KERALA STATE ELECTRICITY REGULATORY COMMISSION

THIRUVANANTHAPURAM

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

15th May, 2013

Petition OP No. 42/2012

In the matter of

ARR&ERC of Kanan Deven Hills Plantations Company Private Limited (KDHPCL) for 2013-14

M/s. Kanan Deven Hill Plantations Company Private Limited - Petitioner

ORDER

Background

1. Kanan Deven Hill Plantations Company Private Limited (*hereinafter referred to as KDHPCL or the Licensee*) is a distribution licensee supplying electricity in Munnar. The licence for distribution of electricity was obtained by M/s KDHPCL as per the order dated 9-1-2007 of the Commission. The Licensee vide its letter dated 26-11-2012 filed the petition for approval of ARR & ERC for 2013-14 as per the provisions of KSERC (Tariff) Regulations 2003. The petition was admitted on 27-12-2012. A public hearing was held in the area of supply of the Licensee at Munnar on 11-2-2013. In the petition, M/s. KDHPCL has projected an ARR of Rs.2114.27 lakhs before return on capital and total revenue of Rs.1962.18 lakh leaving a deficit of Rs.152.09 lakh. The Licensee proposed that the deficit may be met by reducing the BST from Rs.3.70/kWh to Rs.3.35/kWh.

2. As per the directions of the Commission, the Licensee published the abstract of the petition in the news papers as shown below:

   - Malayala Manorama (Kottayam edition) : 15-1-2013
   - Indian Express (Kochi edition) : 12-1-2013
   - The Daily Thanthi (Dindigul edition) : 12-1-2013

Hearing on the Matter

3. In the hearing held on 11-02-2013 at the Panchyath Hall, Munnar, representatives of the Licensee, KSEB and a few consumers were present. Sri.Srikrishnan, Exe. Director of KDHPCL presented the ARR & ERC for 2013-14 and responded to the queries of the Commission. The Commission has sought clarifications on the sales projections, working capital, bank guarantee charges, capital expenditure etc., In reply, M/s KDHPCL stated that sales projections have been made by escalating 3% of the actual sales in 2011-12. The bank guarantee charges is on the bank guarantee given to KSEB as per the directions of Hon. Supreme Court for the arrears of electricity charges. There is a decrease in the number of consumers since all defunct connections were taken of while transferring consumer details into computer. Regarding capital expenditure, the Licensee stated that funds are being diverted from the main business of the Company and the capital expenditure is incurred based on the availability of funds from the business of tea plantations.

4. Shri. Dinesh, Chief Engineer (Commercial & Tariff), KSEB, presented responses of KSEB after providing written comments on the petition. In their comments, KSEB mentioned that though the distribution lossclaimed is only 13%, the actual losses based on the energy billed is 15.64%. Since, the approved losses in 2012-13 is 13%, the target for the year 2013-14 may be fixed at lower level. Regarding the proposal of the Licensee to reduce the BST to meet the revenue gap, the Board has stated that the revenue gap if any may be adjusted against the revenue surplus arrived at after the truing up process. Regarding capital expenditure, the Commission may continue to adopt the stand taken in the ARR&ERC order for 2012-13. The projection of the expenses of the Licensee is comparatively higher than the approved levels for 2012-13. Hence the Commission may allow the expenses only after proper prudence checks. The Board has also pointed out the discrepancies in the consumer data in the petition. According to Board, the consumer contribution in 2013-14 is showing a decrease, which needs explanation.

Analysis and decision of the Commission

5. The Commission considered the comments/suggestions of the participants in the public hearing. The item wise details are examined below:

Energy Sales: The Licensee has projected the total sales for the year 2013-14 as 37.04 MU, by assuming 3% increase in the sales over 2011-12. The estimate of the Licensee is lower than the projections for 2012-13. The Licensee has given category-wise details of own consumption. The details provided by the Licensee are as shown below:

Estimated Energy Sales for Own Units of KDHPCL (2013-14)

Consumer category-wise	Energy Sales (lakh units)	Revenue (Rs.lakhs)	Average Tariff (Rs./unit)
(i) HT I Industrial	159.15	845.06	5.31
(iv) LT I Domestic	4.88	12.4	2.54
(v) LT IB Domestic	0.29	1.14	3.93
(vi) LT IV Industries	3.69	17.04	4.62
(vii) LT V Agriculture	0.24	0.36	1.50
(viii) LT VI A Non-Domestic	1.81	11.18	6.18
(viii) LT VI B Non-Domestic	1.49	10.77	7.23
(ix) LT VII A Commercial	0.03	0.25	8.33
(x) Street Light	0.35	1.35	3.86
Total	171.93	899.55	5.23

The own consumption of the Licensee is about 46% of the sales and revenue as per the details has been provided by the Licensee.

6. The annual growth projected by the Licensee works out to be only 1.5%, whereas the average annual growth rate of sales for the State is about 7%. However, according to the Licensee in Munnar Area, scope of large scale development is limited and growth of sales projected is reasonable. The Commission is of the view that instead of applying a percentage increase in sales, consumer category wise projection of sales is necessary. Hence it is directed that, in future, the Licensee shall submit consumer category wise sales projections. In view of the available facts, the Commission approves the energy sales uniformly applying a growth rate of 3% to all categories of consumers from the actuals of 2011-12, as shown below:

Proposed and Approved Energy Sales for 2013-14

	Energy Sales (Million units)					
	2009-10	2010-11	2011-12	2012-13	2013-14	
	Actual	Actual	Actual	Approved	Projected	Approved
HT I Industrial	8.50	24.17	22.93	24.90	23.37	23.37
HT III Agriculture					0.25	0.25
HT IV Commercial	0.90	1.49	1.77	1.53	1.82	1.82
LT I Domestic	4.25	5.11	5.68	5.26	5.85	5.85
LT II Colonies	1.14	1.21	1.34	1.25	1.38	1.38
LT IV Industries	0.28	0.46	0.59	0.47	0.61	0.61
LT V Agriculture		0.04	0.05	0.04	0.05	0.05
LT VI Non-Domestic	0.72	1.00	0.84	1.03	0.87	0.87
LT VII Commercial	2.10	2.55	2.50	2.63	2.57	2.57

	Energy Sales (Million units)					
	2009-10	2010-11	2011-12	2012-13	2013-14	
	Actual	Actual	Actual	Approved	Projected	Approved
Street Light	0.23	0.23	0.27	0.24	0.28	0.28
Own Consumption	16.42			-		
Total	**34.54**	**36.26**	**35.96**	**37.36**	**37.04**	**37.04**

7. **Distribution Loss and Energy Requirement:** The energy loss reported for the year 2011-12 is 13.74% as against the approved level of 13%. For 2012-13, the target for distribution loss fixed by the Commission was 12%. In 2013-14, the Licensee has projected a distribution loss level of 13%, which is higher than the approved level in 2012-13. According to the Licensee, reconductoring of distribution lines having higher line loss has already been completed and in other areas, not much reduction in losses is expected. Further, HT-LT ratio is almost 1:1 in the area. Hence no significant reduction in distribution loss is expected. The Commission has examined the proposal of the Licensee. The Licensee has proposed higher level of distribution loss for 2013-14 when compared to the distribution loss level approved by the Commission. The distribution loss target fixed for the year 2012-13 is 12%. It is not proper to approve a distribution loss target higher than the previous year. The Commission has also directed the Licensee to take up the issues with KSEB regarding the strengthening of the primary distribution system in the licensed area. Considering all these, the Commission is of the view that the distribution loss target for the year 2013-14 shall continue to be 12%. The Licensee has to take necessary action for limiting the distribution loss to the approved level. The Licensee is directed submit implementable concrete proposals for the same.

8. Based on the approved sales and approved distribution loss level, the gross energy requirement would be 49.91 MU for 2013-14 as against 50.49 MU proposed by the Licensee. After considering the feedback energy, the net billed energy would be 43.92 MU.

Approved distribution loss for 2013-14

	2009-10	2010-11	2011-12	2012-13	2013-14	
	Actual	Actual	Actual	Approved	Projected	Approved
Total Energy sales (MU)	34.54	36.26	35.96	37.36	37.04	37.04
Feedback (MU)	5.74	5.77	6.68	5.94	6.88	6.88
Distribution loss(MU)	6.37	6.16	6.79	5.90	6.57	5.99
Billed Energy (MU)	40.28	42.03	42.75	43.26	43.61	43.03
Total Energy Requirement (MU)	46.65	48.19	49.43	49.20	50.49	49.91
Distribution loss(%)	13.65%	12.78%	13.74%	12.0%	13.0%	12.0%

9. **AT&C Loss:** The collection efficiency reported by the Licensee for the year is almost 100%. According to the Licensee, except for some government departments, the collection is almost same as demand. Accordingly, the AT&C loss target fixed for the year 2013-14 is fixed as 12%.

10. **Capital Expenditure Programme:** The Licensee has proposed a capital expenditure of Rs.32.47 lakhs for the year 2013-14 as shown below:

Capital expenditure programme proposed by the Licensee for 2013-14

Particulars	Rs.in lakh
For lifting /dragging the machineries loading/unloading the generators	0.55
Providing energy meters on all distribution transformers and all 11 kV feeders	8.42
Replacement of wooden posts with concrete post	3.00
Guarding HT Line	2.00
Re-conductoring work	18.50
Total	32.47

11. As in the previous year, the major item of capital expenditure for 2013-14 is reconductoring work of Rs.18.50 lakhs. As per the petition, the Licensee has proposed to meet the capital expenditure through the funds from the main business.

12. The Commission notes with displeasure that the Licensee has not taken any earnest efforts for improving the power supply quality in the licence area by strengthening the feeders from the Pallivasal yard to the Licence area; The Commission will be constrained to initiate action on the matter, if the Licensee continues the laxity on the matter. The Licensee is directed to submit, on or before 31.07.2013, the concrete action plan with achievable targets and timelines for achieving the target so that the same can be reviewed.

13. The Licensee has clarified that the distribution operations are undertaken as a division of the main business and as such it is not possible to raise funds for capital expenditure for distribution business independently. Therefore, the proposed capital investment of Rs.32.47 lakhs is to be funded from the financial assistance from the main business which is reflected as current account balances with other operations in the Balance Sheet.

14. The Commission in the previous order has reiterated that the organization attending to the distribution business has to be treated as a separate entity and it shall maintain separate accounts, to ensure the distribution business operates independently. As per the statements of the Licensee, even the capital investments are funded through arrangements from the parent organization

without proper accounting. Interest and financing charges can be allowed on the funds sourced from parent organization only if it is duly and properly accounted. Hence, the long term funding has to be in proper manner. The Licensee has to undertake capital expenditure with proper funding and repayment plan. The Commission approves the capital expenditure programme as proposed by the Licensee.

15. **Cost of Power Purchase :** In the ARR, the Licensee has projected the cost of power purchase as Rs.1865.39 lakhs based on the revised BST. Considering the approved energy requirements, the total cost of power purchase approved for the year 2013-14 is as shown below:

Cost of Power Purchase Projected and Approved for 2013-14

	2013-14 (projections)	2013-14 (Approved)
Total Projected Consumption [MU]	50.49	49.91
Less: Feed Back Units [MU}	6.88	6.88
Billed Units (MU)	**43.61**	**43.03**
Contract Demand billed [KVA] (@Rs.300/kVA)	84,000	84,000
Excess Demand [KVA]	-	
Total Projected Demand [KVA]	**7,000**	**7,000**
ENERGY CHARGES		
Energy Charges (Rs.3.70/kWh)	1,613.39	1,592.11
Contract Demand Charges	252.00	252.00
Total Power purchase cost	**1,865.39**	**1,844.11**

16. The cost of power purchase approved for the year 2013-14 is Rs. 1844.11 lakhs based on the existing BST applicable to the Licensee. However, the BST and the cost of power purchase will be revised based on revision if any on the retail tariff based on the proposal of KSEB for the year 2013-14.

17. **Interest and Financing Charges :** The Licensee has projected the interest and financing charges as Rs.68.67 lakhs, which consists of the interest of Rs.8.43 lakhs on security deposits and interest of Rs.68.47 lakhs on working capital. The working capital is based on the average current account balance of Rs. 669.87 lakhs from other operations. The estimate of current account balance is as shown below:

Current account balances with other operations :31/3/2012	Rs.426.29 lakhs
Current account balances with other operations : 31-3-2014	Rs.913.26 lakhs
Average	Rs.669.87 lakhs
Interest at 10.25%	Rs.68.67 lakhs

18. The estimate of current account balance as on 31-3-2014 furnished by licensee is as shown below

Particulars	Rupees in Lakh
Cumulative loss from operations	654.02
Net fixed assets less consumer's contribution	231.84
Net working capital requirement for the operation	27.40
Total	913.26

19. The current account balance reported by the Licensee includes the cash losses reported by the Licensee and the value of total fixed assets. The net working capital for the operations is reported as Rs.27.40 lakhs. Thus, capital expenditure and revenue loss are funded from the working capital assistance from the main business which is reflected as current account balance.

20. The Commission is not in a position to accept the accounting procedure adopted in this regard by the Licensee for funding the losses and capital expenses. However, the Commission is considerate on the requirement of a reasonable working capital for the business. The Licensee has Rs.140.58 lakhs as security deposit from consumers. The average working capital requirement considering one month's cash expenses works out to be about Rs.160 lakhs only. The security deposit from consumers covers about 85% of the working capital requirements of the Licensee.

21. Regarding the losses during previous years, the Commission has already arrived at a revenue surplus of about Rs.622 lakhs for the period from 2005-06 to 2009-10, which sufficiently covers the losses of previous years. From 2012-13, the revenue gap /surplus of small licensees are adjusted against the BST. Hence, generally revenue gap for the Licensees may not arise. The Licensee has proposed capital expenditure of Rs. 32.47 lakhs to be funded from the parent organization as loan. Though the Commission approves the capital expenditure plan, the proposed borrowings from parent organization, incurring a financing cost cannot be agreed to, since there is already an accumulated surplus of Rs.622 lakhs available with the Licensee. Accordingly, the interest and financing charges worked out for the year is as shown below:

Interest and Financing Charges Approved for 2013-14

Particulars	Amount (Rs.lakhs)	Rate of interest	Interest Charges allowed (Rs.lakhs)
Security Deposit from consumers	140.58	6.00%	8.43
Working capital	20.00	10.25%	2.05
			10.48

22. The total interest and financing charges allowed for 2013-14 is Rs.10.48 lakhs. The provision given shall be examined during the truing up process and only prudent and reasonable expenses shall be allowed to pass on. The Commission directs that the interest on security deposit shall be credited promptly to the consumer's account as per the provisions of the Kerala Electricity Supply Code and the actual interest paid to the consumers only will be admitted in the truing up process.

23. **Depreciation:** The Licensee has projected the depreciation for the year 2013-14 as Rs.18.60 lakhs. The GFA at the beginning of the year 2013-14 proposed by the Licensee is Rs.299.05 lakhs. The total addition to GFA proposed is Rs.32.47 lakhs. GFA at the end of the year will be Rs.331.52 lakh.

24. It seems, the Licensee has estimated the depreciation at 5.28% and 6.33% based on the revised CERC norms applicable from 2009-14 tariff period. As mentioned in the previous order, the revised CERC norms depreciation is linked to vintage of assets. Accordingly, during the truing up, the Licensee has to estimate the depreciation as provided in the CERC regulations duly considering the vintage of assets. As per the order dated 13-4-2012 of the Commission, depreciation on assets created out of consumer contribution is not allowable. Based on the above, the depreciation allowable for the year 2013-14 is as shown below:

Depreciation Approved for 2013-14

	Average Gross Fixed Assets (2013-14)	Rate of depreciation	Depreciation (Rs.lakhs)
11 kV Works	211.59	5.28%	11.17
LT Lines, Service connections, etc	41.66	5.28%	2.20
Metering equipment	38.51	6.33%	2.44
Miscellaneous equipment	22.53	6.33%	1.43
Others	1.00	6.33%	0.06
Grand Total:	**315.29**		**17.30**
(Less) Consumer contribution	14.96	5.28%	0.79
Total Depreciation allowable			**16.51**

25. The depreciation of Rs.16.51 lakhs as shown above is worked out based on the GFA and capital expenditure proposed by the Licensee. However, in the truing up, depreciation estimated based actual GFA considering CERC norms and vintage of assets shall only be admissible after proper prudence checks. In case the Licensee is unable to provide the necessary information for estimating the

depreciation, the Commission will resort to the CERC norms effective for the period 2004-2009

26. **Employee Cost:** The employee cost proposed by the Licensee is Rs.102.57 lakhs as against Rs. 71.64 lakhs approved for the year 2012-13. The Licensee has included Rs. 18.27 lakhs as the salary of Manager and Rs. 17.17 lakhs as the proportion of the salary & allowance of Executive Director/Finance Manager amounting to Rs.36.23 lakhs as part of employee cost. The salary of regular staff is estimated at Rs.67.13 lakhs. As has been stated in the previous orders, the Commission in principle agrees to provide a portion of salary of Manager/Executive director if their time is allotted on a permanent basis. Accordingly, as has been done in previous years, a notional provision of Rs.5 lakhs is allowed as a proportion of salary of senior management. Hence, the employee cost allowed for the year 2013-14 is Rs.72.13 lakhs.

27. **Repair and Maintenance Expenses :** The Licensee has been maintaining 172 km of 11kV overhead lines and 180km of 3 phase line with 116 number of distribution transformers having different capacities. The Licensee has projected the R&M expenses for 2013-14 for OH lines, buildings, transformers etc., as follows:

Repair & Maintenance Expenses Projected for 2013-14

Particulars	2010-11	2011/12	2012-13	Projection 2013/14
	Actual (Rs.lakhs)	Actual (Rs.lakhs)	Approved (Rs.lakhs)	Projections (Rs.lakhs)
Buildings	0.77	0.65	0.80	1.14
Cable, Lines new works [Upkeep Transmission Line - HT]	8.00	8.37	8.00	13.04
Upkeep LT Lines	1.87	2.37	3.00	4.63
Vehicles/ Fuel & Maintenance	1.76	1.60	2.50	1.93
Others (Upkeep lighting installations)	0.39	0.30	0.50	0.31
Total:	**12.79**	**13.29**	**14.80**	**21.05**

28. As per the petition, the Licensee has included Rs.3.75 lakhs towards the cost of replacement of three corroded transformer structures and Rs.2.40 lakhs towards the cost of replacement of stay wires and boxes. Excluding these, the R&M costs projected will be Rs.14.90 lakhs.

29. The actual expenses for 2011-12 reported by the Licensee is Rs.13.29 lakhs and the approved amount for 2012-13 is Rs.14.80 lakhs. The projected R&M expenses for 2013-14 is thus 42% more than the approved level in 2012-13.

However, the projection for 2013-14 includes additional items of about Rs.6.15 lakhs. Considering the importance of upkeep of distribution system for reliable supply, the Commission approves the projections of the Licensee on R&M expenses.

30. **Administration and General Expenses:** The administration and general expenses proposed by the Licensee is Rs.17.45 lakhs for 2013-14 whereas the approved expenses for 2012-13 was only Rs.8.13 lakhs. The increase is mainly on account of the higher provision (Rs.5 lakhs) made for legal expenses and Bank charges on bank guarantee (Rs.5.00 lakhs). The Bank guarantee charges is for the bank guarantee provided to KSEB as per the direction of the Hon. Supreme Court in the Civil Appeal No.2144/2011 against the order dated 25-5-2010 revising the BST retrospectively from 1-12-2011. Therefore the claim of bank guarantee charges is not admissible. Since A&G expenses constitute a controllable item Commission would allow 10% increase over the approved level of expenses for 2012-13. Accordingly the approved A&G expenses for the year 2013-14 shall be Rs.8.94 lakhs. The Licensee shall limit the expenses at the approved level.

31. **Other Debits:** The Licensee has included the duty under Section 3 of the Kerala Electricity Duty Act 1963 and periodical inspection charges under other debits totaling to Rs.12.11 lakhs. As per relevant law, the duty under Section 3 of the said Act shall not be passed on to the consumers. Hence, the Commission can allow only the inspection charges under other debits, which is Rs.0.20 lakhs as projected by the Licensee.

32. **Return on Equity:** The Licensee has not projected any return on capital for the year. The Licensee has also mentioned that there is no equity shown against the distribution business. The Commission is of the view that a reasonable level of return shall be allowed to the distribution operations of the Licensee for financial viability. The Commission is in the process of ascertaining the eligible level of rate base for allowing return for the Licensees through an independent study. Till the outcome of the study a provisional return of Rs.5 lakhs is allowed.

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

Approved ARR of KDHPCL for 2013-14

Particulars	Proposed by the Licensee	Approved by the Commission
	(Rs. Lakhs)	(Rs. Lakhs)
Power purchase cost	1,865.39	1,844.11
Repair and maintenance	21.05	21.05
Employee cost	102.57	72.13
Interest & financing charges	77.10	10.48
A&G expenses	17.45	8.94
Depreciation	18.60	16.51
Other debits	12.11	0.20
Return on Equity		5.00
Gross ARR	**2,114.27**	**1,978.42**

As per the approved ARR, the distribution cost is Rs.135.98 lakhs, and the per unit cost is worked out to about 36.7 paise per unit, which is comparable to the distribution cost of 36.6 paise per unit approved for 2012-13..

34. **Revenue from Tariff :** The Licensee has projected the revenue from tariff as Rs.1951.56 lakhs as shown below:

Estimate of Revenue Given by the Licensee for 2013-14

Category	Energy Sales (MU)			Revenue (Rs.lakhs)			Average Realisation (Rs./kWh)		
	Actual	Approved	Projection	Actual	Approved	Projection	Actual	Approved	Projection
	2011/12	2012/13	2013/14	2011/12	2012/13	2013/14	2011/12	2012/13	2013/14
HT I Industrial	22.93	24.9	23.37	929.80	1,022.41	1,240.93	4.05	4.11	5.31
HT III Agriculture	-	-	0.25	-	-	6.45			2.58
HT IV Commercial	1.77	1.53	1.82	83.41	74.19	132.95	4.71	4.85	7.30
LT I Domestic	5.68	5.26	5.85	98.09	85.25	149.50	1.73	1.62	2.56
LT II Colonies	1.34	1.25	1.38	77.70	72.60	91.98	5.80	5.81	6.67
LT IV Industries	0.59	0.47	0.61	20.98	17.52	28.78	3.56	3.73	4.72
LT V Agriculture	0.05	0.04	0.05	0.15	0.26	0.71	0.30	0.65	1.42
LT VI Non-Domestic	0.84	1.03	0.87	54.59	65.91	63.91	6.50	6.40	7.35
LT VII Commercial	2.5	2.63	2.57	210.31	220.17	225.58	8.41	8.37	8.78
Street Light	0.27	0.24	0.28	10.46	10.63	10.77	3.87	4.43	3.85
Total	**35.97**	**37.35**	**37.05**	**1,485.49**	**1,568.94**	**1,951.56**	**4.13**	**4.20**	**5.27**

35. The Licensee has included the own consumption in the appropriate categories for estimating the revenue from sales. The average realization has been projected to increase by about 25%. Except for street lighting, the average realization is higher than previous year. In the case of street lighting, the Licensee has clarified that the Munnar Panchyath has decided to change over to CFL based street

lighting. The Commission has reduced the tariff for street lighting using CFL, hence the reduction in average realization. The Commission approves the revenue from tariff as estimated by the Licensee.

36. In addition to the revenue from sale of power, miscellaneous recoveries such as delayed payment surcharge, reconnection fee, etc., are shown as Rs.2.20 lakhs. The total revenue from tariffs is Rs.1953.76 lakhs.

37. **Non-Tariff Income:** The Licensee has estimated Rs.10.63 lakhs as the revenue from non-tariff, which includes Rs.8.43 lakhs as interest on deposit with KSEB, and Rs.2.20 lakhs from miscellaneous recoveries. The Commission has already included revenue from miscellaneous recoveries as part of revenue from tariffs. The income from interest on security deposit is taken as non-tariff revenue. Accordingly, the Commission accepts the projection of the Licensee on non-tariff income.

38. **Revenue Surplus/Gap:** Based on the above, the revenue surplus/gap for the year 2013-14 estimated by the Licensee and that approved by the Commission are as follows:

Approved ARR&ERC for 2013-14

Particulars	Proposed by the Licensee	Approved by the Commission
	(Rs. Lakhs)	(Rs. Lakhs)
Power purchase cost	1,865.39	1,844.11
Repair and maintenance	21.05	21.05
Employee cost	102.57	72.13
Interest & financing charges	77.10	10.48
A&G expenses	17.45	8.94
Depreciation	18.60	16.51
Other debits	12.11	0.20
Return on Equity		5.00
Gross ARR	**2,114.27**	**1,978.42**
Revenue from Tariffs	1,962.18	1,953.75
Non tariff income		8.43
Total Revenue	**1,962.18**	**1,962.18**
Revenue gap	**(152.09)**	**(16.24)**

39. The revenue gap estimated by the Licensee is Rs.152.09 lakhs for 2013-14 based on the reasons discussed above. The Commission approves a gross ARR of Rs.1978.42 lakhs and total revenue of Rs.1962.18 lakhs. Thus the net revenue

gap is approved as Rs.16.24 lakhs, as against Rs.152.09 lakhs proposed by the Licensee. The revenue gap is less than 1% of the total revenue. Hence, for the time being no order is issued on this.

40. **Proposal for Meeting the Revenue Gap:** The Licensee has proposed to cover the revenue gap by reducing the BST to Rs.3.35/unit from Rs.3.70/unit. From 2012-13 onwards, the Commission follows the principle of differential BST, which is fixed based on the balance revenue available after meeting the distribution expenses. The proposal for revision of BST of the Board is under the consideration of the Commission. The Commission has already issued orders on 30.04.2013 revising the RST with effect from 01.05.2013 which will be applicable to the consumers of the Licensee. Separate orders will be issued on the BST applicable to the Licensee.

Orders of the Commission

41. After the analysis of the ARR & ERC petition and the clarification thereon submitted by the Licensee M/s KDHPCL, the Commission approves the ARR of Rs.1978.42 lakhs and estimated revenue of Rs.1962.18 lakhs, leaving a revenue gap of Rs.16.24 lakhs for the year 2013-14 as stated above. The Licensee shall limit the expenses at the approved level. The Commission has already issued orders on 30.04.2013 revising the RST with effect from 01.05.2013 which will be applicable to the consumers of the Licensee. Separate orders will be issued on the BST applicable to the Licensee.

42. The Licensee is hereby directed to submit on or before 31.7.2013, the action plan for strengthening the feeding system from Pallivasal yard to the Licence area along with time lines for implementation.

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

Approved for Issue

Secretary