units.

#### 2.2 Projections by the Licensee

The energy requirement projections for 2006-07 made by Licensee is summarized below:

Sl. No	Category	Energy Sales in lakh kwh
1	Domestic	212
2	Non-domestic	416
3	<b>Agricultural</b>	1.31
	<b>GRAND TOTAL</b>	629.31

The Licensee has stated to assume a 5% growth in consumption from 2005-06 to 2006-07.

#### 2.3 COMMISSION'S OBSERVATIONS

*The Licensee has not furnished the number of consumers in spite repeated reminders. 5% growth in an urban area seems reasonable and Commission accepts the same.*

## Chapter III

### A T & C LOSSES

#### 3.1 Introduction

The AT&C loss estimated for 2005-06 is 33.14% and that projected for 2006-07 is 33.15%.

#### 3.2 Commission's Observations

*The loss figure is very high. TC should conduct energy audit immediately to find out ways to reduce losses. Faulty meter replacement 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 31% only for the year 2006-07. The loss should be reduced at the rate of 3% every year for the next five years.*

## Chapter IV

### AGGREGATE REVENUE REQUIREMENT FOR 2006-07

#### 4.1 Introduction

The ARR& ERC submitted by the Licensee projected a total expenditure of Rs 34.12 crores for 2006-07. The details in comparison to the provisions in respect of various items for 2004-05 and 2005-06 are furnished below:

Rs. lakh

Sl No	Particulars	2004-05 (Actuals)	2005-06 As approved	2006-07 Now given
1	Power Purchase Cost	2271	2364	2483
2	Interest and finance charges	-	-	-
3	Depreciation	301	279	256
4	Employee Cost	373	472	497
5	Repairs & Maintenance cost	72	54	57
6	A &G Expenses	64	78	82
7	Other expenses	323	32	37
8	<b>ARR</b>	<b>3404</b>	<b>3279</b>	<b>3412</b>

## 4.2 Purchase of Power

**4.2.1** The ARR submitted by the Licensee has given an energy purchase requirement of 941 lakh units during 2006-07. This is based on a total energy sale of 629.8 lakh units and a loss of 33.15 %. As stated above in para 3.2 the loss allowed is only 31%. Thus energy to be purchased will be only 911 lakh units. By reducing the fixed and variable charges proportionately, the cost of power purchased will be Rs 2403 lakh.

## 4.3 INTEREST AND FINANCE CHARGES

**4.3.1.** Licensee has given the projection for interest and finance charges as 'Nil'. The figures given in forms B and O are zero.

### **4.3.2 Commission's Observations**

The issue was discussed in the public hearing. TC explained that they are availing loan for their capital works. As no details have been furnished inspite of repeated reminders, the values as given in the ARR are accepted.

## 4.4 DEPRECIATION

**4.4.1** The Licensee has projected a provision of Rs 254.5 lakh for depreciation during the year 2006-07 based on the following rates.

Item	Depreciation %	Amount Rs. lakhs
Substation machineries	13.9	104
Distribution area P&M	13.9	145
Vehicles	30	0.7
Computer Accessories	40	4.27
Furniture and fixtures	18.1	0.53
Total		254.5

### **4.4.2 Commission's Observations**

***During the public hearing held at Thrissur, Licensee's representative explained that the rates of depreciation were adopted from the Companies Act. This cannot be allowed as only norms published by CERC alone are adopted for fixing tariff. The rates as per CERC norms will be as follows.***

Item	Depreciation %	Amount Rs. lakhs
Substation machineries	3.6	26.93
Distribution area P&M	3.6	37.55
Vehicles	18	0.42
Computer Accessories	6	0.64
Furniture and fixtures	6	0.17
Total		65.71

#### **4.5 Employee Cost**

**4.5.1** The ARR submitted by the Licensee projects an amount of Rs 4.97 crores towards employee cost during 2006-07. A comparison with the provisions as approved by the Commission for 2005-06 are furnished below:

Actual for 2004-05	Rs 3.73 Cr
Estimated cost for cost for 2005-06	Rs 4.72 Cr
Cost projected for 2006-07	Rs 4.97 Cr

#### **4.5.2 Commission's Observations**

Significant difference has been noted in the allocation for DA arrears for the years 2005-06 and 2006-07. During public hearing also, Licensee stated that the increase is due to arrear payment. The jump in the provisions for 2005-06 and 2006-07 are due to higher provisions for DA arrears. Details of staff strength in form L has not been furnished by Licensee. Commission would like to point out that the employee cost is very high compared similar Licensees. Licensee should bring down the cost to be less than 3 Cr.

#### **4.6 Repair and Maintenance Charges**

**4.6.1** The ARR has projected a requirement of Rs 57 lakh towards Repair and Maintenance charges during the year 2006-07. The actuals for 2004-05 is Rs Rs 72 lakh.

#### 4.6.2 Commission's Observations

**Commission during public hearing pointed out that the complaints on supply interruptions are due to poor maintenance of the system. Licensee should spent more on system improvement by introducing ring main system and SCADA.No change in the provision is suggested.**

#### 4.7 Administration & General Expenses

4.7.1 The Licensee has projected an amount of Rs 82 lakh towards A&G expenses for 2006-07 as compared to Rs 78 lakh estimated for 2005-06.

#### 4.7.2 Commission's Observations

**Commission accepts the projection .**

#### 4.8 Statutory Surplus/Return on Equity

4.8.1 Licensee has not provided any amount towards equity in the ARR. But vide letter dated Licensee has requested for a provision of Rs 1.92 Cr towards ROE.

#### 4.8.2 COMMISSION'S OBSERVATIONS

**Commission accepts the request though the details of assets has not been furnished.**

#### 4.9 Overall Position Regarding Aggregate Revenue Requirement For 2006-07

Based on the above discussion, the overall position regarding the Aggregate Revenue Requirement for 2006-07 would be as below:

Rs.lakh

Item	As per ARR of LICENSEE	As approved by KSERC
<b>ROE</b>	<b>192</b>	<b>192</b>
Power purchase	2483	2403
Interest charges	-	-
Depreciation	256	65.71
Employee Cost	497	497
Repair & Maintenance	57	57
Administration & General	82	82
Other Expenses	37	37
Less: Expenses capitalized	-	-
Less: Interest captialised	-	-
<b>ARR</b>	<b>3604</b>	<b>3333.71</b>



## Chapter V

### REVENUE RECEIPTS DURING 2006-07

#### 5.1 Revenue from Tariff Income

Revenue from Tariff Income for 2006-07 was 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. Details in this connection have been furnished in Data Form G attached to the ARR & ERC for 2006-07 filed by the Licensee, which are summarized below.

Sl.No	Category	Energy Sales in lakh kwh	Revenue in Rs Lakhs
1	Domestic	212	547
2	Non-domestic	416	2832
3	<b>Agricultural</b>	1.31	2
	<b>GRAND TOTAL</b>	629.31	3381

The total revenue realization from tariff is projected at Rs 33.81 crores on a total energy consumption of 62.931 MU.

#### 5.2 Revenue from Non Tariff Income

The revenue from Non-Tariff income for 2006-07 has been projected at Rs 139lakh as compared to Rs 132 lakh during 2005-06.

#### 5.3 Expected Revenue From Charges

Based on the above discussion, the Commission would place the expected revenue from charges for 2006-07 at Rs 35.2 crores as per the following break up.

	Rs.Crores
1 Income from Tariff	33.81
2 Non- tariff Income	01.39

## Chapter VI

### COMMISSION'S ORDER ON THE ARR & ERC FOR THE YEAR 2006-07

#### 6.1 Aggregate Revenue Requirement for the Year 2006-07

As discussed in the Chapter IV on ARR for 2006-07, the Commission approves an Aggregate Revenue Requirement of Rs33.33.crores as against Rs36.04 corers proposed by the Licensee. :

#### 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 35.2 crores projected by the Licensee in the ARR for 2006-07. The comparative break-up is furnished below:

#### 6.3 Commission's Order

***On the above basis, the Commission hereby approves an Annual Aggregate Revenue Requirement of Rs 33.33 crores and Total Expected Revenue from Charges of Rs 35.20 . crores for the year 2006-07.. Surplus is Rs 1.87 Crores.***

## Chapter VII

### COMMISSION'S DIRECTIVES

1. On finalization of the accounts for the FY 2005-06, TC shall submit the actual audited accounts for the electricity distribution business for the FY 2005-06 along with following details:

- i. Actual monthly TOD meter recording of kWh, kVAh. kVARh, maximum demand, average PF and LF for normal, peak and off-peak period and similar recorded meter reading for self consumption and for energy sold to consumers, category wise and voltage wise.
- ii. Monthly cyclic billing and collection data in respect of all categories of consumers.
- iii. Payments to the KSEB along with billing details.

iv. Actual distribution loss based on the metered figures.

**2.** Licensee shall conduct energy audit and take loss reduction measures to bring down AT&C losses to 31 % in 2006-07 from the projected figure. A road map for bringing down distribution loss to 15% may be prepared and submitted.

**3.** A detailed Tariff petition shall be submitted for 06-07 within 30 days which may include reduction in Tariff utilizing surplus revenue.

**4.** Licensee shall deploy excess staff to other activities to the extent possible and bring down employee cost in a phased manner.

**5.** Licensee should explore the possibility of availing loan from REC/PFC for capital works .

**6.** Licensee should introduce Ring Main System for 11 KV with SCADA at the earliest.

**7.** Licensee may avail APDRP assistance from Govt. of India for system improvement and establishing trouble call management system.