UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION

LUCKNOW

Petition No. 889 / 2013 and 921 / 2013

DETERMINATION OF AGGREGATE REVENUE REQUIREMENT (ARR) AND TARIFF FOR FY 2014-15

AND

PETITION FOR TRUE-UP OF ARR AND REVENUE FOR THE FINANCIAL YEARS 2008-09 TO 2011-12

FOR

KANPUR ELECTRICITY SUPPLY COMPANY LIMITED

ORDER UNDER SECTION 62 and 64 OF

THE ELECTRICITY ACT, 2003

1st October, 2014

TABLE OF CONTENTS

LIST OF TABLES

Before

UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION

PETITION No. 889 / 2013 and 921 / 2013

IN THE MATTER OF:
Determination of Aggregate Revenue Requirement (ARR) and Tariff for FY 2014-15 and True-up of FY 2008-09 to FY 2011-12 of Kanpur Electricity Supply Company Limited (KESCO)

And

IN THE MATTER OF:
Kanpur Electricity Supply Company Limited (KESCO)

Before
UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION

ORDER

The Commission having deliberated upon the True-up and ARR petitions and also the subsequent filings by the Petitioner, and the petitions thereafter being admitted on 3rd June, 2014 and having considered the views / comments / suggestions / objections / representations received from the stakeholders during the course of the above proceedings and also in the public hearings held, in exercise of power vested under Sections 61, 62, 64 and 86 of the Electricity Act, 2003 (hereinafter referred to as 'the Act'), hereby passes this Order signed, dated and issued on 1st October, 2014. The licensee, in accordance with Section 139 of the Uttar Pradesh Electricity Regulatory Commission (Conduct of Business) Regulations, 2004, shall arrange to get published within three days from the date of issue of this Order, the tariffs and regulatory surcharge approved herein by the Commission. The tariffs so published shall become the notified tariffs and shall come into force after seven days from the date of such publication of the tariffs, and unless amended or revoked, shall continue to be in force till issuance of the next Tariff Order. The regulatory surcharge shall be applicable as detailed in this Order.

1 BACKGROUND AND BRIEF HISTORY

1.1 BACKGROUND:

1.1.1 The Uttar Pradesh Electricity Regulatory Commission (UPERC) was formed under U.P. Electricity Reforms Act, 1999 by Government of Uttar Pradesh (GoUP) in one of the first steps of reforms and restructuring process of the power sector in the State. Thereafter, in pursuance of the reforms and restructuring process, the erstwhile Uttar Pradesh State Electricity Board (UPSEB) was unbundled into the following three separate entities through the first reforms Transfer Scheme dated 14th January, 2000:

- Uttar Pradesh Power Corporation Limited (UPPCL): vested with the function of Transmission and Distribution within the State.
- Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited (UPRVUNL): vested with the function of Thermal Generation within the State
- Uttar Pradesh Jal Vidyut Nigam Limited (UPJVNL): vested with the function of Hydro Generation within the State.

1.1.2 Through another Transfer Scheme dated 15th January, 2000, assets, liabilities and personnel of Kanpur Electricity Supply Authority (KESA) under UPSEB were transferred to Kanpur Electricity Supply Company Limited (KESCO), a company registered under the Companies Act, 1956.

1.1.3 After the enactment of the Electricity Act, 2003 (EA 2003) the need was felt for further unbundling of UPPCL (responsible for both Transmission and Distribution functions) along functional lines. Therefore, the following four new distribution companies (hereinafter collectively referred to as 'Distribution Licensees') were created vide Uttar Pradesh Transfer of Distribution Undertaking Scheme, 2003 dated 12th August, 2003 to undertake distribution and supply of electricity in the areas under their respective zones specified in the scheme:

- Dakshinanchal Vidyut Vitran Nigam Limited (Agra Discom or DVVNL)
- Madhyanchal Vidyut Vitran Nigam Limited (Lucknow Discom or MVVNL)

- Paschimanchal Vidyut Vitran Nigam Limited (Meerut Discom or PVVNL)
- Purvanchal Vidyut Vitran Nigam Limited (Varanasi Discom or PuVVNL)

1.1.4 Under this scheme, the role of UPPCL was specified as “Bulk Supply Licensee” as per the license granted by this Commission and as “State Transmission Utility” under sub-section (1) of Section 27-B of the Indian Electricity Act, 1910.

1.1.5 Subsequently, the Uttar Pradesh Power Transmission Corporation Limited (UPPTCL), a Transmission Company (Transco), was incorporated under the Companies Act, 1956 by an amendment in the ‘Object and Name’ clause of the Uttar Pradesh Vidyut Vyapar Nigam Limited. The Transco is entrusted with the business of transmission of electrical energy to various utilities within the State of Uttar Pradesh. This function was earlier vested with UPPCL. Further, Government of Uttar Pradesh (GoUP), in exercise of power under the Section 30 of the EA 2003, vide notification No. 122/U.N.N.P/24-07 dated 18th July, 2007 notified Uttar Pradesh Power Transmission Corporation Limited as the “State Transmission Utility” of Uttar Pradesh. Subsequently, on 23rd December 2010, the Government of Uttar Pradesh notified the Uttar Pradesh Electricity Reforms (Transfer of Transmission and Related Activities Including the Assets, Liabilities and Related Proceedings) Scheme, 2010 which provided for the transfer of assets and liabilities from UPPCL to UPPTCL with effect from 1st April, 2007.

1.1.6 Thereafter, on 21st January, 2010, as the successor distribution companies of UPPCL (a deemed Licensee), the Distribution Licensees which were created through the notification of the UP Power Sector Reforms (Transfer of Distribution Undertakings) Scheme, 2003 and were issued fresh distribution licenses which replaced the UP Power Corporation Ltd (UPPCL) Distribution, Retail & Bulk Supply License, 2000.

1.2 DISTRIBUTION TARIFF REGULATIONS:

1.2.1 Uttar Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Distribution Tariff) Regulations, 2006 (hereinafter referred to as the “Distribution Tariff Regulations, 2006”) were notified on 6th October, 2006.

These Regulations are applicable for the purposes of ARR filing and Tariff determination to all the Distribution Licensees within the State of Uttar Pradesh from FY 2007-08 onwards.

2 PROCEDURAL HISTORY

2.1 ARR / TARIF AND TRUE-UP PETITIONS FILING BY THE LICENSEE

2.1.1 As per the provisions of the UPERC (Terms and Conditions for Determination of Distribution Tariff) Regulations, 2006, the Distribution Licensees' are required to file their ARR / Tariff Petitions before the Commission latest by 30th November each year so that the tariff can be determined and be made applicable from the 1st of April of the subsequent financial year.

2.1.2 The ARR / Tariff Petition for FY 2014-15 and True-up Petition for FY 2008-09 to FY 2011-12 was filed by KESCO (hereinafter referred to as the 'Licensee' or the 'Petitioner') under Sections 62 and 64 of the Electricity Act, 2003 on 29th November, 2013 and 14th May, 2014 respectively (Petition Nos. 889 / 2013 and 921 / 2013.

2.1.3 The Commission observed that the Licensee had submitted the Audited Accounts for FY 2008-09 to FY 2011-12 and provisional accounts of FY 2012-13 along with the calculations of revenue gap for FY 2014-15 and the projected revenue for FY 2014-15 based on current Tariff in their ARR Petitions. However, the ARR Petitions did not contain a proposal to bridge the revenue gap through Tariff hike or through any other mechanism. The Licensee further submitted the Rate Schedule on 18th December, 2013.

2.2 PRELIMINARY SCRUTINY OF THE PETITIONS:

2.2.1 A preliminary analysis of the Petition was conducted by the Commission wherein it was observed that the ARR Petition did not propose any mechanism to bridge the revenue gap which was in contravention to the stipulation of Regulations 2.1.4 of the Distribution Tariff Regulations.

2.2.2 In this regard, a deficiency note was issued by the Commission on 22nd February, 2014 directing the Petitioner to submit their proposal for bridging the revenue gap. Such deficiency note also sought clarifications on other issues in regard to the ARR Petition filed. The Commission had granted a time of 10 days to respond on the deficiency note i.e., by 3rd March, 2014.

2.2.3 Thereafter, the Petitioner requested for a time extension by 15 days vide letter dated 4th March, 2014, to respond on the deficiency note.

2.2.4 The Petitioner provided some of the critical data required by the Commission for acceptance / admission of the Petition on 19th March, 2014.

2.2.5 Based on the reply submitted by the Petitioner, the Commission issued a second deficiency note which included all the pending queries along with few additional queries vide letter dated 21st April, 2014. The Commission also directed the Licensees to submit its replies within 15 days.

2.2.6 The Petitioner submitted the replies to the second deficiency note on 23rd May, 2014.

2.2.7 The Hon'ble APTEL in its Judgment dated 21st October, 2011 in Appeal No. 121 of 2010 has ruled that, if the Audited Accounts for the previous year are not available for some reasons then the Audited Accounts for the year just prior to the previous year alongwith the provisional accounts for the previous year may be considered. Thus, based on the above ruling of the Hon'ble APTEL, the Audited Accounts for FY 2011-12 (i.e. year just prior to the previous year) has been considered for the current proceedings in the matter of approval of Annual Revenue Requirement and Tariff Determination of FY 2014-15.

2.3 ADMITTANCE OF THE TRUE-UP AND ARR / TARIFF PETITIONS

2.3.1 The Commission through its Admittance Order dated 3rd June, 2014 directed the Petitioner to publish, within 3 days from the date of issue of that Order, the Public Notice detailing the salient information and facts of the True-up Petitions for FY 2008-09 to FY 2011-12, ARR Petitions for FY 2014-15 and the Rate Schedule (Tariff Proposed for different categories/ sub-categories of consumers) in at least two daily newspapers (one English and one Hindi) for two successive days for inviting views / objections by all stakeholders and public at large. The Commission had also directed the Petitioner to upload the response to the deficiency notes and all subsequent submissions on their website.

2.3.2 The Commission also directed the Petitioner to inform the public at large vide the Public Notice about the Staff Papers prepared by the Commission containing salient features of the Petitions and the In-house Papers on certain additional issues / new matters also available on the Commission's website www.uperc.org for comments from all stakeholders and public at large within the stipulated time of 15 days from the date of publication of the Public Notice.

2.4 PUBLICITY OF THE PETITION

2.4.1 The Public Notice detailing the salient features of the True-up Petitions for FY 2008-09 to FY 2011-12 and ARR Petitions for FY 2014-15 were made by UPPCL on behalf of the Petitioner and they appeared in daily newspapers as detailed below inviting objections from the public at large and all stakeholders:

- Times of India (English) : 7th June, 2014; 8th June, 2014
- Hindustan Times (English) : 7th June, 2014; 8th June, 2014
- The Indian Express (English) : 7th June, 2014; 8th June, 2014
- Dainik Jagran (Hindi) : 7th June, 2014; 8th June, 2014
- Amar Ujala (Hindi) : 7th June, 2014; 8th June, 2014
- Swatantra Bharat (Hindi) : 7th June, 2014; 8th June, 2014
- Rashtriya Sahara (Hindi) : 7th June, 2014; 8th June, 2014
- HIndustan (Hindi) : 7th June, 2014; 8th June, 2014
- Voice of Lucknow (Hindi) : 7th June, 2014; 8th June, 2014
- In Dino (Urdu) : 7th June, 2014; 8th June, 2014

2.4.2 Further, a set of additional queries were sent to the Licensee vide email dated 18th July, 2014, in response to which the Licensee submitted its reply on 4th August, 2014.

2.5 PUBLIC HEARING PROCESS

2.5.1 The Commission invited comments / suggestions from consumers and all other stakeholders on the ARR & Tariff proposals of the licensees. To provide an opportunity to all sections of the population in the State and to obtain feedback from them, public hearings were held by the Commission in the State. Consumer representatives, industry associations and other individual consumers participated actively in the public hearing process.

2.5.2 The Commission conducted the public hearing in the above matter for KESCO on 4th July, 2014 at Kanpur.

3. PUBLIC HEARING PROCESS

3.1 OBJECTIVE:

3.1.1 The Commission, in order to achieve the twin objective i.e. to observe transparency in its proceedings and functions and to protect interest of consumers has always attached importance to the views / comments / suggestions / objections / representations of the public. The process gains significant importance in a "cost plus regime", where the entire cost allowed to the licensee gets transferred to the consumer. The consumers therefore have a locus-standi to comment on the True-up and ARR & Tariff Petitions filed by the licensees.

3.1.2 The comments of the consumers play an important role in the determination of Tariff and the design of the Rate Schedule. Factors such as quality of electricity supply and the service levels need to be considered while determining the Tariff. The Commission takes into consideration the submissions of the consumers before it embarks upon the exercise of determining the Tariff.

3.1.3 The Commission, by holding public hearings, has provided the various stakeholders as well as the public at large, a platform where they were able to share their views / comments / suggestions / objections / representations for determination of the retail Tariff for FY 2014-15. This process also enables the Commission to adopt a transparent and participative approach in the process of Tariff determination

3.2 PUBLIC HEARING:

3.2.1 To provide an opportunity to all sections of the population in the State to express their views and to also obtain feedback from them, public hearings for each Distribution Licensee were held by the Commission at various places in the State. The public hearings were conducted from 4th July, 2014 to 30th July, 2014 as per details given below:

Table 3-1: SCHEDULE OF PUBLIC HEARING AT VARIOUS LOCATIONS OF THE STATE

S.No	Date	Place of Hearing	Hearings in the matter of
1.	4.07.2014	Kanpur	KESCO
2.	11.07.2014	Noida	PVVNL
3.	14.07.2014	Varanasi	PuVVNL
4.	24.07.2014	Agra	DVVNL
5.	30.07.2014	Lucknow	MVVNL

3.2.2 Consumer representatives, industry associations as well as several individual consumers participated actively in the public hearing process.

3.2.3 The views / suggestions / comments / objections / representations on the True-up / ARR / Tariff Petitions received from the public were forwarded to the Licensees for their comments / response. The Commission considers these submissions of the consumers and the response of the Licensees before it embarks upon the exercise of determining the final True-up / ARR / Tariff.

3.2.4 Besides this, the Commission, while disposing the True-up / ARR / Tariff Petitions filed by the Petitioners, has also taken into consideration the oral and written views / comments / suggestions / objections / representations received from various stakeholders during the public hearings or through post or by e-mail.

3.2.5 The Commission has taken note of the views and suggestions submitted by the various stakeholders who provided useful feedback on various issues and the Commission appreciates their participation in the entire process.

3.3 VIEWS / COMMENTS / SUGGESTIONS / OBJECTIONS / REPRESENTATIONS ON TRUE-UP / ARR / TARIFF PETITION

3.3.1 The Commission has taken note of the various views / comments / suggestions / objections / representations made by the stakeholders and would like to make specific mention of the following stakeholders for their valuable inputs:

- Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbhoktha Parishad (UPRVUP)
- Mr. Rama Shankar Awasthi, Lucknow

3.3.2 The list of the consumers, who have submitted their views / comments / suggestions / objections / representations, is appended at the end of this Order as Annexure 15.5. The major issues raised therein, the replies given by the Licensee and the views of the Commission have been summarised as detailed below:

3.4 GENERAL

A) *Comments / Suggestions of the Public*

3.4.1 Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbokta Parishad (UPRVUP) submitted that the Petition for the power distribution companies has been prepared by the Commercial division of Uttar Pradesh Power Corporation Ltd. (UPPCL). Director, Commercial division of UPPCL vide letter no. 4026 dated 18th November, 2013 and letter dated 13th November, 2012 had asked for the report from power distribution companies regarding various issues in ARR / Tariff determination. He further requested the Commission to direct UPPCL to bring such report received from the power distribution companies in public domain.

B) *The Petitioner's response:*

3.4.2 The Petitioner submitted that the revision in Tariff for FY 2013-14 is entirely the prerogative of State Electricity Regulatory Commission. With regard to the issues raised on letters dated 18th November, 2013 and 13th November, 2013, the Petitioner further submitted that such letters are confidential and cannot be put under public domain.

C) *The Commission's view:*

3.4.3 The Commission would like to ensure the stakeholders that the True-up / ARR / Tariff has been approved by the Commission based on Audited Accounts and various other related documents and submissions of the Petitioner, only after proper scrutiny and prudence check. However, as regards to any report circulated within UPPCL for its internal workings, the Commission cannot direct UPPCL to public all such documents as the same is out of the purview of the Commission.

3.5 COMPLIANCE OF DIRECTIVES

A) *Comments / Suggestions of the Public:*

3.5.1 Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbhoktha Parishad (UPRVUP) submitted that Upbhokta Parishad on Public Interest had asked for the detailed report from UPPCL regarding high cost of power purchase @ Rs 6.06 per Unit from Reliance and Rs 7.75 per Unit from Bajaj. In this regard, UPPCL has not provided clarification even after continuous requests. He requested the Commission to take appropriate action against UPPCL under Section 142 of Electricity Act, 2003 for not complying with the directives of the Commission. He further submitted that UPPCL should provide the details regarding the compliance of directives issued by the Commission in Tariff Order for FY 2013-14.

3.5.2 Mr. Vivek Kumar Singh, Sr. Divl. Elect. Engineer (TR-D), North Central Railway, Allahabad and Mr. Sudhir Ranjan, Chief Electrical Distribution Engineer, North Central Railway, Allahabad submitted that the Commission, in its last Tariff Order dated 31st May, 2013, had directed Distribution Licensees to conduct proper loss estimate studies and put up the same to the Commission within three months which has not been complied by the Licensees. He further submitted that the Distribution Licensees were also directed by the Commission to conduct bench marking studies which have also not been done. They contended that the Licensees are deliberately not conducting proper audit and studies to identify the weak areas and to improve efficiency and reduce losses. They further requested the Commission to take strict action against the Licensees for not complying with the directions of the Commission.

3.5.3 Mr. Murli Manohar Matanhelia, President of Bahriach Dal Mill Association submitted that the Commission vide para 6 of the directives issued vide Tariff Order dated 31st May, 2013 had directed Distribution Licensees to bill demand charges on the basis of reading in T.V.M (Demand Recording Meter). However, the billing per month is being done on the basis of approved load which is unjustifiable. He requested the Commission to direct UPPCL to do the billing in accordance with the Tariff Order approved by the Commission so that millers do not suffer any further problems.

B) *The Petitioner's response:*

3.5.4 As regards the objections raised by Mr. Avadhesh Kumar Verma, the Licensees submitted that it has already provided the source wise details of power purchase of nine (9) months (from January 2013 to September 2013) to the Commission. The Licensees further submitted that the preparation of source wise details of remaining months is still under process and will be provided to the Commission thereafter. The Petitioner further submitted that the source wise power purchase details pertaining to ARR for FY 2014-15, has been provided to the Commission alongwith the ARR Petition in Appendix-1.

3.5.5 As regards the contention raised regarding compliance of directives given by the Commission in Tariff Order for FY 2013-14, the Petitioner submitted that it has provided the details regarding its compliance to such directives in its Petition for FY 2014-15. The Petitioner replied that it has been providing compliance to the directives issued by the Commission from time to time to the Commission.

3.5.6 With regards to the issue of billing demand charges on the basis of reading in T.V.M (Demand Recording Meter), the Petitioner submitted that the billing is being done as per Rate Schedule approved by the Commission in the Tariff Orders and after considering other provisions of the Supply Code. The Licensees submitted that the Orders of the Commission are being followed in letter and spirit by them, however, in case any specific discrepancy in consumer billing is brought to the knowledge of the licensee, it is immediately rectified and consumer grievance is promptly addressed.

C) *The Commission's view:*

3.5.7 As regards the issue of compliance of directives regarding power purchase, the issue has been discussed in detail in Chapter on Annual Revenue Requirement for FY 2014-15 of this Order. As regards compliance of other directives issued by the Commission in its previous Orders the Commission has taken note of the objections / suggestions raised by the stakeholders and the replies submitted by the Licensees on the same. Further, the Commission ensures the stakeholders that it will shortly take appropriate action on the same.

3.6 AUDIT OF ACCOUNTS

A) *Comments / Suggestions of the Public:*

3.6.1 Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbhokta Parishad (UPRVUP) submitted that Power Companies file the Petition for ARR without any CAG Audit. He further submitted that the Truing-up is then done on the basis of CAG audit and as a outcome of that the regulatory surcharge is imposed while Truing-up on the basis of CAG accounts which is totally unjustified. In this regard, he suggested the Commission that in case Tariff is being approved without CAG Audit, then 50% loss should not be passed on to the consumers while Truing-up in future. He further requested the Commission to take appropriate action on the Tariff reduction proposal submitted by the Upbhokta Parishad in public interest.

3.6.2 Mr. Naveen Khanna, Chairman, Kanpur Chapter of Indian industries Association submitted that the Audited Accounts should be used for ARR. The representatives of Shramik Basti Sewa Samiti submitted that CAG Audit of the ARR should be done.

3.6.3 Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. and Mr. K. L. Aggarwal, Chairman, Associated Chambers of Commerce & Industry of U.P. submitted that there should be timely audit of the accounts of the Distribution Licensees and only audited balance sheet should be accepted for ARR purposes. Full account of assets be maintained. They further submitted that anything purchased or disposed of by the Utility should be done by an open e-tendering process and a third party pre-inspection should be done to bring in transparency in the process.

3.6.4 Mr. Rama Shankar Awasthi submitted that the Auditors have raised numerous and serious objections in the Audits of the Licensees. He further asked the Licensees to submit a compliance report regarding the same before the Commission and the public.

3.6.5 M/s Rathi Steel and Power Ltd., Director of M/s Rathi Industries Ltd., Director of M/s K. L. Rathi Steels Ltd., Managing Director of M/s Rathi Super Steel Ltd., General Manager (Operations) of M/s K. L. Steels (p) Ltd. and Director of K.L. Concast Pvt. Ltd. submitted that the copy of Balance Sheet alongwith the Auditor's report thereto of Distribution Licensees should also be provided.

B) *The Petitioner's response:*

3.6.6 As regards the contention raised by Mr. Avadhesh Kumar Verma regarding Tariff reduction proposal, the Petitioner submitted that ARR is done for Tariff determination for the future Tariff period, whereas, audit is done after the Financial Year is over. The Licensee submitted that the true-up of past years is done on the basis of the Audited Accounts. With regard to the 50% revenue deficit, the Petitioner submitted that the Commission had approved regulatory surcharge in FY 2013-14 and this regulatory surcharge was due to the revenue deficit in True-up dated 21st May, 2013 for FY 2000-01 to FY 2007-08. 50% of regulatory surcharge was approved for FY 2013-14 and the remaining 50% was approved for the further years.

3.6.7 Further, the Petitioner submitted that it has already submitted the audited balance sheets along with supplementary audit reports of the Accountant General of Uttar Pradesh (AGUP) for the period up to FY 2012-13. Such audited accounts and AGUP reports have already been published on the website of the Licensees.

C) *The Commission's view:*

3.6.8 The Commission has noted the above objections / suggestions of the stakeholders. The Commission has conducted the Truing-up for FY 2008-09 to FY 2011-12 after considering a strict prudence check on the submissions made by the Licensees and after considering the Audited Accounts provided by the Licensee along with Supplementary Audit Report of the Accountant General of Uttar Pradesh.

3.7 REDUCTION IN TARIFF

A) *Comments / Suggestions of the Public*

3.7.1 Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbhokta Parishad (UPRVUP) submitted that Government of Uttar Pradesh had asked the Commission for Report on proposal of Tariff reduction for FY 2013-14. He further submitted that the Commission had intimated the State Govt. that the proposal of Tariff reduction would be considered in the ARR for FY 2014-15. He further requested the Commission to take appropriate steps in this regards.

B) *The Petitioner's response:*

3.7.2 The Petitioner submitted that the reduction in Tariff for FY 2013-14 is entirely the prerogative of State Electricity Regulatory Commission.

C) *The Commission's view:*

3.7.3 The Commission has noted the objections / suggestions made by the Stakeholder in this regards. The Commission has discussed all the Tariff related aspects in the Chapter titled Tariff Philosophy for all the stakeholders to refer from.

3.8 TARIFF FIXING

A) *Comments / Suggestions of the Public*

3.8.1 Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbhoktha Parishad (UPRVUP) contended that even after issue of tariff fixing came to the notice of the Commission, no appropriate steps to reduce tariffs has been taken by the Commission. He further submitted that the Commission should without any more delay take appropriate action against the people involved in tariff fixing.

B) *The Petitioner's response:*

3.8.2 The Petitioner submitted that the issue of Tariff fixing is not related to the Petitioner.

C) *The Commission's view:*

3.8.3 The Commission has taken note of the objection of the stakeholder, however, the Commission is of the view that the above matter is not specifically related to the ARR and Tariff determination of FY 2014-15.

3.9 RAILWAYS

A) *Comments / Suggestions of the Public*

3.9.1 Mr. Vivek Kumar Singh, Sr. Divl. Elect. Engineer (TR-D), North Central Railway, Allahabad and Mr. Sudhir Ranjan, Chief Electrical Distribution Engineer, North Central Railway, Allahabad submitted that the North Central Railway draw power uniformly during 24 hrs and in fact the peak demand in most cases is during midnight hours. Further, it is a bulk consumer of electricity and invariably pays the bill within 2 days of submission of bill. They submitted that there is no theft of electricity in Railway as supply is taken at 132 / 25 kV and energy meters are installed at UPPCL side. They further submitted that as Indian Railway is energy efficient and non-polluting system of transport, therefore, unreasonably high tariff is against national interest. They submitted that in FY 2013-14, increase of tariff resulted in an extra financial burden of Rs. 55 Crore on ALD Division of North Central Railway and the proposed tariff hike in FY 2014-15 will result in additional extra financial burden of Rs. 21 Crore on ALD Division of N.C. Railway. They further requested the Commission that the Tariffs for Railways should be brought down to a reasonable level.

3.9.2 Further, Mr. Vivek Kumar Singh, Sr. Divl. Elect. Engineer (TR-D), North Central Railway, Allahabad submitted that Hon'ble APTEL in its Judgment in Appeal No. 192 & 206 of 2010 directed Tamil Nadu Electricity Regulatory Commission to determine voltage wise cost of supply & cross subsidy in future. They contended that if the cross subsidy is worked out on voltage wise cost of supply at 132/220 kV, then the actual cross subsidy charged to Railway would be much higher than the cross subsidy given in current Tariff Order which is based on average cost of supply for all classes of consumers and hence, the proposed hike in Tariff in undesirable.

3.9.3 Further, Mr. Vivek Kumar Singh and Mr. Sudhir Ranjan submitted that the direct subsidy over 20% to needy consumers should be borne by State Govt. and not by Railways and the cross subsidy on Railway Traction should be reduced. Further, they requested the Commission to consider voltage rebate of at least 5% on 132 kV and 25 kV on billed demand as cost of supply at 132 kV is less than that for 33/11 kV, etc. The objectors added that similar rebate is being given by JVVNL also. They further submitted that there should be the arrangement to provide rebate scheme facility on the prompt payment of energy bill of UPPCL as NTPC is giving 2.1% rebate on prompt payment.

3.9.4 They further submitted that the Tariff of Railway traction is higher than HV-2 HT Industrial tariff categories and this is a violation of Article 287 of Constitution. They added that Hon'ble ATE vide its Judgment in Appeal No. 148 of 2007 & 124 of 2008 have ordered as under:

> *"Thus, Article 287 of the Constitution mandates that the tariff of electrical energy sold to the Railways should be less than the price charged to other consumers of a substantial quantity of electricity."*

3.9.5 The stakeholders requested the Commission to consider the above Judgment of Hon'ble APTEL while considering the Tariff.

B) *The Petitioner's response:*

3.9.6 The Petitioner submitted that the Railway Traction Tariff has been increased in accordance with Article 287 of the Constitution of India. Further, the billing is being done in accordance with the Rate Schedule approved by the Commission.

3.9.7 The Petitioner further submitted that the Tariff for HV-3 consumers is within 120% of the average cost of service of the licensees, as stated in the Tariff Policy, 2006, and not at the voltage wise cost of supply as stated in the Tariff Policy, 2006 framed by the Govt. of India.

3.9.8 With regard to the rebate scheme on prompt payment, the Petitioner submitted that the rebate on power purchase payments is duly reduced from the power purchase cost and hence the contentions of the stakeholders are without merits.

3.9.9 With regard to the issue of rebate as applicable in JVVNL, the Petitioner further submitted that the Tariff structure in each State is difference and hence the tariff conditions cannot be the same across states.

C) *The Commission's view:*

3.9.10 The Tariff for various categories of consumers is being determined by the Commission in accordance with the principles enshrined in the Distribution Tariff Regulations and Tariff Policy. The Commission while approving the Tariff for the State has also made appropriate comparison with various other States. Further, the detailed approach as considered by the Commission for approving the Tariff for various categories has been discussed subsequently in this Order.

3.10 RECOVERY OF ARREARS

A) *Comments / Suggestions of the Public*

3.10.1 Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbhoktha Parishad (UPRVUP) submitted that there are large arrears towards receivables from electricity consumers, viz., Rs 30,434 Crore, out of which Rs. 11,000 Crore is due from Govt. Departments. He submitted that UPPCL had made various plans for recovery of dues and UPPCL should provide the detailed report on the actual status and recovery plans of various dues to be recovered after 31st March, 2014 and accordingly the benefits should be passed on to consumers by reduction in Tariff. In this regard, he suggested that there should be pre-paid metering for Govt. Departments so that the problem of recovery of dues and pending arrears do not arise.

3.10.2 The representatives of Lucknow Jan Kalyan Mahamanch including Mr. Pitambar Bhatt, representatives of Federation of Noida Residents Welfare Association (including Mr. N. P. Singh), Mr. Ashok Tyagi of Bhartiya Janta Party, Meerut and the representatives (including Mr. Babu Lal Singhal) of Lohiavadi Vichaar Munch submitted that all the receivables should be recovered so that there is no need for hike in Tariff.

3.10.3 Mr. S. B. Agrawal, General Secretary of Associated Chambers of Commerce & Industry of U.P and Mr. Atul Gupta, President of National Chamber of Industries & Commerce, UP submitted that no efforts are visible from the Tariff Petitions filed by Distribution Licensees in realising heavy outstanding dues of around Rs. 30000 Crore, which include recoverable of Rs. 10000 Crore from Govt. Deptt. / Offices. They submitted that if sincere efforts are made to recover, even part of these dues, passing on the burden to honest power consumers may be avoided.

3.10.4 Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. submitted that dues beyond 3 months against Govt. Deptts should not be provided for in ARR.

3.10.5 Mr. K. L. Aggarwal, Chairman, Associated Chambers of Commerce & Industry of U. P. submitted that responsibilities and accountability of the officers must be fixed for non-recovery and accumulation of dues. He suggested that an electronic system may be developed so that no dues outstand towards any the Govt. Department beyond more than 3 months period and the dues more than 3 months towards the Govt. Offices must not be allowed to have any provisions in the ARR.

3.10.6 Mr. Rama Shankar Awasthi and Dr. Pradeep Kumar Garg suggested that the Licensees should endeavour to realize government dues so that they will not be any requirement to raise the Tariff.

3.10.7 Chief Manager of Bilaspur Kisan Sahkari Chini Mills Ltd. submitted that their 150 kVA residential colony connection of light and fan was transferred from LMV-2 category to LMV-1 (1A) category for the period December 2004 to August 2007. Accordingly, the Tariff difference of Rs. 1153695/- was calculated due to category change of the connection for the period December

2004 to August 2007. This amount is shown as arrears in the bills. He requested the Commission to cancel such arrear.

B) ***The Petitioner's response:***

3.10.8 The Petitioner replied that arrear in the books of accounts include a huge amount against consumers whose permanent disconnection are pending for final settlement. The Licensee submitted that in the past it has launched One Time Settlement (OTS) schemes, wherein old arrears were settled; but in some cases the arrears are still shown in commercial records. The Licensees further submitted that True-up Petitions up to FY 2011-12 have already been filed on the basis of Audited Accounts, so every concern of the consumers would be taken care of in yearly calculation which will depict the correct picture of the revenue and expenditure. The Petitioner further submitted that the Tariff and True-up Petitions have been filed in accordance with the Tariff Regulations. The Petitioner replied that the burden of arrears and the recovery thereof, if any, would have no impact on the allowable True-up and ARR of any year. The Petitioner further submitted that the ARR / Tariff would be determined by the Commission based on audited accounts of (n-2th) year which reflect true and fair view of the financial transaction and since this exercise will be carried on yearly basis hence it will take care of the concern of the stakeholders.

3.10.9 The Petitioner further submitted that the Tariff is approved based on normative principles provided in the Distribution Tariff Regulations, 2006 and the accumulated losses of past years has no bearing on the ARR being determined for the ensuing year. The Licensees further submitted that the interest on working capital is also approved on normative basis in accordance with the principles provided in the Distribution Tariff Regulations, 2006 without any regard to the actual working capital employed in the Distribution Licensees.

3.10.10 The Petitioner submitted that the Commission fixes the Tariff on accrual basis and not on cash basis. The Petitioner replied that the past dues cannot be treated as income of the Distribution Licensees and hence it has no effect on determination of Tariff. The Licensees submitted that the electricity charges are recognised as income once the bills are raised on accrual basis and hence cannot be recognised as income source when arrears are collected. The Licensees added that treating the realization of arrears as income would amount to double counting of income and therefore, it cannot be treated as income again on realization. The Licensees submitted that this issue has been fairly established by the Hon'ble APTEL in its Judgment in Appeal No. 15 of 2012 and Appeal No. 152 of 2011.

3.10.11 As regards the contention raised by Bilaspur Kisan Sahkari Chini Mills Ltd. for cancelling their arrears of Rs. 1153695/-, the Petitioner replied that this issue does not pertain to ARR and Tariff Petition for FY 2014-15. The Petitioner in its reply urged that the consumer may approach the concerned executive engineer of the division in which such consumer falls. The Licensee submitted that since the consumer has not attached the relevant Annexures, etc., regarding the issue, hence, the Licensee does not have the complete set of information to pursue this matter and address the difficulty faced by the consumer.

C) *The Commission's view:*

3.10.12 The Commission agrees with the Licensee's submission that the past dues cannot be treated as income of the Distribution Licensee and further treating the realization of arrears as income would amount to double accounting of income as also established by the Hon'ble ATE in its above mentioned Judgments.

3.10.13 The Commission has ensured that Truing-up and Tariff determination has been done in accordance with the philosophies and principles laid in the Distribution Tariff Regulations, 2006 and the past Orders of the Commission. In the True-up Sections of this Order the Commission has also conducted revenue side Truing-up, which has ensured that the burden of poor collection efficiency and consequent larger arrears is not passed on to the consumers.

3.10.14 The Commission in its Orders dated 21st May, 2013 and 31st May, 2013 had directed the Distribution Licensee to formulate a policy for identifying and writing off fictitious arrears within a period of 6 months from the date of Order and submit a copy of such report before the Commission. However, the same has not been submitted so far, as detailed subsequently the Commission in this Order the Commission has accorded a final opportunity to the Licensee to comply with the directive of the Commission.

3.11 ENCOURAGING RENEWABLE ENERGY

A) *Comments / Suggestions of the Public*

3.11.1 Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbhoktha Parishad (UPRVUP) submitted that there is demand-supply gap in the State and, therefore, the electricity generation from renewable energy sources should be encouraged. In this regard, he suggested the Commission that for certain range of consumers, solar panel should be made compulsory beyond a certain norm fixed for power consumption. Further, Mr. Dhanush Vir Singh (General Manager of M/s Bennett Coleman & Co Ltd., Times of India Group) suggested that incentives may be provided for use of solar energy.

3.11.2 Mr. D. S. Verma (Executive Director, Indian Industries Association) requested the Commission that any consumer installing solar systems may be given rebate on fixed charges equivalent to the kW of solar systems installed. He further suggested that a system of net metering may be introduced and the equipment required to do so should be provided by the Govt. of U.P. / UPPCL. He added that such provisions in Tariff will solve the dual advantage of easing out power shortage problems at a nominal cost and maintaining clean environment.

3.11.3 Mr. Rama Shankar Awasthi suggested that the Commission should give rebate in fixed charges / demand charges if any consumer installs roof top solar plant in their premises. He further added that this rebate will also be given in terms of energy charges, as provided by Government of Karnataka in its State.

B) *The Petitioner's response:*

3.11.4 With regard to making solar panel compulsory, the Petitioner submitted that the works regarding solar panel comes under the purview of NEDA. The Licensees submitted that they are not responsible for any such works regarding solar panels.

3.11.5 The Petitioner submitted that it is a Distribution Licensee and it is not in a position to provide incentives for use of solar energy. However, as part of RPO, it only procures solar energy.

C) *The Commission's view:*

3.11.6 The Commission has taken of the objections / suggestions made by the stakeholders in this regards. The Commission is of the view that use of renewable sources at the consumer level must be encouraged. This is essential given the power shortages being faced in the State. In view of this, to begin with, the Commission has introduces a rebate on the monthly bill for all consumers using solar water heaters as detailed further in Rate Schedule.

3.12 LINE LOSSES AND T&D LOSSES

A) *Comments / Suggestions of the Public*

3.12.1 Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbhoktha Parishad (UPRVUP) submitted that at present there are line losses of more than 35%. He contended that the major reason behind power theft is the difficulty in getting power connection as a result of which such consumers opt for power theft. He suggested that in view of the above, the procedure of getting a new electricity connection should be made easier so that consumers will be able to get new electricity connection without much difficulty which will result is reduction of power theft.

3.12.2 The representatives of Lucknow Jan Kalyan Mahamanch (including Mr. Pitambar Bhatt), Mr. J. K. Jain of U.P. Govt. Pensioners Association, Ghaziabad and the representatives of Federation of Noida Residents Welfare Association (including Mr. N. P. Singh), Lt. CDR (Retd) G.C. Shrivastava, Mr. Sharad Jaipuria of PHD Chamber and Mr. Ajay Verma submitted that power theft should be reduced and strict actions should be taken against the people involved in power theft.

3.12.3 Mr. Saurabh Sanyal, Executive Director, Progress Harmony Development (PHD) Chamber and Mr. Yogesh Baweja of M/s Raunaq Automotive Components Ltd. submitted that UPPCL has estimated losses of 26.15%, which is very much higher when compared to the national average. He submitted that certain States in the country have losses between 20-22%. He further submitted that UPPCL should initiate actions and put proper institutional mechanism in place to check the power theft so that the Tariff hike burden is not imposed on consumers, who pay timely bills. They further contended that UPPCL should focus on reduction in power losses that is occurring due to technical reasons / power theft.

3.12.4 Mr. Shyamdev Ray Chaudhry (Dada), Mr. S. B. Agrawal, General Secretary of Associated Chambers of Commerce & Industry of U.P, Mr. Mukesh Agarwal, Sikandra Factory Owner's Association of Agra, Mr. Ashok Tyagi of Bhartiya Janta Party, Meerut and Mr. Manish Agarwal of National Chamber of Industries & Commerce submitted that functional efficiency of Distribution Licensees should be improved in respect of improving high line losses and preventing thefts and pilferages of power.

3.12.5 The representatives (including Mr. Babu Lal Singhal) of Lohiavadi Vichaar Munch suggested that the line losses could be improved by the following ways:

- Computerized meters should be installed at the premises of the electricity departmental employees (both working and retired). Accordingly, they should be billed with some subsidy in Tariff.
- The excessive number of street lights in towns / cities should be reduced. This will reduce the excessive electricity wastage.
- Power theft should be reduced.

3.12.6 Mr. Akhilesh Saksena of Lucknow submitted that free electricity supply should not be provided to the electricity departmental employees (both working and retired). Free electricity may be provided on limited number of units. The limit of number of units for free supply shall be on the basis of designation of the electricity departmental employees. Further, clarification should be provided regarding the poor revenue realization from the govt. departments.

3.12.7 The representatives of Confederation of NCR Residents Welfare Associations ((including Mr. P. S. Jain) submitted that line losses represent the inefficient manpower of Licensees. Therefore, there should be audit of such high line losses. They further submitted that since Noida and Ghaziabad have less line losses, therefore, electricity Tariff for such areas should be reduced.

3.12.8 The representatives of Shramik Basti Sewa Samiti (including Mr. M. Ahmed) submitted that no steps have been taken by the Licensees for reducing the line losses. In this regard, he suggested the Commission not to approve the ARR of the Licensees if the line losses are more than 15%.

3.12.9 Mr. R. K. Jain, Secretary, Western U. P. Chamber of Commerce and Industry, Bombay Bazar, Meerut Cantt. submitted that there is no scientific method to work out line (energy) losses, if some billing data is missing and in case there is genuine mistake it should be mentioned. He further submitted that the Licensees are religiously giving trajectories of reduction of line losses in future which have increased over the years rather than decreasing. He submitted that the actual total losses are still about 50% as some thefts are still going on undetected and about 7% consumers do not appear on record and still no effort has been done by any of the Licensee to reduce line losses to the desired level as per directions of the Commission. He added that there are heavy transmission losses which are mainly responsible for the overall losses and these line losses should be reduced to 15%.

3.12.10 Mr. Magta Singh, Mr. Rajiv Goyal and Mr. D. S. Verma (Executive Director, Indian Industries Association) submitted that the unmetered supply of electricity is the major reason behind the high line losses and this should be stopped. Further, Mr. Magta Singh submitted that electricity saving should be encouraged.

3.12.11 Mr. Saurabh Sanyal of PHD Chambers submitted that the Licensees should focus on reduction in power losses that are occurring due to technical reasons / power theft. Mr. D. S. Verma (Executive Director, Indian Industries Association) requested the Commission to take strict actions against heavy T&D losses.

3.12.12 Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. suggested that the metered power supply should be made mandatory and where ever the policy calls for any unmetered or free supply, the cost of electricity consumed should be reimbursed. He submitted that this will discourage wastage, misuse and diversification making enormous energy available. He further suggested that all the sub-stations to the point of 11 kVA transformer should be metered so that the leakages can be detected. He also suggested that the Distribution Licensees should provide data of losses on big sub-stations, so that the revenue losing sub-stations could be checked which will help in reduction in distribution losses and accountability. He further submitted that miscellaneous income like penalty, assessment of theft cases are kept by the Licensees and ultimately consumed by book transfer and not paid to GoUP. He further suggested that honest consumers should be encouraged by restoring Clause 9 of earlier Tariff of providing 5% discount to LMV-6 and HV consumers where the difference between pole meter and billing meter is less than 2% as abolition of this facility will only encourage theft.

3.12.13 Mr. K. L. Aggarwal, Chairman, Associated Chambers of Commerce & Industry of U. P. submitted that line losses figures are very likely to be tampered / manipulated by the Distribution Licensees and there is an urgent need to identify feeder / division wise theft for accountability. He further submitted that the data related to the line losses submitted by Licensees should be approved by an outside independent agency duly appointed by the Commission. He also suggested that accountability of related officers responsible for such line losses under their control must be fixed.

3.12.14 Mr. Rupak Gautam, Energy Controller, Indus Tower Ltd. submitted that the distribution losses for the state of Uttar Pradesh are the highest in the country. He submitted that the inability of the power distribution utilities to reduce and control their power distribution losses have resulted in consumers being penalized by paying for excess power procured. In this regards, he requested the Commission to direct the Licensees to come up with a plan to decrease the power distribution losses in Uttar Pradesh.

3.12.15 Mr. Anil Rathi of Associated Chambers of Commerce & Industries submitted that the losses % for the last six years continues to be above 26% which clearly shows that there is no desire in PVVNL to reduce the losses as the Commission continuously accepts these losses and adjust Tariff accordingly. He further submitted that according to the Petition of PVVNL, it has a revenue gap of Rs. 1157.57 Crore and at an average sale price of Rs 5.28 per unit, this translates to 2192.36 MU against losses of 7323 MU. He further added that considering the above, PVVNL will be able to achieve breakeven at existing Tariff of average Rs 5.28 / unit by bringing down the line losses from the existing level of 26.68% to a level of 18.6%.

3.12.16 The representatives of Bhartiya Janta Party, Agra suggested the Commission that the time of power supply should be increased in the area of high revenue realization, whereas, it should be reduced in the area of poor revenue realization.

3.12.17 Dr. Pradeep Kumar Garg of Agra submitted that the honest consumers should not be burdened for the recovery of revenue deficit which is due to theft of huge amount electricity and due to failure to recover very huge arrear dues. He contended that an honest consumer is neither involved in it nor is he officially responsible for prevention of the theft and recovery of arrear dues while at the other hand in Petition No. 01 of 1999, UPPCL has itself accepted the existence of Katiya connection / theft of the electricity, non payment of arrear dues.

B) ***The Petitioner's response:***

3.12.18 As regards the contention raised by Uttar Pradesh Rajya Vidyut Upbhoktha Parishad (UPRVUP), the Licensees submitted that under R-APDRP scheme successful efforts are being made for reduction in line losses and stop power theft for which drives are being conducted wherein departmental / vigilance teams are conducting raids. The Licensees further submitted that drive has been started from 1st July, 2014 for checking of power theft, providing new connection and replacement of defective meters in 168 cities of UP identified under R-APDRP.

3.12.19 The Licensees further submitted that it has planned and proposed a gradual reduction in distribution losses up to FY 2021-22 in line with the directives of the Ministry of Power, Govt. of India and all efforts are being made to reduce the losses as the same is beneficial to the utility as well. The Licensees submitted that Tariff revision exercise is done on the basis of assumption of loss level. The Licensees in its reply further submitted that it may be noted that when losses are assumed on lower side then Tariff will automatically be lesser and hence loss level projection is not against the interest of the consumers.

3.12.20 The Licensees replied that although the infrastructure is sufficient to cater for supply to all consumers, however to cater for future growth, action is being taken for addition of matching infrastructure. The Licensees submitted that the Commission has already issued directions to the Licensees to initiate base line loss estimation studies for assessment of technical and commercial losses and they shall be appointing consulting firms for undertaking the said studies.

3.12.21 The Licensees submitted that they have adopted the following measures to prevent theft of electricity:

- For proper accounting of energy and reducing chances of theft, double metering system is being implemented and is yielding encouraging results.
- For speedy redressal of consumer grievances, call centres have been established and control rooms have been set up.
- In all theft prone areas, overhead conductors are being replaced with ABC (Aerial Bunched Conductor). This has helped in the reduction of line losses and break-downs and has resulted in better quality of supply and consumer satisfaction.
- Provision of periodic checking of all static and tri-vector meters installed in high value consumers premises.
- Special drive to check the cases of theft / unauthorized use of electricity / checking of excess load being carried out in different distribution divisions by officers of the licensees.
- Special team of departmental engineers and Vigilance teams comprising of licensee's officers and Police personnel's have been formed in each circle. With these teams surprise raids are conducted to check theft of energy / katiya connections.

3.12.22 As regards the contention raised by Mr. R. K. Jain regarding deviation in T&D losses in different filings, the Petitioner submitted that Mr. Jain has referred to different Petitions when audited data was not available. However, now the ARR and Tariff Petitions for FY 2014-15 have been filed along with Audited Accounts upto FY 2012-13. The figures are authenticated by the statutory auditor and by CAG. Also, the Commission conducts a strict prudence check and analyses the submissions of the licensees before approving any Order.

C) ***The Commission's view:***

3.12.23 The Commission recognises the fact that the Licensee has been taking measures to reduce T&D losses by implementing schemes such as laying Aerial Bunch Conductors (ABC), APDRP, R-APDRP, etc., but these efforts are yet to yield satisfactory results. On the aspect of T&D losses, the Licensee should undertake necessary strengthening and R&M of the distribution networks to reduce losses which would result in higher availability of power for sale to consumers.

3.12.24 In this regard, the Commission vide its Letter No. UPERC/Secy./D(Tariff)/13-074 dated 11th April, 2013 to the Licensee and Tariff Order dated 31st May, 2013 had directed the Licensee to conduct the base line loss estimation studies for assessment of technical and commercial losses. As discussed in subsequent chapters of this Order the Licensees submitted that M/s PFC Consulting Ltd. has been appointed to draft a strategy paper for the turnaround of the Distribution Licensees, which covers the voltage wise loss studies. **The Commission stresses that the Distribution Licensees may act speedily upon the directives and report the status on a regular monthly basis to the Commission as losses play a very crucial role in the entire process**.

3.13 INFRASTRUCTURE

A) ***Comments / Suggestions of the Public***

3.13.1 Mr. R. K. Jain, Secretary, Western U. P. Chamber of Commerce and Industry, Bombay Bazar, Meerut Cantt submitted that the Distribution Licensees spend crores of rupees in procuring different material but quality of materials procured is of poor quality.

3.13.2 Mr. Rakesh Goel, President of Samarpan Sankalp Samiti submitted that consumers are suffering due to poor power supply in terms of under voltage, high voltage, frequency variations and frequent interruptions. He contended that the Licensees have failed to install and maintain an efficient distribution network which results in high line and transformer losses. He further submitted that lack of transformer maintenance (including checking, oil quantity and breakdown strength) and non existence/failure of protection devices leads to unacceptable transformer failures and the consumer is not liable to pay higher Tariff for such callous, indifferent and negligent practices of the Licensee. They also complained that the consumer services are non-existent.

3.13.3 Mr. Rajiv Goyal submitted that the distribution organisation structure and appraisal system of the Licensees' are too orthodox to handle the day-to-day problems. He submitted that there is virtually a non-IT organisation at division level and immediate implementation of full ERP with process re-engineering is a must for increasing efficiency and customer facilitation of the Licensees. He further added that Profit Centre Concept should be introduced in which each division may be declared as Profit Centre.

3.13.4 Mr. Shamshudoha Ansari of Varanasi submitted that Arial Bunch conductors should be replaced with overhead lines.

3.13.5 Mr. K. S. Parmar, Pramukh Sachiv of Upbhokta Kalyan Parishad submitted that social audit should be conducted to check the poor quality equipments that do not match with the BIS standards.

3.13.6 The representatives of Bhartiya Kisan Union, Aligarh submitted that there should be transparent tendering process for installing electricity lines and other equipments.

B) *The Petitioner's response:*

3.13.7 With regard to the consumer services, the Licensee submitted that it has undertaken a slew of e-governance initiatives which are aimed at higher revenue realization, better consumer satisfaction and maintaining the highest standard of professionalism and ethics in the organization. Some of the initiatives are: M-Dhristi, online bill payment, payment through mobile phones, Interactive Voice Response System (IVRS), SMS based payment solution, payment through ATM, launch of initiative Urja Mitra, KESCO Priority Card, 24x7 dedicated call centre, etc.

C) *The Commission's view:*

3.13.8 The Commission has taken note of the above objections / suggestions made by the stakeholders in this regards. The Commission appreciates the initiatives taken by the Licensee. The Commission is of the view that all the above mentioned initiatives should not only be the kept as initiatives but the works regarding the same may also be completed at the earliest so that the benefit of the same can be passed on to the consumers.

3.14 IMPROPER BEHAVIOUR OF THE EMPLOYEES

A) *Comments / Suggestions of the Public*

3.14.1 Some of the stakeholders submitted that some of the linemen are indulged in malpractices and harass the consumers. He contended that the consumer services should be improved by the Licensees. While other stakeholders have objected that a lot of corruption is prevailing amongst the employees of UPPCL. The stakeholders submitted that if the consumers approach the employees with some grievance neither the employees behave properly with the consumers nor do they allow them to meet the senior officials with regards to their complaints. They submitted that in case the senior officials would meet the consumers many of the issues can be solved without even going to the CGRF.

B) ***The Petitioner's response:***

3.14.2 The Licensees during the hearing has agreed to develop a mechanism wherein quarterly meetings between the MDs of the Licensees shall meet the consumer representatives and discuss the grievances of the consumers.

C) *The Commission's view:*

3.14.3 The Commission has taken note of the objections / suggestions made by the stakeholders in this regards. The Commission appreciates the endeavours of the **Licensees and furthers directs the Licensees to implement the above suggestion and arrange for quarterly meetings between the MDs of the Licensees and the consumer representatives**.

3.15 ADDITIONAL SUBSIDY

D) *Comments / Suggestions of the Public*

3.15.1 Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbhoktha Parishad (UPRVUP) submitted that in Truing-up for FY 2007-08, the Power Distribution Companies had to recover the additional subsidy of Rs 1,119 Crore from State Govt. In this regard, clarification should be provided.

E) *The Petitioner's response:*

3.15.2 In this regard, the Petitioner submitted that the issue is not related to ARR for FY 2014-15.

F) *The Commission's view:*

3.15.3 It may be noted that the Commission had approved an additional subsidy of Rs. 1086.11 Crore for FY 2007-08 in its Order dated 21st May, 2013. However, the Licensees have filed an Appeal on the issue before the Hon'ble ATE. Since, the matter is sub-judice before the Hon'ble ATE, the Commission opines that it will be not be appropriate to comment on the same in the present Order.

3.16 FINANCIAL RESTRUCTURING PLAN (FRP)

A) *Comments / Suggestions of the Public*

3.16.1 Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbhoktha Parishad (UPRVUP) submitted that under FRP, GoUP had to provide subsidy of Rs. 4,725 Crore to Power Companies. He asked the Licensees to submit a detailed report with clarification on the subsidy received and utilised by them.

3.16.2 He further submitted that under FRP, the Licensees had to reduce the line losses by 5% in FY 2013-14. However, the line losses were reduced by 2.5% in FY 2013-14, due to which, there was a gain of Rs. 1100 Crore to the Licensees. He requested the Commission that this gain should be passed on to consumers with no Tariff hike.

B) *The Petitioner's response:*

3.16.3 The Licensees submitted that the Commission approves the ARR on the basis of normative parameters in accordance with the Distribution Tariff Regulations, 2006 while the True-up is done on the basis of actual Audited Accounts. The Licensees further submitted that the benefits due to higher reduction in line losses in the True-up of FY 2013-14 could be possible on the availability of Audited Accounts for FY 2013-14.

C) *The Commission's view:*

3.16.4 The Commission has provided its 'In-Principle Approval' to the FRP vide letter dated 19th March, 2013. However, while providing the 'In-Principle Approval', the Commission has laid a condition that the ARR and Tariff would be determined by it, based on the Regulations framed by the Commission from time to time. Further, the Commission has taken into consideration different sets of data for losses submitted while approving the distribution losses for FY 2014-15. The details of the same have been discussed in Chapter on Annual Revenue Requirement for FY 2014-15.

3.17 ENERGY AND TARIFF HIKE

A) *Comments / Suggestions of the Public*

3.17.1 Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbhoktha Parishad (UPRVUP) submitted that there was the energy hike of 5% in FY 2010-11, 11% in FY 2011-12, 5% in FY 2012-13 and 7% in FY 2013-14. He asked the Licensees to provide the details regarding the percentage of revenue recovered due to energy and Tariff hikes. He further contended that the Uttar Pradesh Upbhokta Parishad had raised various issues on Tariff hike in the 14th State Advisory Committee meeting and the Commission had asked the Licensees to submit a report on the same issues within 15 days, however, the Licensees have not provide any such report.

3.17.2 Mr. Saurabh Sanyal, Executive Director, Progress Harmony Development (PHD) Chamber and Mr. Yogesh Baweja of M/s Raunaq Automotive Components Ltd. submitted that UPPCL had increased the Tariff by almost 46% to Industrial Users in 2012. He further submitted that as on date power Tariff for Industrial consumption in UP is highest in India and any further hike in Tariff will invariably put industrial users to further hardships.

3.17.3 He further added that the losses has been estimated to be 26.15%, which is very much high as compared to national average. He suggested that the Licensees should initiate actions and put proper institutional mechanism in place to check the power theft so that the Tariff hike burden should not be imposed on to the honest consumers who pay timely bills.

3.17.4 The representatives of Lucknow Jan Kalyan Mahamanch (including Mr. Pitambar Bhatt), representatives of Bhartiya Janta Party Yuva Morcha, Mathura, Mr. Mahesh Meghani of Association of Industrialists & Merchants, Mohd. Khalid of Bhartiya Communist Party of Lucknow, Mr. Shyamdev Ray Chaudhry (Dada), Mr. Pratap Chandra (President of Rashtriya Rashtravadi Party) and Mr. Sashi Bhushan Mishra (Sachiv of Upbhokta Sanrakshan Aivam Kalyan Samiti, Sitaram Nidhi, Radhaniwas, Vrindavan, Mathura) submitted that any hike in Tariff is unjustified and should not be encouraged.

3.17.5 Mr. Ghanshyam Khandelwal (Chapter Chairman of Indian Industries Association and Managing Director of M/s B. L. Agro Oils Ltd.) submitted that 40 paisa per unit increase in Tariff for industries will put financial burden on them and such increase is unwarranted and should be reduced.

3.17.6 Mr. S. B. Agrawal, General Secretary of Associated Chambers of Commerce & Industry of U.P and Mr. Atul Gupta, President of National Chamber of Industries & Commerce, UP contented that the proposed upward increase in energy charges by around 13% for LMV-6 and 8% for HV-2 category respectively is unjustified in the present scenario of Uttar Pradesh, when industries are heavily suffering from non-availability of power.

3.17.7 Mr. Baburam Singhal along with the representatives of Lohiavadi Vichaar Munch submitted that the power Tariff in State should be reduced by 20%, thereby reducing fixed charges from Rs. 75 / kW to Rs. 25 / kW and the same can be compensated by improving the line losses.

3.17.8 Mr. R. K. Jain, Secretary, Western U. P. Chamber of Commerce and Industry, Bombay Bazar, Meerut Cantt suggested the Commission that increase in rates of industrial units either in LMV-6 or HV-2 should not be allowed till planning is done in such a manner that industrial units may not suffer any power cut.

3.17.9 Mr. Rupak Gautam, Energy Controller, Indus Tower Ltd. submitted that interest cost by Licensees has increased in Uttar Pradesh (in FY 2014-15, increase of 32.8% in MVVNL, 20.37% in DVVNL, 23.76% in PVVNL and 10.6% in PuVNNL) which clearly indicates poor planning of the Licensees to manage interest costs and this should not be passed on to the consumers. He therefore, requested the Commission to disallow the Tariff hike proposed by the Licensees.

3.17.10 Mr. D. S. Verma (Executive Director, Indian Industries Association) requested the Commission to disallow the proposed increase in Tariff. Further, Mr. Anil Rathi of Associated Chambers of Commerce & Industries submitted that PVVNL had proposed for almost 40% hike in electric tariff to HV-2 consumers in FY 2012-13 because of which 18 steel plants have already shut down permanently and inspite of all this PVVNL has again proposed to increase the Tariff applicable on HV-2 consumers.

3.17.11 The representatives of Bhartiya Kisan Union, Aligarh submitted that Licensees should not pass their inefficiencies on to the consumers by any Tariff hike.

3.17.12 Mr. Rama Shankar Awasthi submitted that over the past years the increase given to other categories (say for e.g. LMV-1 etc.) has not been in proportion to the Tariff rise given to the Industry and the principle of ±20% of average cost of supply as provided in the Regulations has not been followed which has resulted into over/excess cross subsidization by the Industry. In this regard, he has requested the Commission to decease the existing tariff of industry and further suggested the Commission that Tariff should be calculated voltage wise.

3.17.13 Mr. Jaspreet Singh Vadhwa of Antarashtriya Manavadhikar Association submitted that Tariff should be increased only when load shedding is curtailed.

3.17.14 Mr. Ravi Agarwal of Popular Cycles (Auto) submitted that Tariff of LMV -2 consumers should not be hiked as it was increased heavily just last year.

B) *The Petitioner's response:*

3.17.15 In reply to the objections of Uttar Pradesh Upbhokta Parishad regarding issues raised in the 14th State Advisory Committee meeting, the Licensees submitted that it has already replied to the Commission on such issues. Further, with regard to the energy hike done in FY 2010-11 and FY 2011-12, the Licensees submitted that they have submitted the Petitions for True-up from FY 2008-09 to FY 2011-12 to the Commission.

3.17.16 With regard to the issue raised on Tariff hike of various consumer categories, the Licensees submitted that they have proposed hike in electricity Tariff as the cost of service has gone up and the detailed rationale for hike in Tariff has been provided in the ARR Petition.

C) *The Commission's view:*

3.17.17 The Commission has noted the objections / suggestions of the stakeholders in this regards. The details related to all the aspects of Tariff design has been discussed in Chapter named Tariff Philosophy and Rate Schedule provided subsequently in the Order.

3.18 EFFECTIVE DATE FOR APPLICABILITY OF TARIFF ORDER OF FY 2012-13

A) *Comments / Suggestions of the Public*

3.18.1 Mr. S. B. Agrawal, General Secretary of Associated Chambers of Commerce & Industry of U. P. submitted that the Commission had issued Tariff Orders of the Distribution Licensees for FY 2012-13 to be effective from 1st October, 2012. Salient features of these Tariff Orders were published in daily newspapers on 23rd October, 2012. He further submitted that Para 3.8(a) of the Electricity Supply Code 2005 stipulates that Tariff or charges shall take effect only after 7 days from the date of publication in atleast 2 daily newspapers having wide circulation in area of supply. Further, Hob'ble ATE vide its Judgment dated 26th November, 2012 reads as under:

> *"However, after hearing the learned counsel for the parties, we deem it appropriate to direct that pending disposal of the Appeal the Impugned Order dater 19th November, 2012 will become effective from November 1, 2012 as per the Regulation 139 of the UPERC Conduct of Regulations."*

3.18.2 Accordingly, Mr. S. B. Agrawal requested the Commission to clarify regarding the effective date of Tariff Order for FY 2012-13.

3.18.3 Mr. K. L. Aggarwal, Chairman, Associated Chambers of Commerce & Industry of U. P. submitted that Allahabad High Court, vide its Judgment dated 1st April, 2014 in the Civil Writ Petitions Nos. 13514, 17090 & 15122 of 2014 of M/s Shakumbari Pulp & Paper Mills Ltd. and two other Petitioners, had directed to make Tariff Order of FY 2012-13 effective from 1st November, 2012. He further requested the Commission that in order to avoid any further multi-litigation in the courts and to avoid wastage of time, the Commission should issue the Order modifying the Tariff Order of FY 2012-13 to be effective from 1st November, 2012 instead of 1st October, 2012.

3.18.4 Mr. Neeraj Singhal, General Secretary, Indian Industries Association submitted that few industries have paid the electricity bills starting from 1st October, 2012 as per the new Tariff Order while certain industries have paid the electricity bills partially, starting from 1st October, 2012 as per the new Tariff Order. He further submitted that in accordance with the Hon'ble APTEL's Judgment dated 26th November, 2012, the new Tariff Order for FY 2012 is effective from 1st November, 2012. In this regards, he requested the Commission to issue directives to the Licensees to refund / adjust the excess electricity charges paid by LMV-6 and HV-2 consumers from 1st October, 2012 to 30th October, 2012.

B) *The Petitioner's response:*

3.18.5 The Licensees submitted that the matter has been settled by the Commission vide Order dated 6th June, 2014.

C) *The Commission's view:*

3.18.6 As clarified by the Licensee, the Commission has settled the above issue regarding implementation of Tariff Order dated 19th October, 2012 vide its Order dated 6th June, 2014 which can be referred by the stakeholders for further clarifications.

3.19 ROSTERING AND QUALITY OF POWER

A) *Comments / Suggestions of the Public*

3.19.1 Mr. Ghanshyam Khandelwal (Chapter Chairman of Indian Industries Association, Mr. Vishwanath Rai of Matdata vichar Samiti, Varanasi and Managing Director of M/s B. L. Agro Oils Ltd.) submitted that electricity supply to industries is not given as per fixed schedule of rostering and this causes enormous inconvenience to consumers.

3.19.2 Further, Mr. Ghanshyam Khandelwal, Mr. Shyamdev Ray Chaudhry (Dada), Mr. S. B. Agrawal, General Secretary of Associated Chambers of Commerce & Industry of U.P, Mr. Abdul Ali of BHEL and Dr. Pradeep Kumar Garg of Agra submitted that the there is poor quality of electricity supply along with high load shedding.

3.19.3 Mr. K. S. Parmar, Pramukh Sachiv of Upbhokta Kalyan Parishad submitted that some of the janpads of Uttar Pradesh don't get 24 hours continuous supply. In this regard, clarification should be provided.

3.19.4 Lt. CDR (Retd) G.C. Shrivastava submitted that the quality of electricity supplied by the Licensees is poor.

3.19.5 Mr. R. K. Jain, Secretary, Western U. P. Chamber of Commerce and Industry, Bombay Bazar, Meerut Cantt submitted that the industrial units are facing problem of unscheduled power cuts, low voltage on dedicated feeders and inadequate supply in rural areas. He contended that even Industrial feeders are not getting 24 hours supply as committed by GoUP. He further submitted that there are irregular trends in line losses and temporary consumption and no consistency in category wise consumption has been observed which indicates inconsistencies in billing, i.e. line losses for each Distribution Licensee should be separated

3.19.6 The representatives of Sanyukt Udyog Vyapar Sangh Kharkhauda, Meerut submitted that there are around one thousand of commercial connections in Kharkhauda which get 10 hours electricity supply only which after rostering and local faults is reduced to 6 to 7 hrs in a day. In this regards, he requested the Commission to direct the Licensee to provide 16 hours of electricity supply to commercial category consumers in Kharkhauda.

B) ***The Petitioner's response:***

3.19.7 The Licensee in its reply submitted that hours of supplying electricity is normally as per schedule, however sometimes it may be less than that of schedule hours due to emergency rostering which is beyond the control of the Licensee. The Licensee submitted that the complaints of quality of supply, turnaround time for fault repair, etc. are not related to present Tariff Petition, however, it is assured that these issues will be dealt by the concerned local officers of the Licensees. The Licensees submitted that it is endeavouring to reduce the distribution losses to reduce the demand supply gap for which the capacity augmentation is being planned by the State Government also. The Licensees added that the growth in capacity addition has been outnumbered by the growth in the demand.

C) *The Commission's view:*

3.19.8 The Commission has taken note of the objections / suggestions made by the stakeholders in this regard. The Commission is also concerned about the above issue of quality of supply and would take appropriate steps to guide the Licensee in improving the same.

3.20 TIME OF DAY TARIFF

A) *Comments / Suggestions of the Public*

3.20.1 Mr. Ghanshyam Khandelwal of Indian Industries Association submitted that the proposed increase in peak hours from 5 hours to 9 hours is unjustified and will put financial burden on industries. He contended that M.S.M.Es work in one shift only, i.e., from 8 AM to 8 PM and the proposed increase in peak hours of day time will affect them badly and increase their expenses.

3.20.2 Mr. S. B. Agrawal, General Secretary of Associated Chambers of Commerce & Industry of U.P and Mr. Atul Gupta, President of National Chamber of Industries & Commerce, UP submitted that supply of power at discounted rates (7.5% below the normal rate) has been proposed to reduce from 8 hours to 6-7 hours and supply at higher rate (15% above the normal rate) has been proposed to increase from 5 hours to 6-7 hours while the supply at normal rate has been proposed to decrease from 11 hours to 8-9 hours. They contended that such proposed change in timings of ToD rates is unfair for industrial consumers including LMV-6 (small and medium power) and HV-2 (large and heavy power) consumers.

3.20.3 Mr. D. S. Verma (Executive Director, Indian Industries Association) and Mr. Mukesh Agarwal, Sikandra Factory Owner's Association of Agra submitted that it is not possible for micro, small and medium industries to shift its manufacturing away from the time slot 9:00 hours to 13:00 hours slab which is mid of the day. They requested that the Commission should not accept the Licensees' proposal of peak hour Tariff for winter season (October to March) between 9:00 hours to 13:00 hours. They added that on the contrary, the incentive and disincentive for off peak hours and peak hours should be the same, i.e. +/-7.5%.

3.20.4 Mr. Dhanush Vir Singh (General Manager of M/s Bennett Coleman & Co Ltd., Times of India Group) submitted that with the proposed change in ToD tariff will completely overturn the existing ToDs and the newspaper industries, which has so far been enjoying off-peak rates (by getting a rebate of 7.5% on normal charges) is overnight being converted to peak usage rates (paying 15% enhanced rate over normal charges). He contended taht this difference of 22.5%, even notwithstanding the proposed Tariff hike, will be severely enervating to the newspaper industry. In this regard, he suggested the Commission to direct the Licensees' for re-classification of ToDs and treat the newspaper printing establishments in Uttar Pradesh at par with the Agriculture Category, thereby reducing the effect of proposed Tariff hike.

3.20.5 Mr. K. L. Aggarwal, Chairman, Associated Chambers of Commerce & Industry of U. P. submitted that surcharge on slab of ToD be modified in the following manner:

- -7.5% be increased to -10%
- +15% be decreased to +10%.
- Bifurcation of present ToD must not be disturbed.

3.20.6 Mr. Anil Rathi of Associated Chambers of Commerce & Industries submitted that PVVNL has proposed a hefty increase in peak hour charges. He added that it is only during peak hours that a stable quality of power is received by the industry.

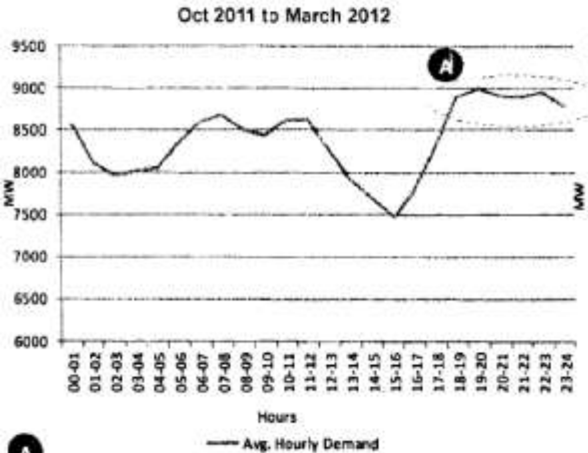
3.20.7 Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. and Mr. S. B. Agrawal, General Secretary of Associated Chambers of Commerce & Industry of U.P submitted that there should be flat rate instead of ToD tariff. He contended that till date, the Licensees have not been able to provide lead / lag reading in the meter. Further, Mr. P. K. Maskara, Director of Mahabir Jute Mills Limited of Gorakhpur submitted that ToD should either be same as existing or removed completely.

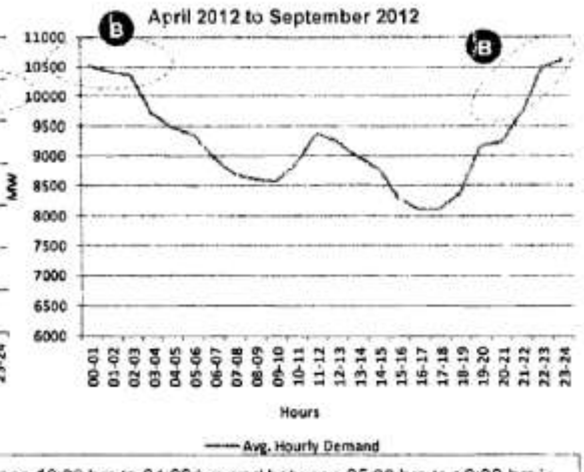
3.20.8 Mr. P. K. Maskara, Director of Mahabir Jute Mills Limited of Gorakhpur submitted that the proposed TOD is not practical and is mostly for LMV-6 & HV-2 category of consumers.

3.20.9 Mr. Naveen Khanna, Chairman, Kanpur Chapter of Indian industries Association submitted that the proposed increased in ToD tariff is improper. It is not possible for micro, small and medium industries (MSME Industries) to shift its manufacturing away from the time slot 9:00 hours to 13:00 hours slab which is mid of the day. Therefore, the Commission should not accept peak hour tariff for winter season (October to March) between 9:00 hrs to 13:00 hrs. On the contrary, the incentive and disincentive for off peak hours and peak hours should be the same, i.e. +/-7.5%.

B) ***The Petitioner's response:***

3.20.10 The Licensees submitted that the system conditions and availability of supply have been considered while proposing the concession and penalty for off-peak and peak timings. The Licensees further submitted that the Time of Day tariff (ToD) is a widely accepted Demand side Management (DSM) measure for energy conservation by price as it encourages the Distribution Licensees to move towards separation of peak and off-peak Tariffs which helps in reducing consumption as well as costly power purchase at the peak time. The Licensees further submitted that the Tariff is set in such a way that it inherently provides incentives and disincentives for the use of electricity in different time periods and while the basic objective of implementing Time of Day Tariff is to flatten the load curve over a period of a day resulting in reduction in the peaking power requirement it also enhance power requirement during off-peak period. The pattern of load of UP over the last 2 years as submitted by the Licensees is depicted in the following graphs:



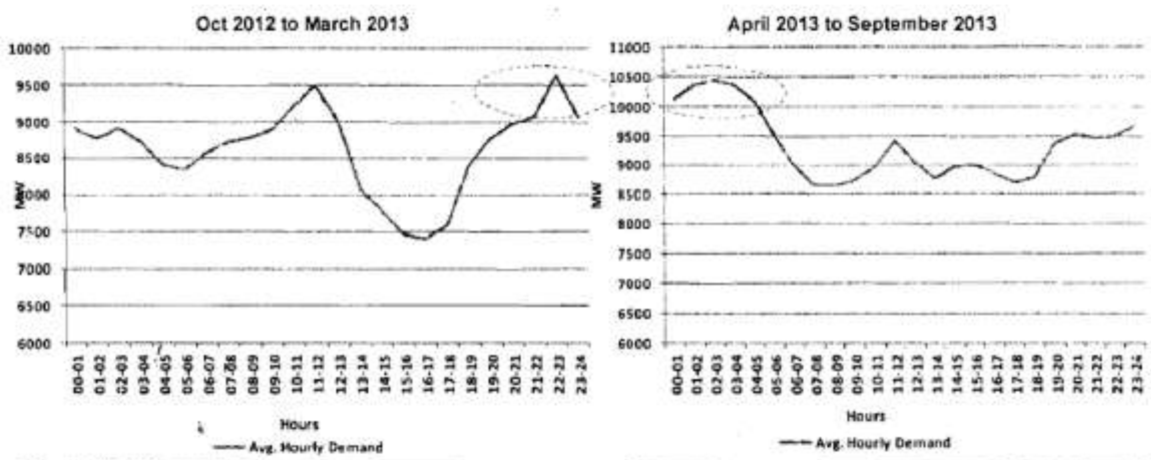


A

- As observed, during the winter season, the peak occurs between 18:00 hrs to 24:00 hrs and between 05:00 hrs to 12:00 hrs in the morning.
- The off-peak hours are during the day between 12:00 hrs to 18:00 hrs

B

- Similarly in the summer season, the peak occurs between 20:00 hrs to 02:00 hrs
- The off-peak occurs between 07:00 hrs to 10:00 hrs and 15:00 hrs to 19:00 hrs



- The trend is established when the next year data is analysed for both the seasons which demonstrate peaks and off peaks during same time of day.

3.20.11 The Licensees submitted that from the above load curves it is clear that the system is experiencing peaks during evening and night hours and the reasons behind peaks during night hours is because UPPCL has endeavoured to supply energy to domestic consumers as much as possible during the night hours so that they are able to rest and sleep peacefully after hard days' work. The Licensees submitted that this would however require extra supply to domestic consumers during night hours, which can be achieved by having some kind of deterrent on the industry and accordingly, in view of the already existing peaks and the need to supply more power to domestic consumers during night hours, the Licensees have proposed that the existing TOD structure be reviewed and existing peak rebate during night hours should be removed and in place of that a mark-up may be considered on consumers covered under the TOD Rate Schedule.

3.20.12 The Licensees further submitted that from the load curves provided by the SLDC, it may further be seen that system has slightly shifted in peak and off peak hours during summer and winter seasons. The Licensee submitted that based on above facts, UPPCL has proposed separate TOD structures for the summer and winter seasons as given below:

Existing Vs Proposed TOD Rates

1 Existing Structure

TOD Rates (% of Energy Charges):

22:00 hrs – 06:00 hrs	(-) 7.5%
06:00 hrs – 17:00 hrs	0%
17:00 hrs – 22:00 hrs	(+) 15%

2 Proposed Structure

For Summer Season (April to Sept):

Off Peak Hours	
04:00 hrs. to 10:00 hrs	(-)7.5%
Normal Hours	
10:00 hrs – 19:00 hrs	0%
Peak Hours	
19:00 hrs – 4:00 hrs	(+) 15%

For Winter Season (Oct to March):

Off Peak Hours	
13:00 hrs. to 20:00 hrs	(-)7.5%
Normal Hours	
1:00 hrs – 9:00 hrs	0%
Peak Hours	
9:00 hrs – 13:00 hrs	(+) 15%
20:00 hrs – 1:00 hrs	(+) 15%

3.20.13 As regards the contention raised by Dhanush Vir Singh regarding Tariff for newspaper printing, the Licensees submitted that the newspaper industry run with commercial motives. The Licensees submitted that such industries pass the incidence of their cost on to their consumers in terms of hike in the charges of their products and services such as advertisement rates and any move to reduce the Tariff of such consumers would hurt the Licensees who are already reeling under severe financial crisis. The Licensees submitted that no subsidy is being received from the State Government towards such newspaper industry, hence, any reduction in their Tariffs would be uncovered gap for the Licensees.

3.20.14 As discussed subsequently in this Order, the Petitioner has submitted the revised TOD slabs for the winter season, considering the fact that the industries would get 8 hours of time slab to operate at off-peak or normal hours.

C) *The Commission's view:*

3.20.15 The Commission has taken note of the above objections / suggestions given by the stakeholders in this regards. The detailed design for TOD Tariff has been further, discussed in Chapter on Tariff Philosophy and the Rate Schedule provided subsequently in this Order.

3.21 BILLABLE DEMAND MULTIPLIER

A) *Comments / Suggestions of the Public*

3.21.1 Mr. Naveen Khanna, Chairman, Kanpur Chapter of Indian industries Association and Mr. D. S. Verma (Executive Director, Indian Industries Association) submitted that the Distribution Licensees are not able to meet the demand of the consumers and demand-supply gap is ever increasing and therefore, it is unjustified to increase the billable demand multiplier from 75% to 85% of the contract demand. He requested the Commission to not agree to the proposed increase in the billable demand multiplier till the quality and quantity of power supply is improved.

B) *The Petitioner's response:*

3.21.2 In this regard, the Petitioner replied that the issue of billable demand multiplier is approved by the Commission in the General Terms and Conditions of the Rate Schedule and the broad general terms and conditions and rates should be aligned across States so as to bring uniformity in approach towards Tariff determination.

C) *The Commission's view:*

3.21.3 The Commission has taken note of the objections / suggestions given by the stakeholders in this regards. The details regarding billable demand multiplier has been discussed in chapter on Tariff Philosophy and the Rate Schedule provided subsequently in this Order.

3.22 TARIFF FOR DOMESTIC CATEGORY

A) ***Comments / Suggestions of the Public***

3.22.1 Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbhoktha Parishad (UPRVUP) submitted that the proposed imposition of fixed charge of Rs. 50 per kW and Rs. 75 per kW for domestic consumers is unjustified. He submitted that the Licensees are not able to provide the electricity as per rostering schedule and in such a case levy of fixed charge is illegal. He further contended that earlier the Licensees used to levy fixed charge at per connection basis, whereas, now this fixed charge is levied at per kW for the urban domestic households and as a result, the consumers are burdened by every per kW consumption, and this system needs to be rectified now.

3.22.2 He objected to the increase in slabs for urban domestic consumers. He submitted that the condition of energy availability and distribution has deteriorated since FY 2012-13 and in such a scenario the Licensees should not have proposed for increase in Tariff of domestic category of consumers. He submitted that UPRVUP is of the opinion that instead of increasing the Tariff, the Licensees should focus on increasing the number of domestic consumers.

3.22.3 He submitted that the Licensees have projected additional revenue of Rs. 3267 Crore from increase in Tariff out of which Rs. 1242 Crore revenue has been projected to be earned from domestic consumers which works out to approximately 40% and is completely unjustifiable.

3.22.4 He further submitted that there is variation in electricity supply in different districts of Uttar Pradesh, but the fixed charge is same for all districts which is unjustifiable. He further suggested the Commission that fixed charge should not be charged from consumers under domestic category.

3.22.5 Brigadier J Ahmad Ali, the Pro-Vice Chancellor of Muslim Aligarh University (AMU) requested the Commission that AMU being a Residential University affording education to deprived Sections of society at minimal cost may be charged as per the prescribed rate for domestic consumer under Tariff code LMV-01 instead of Tariff code HV-1B as per Tariff applicable to Military Engineer Service (MES).

3.22.6 The representatives of Bhartiya Janta Party, Agra submitted that the minimum tariff rate in Uttar Pradesh is Rs. 4/kWh for domestic category of consumers, whereas, the rate should have been Rs. 2-3/kWh. In this regard, they suggested the Commission to reduce the Tariff rate for domestic category of consumers. They further submitted that 3-phase supply is provided to consumers with 5 kW connections, however, for domestic category of consumers, such 3-phase supply should be provided at the connections of 2 kW.

B) *The Petitioner's response:*

3.22.7 As regards the contention raised by Mr. Avadhesh Kumar Verma regarding Tariffs for domestic category, the Licensees submitted that Tariff charged from consumers consist of fixed charge and variable charge and fixed charges are collected to recover the fixed cost including its distribution infrastructure and fixed cost paid to power generators. The Licensee submitted that at present its fixed cost is around 40% however, lower revenue is realised in this regards. The Licensee further submitted that even if the consumers don't utilize the power it has to maintain to its system in accordance with its contracted demand, hence, fixed charges are justifiable.

3.22.8 The Licensees submitted that the Tariff policy formulated under the Electricity Act 2003 envisages a gradual reduction of cross subsidy with a trajectory so as to bring the tariffs within ±20% of the average cost of supply and accordingly the slabs under domestic category have been proposed in such a way that the consumers with more consumption are abide by the above Tariff Policy. The Licensees further submitted that the contention of UPRVP that the increase in Tariff of domestic consumers was done in Tariff fixing is irrelevant and baseless.

3.22.9 With regard to the contentions raised on charging Aligarh Muslim University at Tariff code LMV-01 instead of Tariff code HV-1B, the Petitioner submitted that the billing is being done in accordance with the Rate Schedule approved by the Commission in the Tariff Order dated 31st May, 2013. The Licensee emphasised that the Tariff for HV-1 consumers is within 120% of its average cost of service.

C) *The Commission's view:*

3.22.10 The Commission is entrusted with the role of protecting the interests of the consumers as well as those of the Licensees. Tariff rationalisation is crucial to achieve the objectives of the Electricity Act, 2003. Hence, the tariff for the domestic category of consumers has been approved by the Commission considering the stipulations of the Electricity Act, 2003, National Electricity Policy and Tariff Policy. The details of all the aspects related to Tariff design for various categories of consumers has been covered under Chapter Tariff philosophy and the Rate Schedule approved by the Commission.

3.23 POWERLOOM CONSUMERS FALLING UNDER LMV-6 CATEGORY

A) *Comments / Suggestions of the Public*

3.23.1 Mr. Sanjay Verma requested the Commission to provide the confirmation pertaining to electricity duty exemption / applicability / leviability status on power loom consumers falling under LMV-6 category and accordingly availing subsidy rebate in Tariff on flat rate basis as per norms provided under prevailing DVVNL Tariff Schedule for FY 2013-14.

3.23.2 Mr. D. S. Verma (Executive Director, Indian Industries Association) submitted that burdening small and medium power consumers with 18.5% Tariff hike is highly unjustified. He submitted that the contribution of this sector in socio economic development of the nation as well as the power sector is next to agriculture. He further submitted that consumers of this category are required to be spared from the load of any kind of cross-subsidies / further Tariff hike and therefore, requested the Commission to not accept the proposal of increasing the energy charges of LMV-6 Category.

3.23.3 Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. suggested the Commission to direct Distribution Licensees to accept bank guarantee from LMV-6 consumers where payment record is bad. He further submitted that for small LMV-6 consumers, the fixed charges should be on contract load and not on connected load, as per the direction of the Commission. He added that for any overload the consumer is already paying Penal Charges on tariff and there should not be double penalty.

3.23.4 Mr. Naveen Khanna, Chairman, Kanpur Chapter of Indian industries Association submitted that burdening small and medium power consumers with 18.5% Tariff hike is highly unjustified. He submitted that the contribution of this sector in socioeconomic development of the nation as well as the power sector is next to agriculture. He further submitted that consumers of this category are required to be spared from the load of any kind of cross-subsidies / further Tariff hike and therefore, requested the Commission to not accept the proposal of increasing the energy charges of LMV-6 Category.

B) *The Petitioner's response:*

3.23.5 With regard to Tariff hike for small and medium industries, the Petitioner submitted that it has proposed hike in electricity Tariff as the cost of service has gone up and the detailed rationale for hike in Tariff has been provided in the ARR Petition.

C) *The Commission's view:*

3.23.6 As regards matter related to confirmation pertaining to electricity duty exemption / applicability / leviability status on power loom consumers falling under LMV-6 category, the Commission opines that the matter related to electricity duty exemption and subsidy relates to GoUP and the stakeholders may approach GoUP in the matter. While as regards the approved tariff rates, the detailed design may be referred in the Rate Schedule provided subsequently in this Order.

3.23.7 As regards the matter of obtaining Bank Guarantee, the matter is not related to ARR and Tariff Determination process, however the Licensees are directed to look into the matter and take appropriate action on the same.

3.24 TARIFF FOR BPL CATEGORY

A) *Comments / Suggestions of the Public*

3.24.1 Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbhoktha Parishad (UPRVUP) submitted that there are around 7 to 8 lakh poor domestic B.P.L / Lifeline Consumers and there is a proposal by the Licensees to reduce the life line slab from 150 units to 50 units per month which is unjustified and would overburden such consumers. He further submitted that in 11th five year plan, there was a programme of providing free electricity connections to 2 lakh BPL households of the State for which the Central Government had provided the grant of Rs 44 Crore @ Rs 2200/- per connection to the State Government. He further submitted that at present consumers having 1kW and 150 units have to pay approximately Rs. 400, however, if the proposal of the Licensees is to be accepted then such consumers will have to pay Rs. 700 Crore resulting in an increase of around 75% which proves that the proposal of the Licensees is irrelevant and against the poor consumers. He further requested the Commission to not to accept the Licensees' proposal in this regards. He further submitted that the details of report regarding giving free connections to BPL consumers as per the scheme mentioned above should be sought from the Licensees and accordingly the proposal for change in consumption slab of BPL should be considered in the ARR of FY 2015-16.

3.24.2 He further submitted that on one hand poor rural unmetered domestic are being booked energy at 108 units per KW per month, and on other hand, the urban life line slab is being reduced from 150 units to 50 units per month, despite increasing requirements of consumption pattern which is unjustified. He added that the as far as the issue of reduction in Tariff of such consumers is concerned it is pertinent to mention that the GoUP provides subsidy for such consumers and if this subsidy is added to the prevailing Tariffs, then the actual tariffs will also appear to be higher.

3.24.3 Dr. Pradeep Kumar Garg of Dr. Garg Nursing Home & X-Ray Clinic requested the Commission to issue an Order so that weaker / life line consumers get only restricted and reasonable subsidized units.

3.24.4 Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. and Mr. S. B. Agrawal, General Secretary of Associated Chambers of Commerce & Industry of U.P submitted that the data of BPL consumers along with losses and number of connections should be made publicly available as the same will help in identification and checking high loss areas.

B) ***The Petitioner's response:***

3.24.5 With regard to the proposal to reduce the life line slab from 150 units to 50 units per month, the Licensee submitted that in accordance with the EA 2003 the Tariff policy envisages a gradual reduction of cross subsidy with a trajectory so as to bring the tariffs within ±20% of the average cost of supply and accordingly the lifeline / BPL consumers slab has been reduced to 50 units per month. The Licensee further submitted that the tariff of poor rural unmetered domestic consumers is less as it is facilitated by the State Govt. and such assistance by State Govt. is not provided to the lifeline consumers.

3.24.6 The Licensee added that the tariff for Lifeline / BPL consumers has been proposed with another objective apart from mentioned above of alignment of consumption norms for BPL category consumers with other States.

C) ***The Commission's view:***

3.24.7 The Commission has taken note of the above objections / suggestions made by the stakeholders in this regards. The Commission considers the above matter of concern and has appropriately dealt the same in the Chapter Tariff Philosophy and Rate Schedule provided subsequently in this Order.

3.25 RATE SCHEDULE LMV-10

A) ***Comments / Suggestions of the Public***

3.25.1 The representatives of Vidyut Karmchari Sanyukt Sangharsh Samiti, Uttar Pradesh requested the Commission to not modify the provisions of Rate Schedule of LMV-10 under Electricity Reforms Act 1999, U.P Reform Transfer Scheme 2000 and Electricity Act 2003.

3.25.2 Mr. D. C. Dixit, Chief Secretary, Uttar Pradesh Rajya Vidyut Parishad Abhiyanta Sangh submitted that the distribution power companies have proposed a hike of 45% for LMV-10 category which is applicable for departmental employees / pensioners / Retired employees. He contended that the tariff hike for LMV-1 category is only 10% while the tariff hike of 45% for LMV-10 is unreasonable and unjustifiable. He suggested that a tariff hike of 5% for LMV-10 category would be justifiable.

3.25.3 Mr. D. C. Sharma of U.P. Vidyut Mazdoor Sangh submitted that the Licensees have proposed a tariff hike of 66%, 75%, 30% on LMV-10 category which is unjustified. In this regard, he suggested the Commission that there should be Tariff hike of only 10% to 15%.

B) ***The Petitioner's response:***

3.25.4 The Petitioner replied that it has submitted an appropriate proposal after due deliberations and the proposals submitted may be accepted by the Commission.

C) *The Commission's view:*

3.25.5 The Commission has taken note of the above objections / suggestions made by the stakeholders in this regards and has appropriately designed the Tariff as detailed in Rate Schedule provided subsequently in this Order.

3.26 ASHRAMS

A) *Comments / Suggestions of the Public*

3.26.1 The representatives of Agra Mandal Vyapar Sangathan submitted that the ashrams for old, blinds, orphans, widows, handicapped and NGOs have been categorised under LMV-4 or commercial category. They submitted that such organisations are for social benefits and do not have sufficient source of income due to which they are able to pay their bills with difficulty. They further requested the Commission to either charge such organisations only fixed charge as per rural connection or provide 50% subsidy or categorise such organisations under domestic category. They further suggested the Commission that in case actual load of consumer is less than sanctioned load for continuous period of 3 months, then in such cases Licensees' should reduce the load of such consumer for charging fixed charge.

3.26.2 He further submitted that meters are installed outside the premises of consumers, which may be destroyed by culprits. They requested the Commission to clarify on issue of responsible entity for such destroyed meters.

B) *The Petitioner's response:*

3.26.3 The Licensee submitted that no subsidy is being received from the State Government towards 'Ashrams', hence any reduction in their tariffs would be uncovered gap for the Licensees. Any move to to reduce the tariff of such consumers would hurt the Licensees who are already reeling under severe financial crisis.

3.26.4 As regards meters outside the premises of consumers, the Licensee submitted that it is adopting measures to curb theft and is acting within the provisions of the Supply Code and other orders by appropriate authorities in this regard.

C) *The Commission's view:*

3.26.5 The Commission has taken note of the above objections / suggestions made by the stakeholders in this regards. The Commission retains the existing dispensation regarding the category and tariff structure of such consumers. The details of the tariff applicable on such consumers have been discussed in the Rate Schedule provided subsequently in this Order.

3.27 HIGH COST OF POWER PURCHASE

A) *Comments / Suggestions of the Public*

3.27.1 Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbhoktha Parishad (UPRVUP) submitted that inspite of purchasing cheaper power from Power Exchange, Power Companies purchase expensive power from Reliance and Bajaj. This is totally unjustified. In this regard, he further suggested that power should be purchased from different sources on the basis of Merit Order, which in turn should be computed by adding both fixed cost and variable cost and the Tariffs should be accordingly set. He further contended that the Licensees are not able to purchase power from the exchange and instead are purchasing expensive power from sources like Bajaj and Reliance which has to be borne by the consumers and is not justifiable.

3.27.2 Mr. Rupak Gautam, Energy Controller, Indus Tower Ltd. submitted that the Utility is procuring nearly 35% of its power from expensive source @ Rs. 4.63 / unit from IPPs & JVs and @ Rs. 4.89 / unit from cogeneration and other sources while power procurement cost from NHPC is currently Rs. 2.91 / unit, i.e., a difference of over 68%. He submitted that power procurement of expensive power indicates poor planning of the Licensees in their power procurement strategy. He further contended that it is thus unfair to penalize the consumers for poor planning and therefore requested the Commission to review the power procurement strategy of the Utility.

3.27.3 Mr. Rama Shankar Awasthi submitted that the power purchase projection submitted by the Licensees is bogus / illogical and highly inflated. He further requested the Commission to summon the Licensees under Section 142 for repeated and wilful non-compliance of the repeated directions of the Commission in the above matter. He added that since the power purchase cost is uncontrollable in nature and should be allowed as per actual therefore the Commission should also do a thorough prudence check.

3.27.4 Mr. Rama Shankar Awasthi further submitted that the Tariff for the unmetered categories in the villages is calculated on the basis of 72 units per month. He further submitted that the Distribution Licensees receives subsidy from the GoUP for only 8 hours electricity supply to villages, and, if the Licensees are supplying electricity for more hours to the villages as per the directions of the State Government, then they should claim additional subsidy from the State which they are not claiming. He further contended that instead the Licensees are considering the resulting power purchase into account in the True-up Petition with the higher revenue gap. He further submitted that the same is not taken into account by the Commission at the time of finalization of True-up Petition and this higher power purchase is allowed by the Commission which results in regulatory surcharge or higher Tariff for the consumers.

3.27.5 Mr. P. K. Maskara, Director of Mahabir Jute Mills Limited of Gorakhpur submitted that the Licensees should provide clarification with regards to the cheaper power purchase from hydro generation of 350 MW as declared by CM of UP.

B) ***The Petitioner's response:***

3.27.6 With regard to the contentions raised by Mr. Avadhesh Kumar Verma, the Licensees submitted that the power is purchased from different sources on the basis of merit order, which is dependent on the variable cost and the source having the lowest variable cost is given the preference while purchase of power. The Licensees submitted that they have already submitted the detailed responses to the Commission vide letter no. 1710/RAU/ARR and Tariff FY 2014-15 dated 8th July, 2014.

C) ***The Commission's view:***

3.27.7 As regards high power purchase cost, the Commission took the matter seriously and had asked the Licensee to submit the actual power purchase data for FY 2012-13 and first three quarters (April 2013 to December 2013) of FY 2013-14. Based on the submission made by the Licensee the Commission has done prudence check and has determined and approved power purchase plan as detailed subsequently in this Order.

3.28 CAPACITY OF SUBSTATIONS

A) ***Comments / Suggestions of the Public***

3.28.1 Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbhoktha Parishad (UPRVUP) submitted that the sub-stations of the Licensees are of less capacity due to which the there is poor electricity supply to consumers and thus, the Licensees should improve its capacity before any Tariff hike.

3.28.2 The representatives of Lucknow Jan Kalyan Mahamanch including Mr. Pitambar Bhatt submitted that old transformers / electric lines should be replaced with the higher capacity transformers / electric lines.

B) *The Petitioner's response:*

3.28.3 As regards the contention raised regarding less capacity of sub-stations, the Licensees submitted that the Commission has approved the capacity increase of various sub-stations in the Capital Investment Plan which will help in improving the power supply to consumers.

C) *The Commission's view:*

3.28.4 The Commission has taken note of the objection / suggestion given by the stakeholder. The Licensee must expedite the work of increasing the capacity of various sub-stations in accordance with the Capital Investment Plan so that above issue is resolved at the earliest.

3.29 LATE PAYMENT

A) *Comments / Suggestions of the Public*

3.29.1 Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. submitted that overdue interest upto 3 months is 1.25% and afterwards it is 1.5%. He further contended that the interest cannot be compounded and should be shown separately in the bills. He also requested that Interest on late payment of disputed charges where matters are sub-judice should be waived off.

3.29.2 Smt. Neerja Gautam of Dayal Bagh, Agra submitted that the late payment charge of her premises (which is vacant since the last 12 years) is Rs. 92,271.93 and on adding the interest the same has increased to around Rs. 1 lakh. In this regard, she requested the Commission to provide some relief in this matter of late payment charge along with extension in due date.

B) ***The Petitioner's response:***

3.29.3 As regards late payment surcharge the Licensee submitted that the issue does not pertain to the ARR and Tariff Petition for FY 2014-15. The Licensee urged the consumer may approach the concerned executive engineers of the division in which such consumers fall.

C) ***The Commission's view:***

3.29.4 The issue regarding the late payment surcharge has been appropriately dealt in the subsequent section named Tariff Philosophy.

3.30 TARIFF LINKED TO NUMBER OF HOURS OF SUPPLY

A) ***Comments / Suggestions of the Public***

3.30.1 Mr. R. K. Jain, Secretary, Western U. P. Chamber of Commerce and Industry, Bombay Bazar, Meerut Cantt, Mr. J. K. Jain of U.P. Govt. Pensioners Association, Ghaziabad and the representatives of Confederation of NCR Residents Welfare Associations (including Mr. P. S. Jain) submitted that no demand charge/ fixed charge should be allowed till there is power shortage in U. P. or it should be linked with the hours of power supply.

3.30.2 Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. submitted that additional Tariff should be linked with hours of supply. He submitted that if the above concept is applied then Load Factor Rebate shall be given on actual hours of supply on MDI meters which is based on the assumption of 24 hours electricity supply and accordingly proportionate rebate shall be allowed.

B) ***The Petitioner's response:***

3.30.3 As regards the suggestion of the objections related demand charges to be linked with hours of supply the Licensees submitted that fixed charges are part of Tariff and are levied for developing the required infrastructure and to meet the expenses incurred to maintain the supply at all the times. The Licensees submitted that these charges cannot be withdrawn, as they are levied as per provisions of Electricity Act, 2003. In the Tariff Order for FY 2002-03, the Commission has defined the said charges as below :

"Fixed / Demand Charge is meant to defray the capital related and other fixed costs while Energy Charges is meant to meet the running expenses i.e. fuel cost / variable portion of power purchase cost, etc. A Licensee requires machinery, plant equipment, sub-stations, and transmission lines, etc., all of which need a large capital outlay. For this purpose it has to raise funds by obtaining loans. The loans have to be repaid with interest. In the total cost, provision is also to be made for depreciation on machinery, equipment and buildings, plants, machines, sub-stations and lines that have to be maintained. All these activities require large staff and their related cost. These costs are largely fixed in nature and are levied as a part of tariff to recover such costs."

3.30.4 It has been further mentioned in the said Order that:

"the minimum charges are recovered as Licensee keeps in readiness of energy for the consumer to the extent of contracted demand. If the consumer does not avail of it, energy cannot be stored or preserve. The consumer is therefore, required to pay a fixed sum for energy generation/purchase, even if he does not consume electricity at the contractual level. The levy of minimum charges has been upheld legally, and is being used in several states to enable the utility to recover a part of fixed cost. The difference between levy of fixed charges and minimum charges is that while fixed charges are charged from consumer irrespective of consumption the minimum charges comes into effect only when the bill amount is less than certain prescribed amount. If the

minimum charges are not levied than there will be increase in some other charges as the utility has to recover on its prudently incurred cost from consumer."

3.30.5 The Licensee submitted that in view of the above, these charges are logical and necessary. The Licensee submitted that fixed charges constitute around 40% of the total expenses of the Distribution Licensees; however, the revenue assessment from fixed charges is less than the 40% of the total expenses of the Licensees.

C) *The Commission's view:*

3.30.6 The Commission has taken note of the objections / suggestions made by the stakeholders in this regards.

3.31 FIXED CHARGE AND ENERGY CHARGE

A) *Comments / Suggestions of the Public*

3.31.1 Dr. Pradeep Kumar Garg of Dr. Garg Nursing Home & X-Ray Clinic requested the Commission to remove the sanctioned load based fixed charge from the Tariff recommended for the Ordinary LMV-1&2 consumers.

3.31.2 He further submitted that the sanctioned load is basically aimed to protect the distribution mains from the overload. He further submitted that ordinary consumer is forced to accept this allowed sanctioned load under fear of the monopoly of the UPPCL and provision of overload assessment penalty. He contended that sanctioned load is the upper limit which a consumer can create on the system and the consumer pays for the sanctioned load via system loading charges. He further submitted that charging of both the fixed charge and cost of depreciation to recover the cost of fixed assets from the consumers is unjustified.

3.31.3 The representatives of Confederation of Residents Welfare Associations (Regd.), Mr. Mahesh Meghani of Association of Industrialists & Merchants, Mr. Vishwanath Rai of Matdata vichar Samiti, Varanasi, Retd. Major Sukhbir Singh and Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbhoktha Parishad (UPRVUP) submitted that fixed charges should either be avoided or reduced. Further, the representatives of Bhartiya Janta Party, Agra submitted that fixed charges should be reduced similar to that in Gujarat.

3.31.4 The representatives of Shramik Basti Sewa Samiti (including Mr. M. Ahmed) requested the Commission to clarify about the increase of fixed charges by Rs. 10/kW. He also suggested that fixed charges should be linked with the hours of power supply.

3.31.5 Mr. B.C. Mittal submitted that the minimum fixed charges are being charged in addition to the actual consumption of units which is illogical as the power supply is restricted. He further submitted that there is no logic for graduated scale of rates and the charging of minimum fixed charges, especially when the schedule of rates is worked out to cater these issues. He further contended that fixed duty is charged on the total electricity bills, instead it should be on actual consumption of units. He added that justification should be provided for the increase of electricity duty.

3.31.6 Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. submitted that the rate charge should be redefined to read energy charge-Load Factor amount. He further submitted that electricity duty should be charged on kWh reading and not on kVAh reading and there should be no compulsory RMU charges if multi feeder supply is not opted. He added that beyond 200 kVA, the charge can be made if multi feeder supply system is available and physically connected.

3.31.7 The representatives of Federation of Noida Residents Welfare Association (including Mr. N. P. Singh) submitted that the total sanctioned load of UP is 35000 MW against available power supply of 11000 MW. However, UPPCL have been levying fixed charges on the basis of connected load which is manifold than the available power supply, hence, it is unjustifiable to charge fixed charges.

3.31.8 Mr. Narendra Kumar Dubey of Bhartiya Janta Party, Agra submitted that earlier free units were provided with fixed charge per kW. He suggested that free units should be provided to consumers for payment of fixed charge per kW and fixed charge should be reduced in case the usable demand is less than the sanctioned demand for continuous 3 months.

3.31.9 Mr. Pradeep Singhal, Director of Rama Agro & Allied Industries Pvt. Ltd. submitted that consumers should not be penalized with demand charges penalty if actual load is more than sanctioned load.

3.31.10 Mr. Rajni Kant Shukla, submitted that clarification should be provided by the Licensee for increasing load of consumers continuously from 2008 to 2013 without physical verification.

3.31.11 Mr. D. C. Sharma, UP Vidyut Majdoor Sangh, Lucknow, Mr. Govind Agarwal, Agra Mandal Vyapar Sangathan, Agra submitted that if the actual load of any consumer is higher than the sanctioned load due to any reason in one month in such case the Licensees increases the load of the consumers and fixed charge and penalty are levied on this increased load whereas as per the Commission's direction the load can be increase only if the actual load is more than sanction load for continuous 3 cycles. However, if the actual load is continuously lower than the sanctioned load, the load is not decreased. They further suggested that in case actual load of consumer is less than sanctioned load for 3 continuous cycles , then in such cases Licensees' should reduce the load of such consumer for levying fixed charges.

3.31.12 Mr. Rama Shankar Awasthi submitted that the proposed fixed charges / demand charges being collected by the Licensees are greater than the cumulative transmission capacity available in the State. He requested the Commission to study proposed fixed charges / demand charges in detail and only then allow any increase in fixed charges / demand charges.

3.31.13 Mr. G. C. Chaturvedi of Indian Industries Association submitted that demand charges should be proportionate to the electricity consumed and as such proposal of levying minimum 85% demand charges of the contracted load is illogical and unfair. He further submitted that electricity duty is being charged on fixed charges /demand charges as well as the charges of electricity consumed. He contended that charging electricity duty on fixed / demand charges are illogical and hence should not be approved by the Commission.

3.31.14 Mr. Mohan Singh Chahan, Chairman of Kisan Bachao Sangharsh Samiti suggested that for metered domestic category of consumers, fixed charge should be reduced from Rs. 75/- to Rs. 50/-.

3.31.15 Lt. CDR (Retd) G.C. Shrivastava submitted that fixed charges are imposed on kW load (minimum 2 kW), but in low voltage electrical gadgets cannot be used regularly and safely and eventually the consumers are paying extra charges for improper services provided.

B) ***The Petitioner's response:***

3.31.16 The Licensees submitted that fixed charges are part of Tariff and are levied for developing the required infrastructure and to meet the expenses incurred to maintain the supply at all the times. These charges cannot be withdrawn, as they are levied as per provisions of Electricity Act, 2003. The Licensees submitted that in the Tariff Order for FY 2002-03, the Commission has defined the said charges as below:

“Fixed / Demand Charge is meant to defray the capital related and other fixed costs while Energy Charges is meant to meet the running expenses i.e. fuel cost / variable portion of power purchase cost, etc. A Licensee requires machinery, plant equipment, sub-stations, and transmission lines, etc., all of which need a large capital outlay. For this purpose it has to raise funds by obtaining loans. The loans have to be repaid with interest. In the total cost, provision is also to be made for depreciation on machinery, equipment and buildings, plants, machines, substations and lines that have to be maintained. All these activities require large staff and their related cost. These costs are 1argely fixed in nature and are levied as a part of tariff to recover such costs.”

3.31.17 It has been further mentioned in the said Order that:

“the minimum charges are recovered as Licensee keeps in readiness of energy for the consumer to the extent of contracted demand. If the consumer does not avail of it, energy cannot be stored or preserve. The consumer is therefore, required to pay a fixed sum for energy generation/purchase, even if he does not consume electricity at the contractual level. The levy of minimum charges has been upheld legally, and is being used in several states to enable the utility to recover a part of fixed cost. The difference between levy of fixed charges and minimum charges is that while fixed charges are charged from consumer irrespective of consumption the minimum charges comes into effect only when the bill amount is less than certain prescribed amount. If the minimum charges are not levied then there will be increase in some other charges as the utility has to recover on its prudently incurred cost from consumer.”

3.31.18 The Licensees submitted that in view of above, it is clarified that these charges are logical and necessary. In this regard, the Petitioner further submitted that fixed charges constitute around 40% of the total expenses of the Distribution Licensees. However, the revenue assessment from fixed charges is less than the 40% of the total expenses of the Distribution Licensees.

3.31.19 As regard the contention related to increase in load the Licensee submitted that the Commission has recently issued an Order to clarify this issue and it would strictly abide by the directions contained in such Order.

3.31.20 The Licensee submitted that billing is being done as per the Rate Schedule approved by the Commission in the Tariff Orders and considering other provisions of the Supply Code, etc. The Orders of the Commission are being followed in letter and spirit by the Licensees. However, in case any specific discrepancy in consumer billing is brought to the knowledge of the Licensee, it is immediately rectified and consumer grievance is promptly addressed.

C) ***The Commission's view:***

3.31.21 The Commission has taken note of the above objections / suggestions made by the stake holders in this regards. Fixed / Demand Charge is meant to defray the capital related and other fixed costs. A distribution Licensee requires machinery, plant equipment, sub-stations, and transmission lines etc., all of which need a large capital outlay. Laying down the said infrastructure requires funds which are raised either through debt or equity; both of which come at a cost. Further debt funds are to be repaid and equity has to be serviced through return. In the total cost, provision is also to be made for depreciation on machinery, equipment and buildings, plants, machines, sub-stations and lines that have to be maintained. All these activities require large staff and their related cost. These costs are largely fixed in nature and are levied as a part of tariff to recover such costs. The Commission has, only after considering the interest of consumer as well as of the Licensee, approved the hike in fixed charges as it reflects cost of supply.

3.31.22 The demand charges and energy charges have been increased in consideration of the Electricity Act, 2003 and the National Tariff Policy.

3.32 LOAD FACTOR REBATE

A) *Comments / Suggestions of the Public*

3.32.1 Mr. S. B. Agrawal, Mr. K. L. Aggarwal, Chairman, Associated Chambers of Commerce & Industry of U.P., Mr. Rajeev Gupta, Vice President of Associated Chambers of Commerce & Industry of Uttar Pradesh and Mr. Atul Gupta, President of National Chamber of Industries & Commerce, UP submitted that the Electricity Duty and Regulatory Surcharge is being calculated on gross amount of energy charges + demand / fixed charges. However, in accordance with the computation method given in Tariff Order for FY 2013-14, 'Rate Charge' for computing Electricity Duty and Regulatory Surcharge should be applicable on net amount of bill for energy, i.e. energy charges + demand / fixed charges – load factor / power factor rebate amount. Further, in another submission Mr. K. L. Aggarwal, Chairman, Associated Chambers of Commerce & Industry of U. P. and Mr. R. K. Chaudhary, Chairman, Indian Industries Association Varanasi Chapter suggested that the demand charges should be excluded from the definition of 'Rate Charge' and it should only be Energy Charge – Load Factor Amount.

3.32.2 Further, Mr. S. B. Agrawal, General Secretary of Associated Chambers of Commerce & Industry of U.P, Mr. Rajeev Gupta, Vice President of Associated Chambers of Commerce & Industry of Uttar Pradesh and Mr. Atul Gupta, President of National Chamber of Industries & Commerce, UP submitted that the rate of electricity duty is presently ad-voleram at the rate of 7.5% of Rate Charge (as against earlier rate of 9%) and further, the Commission vide its

Order dated 6th June, 2014 has decided to levy regulatory surcharge at 2.84% for extended period of 2 years, i.e. 2014-15 and 2015-16.

3.32.3 Mr. P. K. Maskara, Director of Mahabir Jute Mills Limited of Gorakhpur submitted that 'Rate Charge' should be clearly defined as 'Unit Charge + Demand Charge - Rebate based on units of consumption'. He further suggested that Electricity Duty should also be calculated on same ground after deducting the load factor rebate.

3.32.4 Further, Mr. K. L. Aggarwal submitted that the provisions of load factor rebate for consumers of HV-2, LMV-2 and LMV-6 categories should be modified and the minimum requirement for consumption of energy units per kVA should be decreased from 396 units to 360 units.

3.32.5 Mr. Rama Shankar Awasthi submitted that the proposed load factor rebate will increase the Tariff by around 12.5% on an average. In this regard, he requested the Commission to retain the existing LFR and modify it as follows:

- >392 -7.5% of full tariff
- >452 - 10% of full tariff
- >504 - 15% of full tariff

3.32.6 Mr. R. K. Chaudhary, Chairman, Indian Industries Association Varanasi Chapter submitted that the Licensees should provide clarification regarding abolition of load factor rebate.

B) ***The Petitioner's response:***

3.32.7 As regards the issue of charging Regulatory Surcharge on the bill amount after netting off Power Factor Load factor rebate, the Licensees replied that the Commission has already clarified the issue in the Clarifications in regard to the

Tariff Order for FY 2013-14 (Clarification No. 1) vide Ref No: UPERC/D(T)RAU/2013-402 dated 25th June, 2013.

3.32.8 As regards to the issue of decreasing minimum requirement for consumption of energy units per KVA from 396 units to 360 units, the Licensees replied that the load factor rebate has been abolished in the Tariff Proposal for FY 2014-15, hence, this issue is no more relevant.

3.32.9 As regards the abolition of load factor rebate, the Licensees clarified that Load Factor rebate was approved by the Commission in the Tariff Order for FY 2001-02 with a view to encourage better load utilisation to HV-2 consumers above 50% utilisation and lower system losses and better system operation. The Licensees submitted that at that point of time, theft in industries was rampant, however, in the current context, the situation has changed. The Licensees submitted that Load factor rebate had been introduced earlier in large and heavy consumers to curb the theft of electricity, however, now the Licensees have installed high precision meters to monitor the trend and other parameters and as such it appears that there is no need to provide incentive for consumption and therefore they has proposed to abolish the load factor rebate.

C) *The Commission's view:*

3.32.10 The Commission has noted the above objections / suggestions made by the stakeholders in this regards. The Commission has decided to discontinue with the Load Factor Rebate as also proposed by the Licensee. The detailed rationale has been discussed in Chapter Tariff Philosophy of this Order.

3.32.11 As regards the suggestions given by the stakeholders on the definition of 'Rate Charge' the Commission has taken note of the above. The term 'Rate' and 'Rate Charge' are same and the term 'Rate' has been clearly defined in the Rate Schedule provided subsequently in this Order. As per the definition, Rate means only the Fixed / Demand charge and energy charges.

3.33 TARIFFS FOR RURAL DOMESTIC / AGRICULTURAL CATEGORY

A) ***Comments / Suggestions of the Public***

3.33.1 Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbhoktha Parishad (UPRVUP) submitted that the charge of Rs. 180 per connection for the rural consumers is totally wrong and this should be reduced to Rs. 150 per connection. He also submitted that the Tariff fixing of Rs. 100 / B.H.P / month for rural agricultural consumers should be reduced to Rs. 75 / B.H.P / month.

3.33.2 Mr. P. N. Kanki of Akhil Bhartiya Matadhikari Sangh submitted that electricity is not supplied properly in rural areas and is being supplied for only 2-6 hours for the time duration between 11 PM to 3 AM at night or 11 AM to 4 PM at day, when there is no need of electricity. He further submitted that the villages getting 24 hour electricity supply get poor quality supply with very low voltage. Moreover, the villages are billed with the addition of fixed charge for poor quality of electricity. He added that the rural consumers are ready to pay electricity Tariffs for their PTW connections at even commercial Tariff if they get quality power.

3.33.3 The residents of Block Alia, distt. Sitapur and an individual from village Akbarpur, block Maal, distt. Lucknow submitted that their area gets only 9-10 hours of electricity and in these hours also there are power cuts due to old and outdated power lines.

3.33.4 The residents of gram sabha Itari, district Sitapur submitted that they get power supply for only 6 hours. They further submitted that they are billed once in 6 months and get an electricity bill of Rs 800 per month. They requested the Commission to take appropriate action in this regards.

3.33.5 Mr. Dilip Kumar of gram sabha Mumtazpur, the residents of gram sabha Moholi, gram sabha Budanpur, gram sabha Mirchauri, gram sabha Fattepur, gram sabha Mallapur and block Laharpur of distt. Sitapur and nyaya panchayats of Gadhi, Mirchauri, Kakori, Keshra and Sadila complained that they get electricity supply for only 5-6 hours and that too of very low voltage. They further contended that the connections are not metered and the consumers are being billed heavily.

3.33.6 Mr. Mohan Singh Chahan, Chairman of Kisan Bachao Sangharsh Samiti submitted that farmers use PTW connection for irrigation purpose. He submitted that the electricity is supplied for PTW connection for only 6-7 hours and the connection is not even used or 4 months of rainy reason. He objected that inspite of this the Licensees have proposed tariff hike from Rs. 75 / BHP to Rs. 140 / BHP, which is too high. In this regard, he requested the Commission to not to approve any Tariff hike rather reduce the present Tariff also. He also objected that the burnt transformers are being replaced at heavy expenditure.

3.33.7 The residents of Kashiram Shehri Gari Aawas Yojna Hanskhera Nayi Colony Char Manzil submitted that their premises have not been electrified.

3.33.8 Mr. Bhupendra Singh submitted that his PTW connection no. 975 was approved on 16th September, 2013 but till now it has not been installed. In this regard, he requested the Commission to take necessary actions to get his PTW connection no. 975 install.

B) *The Petitioner's response:*

3.33.9 With regard to the issue of Tariff hike for rural domestic / agricultural consumers, the Licensees submitted that they have not proposed for any Tariff hike in FY 2014-15 for rural domestic and rural private tube well consumers.

C) ***The Commission's view:***

3.33.10 The Commission has taken note of the objections / suggestions made by the stakeholders in this regards. The applicable Tariffs for all the consumer categories have been designed in accordance with the Electricity Act, 2003 and the Tariff Policy. The details of all the aspects related to Tariff design have been covered subsequently in Chapter Tariff Philosophy and Rate Schedule provided in this Order.

3.33.11 As regards installation of PTW connection, the Licensee is directed to look into the matter and ensure the connection after looking into all the conditions required for the same.

3.34 TARIFF STRUCTURE

A) ***Comments / Suggestions of the Public***

3.34.1 Mr. R. K. Jain, Secretary, Western U. P. Chamber of Commerce and Industry, Bombay Bazar, Meerut Cantt submitted that too many slabs in Tariff structure, like LMV-4 and LMV-6, small and medium power, is counterproductive as it leads to attempts of manipulation and create complication in billing. He submitted that there could be one rate without loss of revenue. He added that the tariff for all small scale industrial units having connected load upto 100 units should be at par with "Rural Schedule" Tariff called as "SSI Schedule" as this will encourage SSI units to set up units in "Rural Areas" giving employment and better viability to SSI units.

3.34.2 Mr. R. K. Jain further submitted that the comparison with aggregate Tariff rate per unit for all consumers is a misnomer. Further, he suggested that the Commission should direct all the Distribution Licensees to give per unit revenue in the following format:

Tariff	Total	Total Load in	Total Consumption	Rate per unit

Schedule	Consumer	kVA	in Units	sold
LMV-I to LMV-I0 are to be shown separately				
Likewise HV- l to HV-4 are to be shown separately				

3.34.3 Dr. Pradeep Kumar Garg of Agra submitted that Tariff should be designed in line with the Electricity Act, 2003 and Tariff Policy.

3.34.4 Mr. Mohan Singh Chahan, Chairman of Kisan Bachao Sangharsh Samiti submitted that for 1 kW capacity of domestic category, the energy charge is Rs 2.20 /unit for slab of 0-100 units. In this regard, he suggested the Commission to increase this slab to 250 units.

3.34.5 The representatives of Confederation of NCR Residents Welfare Associations (including Mr. P. S. Jain) and the representatives of Federation of Noida Residents Welfare Association (including Mr. N. P. Singh) suggested that there should be separate Tariff for Noida Supply area.

B) *The Petitioner's response:*

3.34.6 The Petitioner submitted that the ARR and Tariff Proposal are strictly in line with the Distribution Tariff Regulations, 2006, Tariff Policy, 2006 and Electricity Act, 2003.

3.34.7 As regards the issue of multiple slabs in Tariff structure, the Licensees submitted that they have endeavoured to keep the Rate Schedule as simple as possible. However, different categories have been created to differentiate amongst consumers considering their load factor, power factor, voltage, total consumption of electricity during any specified period of time at which the supply is required or the geographical position of any area, the nature of supply and the purpose for which supply is required.

3.34.8 As regards the contention raised for separate Tariff in Noida supply area, the Licensees submitted that the retail tariff within the State has been kept uniform as per guidelines provided in the Section 8.4 (2) of the National Tariff Policy issued by Ministry of Power, Government of India.

C) *The Commission's view:*

3.34.9 The Commission has taken note of the objections / suggestions made by the stakeholders in this regards. The applicable Tariffs for all the consumer categories have been designed in accordance with the Electricity Act, 2003 and the Tariff Policy. The details of all the aspects related to Tariff design have been covered subsequently in Chapter Tariff Philosophy and Rate Schedule provided in this Order.

3.34.10 As regards the issue of separate Tariff in Noida supply area the Commission opines that current tariff of consumers justifies the rationalization policy of the Commission and is totally in line with the National Tariff Policy.

3.35 RATE REVISION OF CATEGORY LMV 1 (B)

A) *Comments / Suggestions of the Public*

3.35.1 Mr. Sanjay Kumar Jain, Director, M/s Galaxy Real Estate Developers and Builders Pvt. Ltd., Mr. Bhagat Singh Baghel (secretary of M/s Bhawana Sehkari Awas Samiti Ltd.), Mr. Vishal Solanki (secretary of M/s APGCE, Agra City Chapter), Mr. Anil Kumar Goyal (Director/Secretary of M/s CEMG Engineers and Consultants), Mr. Sanjay Kumar Jain (Director of M/s Galaxy Real Estate Developers and Builders Pvt. Ltd.), Mr. Radhe Shyam Sharma (Director of M/s Nalanda Builders Pvt. Ltd.), Mr. Ashok Kumar Goyal (Director of M/s Beriwal Construction), Mr. Hemant Agrawal (Director of M/s JSR Housing and Developers Pvt. Ltd.), Mr. Sudeep Kumar Agrawal (Director of M/s SJP Real Estate Ltd.), Mr. Surendra Kumar Singh (Director of M/s Deeksha Housing Private Ltd.) and Mr. D. S. Chaudhary (Consultant) submitted that UPPCL is having huge losses in terms of transmission and distribution Losses. They submitted that the residential Sector constitute a big share of electricity and energy losses in this Sector can be reduced by providing power at single point and transferring the responsibility of further distribution on some Society taking single point connection. They further submitted that in its latest Tariff Petition for FY 2014-2015, the Licensees have proposed hike in kWh and Demand rates. They submitted that in the Domestic category the Licensees has proposed hike of as 7% but in case of Single Point this hike is proposed as 16.7%. The stakeholders further submitted that at Single point distribution losses are very less say 2-5% and the operational and maintenance charges are in between 7-10%. In this regard, they further suggested that the society should be allowed to sale the power at the rates prescribed for other domestic consumers and bulk rate to society should be less by 10-15%. They added that even after lowering the rates by say 10-15%, the Licensees will still be in profit since there will be no distribution loss and no power theft. They also submitted that there is a separate head for loading charge and no guidelines have been developed for Single Point Residential Complex LMV-1(b). They suggested that there should be clear guideline for charging contract demand and rates chargeable to this category and the Commission consider separate overhead charges for Distribution losses, operational and maintenance charges.

3.35.2 The residents of K. P. S Ashiyana (Om Shri Green Homes) submitted that since July 2013 their builder is distributing power to them on Single Point Connection without their approval. They complained that the builder charges them heavily with a connection charge of Rs 25000/-, late payment of Rs 250/- and reconnection charge of Rs 500/-. Further, the builder, whenever require, cancels their connection. Therefore, the residents of K.P.S Ashiyana have requested the Commission to disapprove the builder's single point connection from their residents and provide them with the new connection from the Licensee.

3.35.3 Mr. Sanjeev of SKS Developers submitted that as per the rate schedule of LMV-1 consumers *(point 3 (b)of ARR 2013-14 - Supply at Single Point for bulk loads applicable for Townships, Registered Societies, Residential Colonies,* *multi-storied residential complexes (including lifts, water pumps and common lighting within the premises) with loads 50 kW and above with the restriction that at least 70% of the total contracted load is meant exclusively for the domestic light, fan and power purposes and for Military Engineer Service (MES) for Defence Establishments (Mixed load without any load restriction))* it is granted by the Commission / Distribution Licensees that 'The body seeking the supply at Single point for bulk loads under this category shall be considered as a deemed franchisee of the Licensee'. However, for HV-1 consumers – *'Registered Societies, Residential Colonies / Townships. Residential Multi-Storied Buildings with mixed loads (getting supply at single point) with contracted load 75 kW & above and getting supply at single point on 11 kV & above voltage levels and having less than 70% of the total contracted load exclusively for the purposes of domestic light, fan and power. Figure of 70% shall also include the load required for lifts, water pumps and common lighting,'* the status of deemed franchisee has not been explicitly granted by the Commission / State Distribution Licensees

3.35.4 In order to maintain parity in treatment of LMV-1 consumers and HV-1 consumers, he requested the Commission that deemed franchisee status should also be granted to HV-1 consumers having supply at Single Point for bulk loads.

3.35.5 The secretary of Millennium Apartments- Resident Welfare Association, Noida submitted that the metering in co-operative societies is done by the Distribution Licensee at 11 kV, however all the distribution losses, including the 11 / 0.4 kV transformer losses, are borne by the society because of which the "effective rate of energy charges" paid by the residents living in co-operative societies is always higher than the "notified rate" charged by Distribution Licensee. In this regard, he further submitted that the proposed energy charges for Bulk loads having Single Point Connection is Rs. 5.25 per kWh (without any slab) whereas the other domestic consumers (being catered directly by Distribution Licensee under Consumer Category LMV-1(c)) have been provided with slabs of Rs. 4.00 per kWh (for 100 units) / Rs. 4.50 per kWh (for 101-300 units) / Rs. 5.00 per kWh (for 301-500 units) and Rs. 5.50

per kWh (for more than 501 units). He further submitted that this shows that even the notified Tariff of Rs. 5.25 per kWh falls outside the 500 kWh slab of domestic consumer category, which definitely is not the average consumption in any domestic household. Moreover, no incentive or discount has been provided for consumers having Single Point Connection at higher voltage levels like 11 kV under Category LMV-1(b). He further requested the Commission for suitable revision of the energy Tariff under Category LMV-1(b) so as to remove the above discrepancy so that some relief can be provided to consumers availing Single Point Connection at 11 kV under Category LMV-1(b).

B) ***The Petitioner's response:***

3.35.6 In this regard, the Petitioner submitted that as per the Tariff Policy, Tariff Regulations and Electricity Act, 2003, the Licensee is entitled to charge the cost of service from the consumers and the Tariff for single point consumers is still significantly below the cost of service.

C) ***The Commission's view:***

3.35.7 As regards the single point supply for LMV-1 category, the Commission in the Rate Schedule for FY 2013-14 has clearly specified that the body seeking the supply at Single point for bulk loads under this category shall be considered as a deemed franchisee of the Licensee.

3.35.8 As a deemed franchisee the single point bulk supplier shall purchase the power from the Licensees at the single point bulk rate approved by the Commission in the Rate Schedule. The tariff applicable for the end consumer of the single point supplier has been detailed subsequently in the Rate Schedule.

3.35.9 As regards the choice of connection, **the Licensee, in accordance with the provisions of the supply code wherein the consumer has the choice to opt**

the supplier, is directed to release connections to all such consumers who desire to disconnect their connections from the single point supplier and instead wish to take connections directly from the Licensee.

3.35.10 As regards the single point bulk rate for HV-I category, the Commission has taken note of the above objection / suggestion of the stakeholders and accordingly the Commission has incorporated the deemed franchisee status to HV-1 consumers having supply at Single Point for bulk loads.

3.36 SYSTEM LOADING CHARGES

A) ***Comments / Suggestions of the Public***

3.36.1 Dr. Pradeep Kumar Garg of Agra and Mr. Rama Shankar Awasthi submitted that the Licensees need to submit details of the works done using the amount under System Loading Charges. They contended that the capex should take care of the system enhancement and hence system loading charges are totally illegal and against the Distribution Tariff Regulations, 2006.

3.36.2 Mr. P. K. Maskara, Director of Mahabir Jute Mills Limited of Gorakhpur and Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. Submitted that the System Loading Charges should be discontinued in ARR.

3.36.3 Mr. Vishnu Bhagwan Agarwal of M/s the Popular Cycle Mfg. Co. (Pvt.) Ltd. submitted that the transformers after utilization of 80% installed capacity and the lines and meters should be maintained and upgraded at the Licensees' cost in accordance with the cost data book and such expenditure must be met from Pool of System Loading Charges.

3.36.4 Mr. S. B. Agrawal, General Secretary of Associated Chambers of Commerce & Industry of U.P submitted that System Loading Charges is recovered for creation of asset and has been considered in tariff determination, however, there is no proper accounting of assets created through the pool. Further Mr. R. K. Chaudhary, Chairman, Indian Industries Association Varanasi Chapter submitted that system loading charges should be abolished.

B) *The Petitioner's response:*

3.36.5 On the issue of abolishing system loading charges, the Licensees replied that system loading charges are being recovered as per the Cost Data Book and Supply Code issued by the Commission.

C) *The Commission's view:*

3.36.6 The Commission, in the proceedings for determination of ARR / Tariff for FY 2012-13, had gone into the detailed procedure for accounting of system loading charges. The Commission had observed that the system loading charges were accounted by the Licensee as part of consumer contributions under Accounting Group Code 55 (AG-55).

3.36.7 The Commission in its earlier Orders while Truing-up the interest on long term loan has considered a normative tariff approach with a gearing of 70:30. In this approach, 70% of the capital expenditure undertaken in any year has been considered to be financed through loan and balance 30% has been considered to be funded through equity contributions. The portion of capital expenditure financed through consumer contributions (including system loading charges), capital subsidies and grants has been separated as the depreciation and interest thereon would not be charged to the consumers. Allowable depreciation for the year has been considered as normative loan repayment. The actual weighted average rate as per audited accounts has been considered for computing the interest. The approved interest capitalisation has been considered at a rate equivalent to the rate as per audited accounts.

3.36.8 The same philosophy has been extended while determining the ARR / Tariff for FY 2014-15. This has ensured that no charges in respect of assets created out of consumer contributions (including system loading charges), capital subsidies and grants are imposed on the consumers' beginning from FY 2008-09 to FY 2014-15.

3.37 FIXED ASSET REGISTERS

A) ***Comments / Suggestions of the Public***

3.37.1 Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd., Dr. Pradeep Kumar Garg of Agra and Mr. Rama Shankar Awasthi submitted that despite repeated Orders of the Hon'ble APTEL and the Commission from time to time, the fixed asset registers have not been prepared by the Licensees.

3.37.2 Mr. Rama Shankar Awasthi submitted that the details of inter unit transfer have not been submitted by the Licensees, failing which such amounts should not be approved by the Commission while doing the True-up.

B) ***The Petitioner's response:***

3.37.3 With regard to the issue raised on preparation of fixed asset registers, the Petitioner submitted that fixed asset registers could not be prepared as the Transfer Scheme is yet to be finalised and the asset wise opening balances are yet to be finalised.

3.37.4 The Licensee submitted that the broad level opening balances have been adopted from the Transfer Scheme approved by the GoUP. Further, year wise capitalisations, as provided in the audited financial statements, have been considered for Tariff purposes and the same have been approved by the independent statutory auditor as well as by the CAG. The Licensee further submitted that the growth in the distribution network and consumer base is also a testimony of the large capital investment undertaken by the Licensee in the State. Hence, it cannot be denied that the capital investment has been put to beneficial use.

3.37.5 The Licensees further submitted that the accounting policy in relation to fixed assets is provided as part of the Audited Accounts. However, the fixed assets are shown at the value transferred as per the second Transfer Scheme as opening balance. The Licensee submitted that all the costs relating to the acquisition and installation of fixed assets till the date of their commissioning are capitalised in the accounts. The Licensee submitted that based on this policy, the capitalisations have been accounted in Audited Accounts of each year and the statutory auditors have approved the overall balance sheet of the Licensees. The Licensees added that even the supplementary audit report of the AGUP has not found any discrepancy in this policy.

C) ***The Commission's view:***

3.37.6 The Commission has taken note of the objections / suggestions made by the stakeholders in this regards. The Commission has already expressed its displeasure on the non-availability of fixed asset registers of the Licensee.

3.37.7 As a first step towards reprimanding the Licensees over the issue of non-preparation of fixed asset registers, the Commission in its Tariff Order dated 31st May, 2013 had withheld 20% of the allowable depreciation for FY 2013-14 alongwith the direction that the same would be released for recovery through Tariff, upon submission of fixed assets registers up to the current year i.e., FY 2012-13 by 30th November, 2013.

3.37.8 The Commission in the same Order had also observed as follows:

> *"The Commission is also not satisfied with the explanation provided that the fixed asset registers could not be prepared as the Transfer Scheme finalisation is pending. The responsibility of the Transfer Scheme finalisation also rests with the Licensee. The Licensee needs to pursue with the GoUP to get the Transfer Scheme finalised. Nevertheless, it cannot be argued, that fixed asset registers capturing at least the yearly capitalisations could always have been prepared. The Commission directs*

the Licensee to prepare the fixed asset registers duly accounting for the yearly capitalisations from FY 2012-13 onwards. The capitalisations for the period before that may be shown on gross level basis. Upon finalisation of the Transfer Scheme, the Licensees may update the fixed asset registers appropriate by passing necessary adjustments."

3.37.9 However, the Licensees have shown no improvement in this front and the details of fixed asset registers have still not been submitted till the finalization of ARR and Tariff for FY 2014-15.

3.37.10 Continuing with its earlier approach the Commission has withheld the allowable depreciation for FY 2014-15 to an extent of 25%, i.e. an additional 5% over the last year's limit of 20%. However, the Commission has accorded final opportunity to the Licensee in this regards for submission of the fixed asset registers failing which the Commission shall disallow any kind of recovery of the same in the future as detailed in the Chapter titled Annual Revenue Requirement of FY 2014-15.

3.37.11 The Commission while approving the past years capitalisation in True-up orders have relied on the gross fixed asset balances as per audited accounts. While approving the investment for the FY 2014-15, the Commission has considered only 70% of the investment proposed in the ARR Petitions.

3.38 TARIFF AND NON TARIFF ITEMS

A) *Comments / Suggestions of the Public*

3.38.1 Mr. P. K. Maskara, Director of Mahabir Jute Mills Limited of Gorakhpur and Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. submitted that the Licensees should provide clarification regarding the Tariff and Non-tariff items. He suggested that the Load Factor Rebate is a Tariff item and hence should be considered in ARR.

B) *The Petitioner's response:*

3.38.2 As regard the contention raised by Mr. P. K. Maskara regarding the Tariff and Non-Tariff items, the Licensees replied that it has submitted all the relevant information in the ARR and Tariff Petitions for FY 2014-15. The Licensee further submitted that since the query of the stakeholder is dated 27th November, 2013 hence it is understood that the same does not pertain to the ARR and Tariff filings for FY 20 14- 15.

C) *The Commission's view:*

3.38.3 The Commission has taken note of the suggestion of the stakeholders in this regards. The Distribution Tariff Regulations, 2006 clearly provides the distinction between the Tariff items to be included in the ARR and the Non-Tariff items to be considered while approving the revenue. And thus, revenue from Tariff or Non Tariff items both gets included in the revenue.

3.39 METERING AND BILLING

A) *Comments / Suggestions of the Public*

3.39.1 The representatives of Lucknow Jan Kalyan Mahamanch including Mr. Pitambar Bhatt submitted that proper seals should be placed while replacing the electric meters and a proper inspection at site should be there.

3.39.2 Mr. S. B. Agrawal, General Secretary of Associated Chambers of Commerce & Industry of U.P, Mr. Dhanush Vir Singh (General Manager of M/s Bennett Coleman & Co Ltd., Times of India Group), Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd., Mr. Rajeev Gupta, Vice President of Associated Chambers of Commerce & Industry of Uttar Pradesh, Mr. Atul Gupta, President of National Chamber of Industries & Commerce, UP, the representatives (including Mr. Babu Lal Singhal) of Lohiavadi Vichaar Munch, the representatives of Shramik Basti Seva Samiti of Kanpur, Mr. R. K. Chaudhary, Chairman, Indian Industries Association Varanasi Chapter and Dr.

Pradeep Kumar Garg of Dr. Garg Nursing Home & X-Ray Clinic submitted that Licensees should ensure 100% metered supply, including rural consumers and its employees (present as well as retired). They further submitted that the Licensees should install prepaid meters in the premises of all such consumers who opt for it and such consumers in accordance with the Electricity Act 2003.

3.39.3 Further, Mr. P. K. Maskara, Director of Mahabir Jute Mills Limited of Gorakhpur suggested that prepaid meters should be installed in premises of all such consumers who want to opt for it and this will control supply to the industries having independent feeder from 132 / 33 kV sub-stations.

3.39.4 The representative of National Chamber of Industries & Commerce, U. P. submitted that there is a long standing demand of consumers and trade associations to install prepaid meters and the Licensee should clarify the schedule of implementation of such schemes.

3.39.5 Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. submitted that the consumers seeking prepaid meters should not be made to pay additional security as it is obligatory for the Licensees to make arrangement of easily available meters. Further, Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. and Mr. S. B. Agrawal, General Secretary of Associated Chambers of Commerce & Industry of U.P requested the Licensees to provide the graph of target achieved in last few years for installing meters on unmetered supply. He suggested that the Govt. can provide subsidy to such consumers instead of providing unmetered connections. They further requested the Commission to direct the Licensees to accept Bank Guarantee from LMV-6 consumers where payment record is bad for any delay or failure.

3.39.6 Mr. Naveen Khanna, Chairman, Kanpur Chapter of Indian industries Association, Mr. K. L. Aggarwal, Chairman, Associated Chambers of Commerce & Industry of U. P., Mr. Vishwanath Rai of Matdata vichar Samiti, Varanasi, the representatives of Confederation of NCR Residents Welfare Associations (including Mr. P. S. Jain) and Mr. R. K. Chaudhary, Chairman, Indian Industries Association Varanasi Chapter submitted that unmetered electricity supply to all category of power consumers including the staff must be stopped and should be metered. They further submitted that all heavy consumers must be provided pre-paid meters and arrangement must be made by the Distribution Licensees to provide pre-paid meters.

3.39.7 Mr. Anil Rathi of Associated Chambers of Commerce & Industries submitted that there have been repeated directions by the Commission to all the Licensees to provide all the departmental employees and pensioners metered supply only. He contended that inspite of such directions unmetered supply is still being given to departmental employees and pensioners at price which is not even relevant to the cost price. He also added that in such a scenario HV-2 industries also demand that they should also be given unmetered supply till the time all supplies are metered so as to provide a level playing field to all consumers.

3.39.8 Mr. Rupak Gautam, Energy Controller, Indus Tower Ltd. requested the Commission to consider the proposal of compulsory installation of AMR meters and roll out of consolidated billing for large consumers with multiple connections. He further suggested that in this regard, the Commission should issue appropriate directions to the Licensees to consider such implementation on high priority for telecom towers.

3.39.9 He further submitted that in accordance with supply code, the Licensee has to provide a minimum of 15 days to the consumers to pay their bills. However, very few bills are received by the consumer with a time period of 15 days for bill payment. He contended that 94% of the bills received by Indus Towers have payment period of less than 15 days for payment which results in Indus Tower to pay excessive late payment surcharge to the Licensees for no fault of its own. He requested the Commission to direct the Licensees to ensure that it gives a time period of 15 days from the date of despatch to the final date to ensure timely payment of bills. He also requested the Commission to direct the Licensee to should refund the Indus Tower for the excess late payment surcharge paid by it.

3.39.10 Mr. Rama Shankar Awasthi and Mr. Mahesh Meghani of Association of Industrialists & Merchants requested the Commission to continue previous provision of late payment surcharge specified in last Tariff Order. They submitted that the Licensees should also specify excess payment recovered by them from consumer and this should be included in the Tariff Order. They further requested the Commission to direct all the Licensees for providing monthly M.R.I. report (full) to consumer so that the consumer are able to verify consumption mentioned in monthly bill issued by the Licensees as in the absence of M.R.I. report and reading sheets (at present licensee take monthly reading through modem in their office), consumer are never able to verify the consumption mentioned in TOD slot of monthly bill prepared by the Licensee.

3.39.11 Mr. Narendra Kumar Dubey of Bhartiya Janta Party, Agra suggested that consumers should be intimated by SMS for bills.

3.39.12 Mr. J. P. Singh of Kamala Nagar, Agra submitted that he has opened school till class 2 and has only 17 poor students in his school. He submitted that on February 2014, his connection was converted from LMV-1 to LMV-4, as a result of which he has to pay the bill applicable for LMV-4 category. He contended that Torrent power has given him a bill with a Tariff difference of Rs. 34421 / 15. Therefore, in interest of poor students getting education from his school, he requested the Commission to change his school connection from LMV-4 to LMV-1 category and also reduce the bill given by Torrent Power.

3.39.13 The representatives of Sanyukt Udyog Vyapar Sangh Kharkhauda, Meerut requested the Commission to direct the Licensees to replace the meter reading based billing with the billing applicable to rural electricity supply.

3.39.14 Mr. Rajiv Goyal, Mr. Ajay Verma and the representatives of Bharat Ka Jan Andolan of Lucknow submitted that all the consumers should be billed on the basis of meter reading.

3.39.15 Mr. Rama Shankar Awasthi submitted that the Commission decide all the rates on which Licensee bills the consumers and Torrent Power, being a franchisee takes the electricity from DVVNL to distribute in the city of Agra. He submitted that clarification should be provided regarding the rate of Torrent Power below the bulk supply tariff determined by the Commission. He further submitted that as per the agreement a quantum of 1905 MU has to be provided by DVVNL and the rest has to be purchased from outside by the franchisee and the Licensees should provide a clarification for non-compliance in this regards.

3.39.16 Mr. Avadhesh Kumar Verma submitted that due to the high losses of Torrent power which is a distribution franchisee in Agra City the ARR of the Licensee has increased. He submitted that the losses of the DVVNL are higher due to input based distribution franchisee. Further some of the others stakeholders also submitted that Torrent power has caused a loss of around Rs. 5000 crore to DVVNL and has worsened the the State conditions.

3.39.17 Mr. Rakesh Goel, President of Samarpan Sankalp Samiti submitted that perusal of ARRs submitted reveals that around 25-30% energy supplied is truly and correctly metered. He submitted that many categories of consumers, including the working and retired employees of MVVNL, are being supplied electricity without metering in spite of the Orders issued by the Commission. He further contended that although new meters have been installed in several 33 / 11 kV substations, yet no data logging is being done for the purpose of energy accounting. He added that in an efficiently managed transmission and distribution system, losses of more than 10% should not be considered.

3.39.18 Mr. Abdul Haq and the representatives of Samajvadi Party, Agra requested the Commission to cancel the bills issued to domestic category of uneducated, poor, old and sick consumers. He contended that Licensees had no survey or meter reading for past many years and today under Torrent Power, such domestic households have been billed with Lakh of rupees which is purely unjustified. He requested that such bills should be cancelled as most of such premises are vacant since many years and in very poor condition.

B) *The Petitioner's response:*

3.39.19 With regard to the metering of departmental employees, the Licensees submitted that Section 23 (7) of Electricity Reforms Act, 1999 provides as follows:

> *"terms and condition of service of the personnel shall not be less favourable to the terms and condition which were applicable to them before the transfer".*

3.39.20 The Licensees submitted that same spirit has been echoed under first proviso of section 133 (2) of the Electricity Act, 2003. Also, the benefits for employees / pensioners as provided in section 12 (b)(ii) of the Uttar Pradesh Reform Transfer Scheme, 2000 include "concessional rate of electricity", which means concession in rate of electricity to the extent it is not inferior to what was existing before 14th January, 2000. The Licensees submitted that the rates and charges and terms and conditions of supply have been proposed in strict adherence of above statutory provisions.

3.39.21 As regards the issue of 100% metering the Licensee replied that the same was discussed at length in the Brainstorming meeting held with the Commission on 18th February, 2014 and subsequently, the Licensees have undertaken a comprehensive exercise to regularise 'katiya' connections and metering of un-metered connections. The Licensees informed that in this regard, an Office Order No. 832 dated 19th June, 2014 has been issued by Chairman, UPPCL directing all Distribution Licensees to strictly comply with such Order.

3.39.22 As regards pre-paid meters the Licensees informed that pre-paid meters are being procured and will be installed at consumers' premises in near future.

3.39.23 As regards imposition of late payment surcharge, the Licensees submitted that the late payment surcharge is imposed to enforce payment discipline on the consumers; otherwise working capital issues may arise leading to increase in cost of service to consumers.

3.39.24 The Licensee clarified that the Bulk power tariff for M/s Torrent Power Ltd., has been fixed with due diligence taking into consideration all relevant parameters and data. The terms and conditions of the agreement with M/s Torrent Power Limited are governed by the Franchisee Agreement.

3.39.25 The Licensee has treated the energy supplied to M/s Torrent Power Limited as bulk sales by DVVNL. The audited balance sheet has been finalised based on the advice and overview of the statutory auditor. However, the Commission considers the retail sales of Agra City for tariff purposes and therefore, there is no impact on the ARR and consumer's w.r.t the input based distribution franchisee in Agra City.

C) *The Commission's view:*

3.39.26 The Commission has taken note of the objections / suggestions made by the objectors regarding prepaid meters and on other hand it also appreciates the endeavours made by the Licensees for installation of prepaid meters. Further, the Commission feels that prepaid meters will go a long way towards reducing commercial losses of the Licensee. The billing and collection through Franchisee model has been widely accepted in different parts of the country and the main purpose is to help the Licensee in reducing inefficiency in billing, collection and loss reduction. Keeping the above in mind, implementation of the franchisee model will be a welcome move by the Licensees.

3.39.27 **The Licensees are directed to provide the monthly MRI reports to all the applicable consumers through email. The consumers would be required to register their email to the Licensee.**

3.39.28 As regards the objections related to individual objectors for settlement of bills etc. the Commission has taken a note of all such objections, however, the Commission is of the view that such objections do not specifically pertain to the ARR and Tariff related matter. The licensees are directed to look into the matter and take appropriate actions on the same.

3.40 ELECTRICITY DUTY AND INTEREST ON SECURITY DEPOSITS

A) *Comments / Suggestions of the Public*

3.40.1 Mr. S. B. Agrawal, General Secretary of Associated Chambers of Commerce & Industry of U.P submitted that in accordance with the Distribution Tariff Regulations, 2006 the Licensees has are required to pay interest to the consumers at bank rate or more on the consumer security deposits. He further submitted that the Commission has considered the prevalent bank rate of the Reserve Bank of India (RBI) for approval of the interest rate applicable for such payments and accordingly, interest on security deposit for FY 2012-13 should be payable at 9.5% which was the effective bank rate as on April 1, 2012, however, despite repeated requests no action has been taken by the Licensees in this regard.

3.40.2 Further, Mr. S. B. Agrawal, Mr. Rajeev Gupta, Vice President of Associated Chambers of Commerce & Industry of Uttar Pradesh, Retd. Major Sukhbir Singh and Mr. Atul Gupta, President of National Chamber of Industries & Commerce, UP submitted that security deposit is being calculated on Electricity Duty also. They contended that as Electricity Duty is being recovered from the Licensees on behalf of GoUP, hence, no Security Deposit should be charged for this.

3.40.3 Mr. S. B. Agrawal further submitted that while calculating security deposit two months equivalent billing amount is being considered. He further submitted that the meter readings are being recorded and bills are being issued just on first day of the succeeding month and the consumers are required to pay bills within seven days, therefore, security deposit should be equivalent to 1 month or maximum 45 days.

3.40.4 Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. submitted that additional Security Deposit equivalent to 2 month consumption including duty and other surcharges are unreasonable. He submitted that like other States, Security Deposit should not be increased and also the Licensees are not paying the interest timely and fully. He further submitted that Interest on security has not been paid in the past and the matter remains pending despite directions to clear all outstanding. He added the Licensees should pay the same now and that too with interest.

3.40.5 Sr. Plant Manager of Indian Oil Corporation Ltd. L.P.G Bottling Plant requested the Commission to provide them the rate of interest on security deposit with the Licensees against their electricity connection for FY 2009-10 to FY 2014-15 and also to verify the amount received from the Licensees for the given years.

3.40.6 The representatives of Confederation of NCR Residents Welfare Associations (including Mr. P. S. Jain) submitted that consumers should be provided interest on the security deposit. The representative of National Chamber of Industries & Commerce, U. P. (including Mr. Manish Agarwal) submitted that the interest on security deposit should be paid fully to the consumers for the period 2003 to 2006 and FY 2011-12.

3.40.7 Mr. R. K. Jain, Secretary, Western U. P. Chamber of Commerce and Industry, Bombay Bazar, Meerut Cantt submitted that all the Licensees may be directed to pay interest on security for 2014-15 as per bank rate of RBI on April 1, 2014.

3.40.8 Mr. K. L. Aggarwal, Chairman, Associated chambers of Commerce & Industry of U.P submitted that the Commission vide its letter dated 20th August, 2007 and another letter no. UPERC /2008-3261 dated 6th October, 2008 treated non-payment of additional security as an arrear for the purpose to calculate Load Factor Rebate (LBR) of Industrial Consumers. He further submitted that on the same subject, UPPCL has issued letter No. 816/Gen. File 13 dated 10th June, 2014 to MDs of all Distribution Licensees. He added that in this regard, the Hon'ble High Court Allahabad Bench in writ C. No. 7764 of 2011 (K. L. Concast Pvt. Ltd.) Judgment dated 24th February, 2011 ruled as law that non-payment of additional security cannot be treated as arrears for the purpose to deny LBR and also held the Commission's letter dated 6th June, 2008 as illegal. He requested the Commission to examine the matter and take immediate actions and direct the Licensees to withdraw UPPCL letter No. 816/Gen. File 13 dated 10th June, 2014 issued to MDs of all the Licensees in this regards.

3.40.9 Mr. Rama Shankar Awasthi submitted that the Licensees should provide details validating the payment of interest on security to all consumers in a timely fashion. He further submitted that it is the duty of the Licensee to adjust the amount of interest on security deposit in each financial year. He also suggested that if Licensees fail to adjust this amount in, specified time mentioned in distribution code then Licensee should pay interest equivalent to late payment surcharge claimed by licensee in case of delay payment by consumer.

3.40.10 Mr. P. K. Maskara, Director of Mahabir Jute Mills Limited of Gorakhpur submitted that for calculating security deposit equal to two months of bill, Non-Tariff income must be eliminated from bill average of two months.

3.40.11 Mr. P. K. Maskara, Director of Mahabir Jute Mills Limited of Gorakhpur and Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. submitted submitted that Electricity Duty is a state tax and therefore it should be on net amount of bill. On similar lines he added that calculation of security deposit figures should be only on tariff items (excluding electricity duty as Non-Tariff item).

3.40.12 Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. submitted that there should be no electricity duty on old / sick / nursing units in line with new units to help them sustain.

3.40.13 Some of the stakeholders submitted that electricity duty should be applicable on units and not on the percentage basis.

3.40.14 Further, Mr. Mahesh Meghani of Association of Industrialists & Merchants submitted that clarification may be provided regarding the consumer security deposit of 9.5% only.

B) *The Petitioner's response:*

3.40.15 The Licensees submitted that interest on consumer security deposit is being given to consumer as per Orders of the Commission and the provisions related to security deposit and the interest payable on the same are amply clear and are dealt with in detail in the Distribution Tariff Regulations, 2006 and are being followed in letter and spirit by the Licensees. However, in case any specific discrepancy is brought to the knowledge of the licensee, it is then immediately rectified and consumer is credited with the interest on consumer security deposit.

3.40.16 Further, the Licensees submitted that electricity duty is payable to State Government and its chargeability and rates are not governed by the Tariff Order.

3.40.17 As regards computation of security deposit on Electricity Duty, the Licensees submitted that the security deposit amount is being calculated as per the Cost Data Book and Supply Code issued by the Commission.

C) *The Commission's view:*

3.40.18 Matters related to electricity duty exemption relate to GoUP and the stakeholders desiring any such favours may approach the GoUP alongwith their proposal.

3.40.19 The provisions related to security deposit and the interest payable on the same are amply clear and are dealt with in detail in the Distribution Tariff Regulations, 2006. It needs to be followed in the same spirit by both, the Licensee as well as the consumers.

3.40.20 The Reserve Bank of India vide circular no. RBI/2013-14/469 dated 28th January, 2014 has revised the bank rate from 8.75% to 9.00% w.e.f 28th January, 2014. The Commission in this Order has approved a rate of 9.00% on interest on consumer security deposit for the period 1st April, 2014 to 31st March, 2015.

3.40.21 The Commission in its earlier Orders has directed the Licensee on the above matter and it **once again directs the Licensee to pay the applicable interest as per the Orders of the Commission and submit the compliance report with the next ARR filing. Licensees are directed to ensure the timely payment of the interest on security deposit to the consumers.**

3.41 REGULATORY SURCHARGE

A) *Comments / Suggestions of the Public*

3.41.1 Mr. S. B. Agrawal, General Secretary of Associated Chambers of Commerce & Industry of U.P and Mr. Pratap Chandra (President of Rashtriya Rashtravadi Party) submitted that regulatory surcharge @ 3.71% was imposed to cover the losses incurred by UPPCL between FY 2000-01 to FY 2007-08. They further submitted that one of the consumer of PVVNL has filed the writ Petition against this and accordingly the Hon'ble High Court of Allahabad vide its Judgment dated 18^{th} September, 2013 has observed as follows:

> *"as an interim measure, we direct that the surcharge, imposed by the notification dated 10-6-2013 shall be paid by the petitioner @3.71% but the.....Paschimanchal Vidyut Vitran Nigam Ltd., shall ensure that the said amount of regulatory surcharge be kept in a separate interest bearing account of a national bank. The deposit so made by the petitioner shall be subject to the further orders passed in the writ petition".*

3.41.2 They further requested that to avoid similar writ Petitions from consumer of HV-2 categories of other Licensees' area, the Commission may order similar procedure for other Licensees as well.

3.41.3 The representatives of Confederation of NCR Residents Welfare Associations (including Mr. P. S. Jain), the representatives Federation of Noida Residents Welfare Association (including Mr. N. P. Singh), Mr. M. Ahmed of Shramik Basti Sewa Samiti, Retd. Major Sukhbir Singh and National Chamber of Industries & Commerce, U. P. including Mr. Manish Agarwal submitted that the Licensees should not charge regulatory surcharge from the consumers.

3.41.4 Mr. B.C. Mittal submitted that surcharge is levied on the consumers for no fault of theirs. Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. submitted that regulatory surcharge should not be repeated as it is unreasonable, illogical and illegal as per Electricity Act, 2003.

3.41.5 Mr. K. S. Parmar, Pramukh Sachiv of Upbhokta Kalyan Parishad submitted that regulatory surcharge should not be imposed in public interest.

3.41.6 M/s Rathi Steel and Power Ltd., Director of M/s Rathi Industries Ltd., Director of M/s K. L. Rathi Steels Ltd., Managing Director of M/s Rathi Super Steel Ltd., General Manager (Operations) of M/s K. L. Steels (p) Ltd. and Director of K.L. Concast Pvt. Ltd. submitted that the Petitions submitted by the Licensees should provide clarification regarding the recovery of Regulatory Assets from Open Access Consumers.

3.41.7 Further, Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. and Mr. P. K. Maskara, Director of Mahabir Jute Mills Limited of Gorakhpur submitted that clarification should be provided whether regulatory surcharge is a Tariff or Non-Tariff item.

B) *The Petitioner's response:*

3.41.8 With regard to the issue of regulatory surcharge @3.71% for FY 2013-14, the Licensees submitted that Clause 6.12 of the Distribution Tariff Regulations, 2006 provide as follows:

"1.Creation of Regulatory Asset only for the purposes of avoiding tariff increase shall not be allowed and it shall only be created to take care of natural causes or force majeure conditions or major tariff shocks. The Commission shall have the discretion of providing regulatory asset.

2. The use of the facility of Regulatory Asset shall not be repetitive.

3. Depending on the amount of Regulatory Asset accepted by the Commission, the Commission shall stipulate the amortization and financing of such assets. Regulatory Asset shall be recovered within a period not exceeding three years immediately following the year in which it is created."

3.41.9 The Licensees submitted that regulatory asset had been created by the Commission towards unrecovered gap pursuant to the final True-up for FY 2000-01 to FY 2007-08 based on Audited Accounts and thereafter regulatory surcharge @ 3.71% was approved by the Commission to amortize 50% of the revenue gap approved in such True-up Order. The Licensees submitted that in view of the above regulatory surcharge is valid in law and is in accordance with the Distribution Tariff Regulations, 2006.

C) ***The Commission's view:***

3.41.10 The matter of Regulatory surcharge is of great concern to the Commission and accordingly it has issued appropriate directions on the same as detailed subsequently in this Order.

3.42 CROSS SUBSIDY AND CROSS SUBSIDY SURCHARGE

A) ***Comments / Suggestions of the Public***

3.42.1 Dr. Pradeep Kumar Garg of Dr. Garg Nursing Home & X-Ray Clinic requested the Commission to issue an Order so that cross subsidy component levied on better class of consumer shall be unit linked and clearly reflected in their bills.

3.42.2 Mr. K. L. Aggarwal, Chairman, Associated Chambers of Commerce & Industry of U. P. submitted that the Commission vide letter dated 20th August, 2007 directed to treat pending due to surcharge liability as an arrear. However, such amount of surcharge liability is not conveyed to the consumer. He submitted that it is a settled law that until and unless a demand is raised against any due or the same is added in next bill giving an opportunity to the consumer to pay off the due / liability, then any such liability cannot suo-moto be treated as an arrear.

3.42.3 Ms. Shruti Bhatia, Vice President (Policy & Communications) of IEX has suggested the following formula for computation of cross subsidy surcharge (CSS):

“Formula should be in line with the National Tariff Policy i.e. S= T – [C (I+ L /100) + D].

i. *'T' should be specified as Tariff applicable for the consumer category in Rs/unit. This should exclude those charges which are payable by the relevant category of consumer which are fixed in nature and payable by the OA consumer to the DISCOM irrespective of whether the consumer choose for procuring power from open access or not since presently all OA consumers seek open access with their contract demand intact. When tariff which are fixed in nature considered in 'T', it leads to double charges as these fixed charges are anyway has to be paid by the consumer.*

ii. *'C' should be taken as “Weighted average variable cost of power purchase of top 5% at the margin in the merit order of including short term power and excluding liquid fuel based generation and renewable power". To start with, the Commission may take top 10% instead of 5%.*

iii. *'D' should be the average wheeling charges for transmission and distribution of power.*

iv. *'L' should be the system losses for the applicable voltage level, expressed as a percentage. In absence of loss data, the Commission may take 7.8% as loss and may change the loss figure as and when actual figures will be available with the Commission.”*

3.42.4 Mr. Rama Shankar Awasthi submitted that in accordance with the previous Tariff Orders, the Government has not being providing adequate subsidy, which is against Section 65 of the Electricity Act, 2003 and this leads to cross subsidization of other categories which is against the spirit of the Electricity Act, 2003. He contended that the Licensees have not provided the detailed computation of the Government subsidy provided to them. In this regard, he requested the Commission to direct the Licensees to provide such details before finalizing and designing the Tariffs of various categories of consumers as the True-up can also not be approved by the Commission without this data.

3.42.5 Mr. G. C. Chaturvedi of Indian Industries Association submitted that cross subsidy burden must be removed from the industry.

3.42.6 Mr. Dhanush Vir Singh (General Manager of M/s Bennett Coleman & Co Ltd., Times of India Group) submitted that the Commission may persuade the State Government to grant an appropriate power subsidy to the newspaper printing establishments.

B) *The Petitioner's response:*

3.42.7 As regards the CSS the Licensee submitted that the schedule of open access charges and CSS are notified by the Commission in the Tariff Orders. The Licensees submitted that they are duty bound to abide by the Electricity Act, 2003 which provides for open access in the distribution segment. The Licensees further submitted that in this background they have already made a Petition before the Commission for determination of CSS which would pave way for operationalization of open access. The Commission has also issued In-house paper on the matter. The Licensees added that the Commission is seized with this matter and it is expected that in the ARR and Tariff Order for FY 2014-15, the Commission would provide details of open access charges and cross subsidy surcharge.

3.42.8 With regard to granting power subsidy to the newspaper printing establishments, the Petitioner submitted that it is the prerogative of the State Govt to decide on the issue of subsidy and the distribution licensee is not in a position to influence the decision making process of the State Govt.

3.42.9 As regards the issue of cross subsidy burden to be removed from the industries, the Licensees submitted the cross subsidy is within the threshold limits prescribed under the Tariff Policy.

C) *The Commission's view:*

3.42.10 The Commission is of the view that tariff should be rationalized. However, it is also aware of the socio-economic condition of different groups of the population. Therefore, it is of the opinion, that there is a need to have a feasible solution that helps the cause of rationalization. The Commission has ensured that the tariff payable by these consumers is low, keeping in mind that they belong to the most disadvantaged sections of the society. The current tariff for this category of consumers, well justifies the rationalization policy of the Commission and is in line with the National Tariff Policy.

3.42.11 In accordance with the National Electricity Policy, consumers below poverty line who consume electricity below a specified level may receive a special support through cross subsidy. Tariffs for such designated group of consumers will be at least 50% of the average cost of supply. The tariff has been designed in such a way that it shall progressively reflect the cost of supply of electricity.

3.42.12 As regards the cross subsidy surcharge the Commission has noted the suggestions made by the stakeholders and has accordingly discussed the issue in detail in Chapter Open Access Charges.

3.43 REBATE IN TARIFF

A) *Comments / Suggestions of the Public*

3.43.1 Mr. Deepak Agarwal, Jt. Managing Director, A2Z Infrastructure Ltd. submitted that pursuant to the affidavit filed by the Union of lndia in Writ Petition (Civil) No. 888 of 1996 in the Hon'ble Supreme Court of lndia by Mrs. Almitra Patel & Others vs Union of lndia & on Solid Waste Management, the Ministry of Urban Development, Government of lndia constituted an Inter-Ministerial Task Force on "Integrated Plant Nutrient Management using City Compost" comprising of experts from various Government bodies and special invitees / NGOs. The recommendation number (xxi) of the Task Force under Financial Recommendations states in the Para (12) as:

> *"Composter should be supplied electricity and water on the same rates as provided to agriculture sector or at concessional rate, whichever is less"*

3.43.2 He further submitted that while considering the Report of the Task Force, the Hon'ble Supreme Court of India had directed for immediate implementation of the recommendations of the Task Force. In this regard, he requested the Commission to provide electricity to A2Z Infrastructure Ltd. for its MSW Projects at agricultural / concessional Tariff as per the directives of the Hon'ble Supreme Court and may accordingly take the same into consideration in the ARR for FY 2014-15, which promotes composting of city waste with twin objective of cleaning the cities and replenishing the soils with much needed humus rich in nutrients and moderating soil environment.

3.43.3 Dr. Sunil Kumar submitted that the rebate in Tariff should be continued for the supply of power to the clinics established at the premises of Doctors.

3.43.4 Mr. R. K. Jain, Secretary, Western U. P. Chamber of Commerce and Industry, Bombay Bazar, Meerut Cantt submitted that rebate should be reintroduced to power consumers on the bills paid in time.

3.43.5 Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. submitted that load factor rebate should be given on actual hours of supply on MDI meters, which is on the assumption of 24 hours supply and accordingly proportionate rebate should be allowed.

3.43.6 Mr. Atul Kanojia submitted that the shop opened in the residential premises should be considered in domestic category.

3.43.7 Mr. Kedar Nath Gupta of Avinash Ghan Neer Girls Inter College, Kanpur requested the Commission to provide concessional Tariff for un-aided educational institutions.

3.43.8 Mr. Satyajeet Thakur of U. P. Khadi & Village Industries Board submitted that the hand-made paper products are eco-friendly and such cottage industries provide employment to rural population and therefore, there should be reduction in Tariff for cottage industries of hand-made paper products.

3.43.9 The representatives of Hath Kagaz Nirmata Samiti Kalpi-Jaunpur, U. P. (including Mr. Rabindra Nath Gupta) submitted that hand-made paper cottage industry is in very poor condition and requested the Commission to provide 50% subsidy to hand-made paper cottage industry and supply electricity to them at rate based on horse power.

3.43.10 The representatives of Uttar Pradesh Madhyamik Vidyalaya Prabandhak Mahasabha submitted that there are two types of private schools wherein the first category of private schools are those where State Govt. has no control over the fees charged from the students while the second category of private schools are run under the aid of State Govt. and the teachers of such category get the salary from the State Govt. Remaining expenses of the such second category of schools are borne by the school by its own. They submitted that the fees charged by second category of private schools are controlled by the State Govt. They contended that there is a separate category for Private Schools in the Tariff structure whose Tariff are Rs. 6.50 / 6.75 per Unit, which is even more than the commercial category. They submitted that the connections of most of the second category of private schools have been disconnected due to inability to pay bills and hence they requested the Commission to provide a provision for free / subsidized electricity for the second category of private schools.

B) *The Petitioner's response:*

3.43.11 As regards the contention raised by Mr. Deepak Agarwal regarding electricity supply to MSW projects at concessional agriculture Tariff, the Licensees submitted that UPPCL had communicated vide letter no. 654 / RAU / ARR general dated 2nd May, 2012 stating that it would not be possible to supply electricity at subsidised rates without any provision of subsidy from the Central or State Government. The Licensees added that since subsidy provision is not available, as per the terms of the Tariff Policy, it would not be possible to supply electricity at subsidised rates to MSW projects.

3.43.12 The Petitioner submitted that Section 62 (3) of the Electricity Act 2003 states as follows:

> *"Appropriate Commission shall not while determining the tariff under this Act, show undue preference to any consumer of electricity, but may differentiate according to the consumer's load factor, power factor, voltage, total consumption of electricity during any specified period or the time at which the supply is required or the geographical position of any area, the nature of supply and the purpose for which supply is required".*

3.43.13 The Licensees submitted that based on above distinction has been done in the Rate Schedule such that consumers who consume power for commercial purposes are charged near the cost of supply.

3.43.14 As regards reduction in Tariff for khadi and village industries, paper industry and cottage industry, the Licensees replied that such industries run with commercial motives and such industries pass the incidence of their cost on to their consumers in terms of hike in charges of products and services. The Licensees submitted that any reduction in Tariff of such consumers would hurt the Licensees who are already reeling under severe financial crisis. The Licensees added that since no subsidy is being received from the State

Government towards such industries, hence any reduction in their Tariffs would be uncovered gap for the Licensees.

C) *The Commission's view:*

3.43.15 The Commission has taken note of the above objections / suggestions made by the stakeholders in this regards. The Commission has determined the Tariff for different category of consumers in accordance with the Electricity Act, 2003 and the Tariff Policy. All the aspects related to tariff design have been discussed in detail in Chapter Tariff Philosophy and the Rate Schedule approved by the Commission.

3.43.16 As regards subsidy for any particular category of consumers is concerned, the Commission opines that it is outside the purview of the Commission and is related to the State Government. The stakeholders desiring any relief in this regards may approach the State Government with their proposal. As far as applicable Tariff for different category of consumers is concerned, the same shall be in accordance with the Rate Schedule approved by the Commission.

3.44 OPEN ACCESS

A) *Comments / Suggestions of the Public*

3.44.1 Mr. R. N. Singh, Secretary, Chamber of Industries, Gorakhpur submitted that Open Access is available to Independent Feeders, immerging from 132 kV / 33 kV sub-stations and therefore wheeling loss would be less than 0.1%. However, there are two different rates for two Licensees i.e. in the Tariff Order for the Licensees it is 7% whie for NPCL it is 2.76%. He submitted that in the ARR filed by Chief Engineer (RAU), UPPCL on 6th February, 2013, the wheeling loss was only 1.91% for the current year. He submitted that under the system of double metering, two meters are installed at two places, i.e., main meter at factory's entry point and other at exit point of transmission sub-station which is an independent feeder and the variation of both meters is less than 0.1% hence, wheeling loss should be less than 0.5%. In this regard, Mr. S. B. Agrawal, General Secretary of Associated Chambers of Commerce & Industry of U.P suggested the wheeling loss should not be considered more than 1%. Further, Mr. P. K. Maskara, Director of Mahabir Jute Mills Limited of Gorakhpur requested the Commission to allow not more than 0.5% wheeling loss for 33 kV feeder.

3.44.2 Mr. Anil Sardana, Chairman, Confederation of Indian Industry (CII) National Committee on Power submitted that denial of Open Access affects the State and its economy as a whole. He submitted that when an Industrial Consumer in a State is denied access to competitive power leading to lower turnover, the economy the State is hampered leading to lesser Income from taxes for the State and increased unemployment. He added that the Licensees are deprived of wheeling and other charges applicable on the consumer availing open access and the aspects like cross subsidy charge and surcharge are causing difficulties in promoting open access. He requested the Commission to frame policy and regulations pertaining to rationalization of wheeling charges, cross subsidy surcharge and other OA charges in such a way that OA is promoted.

3.44.3 M/s Rathi Steel and Power Ltd., Director of M/s Rathi Industries Ltd., Director of M/s K. L. Rathi Steels Ltd., Managing Director of M/s Rathi Super Steel Ltd., General Manager (Operations) of M/s K. L. Steels (p) Ltd. and Director of K.L. Concast Pvt. Ltd. submitted that proposed wheeling charges with detailed explanation on the different voltage level should be specified and clarified and the Petitions filed by the Licensees are silent about subsidy to be granted by U.P. Govt. to them. They submitted that the charges to be recovered from Open Access consumers on account of cross subsidy should be provided with justification and the details of category wise and voltage wise charges to be recovered from open access consumers should also be clarified. They further submitted that rate of bulk consumer on HT supply system may be fixed without taking into consideration the cost of L.T. supply system.

3.44.4 The director of M/s Mahabir Jute Mills Ltd. submitted that wheeling loss should be considered on case to case basis and requested the Commission to allow them appropriate wheeling loss of about 1%.

B) *The Petitioner's response:*

3.44.5 As regards accounting of wheeling losses for computation of open access charges, the Licensees submitted that the issue has already been dealt with by the Commission in Para 5.2.6 of the suo-motu Tariff Order dated 31st May, 2013 for FY 2013-14. The relevant extract submitted by the Licensees is reproduced below:

> *"In addition to the payment of wheeling charges, the customers also have to hear the wheeling losses in kind."*

3.44.6 The Licensees further submitted that the voltage wise losses will be determined under the MYT regime.

3.44.7 As regards open access, the Licensees submitted that they are duly bound to abide by the Electricity Act, 2003 which provides for open access in the distribution segment and in this background, they have already made a Petition before the Commission for determination of cross subsidy surcharge which will pave way for operationalisation of open access. The Licensees further submitted that the Commission has also issued an In-house paper on this matter and is seized with this matter. The Licensees added that it is expected that in the ARR and Tariff Order for FY 2014-15, the Commission would provide the details of the open access charges and cross subsidy surcharge such that open access is a revenue neutral event to the distribution licensees.

3.44.8 As regards the subsidy granted by GoUP, the Licensees submitted that details of the proposed subsidy have been duly submitted in the ARR and Tariff Petition and the Govt. Orders in this regards have also been submitted before the Commission. The Licensees added that all such details have been published on the website of the Petitioner.

3.44.9 On the issue of applicability of regulatory surcharge on open access charges, the Licensees submitted that the Commission has already clarified the issue in the Clarifications in regard to the Tariff Orders for FY 2013-14 (Clarification No. 1) vide Ref No: UPERC/D(T)RAU/2013-402 dated 25^{th} June, 2013.

C) *The Commission's view:*

3.44.10 The Commission has taken note of the above objections / suggestions made by the stakeholders in this regards. The details of the charges applicable to open access consumers along with the wheeling losses approved by the Commission have been discussed in subsequent Chapter titled Open Access Charges.

3.45 PUBLIC PARTICIPATON

A) *Comments / Suggestions of the Public*

3.45.1 Mr. Rajata Mehta, General Secretary, Amausi Industries Association requested the Commission to list Amausi Industries Ltd. in the list of registered associations that represent micro-small and medium enterprises so that they will be able to participate in the discussions organised by the Commission and put forward issues, grievances and suggestions before the Commission.

3.45.2 Mr. Vishnu Bhagwan Agarwal of M/s the Popular Cycle Mfg. Co. (Pvt.) Ltd. submitted that public hearing should be video graphed and made transparent. He also submitted that speaking Order should be given on individual points of objections raised by the stakeholders.

3.45.3 Mr. K. L. Aggarwal, Chairman, Associated Chambers of Commerce & Industry of U. P. and Mr. R. K. Chaudhary, Chairman, Indian Industries Association

Varanasi Chapter submitted that the video-recording of the proceeding of all public hearings should be made compulsorily and copy thereof be made available to the interested parties on demand.

B) *The Petitioner's response:*

3.45.4 The Licensee has not replied to the above objections.

C) *The Commission's view:*

3.45.5 As regards the issue of speaking Order is concerned, the Commission has taken note of the suggestions made by the stakeholder and also ensures the stakeholders that the Commission diligently considers valuable suggestions provided by various stakeholders during the process and duly incorporates the same in the Tariff Order issued by it after taking all the necessary actions in this regards.

3.45.6 The Commission ensures the stakeholders that the public hearings are a transparent process and all necessary procedures in this regards are followed by the Commission as well as the Licensee which also include video-recording of the proceedings. The copy of the video-recording of the proceedings is always available with the Licensee and in case any interested stakeholder desires a copy, it may seek the same from the Licensees.

3.46 NEW SUB-CATEGORY FOR TELECOM TOWERS WITHIN COMMERCIAL CATEGORY

A) *Comments / Suggestions of the Public*

3.46.1 Mr. Rupak Gautam, Energy Controller, Indus Tower Ltd. submitted that all the telecom towers which are owned by Indus and which are being supplied by rural feeders are currently being billed on the basis of urban tariffs. He submitted that the towers being supplied electricity by rural feeders receive a continuous supply of electricity for a much smaller time period than urban areas. He further submitted that to ensure uninterrupted operation of telecom towers and to guarantee mobile connectivity, Indus Towers has to supply large volumes of diesel fuel to each of the towers and this additional expenditure on diesel, coupled with the excess tariff billed provides a major and unjustified financial strain on Indus Towers, affecting its liability to operate effectively. In this regard, he requested the Commission to direct the Licensee to bill telecom towers located in rural areas based on rural tariffs applicable to it. In addition, he also requested the Commission to direct the Licensee to refund excess billing made by the Utility to Indus Towers.

3.46.2 Further, Mr. Rupak submitted that in accordance with Section 62(3) of the EA 2003, Commissions across various States in India have introduced specific sub-categories for certain type of consumers under the Commercial category. Further, Hon'ble APTEL in its Judgment dated 20th October, 2010 in Appeal No. 70, 71, 78, 79, 80, 81 & 82 of 2010 in the matter of Association of Hospitals c/o Bombay Hospital vs. Mumbai Electricity Regulatory Commission and Reliance Energy Ltd. stated that the differentiation between consumers can be based on the use of electricity by hospital, educational institutions as compared to the commercial utilities such as malls and multiplexes etc. He submitted that the Commission has the right to differentiate between consumers on the basis of the "purpose for which the supply is required". In this regard, he requested the Commission to consider telecom as a special sub-category under the commercial category. He added that telecom tower industry forms a very different consumption profile and comes under the domain of essential service provider for social benefit and considering the ease of serving consumers, appropriate relaxations in tariff should be provided for telecom tower industry.

B) ***The Petitioner's response:***

3.46.3 In this regard, the Licensees submitted that the Commission is already seized with this matter and hence it would not be appropriate for the Petitioner to comment on the same in this proceeding. The Licensees further added that this matter does not specifically pertain to the determination of the ARR and Tariff for FY 2014-15.

3.46.4 The Licensees submitted that it has endeavoured to keep the Rate Schedule as simple as possible. However, different categories have been created to discriminate among consumers considering their load factor, power factor, voltage, total consumption of electricity during any specified period or the time at which the supply is required or the geographical position of any area, the nature of supply and the purpose for which supply is required as the telecom companies pass the incidence of their cost on to their consumers in terms of hike in the charges of their services; any move to re-categorise the consumer category which has impact on Tariff of such consumers would hurt the Licensees who are already reeling under severe financial crisis.

C) *The Commission's view:*

3.46.5 The Commission does not agree with the contentions of the stakeholder to provide special relaxation to the telecom towers based on the kind of services provided by them. The Commission understands that the telecom companies are allowed to pass over the burden of legitimate costs through increase in tariffs to consumers. The Judgment cited by the stakeholder also does not apply in the current case. Accordingly, the Commission does not agree with the proposal to create a separate category for mobile tower in this Tariff Order.

3.47 MINIMUM CONSUMPTION GUARANTEE

A) *Comments / Suggestions of the Public*

3.47.1 Mr. Vishnu Bhagwan Agarwal and Mr. Ravi Agarwal of Popular Cycles (Auto) submitted that UPPCL has proposed to impose MCG Rs. at 600/- per kW on LMV-2 consumer which is unreasonable.

3.47.2 Mr. K. S. Parmar, Pramukh Sachiv of Upbhokta Kalyan Parishad submitted that and Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbhoktha Parishad (UPRVUP) submitted that the concept of levy of minimum consumption charges is unjustifiable and should be avoided.

B) *The Petitioner's response:*

3.47.3 The Licensees submitted that a Petition for levy of minimum consumption guarantee (MCG) charges for LMV-2 (c) consumers has been submitted before the Commission on 2nd July, 2014. The Licensees submitted that the Commission is seized with this matter and the Licensee may proceed on the matter based on the directions of the Commission as it may deem fit.

3.47.4 The Licensees further replied that fixed charges are part of tariff and are levied for developing the required infrastructure and to meet the expenses incurred to maintain the supply at all the times and cannot be withdrawn, as they are levied as per provisions of Electricity Act, 2003. The Licensee submitted that in the Tariff Order for FY 2002-03, the Commission has defined the said charges as below:

> *"the minimum charges are recovered as Licensee keeps in readiness of energy for the consumer to the extent of contracted demand. If the consumer does not avail of it, energy cannot be stored or preserve. The consumer is therefore, required to pay a fixed sum for energy generation/purchase, even if he does not consume electricity at the contractual level. The levy of minimum charges has been upheld legally, and is being used in several states to enable the utility to recover a part of fixed cost. The difference between levy of fixed charges and minimum charges is that while fixed charges are charged from consumer irrespective of consumption the minimum charges comes into effect only when the bill amount is less than certain prescribed amount. If the minimum charges are not levied then there will be increase in some other*

charges as the utility has to recover on its prudently incurred cost from consumer."

3.47.5 The Licensee added that in view of the above these charges are logical and necessary.

C) *The Commission's view:*

3.47.6 The above mentioned Petition submitted by the Licensees in this regard was not a part of the original submissions made during the proceedings of the ARR and Tariff determination process for FY 2014-15 instead it was an entirely separate Petition which was not circulated in the public domain by the Licensee. Since issues like above have significant impact on the stakeholders hence, the Petitions of this kind should be made public for consultation process i.e. inviting suggestions of the stakeholders and by holding public hearings. Therefore the Commission has not considered the Licensee's proposal in this regard during the proceedings of the current Tariff Order. However, **the Licensee is directed to re-submit its above proposal for the Commission's consideration alongwith the next ARR filing**.

3.48 OTHER GENERAL ISSUES

A) *Comments / Suggestions of the Public*

3.48.1 The Commission during the public hearing process have received many individual complaints which are not related to the ARR and Tariff Petitions like Mr. Surendra Singh Yadav submitted that he is a resident of 32A/F 983/7A Panchayati Pajaya Kamla Nagar, Agra and has requested the Commission to direct the Licensees to remove the illegal electricity line passing through the roof of his premises. Ms. Nandini Rawat requested the Commission to direct Licensee to remove the connection box installed near her residential plot no. 59, khasra no.8, deversi nagar, Budhpuri. Shri Dinesh Chand of Agra submitted that the connection No. 5060627 of Torrent Power Ltd. is illegal. Mr. Ravikant, Mr. Bhujan Singh and Mr. Jaswant Singh submitted that connection no. 248450 in the name of Mrs. Sandhya Pokhal w/o Mr. Prakash

Chand Pokhal, resident of Chitrakut Ashram Shamshan Ghat, Balkeshwar, Agra should be cancelled. Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. also submitted that overload penalty is 10% up to excess usage or 10% and 20% over above 10% to 20% i.e. in two tier, however, the Licensees are wrongly charging 20% on total overload etc.

B) ***The Petitioner's response:***

3.48.2 In response to such complaints the Licensee have replied that the issue does not pertain to the ARR and Tariff Petition for FY 2014-15 and the consumer may approach the concerned executive engineer of the division in which such consumers fall.

C) ***The Commission's view:***

3.48.3 The Commission has noted the above objections raised by the stakeholders. **The Commission directs the Licensees to look into the matters and take appropriate action on the same. Further, the Licensee must ensure that proper advertising regarding CGRF is done to bring awareness amongst the consumers. The chairperson of the CGRF should also be part of such public hearings so that a direct interaction may take place and the grievances of the consumers could be settled in a more appropriate manner.**

4 TRUING UP OF AGGREGATE REVENUE REQUIREMENT FY 2008-09

4.1 INTRODUCTION

4.1.1 The Petitioner has sought final Truing-up of expenditure and revenue for FY 2008-09 to FY 2011-12 based on actual expenditure and revenue as per Audited Accounts. In this Section, the Commission has analysed all the elements of actual revenue and expenses for FY 2008-09 and has undertaken Truing-up of expenses and revenue after prudence check on the data made available by the Petitioner.

4.2 POWER PURCHASE QUANTUM AND COST FOR FY 2008-09

4.2.1 The Petitioner submitted that in the Tariff Order dated 9th July, 2008 in Petition No. 487 and 510 of 2007 for FY 2008-09, the Commission had approved power purchase cost of Rs. 678.33 Crore towards projected purchase of 2746.39 MU. The Petitioner submitted that the actual power purchase in FY 2008-09 was 2649.69 MU at an expense of Rs. 650.96 Crore.

4.2.2 The Petitioner submitted that it has considered the following philosophy for computing the allowable power purchase cost:

- The Petitioner has first calculated the allowable power purchase input which has been calculated by grossing up the actual energy sales by the approved T&D loss target of FY 2008-09.

- The allowable power purchase cost has been computed by multiplying the derived allowable power purchase input by the actual power purchase rate as per Audited Accounts.

4.2.3 Thus, considering the above philosophy the Petitioner has claimed an allowable power purchase expense of Rs. 643.48 Crore in FY 2008-09.

4.2.4 The Commission in its Order dated 21st May, 2013 has concurred with the philosophy considered by the Petitioner, wherein the efficiency target of T&D loss level, was considered as controllable parameter, and thereupon the power purchase cost consequent to under-achievement of T&D loss was disallowed. The Commission in its Tariff Order for FY 2014-15 for DVVNL has determined the Trued-up Bulk Supply Tariff of Rs. 2.63 per kWh for FY 2008-09.

4.2.5 Considering the allowable power purchase quantum of 2619.24 MU and the Trued- up power purchase rate of Rs. 2.63 per kWh, the allowable power purchase cost has been assessed at Rs. 688.63 Crore.

4.2.6 The Table below summarises the sales, distribution losses, energy balance, power purchase quantum and cost approved in the Tariff Order, as submitted by the Petitioner in the Truing up Petition and as approved by the Commission in this Order:

Table 4-1: ALLOWABLE POWER PURCHASE COST FOR FY 2008-09

Particulars	Unit	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Power Purchase	MU	2746.39	2649.69	2649.69	2649.69
Energy Sales	MU	2059.79	1964.42	1964.42	1964.42
Distribution Loss	%	25.00%	25.86%	25.00%	25.00%
Power Purchase Cost	Rs. Crore	678.30	650.96	650.96	
Power Purchase Cost per unit	Rs. /kWh	2.47	2.46	2.46	2.6291
Allowable Power Purchase Input	MU			2619.24	2619.24
Allowable Power Purchase Cost at BST	Rs. Crore			643.48*	688.63

*Allowable Power Purchase cost at pooled cost as submitted by the Petitioner

4.3 TRANSMISSION CHARGES

4.3.1 The Petitioner submitted that in the Tariff Order dated 9th July, 2008 in Petition No. 487 and 510 of 2007 in the matter of ARR and Tariff Determination of FY 2007-08 and FY 2008-09 for FY 2008-09, the Commission had approved Transmission Charges of Rs. 59.23 Crore towards projected power purchase of 2,746.39 MU. The Petitioner submitted that the actual Power Purchase in FY

2008-09 was 2,649.69 MU incurring Transmission Charges to the tune of Rs. 58.29 Crore as per the Audited Accounts. The Petitioner further submitted that the allowable power purchase input for FY 2008-09 works out to 2,619.24 MU and therefore for the purpose of claiming the trued of Transmission Charges the allowable power purchase input has been taken into consideration. The Petitioner further submitted that the per unit rate of Transmission Charge has been considered equivalent to the rate submitted by UPPTCL in its True-up Petition filed before the Commission on 19th November, 2012 which was subsequently admitted by the Commission in its Admittance Order dated 6th May, 2013. The Petitioner further submitted that the allowable Transmission Charges for FY 2008-09 works out to Rs. 37.67 Crore.

4.3.2 Accordingly, the Petitioner has claimed allowable Transmission Charges of Rs. 37.67 Crore against the actual Transmission Charges of Rs. 58.29 Crore.

4.3.3 The Commission in its Tariff Order dated 9th July, 2008 in Petition No. 487 and 510 of 2007 had prescribed the distribution loss targets for the Petitioner. The Commission has computed the allowable power purchase by grossing up the actual energy sales by the approved distribution loss target. It is observed that the Petitioner has considered Transmission Charges at the rate equivalent to the rate submitted by UPPTCL in its True-up Petition, however, the True-up Order in the matter of Petition No. 849 / 2012 and 883 / 2013 was issued by the Commission on 31st May, 2013. Thus, to derive the allowable Transmission Charges, the allowable power purchase input has been multiplied by the Trued-up transmission tariff for Truing-up of FY 2008-09.

4.3.4 Accordingly, the Table below provides the allowable Transmission Charges for the Petitioner for FY 2008-09:

Table 4-2: ALLOWABLE TRANSMISSION CHARGES FOR FY 2008-09 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Allowable Units Wheeled (MU)	2746.39		643.48	688.63
Trued up Transmission Charge (Rs/kWh)	0.22		0.14	0.15
Transmission Charges (Rs Crore)	59.23	58.29	37.67	39.58

4.4 O&M EXPENSES

4.4.1 Operation and Maintenance (O&M) expenses comprise of employee related costs, A&G expenses and R&M expenditure.

4.4.2 The Petitioner's submissions on each of the heads of O&M expenditure for FY 2008-09, and the Commission's analysis on the Truing-up of O&M expenditure heads are detailed below:

4.4.3 The Petitioner submitted that the actual net employee expense for FY 2008-09 is Rs. 100.59 Crore as against approved expenses of Rs. 53.89 Crore. The Petitioner requested the Commission to consider the Employee expenses as per its Audited Accounts.

4.4.4 The Petitioner submitted that the actual net administrative and general expense for FY 2008-09 is Rs. 7.83 Crore against the approved expenses of Rs. 8.92 Crore. The Petitioner submitted that the actual A&G expenses incurred by it for FY 2008-09 are below the approved A&G expenses, thereby making it eligible for efficiency gains of Rs. 0.54 Crore. The Petitioner further submitted that the net entitlement towards A&G expenses for FY 2008-09 works out to Rs. 8.37 Crore against the approved expenses of Rs. 8.92 Crore.

4.4.5 The Petitioner submitted that the actual R&M expense for FY 2008-09 is Rs. 14.01 Crore as against Rs. 11.50 Crore approved in the Tariff Order dated 9th July, 2008 in Petition No. 487 and 510 of 2007 for FY 2008-09. The Petitioner requested the Commission to approve R&M expenses as per its Audited Accounts.

4.4.6 In reply to the Commission's query regarding the basis of capitalization the Petitioner added that the capitalisation of Employee expenses and A&G expenses for FY 2008-09, has been done as per the Audited Accounts of FY 2008-09.

4.4.7 Regulation 4.3 of the Distribution Tariff Regulations, 2006, stipulates the methodology for consideration of O&M Expenses, wherein such expenses are linked to the inflation index determined under these Regulations. The relevant provisions of the Distribution Tariff Regulation are reproduced below:

> *"The O&M expenses comprise of employee cost, repairs & maintenance (R&M) cost and administrative & general (A&G) cost. The O&M expenses for the base year shall be calculated on the basis of historical/audited costs and past trend during the preceding five years. However, any abnormal variation during the preceding five years shall be excluded. For determination of the O&M expenses of the year under consideration, the O&M expenses of the* ***base year shall be escalated at inflation rates notified by the Central Government for different years. The inflation rate for above purpose shall be the weighted average of Wholesale Price Index and Consumer Price Index in the ratio of 60:40. Base year, for these regulations means, the first year of tariff determination under these regulations…" [Emphasis added***]

4.4.8 The Commission in accordance with the above stated Regulation has calculated the inflation index for the FY 2008-09 to FY 2014-15 based on the weighted average index of WPI and CPI. The Commission has considered the WPI and CPI as available on the website of Economic Advisor, Ministry of Commerce and Industry Ministry of Labour respectively. Accordingly, the Commission has calculated the inflation index for approval of O&M expenses as shown in Table below:

Table 4-3: ESCALATION INDEX

Month	Wholesale Price Index							Consumer Price Index							Consolidated Index							
	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
April	115	124	125	139	152	164	171	128	138	150	170	186	205	226	120	129	135	151	166	180	193	
May	115	124	126	139	152	164	171	129	139	151	172	187	206	228	120	130	136	152	166	181	194	
June	115	127	127	140	153	165	173	130	140	153	174	189	208	231	121	132	137	153	167	182	196	
July	116	129	128	141	154	166	176	132	143	160	178	193	212	235	122	134	141	156	170	184	199	
August	116	129	130	141	155	167	179	133	145	162	178	194	214	237	123	135	143	156	171	186	202	
September	116	129	130	142	156	169	181	133	146	163	179	197	215	238	123	136	143	157	173	187	204	
October	116	129	131	143	157	169	181	134	148	165	181	198	217	241	123	136	145	158	173	188	205	
November	117	127	133	144	157	169	182	134	148	168	182	199	218	243	124	135	147	159	174	188	206	
December	117	125	133	146	157	169	180	134	147	169	185	197	219	239	124	134	148	162	173	189	203	
January	118	124	135	148	159	170	179	134	148	172	188	198	221	237	124	134	150	164	174	191	202	
February	119	123	135	148	159	171	180	135	148	170	185	199	223	238	125	133	149	163	175	192	203	
March	122	124	136	150	161	170	180	137	148	170	185	201	224	239	128	133	150	164	177	192	204	
Average	**117**	**126**	**131**	**143**	**156**	**168**	**178**	**133**	**145**	**163**	**180**	**195**	**215**	**236**	**123**	**134**	**144**	**158**	**172**	**187**	**201**	
															Calculation of Inflation Index (CPI-40%, WPI-60%)							
Weighted Average of Inflation																**8.51%**	**7.52%**	**9.96%**	**8.69%**	**8.75%**	**7.69%**	**7.69%**

4.4.9 The Petitioner had adopted 6th Pay Revision Committee Recommendations in the month of February 2009. In the True-up Petition / Audited Accounts for FY 2008-09 the Petitioner has submitted that the employee cost of FY 2008-09 includes pay revision provision of Rs. 17.74 Crore pertaining to the period from 1st April, 2008 to 31st March, 2009 and also includes a provision of Rs. 26.73 Crore towards change in accounting policy of earned leave encashment.

4.4.10 The Commission has determined the Trued-up O&M expenses of the base year i.e., FY 2007-08, in the Order dated 21st May, 2013 in Petition No. 813 of 2012. The approved O&M expenses for FY 2007-08 have been escalated using the inflation index of 8.51% computed for FY 2008-09 to derive the normative O&M Expenses for FY 2008-09. The Commission in its suo-motu Tariff Order dated 31st May, 2013 has inadvertently considered the escalation factor of previous year while computing the O&M expenses. The same has been revised in this Order as shown in Table 4-3 above.

4.4.11 Further, in addition to the normative O&M cost based on inflationary indices based escalation, the Distribution Tariff Regulations, 2006 provide for incremental O&M expenses on addition of assets during the previous year. Regulation 4.3 (3) of the Distribution Tariff Regulations 2006 specifies as follows:

> *"Incremental O&M expenses for the ensuing financial year shall be 2.5% of capital addition during the current year. O&M charges for the ensuing financial year shall be sum of incremental O&M expenses so worked out and O&M charges of current year escalated on the basis of predetermined indices as indicated in regulation 4.3(1)."*

4.4.12 It is observed that the normative O&M expenses computed based on the above Regulations is working out higher than the actual audited O&M expenses for FY 2008-09. Since, the expenses in FY 2008-09 has already been incurred, hence, there is no point in allowing excess cost in the ARR of FY 2008-09 and increase the revenue gap which will result in an unnecessary increase in Tariff. The Commission has therefore approved the actual audited O&M expenses as claimed by the Petitioner for FY 2008-09.

4.4.13 In reply to the Commission's query whether CGRF expenses have been included in O&M expenses or not the Petitioner submitted that the CGRF expenses are part of O&M expenses claimed by it. The Petitioner submitted that such expenses are not separately accounted for and hence, details of such expenses are not available with it. The Petitioner requested the Commission to allow an adhoc allowance towards the CGRF expenses considering the remuneration norms and associated costs in CGRF framework approved by the Commission. As detailed in the para above, the Commission has approved actual O&M expenses which already include CGRF expenses; hence the Commission opines that there is no requirement to allow an additional allowance towards the CGRF expenses. Thus, in view of the above, the Commission disallows the Petitioner's request to allow an adhoc allowance towards CGRF while doing the Truing-up of FY 2008-09.

4.4.14 In reply to the Commission's query regarding the details of expenses incurred towards allocation of Interest Charges and O&M Expenses of UPPCL, the Petitioner submitted the chart depicting the allocation of O&M Expenses of UPPCL as shown below:

Table 4-4: ALLOCATION OF O&M EXPENSES IN FY 2008-09 (Rs. Crore)

Particulars	Amount
Employees Expenses	4.91
Administrative, General & Other Expenses	12.20
Repairs and Maintenance Expenses	80.58
Total	**97.69**

Table 4-5: ALLOCATION OF O&M EXPENSES AMONG DISTRIBUTION LICENSEES IN FY 2008-09

Name of Distribution Licenseess	Sales Input (MU)	O&M Expenses Allocated (Rs. Crore)
DVVNL	11,798	21.86

Name of Distribution Licenseess	Sales Input (MU)	O&M Expenses Allocated (Rs. Crore)
MVVNL	8,872	16.44
PVVNL	17,078	31.64
PuVVNL	11,971	22.18
KESCO	2,650	4.91
NPCL	350	0.65
Total	**52,719**	**97.69**

4.4.15 As regards allocation of O&M expenses of UPPCL, the Petitioner has not claimed the same in its True-up Petition however has submitted the details of allocation of O&M expenses among Distribution Licensees in reply to the deficiency note, according to which the Petitioner's share for FY 2008-09 works out to Rs. 4.91 Crore as shown in the Table 4-5. The Commission has considered the allocation of O&M expenses while computing the BST as detailed in its Tariff Order of DVVNL for FY 2014-15. Hence, no separate allocation for O&M expenses for UPPCL has been allowed in the True-up of FY 2008-09.

4.4.16 Further, it may be noted that for Truing-up of FY 2008-09 the Commission has allowed the additional O&M expenses pertaining to UPPCL as the same has been actually incurred by the Petitioner. However, the treatment of such expenses in future years has been explained in detail in Chapter 9 of this Order while approving the ARR of FY 2014-15.

4.4.17 The Petitioner has also claimed efficiency gain on account of A&G expenses of Rs. 0.54 Crore in addition to A&G expenses of Rs. 7.83 Crore. Regulation 2.4 and Regulation 4.11 of the Distribution Tariff Regulations, 2006 specifies as follows:

> *"**2.4 Amendment of Tariffs***
> *...3. Subject to other provisions of these regulations, the ARR determined by the commission for any financial year shall be trued up on the basis of actual financial and operational results. Any deficit or surplus arising out of such true up shall be adjusted while determining the tariff for the subsequent years.*

...Provided further that the profit arising out of improvement in operational efficiency such as over achievement of loss reduction target, better collection efficiency, saving in O&M Expenditure etc. shall be shared between the distribution licensee and the consumers as specified in Para 4.11 of these regulations.

4.11 Profit Sharing

...2. However, if the licensee makes more profit than the approved return on account of improved performance by way of reduction of Distribution Losses, better collection efficiency etc., the Commission may treat the profit beyond the approved return in the following manner:

(i) Licensee shall be entitled to retain 50% of the additional profit earned on account of operational efficiencies

(ii) 25% shall be credited to the licensee's contingency reserve.

(iii) The remaining 25% shall be passed on to the consumers by way of reduction in ARR."

4.4.18 The above Regulations allows sharing of efficiency gains on account of total O&M expenses and not on the basis of individual heads of O&M expenses as claimed by the Petitioner. Since, the actual O&M expenses for FY 2008-09 are lower than the normative O&M expenses sharing of actual O&M expenses with the normative O&M expenses have been done in accordance with the above Regulations. The sharing of O&M expense for FY 2008-09 works out to Rs. 8.42 Crore as against Rs. 0.54 Crore claimed by the Petitioner. However, the Commission has allowed sharing of efficiency gain separately in the ARR for FY 2008-09 and has not considered the same as part of O&M expenses as claimed by the Petitioner.

4.4.19 Accordingly, the summary of O&M expenses approved in the Tariff Order, claimed by the Petitioner and that approved by the Commission in this Order for Truing-up of FY 2008-09, is shown in the Table below:

Table 4-6: O&M EXPENSES APPROVED BY THE COMMISSION (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Normative Computed in this Order	Allowable
Employee Expenses#	63.40	103.25	103.25	103.67	103.25
Repair & Maintenance Expenses	11.50	14.01	14.01	34.07	14.01
Administrative and General Expenses	10.49	7.84	7.84	4.19	7.84
Gross Operation and Maintenance Expenses	**85.39**	**125.10**	**125.10**	**141.93**	**125.10**
Less: Capitalisation					
Employee Cost Capitalized	9.51	2.66	2.66	2.66	2.66
A&G Expenses Capitalized	1.57	0.00	0.00	0.00	0.00
Total Capitalization	**11.08**	**2.66**	**2.66**	**2.66**	**2.66**
Net Operation and Maintenance Expenses	**74.31**	**122.43**	**122.43**	**139.26**	**122.43**
Efficiency Gain			**0.54**		**8.42**

 # Employee expenses include Rs. 44.47 Crore towards Change in policy for accounting of earned leave encashment liability and Provision for Arrear of Pay Commission/Time Scale

4.5 INTEREST AND FINANCE CHARGES

Interest on Long Term Loans:

4.5.1 The Petitioner has claimed net interest on long term loan of Rs. 8.73 Crores as against Rs. 11.45 Crores approved in the Tariff Order dated 9th July, 2008 in Petition No. 487 and 510 of 2007 for FY 2008-09. The Petitioner submitted that the interest capitalised for FY 2008-09 was to the tune of Rs. 8.73 Crore as against Rs. 2.63 Crore approved by the Commission in the Tariff Order. Thus, the net interest on loan for FY 2008-09 as submitted by the Petitioner works to nil as against Rs. 8.82 Crore approved by the Commission in the Tariff Order dated 9th July, 2008 in Petition No. 487 and 510 of 2007 for FY 2008-09.

4.5.2 The Commission vide its preliminary deficiency note has asked the Petitioner to submit the details of actual loans alongwith computation of Interest on Loan as claimed by the Petitioner for FY 2008-09 in its True up Petition. In reply to the

Commission's query the Petitioner submitted that subsequent to the filing of the True-up Petition for FY 2008-09 to 2011-12, the Commission had issued the True-up Order for FY 2000-01 to 2007-08 on 21st May, 2013 in which the Commission had adopted a normative approach to tariff with a gearing of 70:30. The Petitioner submitted that the same was reaffirmed by the Commission in the suo-motu Tariff Order dated 31st May, 2013 for FY 2013-14.

4.5.3 The Petitioner further submitted that it is agreeable to the approach followed by the Commission in this regard. Accordingly, based on the normative approach, the Petitioner submitted the re-worked the loan balances, additions based on normative capital expenditure, normative repayment linked with allowable depreciation of the respective year and the average interest rate as per the weighted average interest rate of the licensee as per Audited Accounts. The revised interest on long term loan claimed by the Petitioner based on the normative approach works out to nil after reducing an amount of Rs. 1.73 Crore towards interest capitalized.

4.5.4 However, it was observed that the Petitioner had considered only PFC loan while computing the loan balances. Also the interest accrued and due added in the loan balances was not deducted to arrive at the weighted average rate of interest. Thus, the Commission vide its additional deficiency note sought clarifications in this regards from the Petitioner. In its reply to the Commission's query the Petitioner reaffirmed that the loan balances and interest amount to be considered includes only the loan amount borrowed from PFC and the interest payable to PFC respectively as disclosed in the books of Accounts. Accordingly the Petitioner re-submitted the revised head wise detailed computations of opening and closing loan balances and the weighted average rate of interest after reconciling the same with the Audited Accounts as shown in the Table below:

Table 4-7: REVISED COMPUTATION OF WEIGHTED AVERAGE RATE OF INTEREST SUBMITTED BY THE PETITIONER (Rs. Crore)

Particulars	FY 2008-09
Opening Loan	57.32

Closing Loan Balance	178.98
Interest	8.11
Rate of Interest	6.87%

4.5.5 Accordingly, based on the above, the revised interest on long term loan claimed by the Petitioner works out to Rs. 1.61 Crore. Further, considering the interest capitalization equivalent to Rs. 1.61 Crore, the net interest on long term loan, claimed by the Petitioner works out to Nil for FY 2008-09.

4.5.6 The Petitioner further submitted that subsequent to the approval of the True-up Order for FY 2000-01 to 2007-08 on 21st May, 2013 and the suo-motu Tariff Order for FY 2013-14, the Commission has itself prescribed that the actual loan balances and interest expenses would not be considered; instead a normative approach with a gearing of 70:30 would be applicable.

4.5.7 The Petitioner added that although the submissions made by it in the True-up Petitions are strictly in line with the Audited Accounts which have been furnished to the Commission, however the capitalisation and ARR components such as depreciation, interest and other expenses may be allowed by the Commission based on the normative approach.

4.5.8 In line with the approach adopted in previous Orders, interest cost has been considered as an uncontrollable cost as the interest rate regime is determined by various external factors and the actual loans taken are consequential to the capital expenditure undertaken by the Petitioner.

4.5.9 For the above purpose, the Commission has derived actual capital investments undertaken by the Petitioner in FY 2008-09, based on the Audited Accounts. The details are provided in the Table below:

Table 4-8: CAPITAL INVESTMENTS IN FY 2008-09 (Rs. Crore)

Particulars	FY 2008-09

	Tariff Order	Audited	Petition	Allowable
Opening WIP as on 1st April	24.07	107.17	107.17	107.17
Investments	111.27	60.29	60.29	60.29
Employee Expenses Capitalisation	11.08	2.66	2.66	2.66
A&G Expenses Capitalisation		0.00	0.00	0.00
Interest Capitalisation on Interest on long term loans	2.63	8.73	8.73	8.73
Total Investments	**149.06**	**178.85**	**178.85**	**178.85**
Transferred to GFA (Total Capitalisation)	**111.57**	**128.56**	**128.56**	**128.56**
Closing WIP	**37.50**	**50.29**	**50.29**	**50.29**

4.5.10 The Commission has followed the same approach as in previous Orders and therefore, considering the normative 70:30 gearing approach, wherein 70% of the capital expenditure undertaken in any year has been considered to be financed through loan and balance 30% has been considered to be financed through equity contributions.

4.5.11 The Commission vide its deficiency note had asked the Petitioner to submit the details of the GFA addition on account of Consumer Contribution, Grants and subsidies for FY 2008-09. In reply to the Commission's query the Petitioner submitted the details of GFA addition on account of Consumer Contribution, Grants and subsidies for FY 2008-09 as shown in the Table below:

Table 4-9: CONSUMER CONTRIBUTION, GRANTS AND SUBSIDIES (Rs. Crore)

Particulars	FY 2008-09
Opening Balance	106.70
Additions during the year	15.11
Amortization	32.73
Closing Balance	**89.08**

4.5.12 The portion of capital expenditure financed through consumer contributions, capital subsidies and grants has been separated as the depreciation and interest thereon would not be charged to the consumers. The Commission has verified details of GFA addition on account of consumer contributions, capital subsidies and grants from the Audited Accounts of FY 2008-09.

4.5.13 Thus, based on the above the approved financing of the capital investment is depicted in the Table below:

Table 4-10: FINANCING OF THE CAPITAL INVESTMENTS IN FY 2008-09 (Rs. Crore)

Particulars	Derivation	Tariff Order	Audited	True-up Petition	Allowable
Investment	A	124.99	60.91	60.91	60.91
Less:					
Consumer Contribution	B		15.11	15.11	15.11
Investment funded by debt and equity	C=A-B			45.80	45.80
Debt Funded	D=70%*C			32.06	32.06
Equity Funded	E= 30%*C			13.74	13.74

4.5.14 From the above Tables it is seen, that the total investments made by the Petitioner in FY 2008-09 were to the tune of Rs. 60.91 Crore. The consumer contributions, capital subsidies and grants received during the corresponding period is Rs. 15.11 Crore. Thus, balance Rs. 45.80 Crore have been funded through debt and equity. Considering a debt equity ratio of 70:30, Rs. 32.06 Crore or 70% of the capital investment is approved to be funded through debt and balance 30% equivalent to Rs. 13.74 Crore through equity. Allowable depreciation for the year has been considered as normative loan repayment. The closing loan balance of FY 2007-08 has been considered as the opening loan balance of FY 2008-09. The actual weighted average rate as per Audited Accounts has been considered for computing the interest.

4.5.15 Considering the above, the gross interest on long term loan is Rs. 1.62 Crore. The interest capitalisation has been considered at the same rate as per Audited Accounts. The computations for interest on long term loan are depicted below:

Table 4-11: APPROVED INTEREST ON LONG TERM LOAN FOR FY 2008-09 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Opening Balance		57.32	20.22	20.22
Additions: 70% of the Asset Capitalization		-	31.63	32.06
Less: Allowable Depreciation during the Year		-	25.2	25.20
Closing Balance		178.98	26.65	27.08
Average Rate of Interest		6.86%	6.87%	6.86%
Gross Allowable Interest	11.45	8.11	1.61	1.62
Less: Interest Capitalized	2.63	8.11	1.61	1.62
Net Allowable Interest	8.82	0.00	0.00	0.00

4.5.16 Thus, the net interest on long term loan approved by the Commission for Truing-up of FY 2008-09 after reducing the interest capitalised of Rs. 1.62 Crore works out to Nil.

Finance Charges

4.5.17 The Petitioner submitted that the finance charges constitutes of components such as guarantee fees, bank charges which are imposed by Government, financial institutions, etc. and are uncontrollable in nature. The Petitioner has claimed Finance charges of Rs. 23.95 Crore as against Rs. 8.54 Crore approved by the Commission in the Tariff Order dated 9th July, 2008 in Petition No. 487 and 510 of 2007 for FY 2008-09.

4.5.18 The Petitioner has claimed finance charges towards items such as interest on electricity duty, bank charges, discount to consumers, interest on consumer security deposits, etc.

4.5.19 The Commission in its True-up Order dated 21st May, 2013 had disallowed the interest on electricity duty as it is a charge incidental to the delay in remitting the electricity duty to the government. Thus, in line with the approach adopted in the previous Truing-up Order the Commission disallows the interest on electricity duty of Rs. 18.99 Crore as claimed by the Petitioner.

4.5.20 As the discounts / rebates to consumers are based on the charges and rates approved in the Rate Schedule and are consequent to the consumption pattern of different consumer categories, the Commission approves the actual expenses incurred towards discount to consumers.

4.5.21 The bank charges and interest on consumer security deposits have been allowed at actual based on Audited Accounts.

4.5.22 Thus, the Commission has approved finance charges amounting to Rs. 4.96 Crore for FY 2008-09 as against Rs. 23.95 Crore claimed by the Petitioner as shown in the Table below:

Table 4-12: ALLOWABLE FINANCE CHARGES FOR FY 2008-09 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Interest on Electricity Duty		18.99	18.99	0.00
Finance Charges / Gaurantee Fees	0.38	0.00	0.00	0.00
Bank Charges		0.10	0.10	0.10
Discount to Consumers on sale of energy	2.48	1.11	1.11	1.11
Interest on Consumer Security Deposits	5.68	3.76	3.76	3.76
Total Finance Charges	**8.54**	**23.95**	**23.95**	**4.96**

Interest on Working Capital

4.5.23 The Petitioner submitted that Tariff Regulations provide for normative interest on working capital based on the principles outlined in the Distribution Tariff Regulations, 2006. The Petitioner submitted that in accordance with the Regulations it is eligible for interest on working capital. The Petitioner further submitted that Regulation 4.8(2)(B) of the Distribution Tariff Regulations, 2006 specifies the rate of interest on working capital borrowing as the bank rate specified by RBI plus some margin decided by the Commission. The Petitioner submitted that it has accordingly considered rate of 12.50% which is line with the rate approved by the Commission in its Tariff Order for FY 2008-09.

4.5.24 Regulation 4.8(2) of the Distribution Tariff Regulations, 2006 specifies as follows:

> *"2. Interest on working capital*
> *(a) Working capital shall be worked out to cover*
> > *(i) Operation and Maintenance expenses, which includes Employee costs, R&M expenses and A&G expenses, for one month;*
> > *(ii) One-twelfth of the sum of the book value of stores, materials and supplies at the end of each month of such financial year.*
> > *(iii) Receivables equivalent to 60 days average billing of consumers less security deposits by the consumers minus amount, if any, held as security deposits under clause (b) of sub-section (1) of Section 47 of the Act from consumers and Distribution System Users.*
>
> *(b) Rate of interest on working capital shall be the Bank Rate as specified by Reserve Bank of India for the relevant year plus a margin as decided by the Commission."*

4.5.25 Based on the methodology specified in the above Regulations the Commission in the Tariff Order dated 9th July, 2008 in Petition No. 487 and 510 of 2007 for FY 2008-09 had allowed normative interest on working capital of Rs. 6.62 Crore. Following the similar approach and in accordance with the Regulations, the Commission in this Order has assessed the working capital and interest thereon based on the Trued-up ARR of the Petitioner.

4.5.26 The Commission has approved Rs. 9.02 Crore towards interest on working capital for FY 2008-09 which is same as that claimed by the Petitioner. The summary of the interest on working capital approved by the Commission in the Tariff Order for FY 2008-09, claimed by the Petitioner and that approved by the Commission in the present Truing-up Order is shown in the Table below:

Table 4-13: ALLOWABLE INTEREST ON WORKING CAPITAL FOR FY 2008-09 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
One month's O & M Expenses	6.19		10.20	10.20
One-twelfth of the sum of the book value of stores, materials and supplies at the end of each month of such financial year	2.21		3.26	3.26
Receivables equivalent to 60 days average billing of Beneficiaries	146.13		140.19	140.19
Gross Total	154.53		153.65	153.65
Security Deposits by the beneficiaries (if any)	**101.6**		**81.52**	**81.52**
Net Working Capital	**52.93**		**72.13**	**72.13**
Rate of Interest for Working Capital	12.50%		12.50%	12.50%
Interest on Working Capital	**6.62**	**10.12**	**9.02**	**9.02**

Total Interest and Finance Charges

4.5.27 The following Table summarises the interest and finance charges approved by the Commission in the Tariff Order, interest and finance charges claimed by the Petitioner and that approved by the Commission in this Order:

Table 4-14: ALLOWABLE INTEREST AND FINANCE CHARGES FOR FY 2008-09 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
A: Interest on Long Term Loans				

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Gross Interest on Long Term Loan	11.45	8.73	1.61	1.62
Less: Interest Capitalisation	2.63	8.73	1.61	1.62
Net Interest on Long Term Loans	**8.82**	**0.00**	**0.00**	**0.00**
B: Finance and Other Charges				
Interest on Electricity Duty		18.99	18.99	0.00
Finance Charges / Gaurantee Fees	0.38	0.00	0.00	0.00
Bank Charges		0.10	0.10	0.10
Discount to Consumers on sale of energy	2.48	1.11	1.11	1.11
Interest on Consumer Security Deposits	5.68	3.76	3.76	3.76
Total Finance Charges	**8.54**	**23.95**	**23.95**	**4.96**
C: Interest on Working Capital	**6.62**	**10.12**	**9.02**	**9.02**
Total (A+B+C)	**23.98**	**34.07**	**32.97**	**13.98**

4.6 DEPRECIATION

4.6.1 The Petitioner submitted that in the Tariff Order dated 9th July, 2008 in Petition No. 487 and 510 of 2007 for FY 2008-09, the Commission had approved depreciation expense of Rs. 39.63 Crore on a gross fixed asset base of Rs. 556.51 Crore.

4.6.2 The Petitioner submitted that the actual depreciation expense as per Audited Accounts is Rs. 14.11 Crore. However the same depreciation has been accounted for considering the depreciation rates prescribed by the Companies Act, 1956. The Petitioner further submitted that for the purpose of Truing up, it has computed the depreciation expense on the actual GFA base and at the regulatory rates applicable for FY 2008-09.

4.6.3 The Petitioner further submitted that in the earlier Tariff Orders, the Commission has approved depreciation expense on the basis of the projected gross fixed asset balances after prudence check of the capital investment proposed by Petitioner. The Petitioner submitted that the depreciation has been allowed at the rates specified in the Ministry of Power notifications in the initial years and thereafter in line with the Distribution Tariff Regulations, 2006 which also prescribe depreciation rates as per the Ministry of Power notification No. S.O. 265(E) dated 27th March 1994. The Petitioner also submitted that in some years where class wise asset details of capitalisation were not available, the Commission had allowed weighted average depreciation rates on composite basis.

4.6.4 The Petitioner added that for purpose of True-up it has computed depreciation expense on the actual gross fixed asset base using the same depreciation rates, which were used by the Commission in the Tariff Order dated 9th July, 2008 in Petition No. 487 and 510 of 2007 for FY 2008-09 as shown in the Table below:

Table 4-15: ALLOWABLE DEPRECIATION SUBMITTED BY THE PETITIONER (Rs. Crore)

Particulars	Opening GFA	Additions to GFA	Deductions to GFA	Closing GFA	Depreciation Rates considered	Allowable Depreciation
Buildings						
a.Residential Colonies	9.95	0.14		10.10	7.91%	0.79
b.Office Building	0.73	0.35		1.07	7.91%	0.07
c.Building Containg at Sub-stations	9.18	5.99		15.17	7.91%	0.96
Plants & Machinery						
a.Plant & Machinery	66.75	46.71		113.46	7.91%	7.13
b.Lines, Cables, Networks etc.	221.94	73.31		295.25	7.91%	20.46
c.Office Equipments	5.59	0.03		5.62	7.91%	0.44
d.Computers	0.17	1.95		2.12	7.91%	0.09

Particulars	Opening GFA	Additions to GFA	Deductions to GFA	Closing GFA	Depreciation Rates considered	Allowable Depreciation
Furniture & Fixtures	0.90	0.08		0.98	7.91%	0.07
Vehicles	3.16	-		3.16	7.91%	0.25
Grand Total	**318.38**	**128.56**	**0.00**	**446.94**		**30.27**

4.6.5 As regards the Commission's query regarding source-wise of funding of capitalization, the Petitioner submitted that the Commission in the True-up Order dated 21st May, 2013 for FY 2000-01 to 2007-08 and in the suo-motu Tariff Order dated 31st May, 2013 for FY 2013-14 had considered a normative tariff approach wherein it had considered a normative gearing of 70:30 and 70% of the capital expenditure undertaken in any year was considered to be financed through loan and balance 30% has been considered to be financed through equity contributions. The Petitioner further submitted that in its aforesaid Orders the portion of capital expenditure financed through consumer contributions, capital subsidies and grants was separated by the Commission as the depreciation and interest thereon would not be charged to the consumers.

4.6.6 The Petitioner added that since it is agreeable to this normative approach approved by the Commission hence no deviation in this approach has been sought by it.

4.6.7 It was further observed that the Petitioner had not reduced the depreciation charged on assets created out of consumer contributions, capital grants and subsidies. In this regards the Commission vide its deficiency note sought the justification for not deducting the depreciation on assets acquired out of the Consumer Contribution and GoUP Subsidy from the depreciation on the GFA along with the revised computation of depreciation after reducing depreciation on assets acquired out of the Consumer Contribution and GoUP Subsidy.

4.6.8 In its reply the Petitioner submitted that the philosophy for reduction of depreciation on assets created out of consumer contributions, grants and subsidies from the gross depreciation expense was settled in the True up Order for FY 2000-01 to 2007-08 before which the True up Petitions for FY 2008-09 to 2011-12 were filed by it. The Petitioner further submitted that subsequent to the principle being established by the Commission, it is agreeable to this methodology and has submitted the revised Table depicting the allowable depreciation as shown below:

Table 4-16: REVISED ALLOWABLE DEPRECIATION SUBMITTED BY THE PETITIONER (Rs. Crore)

Particulars	FY 2008-09
Gross Allowable Depreciation	30.27
Less: Depreciation on account of Consumer Contribution, Subsidies and Grants	5.07
Net Allowable Depreciation	25.20

4.6.9 The Commission asked the Petitioner to confirm that the cumulative depreciation in FY 2008-09 is less than 90% of GFA for all assets, since assets cannot be depreciated beyond 90% of GFA in accordance with the Distribution Tariff Regulations, 2006 which the Petitioner confirmed in reply to deficiency note.

4.6.10 Considering the same philosophy as adopted by the Petitioner which is also in line with the approach followed by the Commission in the previous Truing Up Order, and after scrutinising the Audited Accounts for FY 2008-09 submitted by the Petitioner, the net entitlement towards depreciation expenses claimed by the Petitioner and that approved by the Commission for Truing-up of FY 2008-09 is shown in the Table below:

Table 4-17: DEPRECIATION EXPENSES FOR FY 2008-09 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Gross Allowable Depreciation	39.63	14.11	30.27	30.27
Less: Equivalent amount of depreciation on assets acquired out of the consumer contribution and GoUP Subsidy			5.07	5.07
Net Allowable Depreciation	**39.63**	**14.11**	**25.20**	**25.20**

4.7 PRIOR PERIOD EXPENSES

4.7.1 The Petitioner submitted that there are certain expenses and incomes which are omitted to be accounted for in one or more financial years. The Petitioner further submitted that its financial statements are prepared in compliance with Generally Accepted Accounting Principles (GAAP) and Accounting Standards issued by Accounting Standards Board of Institute of Chartered Accountants of India. The Petitioner added that the Accounting Standards (AS 5) (Revised) on 'Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies' provides that when such omissions or errors are detected they should be accounted for in the relevant year in which they are detected as stated below:

> *"Prior period items are income or expenses which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods"*

4.7.2 The Petitioner submitted that accordingly it has accounted for such transactions in the True-up computations strictly as per its Audited Accounts.

4.7.3 The Petitioner submitted that in the audited financial statements for FY 2008-09, there has been recognition of Rs 0.00013 Crore of prior period incomes and prior period expenses of Rs. 3.55 Crore, thereby increasing the eligible True-up by Rs. 3.55 Crore. The Petitioner further submitted the detailed break-up of the prior period items for FY 2008-09 as per Audited Accounts, as shown in the Table below:

Table 4-18: BREAK UP OF PRIOR PERIOD EXPENSES / (INCOMES) (Rs. Crore)

Particulars	FY 2008-09
Prior Period Expenses	
Employees Cost	0.18
Operating Expenses	3.37
Interest and Financial Charges	-
Sub Total of Prior Period Expenses	**3.55**
Prior Period Income	
Other Employees Cost	-
Reconnection and Disconnection Fee	0.00
Interest and Financial Charges	0.00
Sub Total of Prior Period Income	**0.00**
Net Prior Period Expenditure	**3.55**

4.7.4 As regards the prior period expenses / incomes the Commission vide its deficiency note has asked the Petitioner to submit the detailed breakup of prior period expenses / incomes along with the details of year to which they pertain and the justification for not booking such amount in the annual account of the respective years. In its reply the Petitioner has submitted the year wise breakup of prior period expenses / incomes however the submission does not provide clarification regarding the heads under which these expenses have been booked.

4.7.5 It is to be clarified that the Prior period expenses and incomes are the outcomes of omissions / errors in recording the transactions in the accounting statements. Further, the items booked under the prior period expenses are essentially ARR items like power purchase expenses, O&M expenses, interest and finance charges, etc. Each item of ARR has a distinct methodology of treatment in the ARR and True-up determination.

4.7.6 In the absence of clarity and details of each item booked under prior period expenses with respect to heads for each financial year to which they pertain, the Commission has not allowed any claims towards such items.

4.7.7 It is to be noted that the Commission while doing Truing-up of any year allows certain expenses like O&M expenses, Interest expenses, depreciation etc. on normative basis. The Petitioner should in its Petition clearly indicate that the impact of such prior period expenses/ incomes along with actual O&M expenses does not exceed the normative expense for that year. For example, if the Commission while doing Truing-up of certain year has approved actual O&M expenses of Rs. 38 Core which is lower than the normative O&M expenses of Rs. 40 Crore for that particular year. Further, the Petitioner in some future year claims prior period O&M expenses of Rs. 4 Crore, thus the total O&M expenses would be Rs. 42 Crore (Rs. 38 Crore actual + Rs. 4 Crore prior period). As per the Distribution Tariff Regulations, 2006 the Commission can allow only Rs. 40 Crore towards O&M expenses which is equivalent to normative O&M expenses. In such a case the Commission can allow maximum of Rs. 2 Crore expenses towards prior period O&M expenses after scrutiny and prudence check, as Rs. 38 Crore of actual O&M has already been allowed and the total amount of O&M expenses cannot exceed the normative O&M expense of Rs. 40 Crore.

4.7.8 Thus, **the Petitioner is directed to submit a separate Petition for approval of prior period expenses / incomes. The Petition should clearly indicate the head wise year wise bifurcation of prior period expenses / incomes clearly indicating the impact of such expenses / incomes on various ARR components and such impact should not exceed the normative expenses for any particular year**. Based on the data submitted by the Petitioner, the Commission after scrutiny and prudence check shall allow / disallow the prior period expenses / incomes as it may deem necessary.

4.7.9 The summary of the prior period expenses approved in the Tariff Order, claimed by the Petitioner and that approved by the Commission in this Order for Truing up of FY 2008-09 is shown in the Table below:

Table 4-19: PRIOR PERIOD EXPENSES / INCOMES FOR FY 2008-09 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Prior Period Expenses	0.00	3.55	3.55	0.00

4.8 OTHER EXPENSES

4.8.1 The Petitioner submitted that there are certain other expenses which cannot be claimed under any specific head of the ARR. The Petitioner further submitted that such minor expenses have been bundled together under the nomenclature of 'Other Miscellaneous Expenses' and the impact of such expenses is only Rs. 0.37 Crore in FY 2008-09.

4.8.2 As such expenses were not approved in the Tariff Order 9th July, 2008 in Petition No. 487 and 510 of 2007 for FY 2008-09, and in line with the approach adopted in the previous Turing up Order dated 21st May, 2013 the Commission has not considered such expenses for admissibility in the True-up as well. The summary of other expenses approved in the Tariff Order, claimed by the Petitioner and that approved by the Commission in this Order for Truing up of FY 2008-09 is shown in the Table below:

Table 4-20: OTHER EXPENSES FOR FY 2008-09 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Provision for Fringe benefit tax for FY 2008-09		0.07	0.07	0.00
On line billing charges		0.30	0.30	0.00
Total	**0.00**	**0.37**	**0.37**	**0.00**

4.9 PROVISION FOR BAD AND DOUBTFUL DEBT

4.9.1 The Petitioner submitted that the Commission has not allowed any amounts towards Provision for Bad and Doubtful Debts in the Tariff Order dated 9th July, 2008 in Petition No. 487 and 510 of 2007 for FY 2008-09 even though Distribution Tariff Regulations, 2006 provide for allowing 2% provision in respect of revenue receivables.

4.9.2 The Petitioner submitted that such expenses are legitimate business expenses and are accepted accounting principle even in sectors like Banking where the provisioning of un-collectable dues is considered as a normal commercial practice.

4.9.3 The Petitioner submitted that it has computed the entitlement towards provision for bad and doubtful debts as 2% of the closing revenue receivables as per Audited Accounts of the relevant financial year for distribution business.

4.9.4 The Petitioner has claimed Rs. 48.27 Crore towards provision for bad and doubtful debts for FY 2008-09.

4.9.5 As regards provision for bad and doubtful debts the Commission in its previous Orders has directed as follows:

True up Order for FY 2000-01 to FY 2007-08 dated 21st May, 2013

> *"The Commission directs the Petitioner to formulate a policy for identifying and writing off fictitious arrears and submit a copy of such report before the Commission."* (within six months from the date of issue of True-up Order).

Tariff Order for FY 2013-14 dated 31st May, 2013

> *"As lack of approved transparent policy on identifying and writing off bad debts is hindering allowance of bad debts as an ARR component; the*

Commission directs the Licensee to submit ten sample cases of LT & HT consumers where orders have been issued for writing off bad debts, clearly depicting the procedure adopted for writing off bad debts along with policy framework for managing bad debts for the Commission's perusal." (within one month from the date of issuance of the Order.)

4.9.6 The Commission vide its deficiency note has enquired from the Petitioner about the policy followed by it to identify and write off bad debts. In its reply, the Petitioner submitted that it has provided for provision for bad and doubtful debts at 15% of the incremental receivables. However, it was observed that the Petitioner has submitted the approach for creation of provision of bad debts instead of the policy followed by it for identification of actual bad debts and writing off the same. The Commission in its additional queries reiterated that the Petitioner is required to submit the policy followed by it for identification and writing off actual bad debts at the earliest. In reply to the same the Petitioner submitted that it has recently framed a policy for identifying and writing off old arrears which has been provided to the Commission along with the replies and appropriate directions have been issued to the field units to compile the sample cases based on this recently issued Order of the Petitioner. However, from the Regulations it is ample clear that the Petitioner is required to submit its policy for identifying and writing off doubtful debts to the Commission for prior approval which the Petitioner has not done.

4.9.7 Regulation 4.4 of the Distribution Tariff Regulations, 2006 specifies as follows:

"4.4 Bad and Doubtful Debts:

Bad and Doubtful Debts shall be allowed as a legitimate business expense with the ceiling limit of 2% of the revenue receivables provided the distribution licensee actually identifies and writes off bad debts ***as per the transparent policy approved by the Commission****. In case there is any recovery of bad debts already written off, the recovered bad debt will be treated as other income."* ***(Emphasis added)***

4.9.8 The Commission in the Tariff Order dated 9th July, 2008 in Petition No. 487 and 510 of 2007 for FY 2008-09 had disallowed the claims towards provision for bad and doubtful debts due to the absence of a clear policy and procedure for identifying and writing off receivables. Any provisioning towards bad and doubtful debts needs to be backed up with processes to identify consumers who are not paying up and then making adequate attempts to collect from such consumers. Further, the above Regulations provide for prior approval of the Commission of the transparent policy for identification of bad and doubtful debts, which the Petitioner has not taken.

4.9.9 Thus, in accordance with the Distribution Tariff Regulations, 2006, guidelines and procedures for identifying, physically verifying and writing off the bad debts is a must for approval of provision for bad debts. Since, the Petitioner is yet to satisfy the Commission of the sincere and concerted efforts to comply with the Commission's directives in this regards, hence, the Commission is not giving any allowance for bad debts for FY 2008-09 during the final truing up exercise for FY 2008-09.

4.9.10 Therefore, in the absence of proper policy in place for identifying and writing off receivables, the Commission disallows the claims towards provision for bad and doubtful debts as shown in the Table below:

Table 4-21: PROVISION FOR BAD AND DOUBTFUL DEBT FOR FY 2008-09 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Provision for Bad and Doubtful Debts	0.00	43.15	48.27	0.00

4.10 RETURN ON EQUITY

4.10.1 The Petitioner has not claimed any return on equity for the year under review. The Petitioner has stated that it does not want to burden the consumers by proposing return on equity as it will further increase the gap. Hence, agreeing with the Petitioner's submission in this regards, the Commission has also not allowed any amounts towards return on equity for FY 2008-09.

4.11 REVENUE SIDE TRUING UP

NON TARIFF INCOMES

4.11.1 The Petitioner submitted that the actual Non-Tariff income earned by it in FY 2008-09 is Rs. 4.74 Crore against the projection of Rs. 3.03 Crore approved by the Commission in the Tariff Order dated 9th July, 2008 in Petition No. 487 and 510 of 2007.

4.11.2 As regards the Commission's query regarding detailed break-up of Non-Tariff Income the Petitioner has submitted as follows:

Table 4-22: NON TARIFF INCOME (Rs. Crore)

Particulars	FY 2008-09
Interest from FDR including TDS amount	0.33
Reconnection and Disconnection Fees	-
Other Recoveries from consumers	-
Recoveries from Theft/Malpractices	-
Other Charges from Consumers	-
Misc Income	4.41
Other Non-Operating Income	-
Total NTI	**4.74**

4.11.3 The Commission has accepted the submission of the Petitioner, under this head and has accordingly approved Non-Tariff Income of Rs. 4.47 Crore for Truing up of FY 2008-09.

REVENUE FROM SALE OF POWER

4.11.4 The Petitioner submitted that in the Audited Accounts, the delayed payment surcharge has been included as part of Other Incomes, however for the purpose of True-up it has included delayed payment surcharge as part of revenue from sale of power.

4.11.5 The Petitioner submitted that in the Tariff Order for FY 2008-09 the Commission had projected revenue from sale of power of Rs. 785.73 Crore for FY 2008-09. The Petitioner further submitted that as per the Audited Accounts the actual revenue from sale of power is Rs. 841.12 Crore (including Rs. 43.44 Crore towards delayed payment surcharge) towards electricity sales of 1,964.42 MU.

4.11.6 The Commission has accepted the revenue from sale of power as submitted by the Petitioner after verifying the same from the Audited Accounts of FY 2008-09 and has accordingly approved actual revenue of Rs. 841.12 Crore including delayed payment surcharge towards sales of 1964.42 MU. The summary of revenue approved in the Tariff Order, that claimed by the Petitioner and that approved by the Commission in this Order for Truing up of FY 2008-09 is shown in the Table below:

Table 4-23: REVENUE FOR FY 2008-09 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Revenue from Tariff	876.76	841.12	841.12	841.12
Delayed Payment Surcharge				
Non Tariff Income	3.03	4.74	4.74	4.74
Total Revenue	**879.79**	**845.86**	**845.86**	**845.86**

4.12 AGGREGATE REVENUE REQUIREMENT AND REVENUE GAP/ (SURPLUS) FOR FY 2008-09 AFTER TRUING UP

4.12.1 The Aggregate Revenue Requirement for FY 2008-09 after final Truing-up is summarised in the Table below:

Table 4-24: ARR, REVENUE AND GAP SUMMARY FOR FY 2008-09 (Rs. Crore)

Particulars	Approved	Actuals as per Audited Accounts	True-up Petition	Allowable
(a)	(b)	(c)	(d)	(e)
Power Purchase Expenses	737.56	709.25	686.06	728.21
Employee Expenses	63.40	103.25	103.25	103.25
Repair and Maintenance Expenses	11.50	14.01	14.01	14.01
A&G Expenses	10.49	7.84	7.84	7.84
Gross Interest on Long Term Loans	11.45	8.73	1.61	1.62
Finance Charges	8.54	23.95	23.95	4.96
Interest on Working Capital	6.62	10.12	9.02	9.02
Discount to Consumers	0.00	0.00	0.00	0.00
Depreciation	39.63	14.11	25.20	25.20
Prior Period Expenses	0.00	3.55	3.55	0.00
Other Misc Expenses / Incomes	0.00	0.37	0.37	0.00
Provision for Bad and Doubtful Debts	0.00	43.22	48.27	0.00
Gross Expenditure	**889.19**	**938.32**	**923.05**	**894.10**
Less: Employee Capitalisation	9.51	2.66	2.66	2.66
Less: A&G Capitalisation	1.57	0.00	0.00	0.00
Less: Interest Capitalisation	2.63	8.73	1.61	1.62
Total Capitalisation	**13.71**	**11.39**	**4.27**	**4.29**
Net Expenditure	**875.48**	**926.93**	**918.77**	**889.82**
Add: Return on Equity				

Particulars	Approved	Actuals as per Audited Accounts	True-up Petition	Allowable
(a)	**(b)**	**(c)**	**(d)**	**(e)**
Less: Non-tariff Incomes	3.03	4.74	4.74	4.74
Add: Efficiency Gains			0.54	8.42
Annual Revenue Requirement	**872.45**	**922.19**	**914.57**	**893.49**
Revenue from Tariff incl DPS	876.76	841.12	841.12	841.12
Revenue gap from previous years	80.46			
Net Revenue Gap	**-4.31**	**81.07**	**73.46**	**52.37**

4.12.2 The Petitioner requested the Commission to consider the revenue side True-up and expense side True-up as per the aforementioned Sections wherein the net revenue gap has been computed at Rs.72.92 Crore before considering any efficiency gains. The Petitioner further submitted that it is also entitled for efficiency gains of Rs. 0.54 Crore; thereby the net entitlement under True-up for FY 2008-09 is Rs. 73.46 Crore.

4.12.3 However, as observed from the above Table, against the gap of Rs. 73.46 Crore claimed by the Petitioner for Truing up of FY 2008-09, the Commission has worked out gap of Rs. 52.37 Crore while carrying out the Truing-up on the basis of the Audited Accounts. The Commission has discussed the treatment of above revenue gap subsequently in this Order.

5 TRUING UP OF AGGREGATE REVENUE REQUIREMENT FOR FY 2009-10

5.1 INTRODUCTION

5.1.1 The Petitioner has sought the final Truing-up of expenditure and revenue for FY 2008-09 to FY 2011-12 based on actual expenditure and revenue as per Audited Accounts. In this Section, the Commission has analysed all the elements of actual revenue and expenses for FY 2009-10 and has undertaken the truing up of expenses and revenue after prudence check on the data made available by the Petitioner.

5.2 POWER PURCHASE QUANTUM AND COST FOR FY 2009-10

5.2.1 The Petitioner submitted that in the Tariff Order dated 14th October, 2009 in Petition No. 634 of 2009 for FY 2009-10, the Commission had approved the power purchase cost of Rs. 697.22 Crore towards projected purchase of 2645.30 MU. The Petitioner submitted that the actual power purchase in FY 2009-10 was 2740.21 MU at a cost of Rs. 723.42 Crore.

5.2.2 The Petitioner submitted that it has considered the following philosophy for computing the allowable power purchase cost:

- The Petitioner has first calculated the allowable power purchase input which has been calculated by grossing up the actual energy sales by the approved T&D loss target of FY 2009-10.

- The allowable power purchase cost has been computed by multiplying the derived allowable power purchase input by the actual power purchase rate as per Audited Accounts.

5.2.3 Thus, considering the above philosophy the Petitioner has claimed an allowable power purchase expenses of Rs. 580.82 Crore in FY 2009-10.

5.2.4 The Commission in its Order dated 21st May, 2013 has concurred with the philosophy considered by the Petitioner, wherein the efficiency target of T&D

loss level, was considered as controllable parameter, and thereupon the power purchase cost consequent to under-achievement of T&D loss was disallowed. The Commission in its Tariff Order of DVVNL for FY 2014-15 has determined the Trued-up Bulk Supply Tariff of Rs. 3.05 per kWh for FY 2009-10.

5.2.5 Considering the allowable power purchase quantum of 2200.07 MU and the trued up power purchase rate of Rs. 3.05 per kWh, the allowable power purchase cost has been assessed at Rs. 670.90 Crore.

5.2.6 The Table below summarises the sales, distribution losses, energy balance, power purchase quantum and cost approved in the Tariff Order, as submitted by the Petitioner in the Truing up Petition and as approved by the Commission in this Order:

Table 5-1: ALLOWABLE POWER PURCHASE COST FOR FY 2009-10

Particulars	Unit	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Power Purchase	MU	2645.30	2740.21	2740.21	2740.21
Energy Sales	MU	2082.60	1732.08	1732.08	1732.08
Distribution Loss	%	21.27%	36.79%	21.27%	21.27%
Power Purchase Cost	Rs. Crore	697.22	723.42	723.42	
Power Purchase Cost per unit	Rs. /kWh	2.636	2.640	2.640	3.049
Allowable Power Purchase Input	MU			2200.07	2200.07
Allowable Power Purchase Cost at BST	Rs. Crore			580.82*	670.90

**Power Purchase Cost at pooled cost as submitted by the Petitioner*

5.3 TRANSMISSION CHARGES

5.3.1 The Petitioner submitted that in the Tariff Order dated 14th October, 2010 in Petition No. 634 of 2009 in the matter of ARR and Tariff Determination for FY 2009-10, the Commission had approved the Transmission Charges of Rs. 33.22 Crore towards a projected power purchase of 2645.30 MU. The Petitioner submitted that the actual Power Purchase in FY 2009-10 was 2740.21 MU incurring transmission charges to the tune of Rs. 34.53 Crore as per the Audited Accounts. The Petitioner further submitted that the allowable power purchase input for FY 2009-10 works out to 2200.07 MU and therefore for the purpose of claiming the trued of transmission charges this allowable power purchase input has been taken into consideration. The Petitioner further submitted that the per unit rate of Transmission charge at Rs. 0.1516 per kWh has been considered equivalent to the rate submitted by UPPTCL in its True-up Petition filed before the Commission on 29th November, 2013 for True up of FY 2009-10 which was subsequently admitted by the Commission in its Admittance Order dated 6th May, 2013. The Petitioner further submitted that the allowable Transmission Charges for FY 2009-10 works out to Rs. 33.36 Crore.

5.3.2 Accordingly, the Petitioner has claimed allowable Transmission Charges of Rs. 33.36 Crore against the actual Transmission Charges of Rs. 34.53 Crore.

5.3.3 The Commission in its Tariff Order dated 14th October, 2010 in Petition No. 634 of 2009 had prescribed the distribution loss targets for the Petitioner. The Commission has computed the allowable power purchase by grossing up the actual energy sales by the approved distribution loss target. It is observed that the Petitioner has considered Transmission Charges at the rate equivalent to the rate submitted by UPPTCL in its True-up Petition, however, the True-up Order in the matter of Petition No. 849 / 2012 and 883 / 2013 was issued by the Commission on 31st May, 2013. Thus, to derive the allowable Transmission Charges the allowable power purchase input has been multiplied by the Trued-up transmission tariff for Truing-up.

5.3.4 Accordingly, the Table below provides the allowable Transmission Charges for the Petitioner for FY 2009-10:

Table 5-2: ALLOWABLE TRANSMISSION CHARGES FOR FY 2009-10 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Allowable Units Wheeled (MU)	2645.30		580.82	670.90
Trued up Transmission Charge (Rs/kWh)	0.13		0.1516	0.1278
Transmission Charges (Rs Crore)	**33.22**	**34.53**	**33.36**	**28.12**

5.4 O&M EXPENSES

5.4.1 Operation and Maintenance (O&M) expenses comprise of employee related costs, A&G expenses and R&M expenditure.

5.4.2 The Petitioner's submissions on each of the heads of O&M expenditure for FY 2009-10, and the Commission's analysis on the Truing-up of O&M expenditure heads are detailed below:

5.4.3 The Petitioner submitted that the actual net employee expense for FY 2009-10 is Rs. 86.71 Crore as against approved expenses of Rs. 60.31 Crore. The Petitioner further submitted that the gross employee expense of Rs. 88.64 Crore include the impact of the growth in the salaries, grade pay and allowances consequent to the 6th pay revision. The Petitioner submitted that it has through a separate submission dated 10th May, 2013 (filed with the Commission on 13th May, 2013) depicted the Commission that the impact of pay revision is to the tune of 51% in FY 2009-10 over normal employee expenses of FY 2008-09. The Petitioner requested the Commission to consider the Employee expenses as per its Audited Accounts.

5.4.4 The Petitioner submitted that the actual net administrative and general expense for the FY 2009-10 is Rs. 14.75 Crore against the approved expenses of Rs. 11.86 Crore. The Petitioner requested the Commission to consider the A&G expenses as per its Audited Accounts.

5.4.5 The Petitioner submitted that the actual R&M expense for FY 2009-10 is Rs. 18.71 Crore as against Rs. 19.51 Crore approved in the Tariff Order dated 19th October, 2010 in Petition No. 634 of 2009 for FY 2009-10. The Petitioner further submitted that since the actual R&M expenses are lower than the approved R&M expenses thereby making it eligible for efficiency gain requested and has accordingly claimed Rs. 19.11 Crore towards net entitlement of R&M expenses for FY 2009-10 against the approved expenses of Rs. 19.51 Crore.

5.4.6 In reply to the Commission's query regarding the basis of capitalization the Petitioner added that the capitalisation of Employee expenses and A&G expenses for FY 2009-10 has been done on the basis of Audited Accounts of FY 2009-10.

5.4.7 As discussed in Para 4.4.9 the Petitioner had adopted 6th Pay Revision Committee Recommendations in the month of February 2009. In the True-up Petitions / Audited Accounts for FY 2008-09, 2009-10, 2010-11 and 2011-12 the Petitioner has submitted that the employee cost of FY 2008-09 includes pay revision provision of Rs. 17.74 Crore pertaining to the period from 1st April, 2008 to 31st March, 2009 and also includes a provision of Rs. 26.73 Crore towards change in accounting policy of earned leave encashment.

5.4.8 The normal increment in salaries was paid from April 2009 onwards. Hence the normal increase in employee costs would be reflected in the Audited Accounts of FY 2009-10.

5.4.9 The Commission has estimated the percentage increase in normal employee expenses for FY 2009-10 by isolating the impact of pay revision arrear and change in accounting policy provision in 2008-09. The normal gross employee expenses increased from Rs. 58.78 Crore (excluding pay revision arrear and provision towards change in accounting policy of earned leave encashment) in FY 2008-09 to Rs. 88.64 Crore in FY 2009-10 consequent to pay revision, which translates to an increase of 50.79%.

5.4.10 The normative gross employee expenses for FY 2009-10 have been considered by escalating the component wise normative O&M expenses for FY 2008-09 by 50.79% which is inclusive of the escalation index of 7.52% approved in Table 4-3 above.

5.4.11 Further, in addition to the normative O&M cost based on inflationary indices based escalation, incremental O&M expenses at 2.5% on addition of assets during previous year has also been computed in accordance with the Regulation 4.3 (3) of the Distribution Tariff Regulations 2006.

5.4.12 Since the actual O&M expenses are lower than the normative O&M expenses, hence, as discussed in Para 4.4.12, the Commission has approved the actual audited O&M expenses claimed by the Petitioner for FY 2009-10.

5.4.13 In reply to the Commission's query regarding whether CGRF expenses have been included in O&M expenses the Petitioner submitted that the CGRF expenses are part of O&M expenses claimed by it. The Petitioner submitted that such expenses are not separately accounted for and hence, details of such expenses are not available with it. The Petitioner requested the Commission to allow an adhoc allowance towards the CGRF expenses considering the remuneration norms and associated costs in CGRF framework approved by the Commission. As detailed in Para 4.4.13 above, the Commission has not allowed any additional allowance towards the CGRF expenses.

5.4.14 In reply to the Commission's query regarding the details of expenses incurred towards allocation of Interest Charges and O&M Expenses of UPPCL, the Petitioner submitted the chart depicting the allocation of O&M Expenses of UPPCL as shown below:

Table 5-3: ALLOCATION OF O&M EXPENSES IN FY 2009-10 (Rs. Crore)

Particulars	Amount
Employees Expenses	4.47

Particulars	Amount
Administrative, General & Other Expenses	12.55
Repairs and Maintenance Expenses	104.47
Total	**121.48**

Table 5-4: ALLOCATION OF O&M EXPENSES AMONG DISTRIBUTION LICENSEES IN FY 2009-10

Name of Distribution Licensees	Sales Input (MU)	O&M Expenses Allocated (Rs. Crore)
DVVNL	12,959	27.74
MVVNL	9,755	20.88
PVVNL	18,237	39.04
PuVVNL	12,701	27.19
KESCO	2,740	5.87
NPCL	354	0.76
Total	**56,746**	**121.48**

5.4.15 As detailed in Para 4.4.15 above the Commission has considered the allocation of O&M expenses for FY 2009-10 while computing the Bulk Supply Tariff, hence the same has not been allowed separately in the ARR of FY 2009-10.

5.4.16 Further, the Petitioner has also claimed efficiency gain on account of R&M expenses of Rs. 0.40 Crore in addition to R&M expenses of Rs. 18.71 Crore resulting into net R&M expenses of Rs. 19.11 Crore. In this regards the Commission in Para 4.4.18 has explained in detail that the Regulations allows sharing of efficiency gains on account of total O&M expenses and not on the basis of unlike individual heads of O&M expenses as claimed by the Petitioner.

5.4.17 Since the actual O&M expenses for FY 2009-10 are lower than the normative O&M expenses thus, in accordance with the Distribution Tariff Regulations, 2006 and the philosophy stated in Para 4.4.18 the Commission has allowed sharing of efficiency gains with respect to normative O&M expenses for Truing up of FY 2009-10 which works out to Rs. 5.70 Crore as against Rs. 0.40 Crore claimed by the Petitioner. Further, as stated earlier in Para 4.4.18 the Commission has allowed sharing of efficiency gain on account of O&M expenses separately in the ARR of FY 2009-10 and has not included the same in the O&M expenses as claimed by the Petitioner.

5.4.18 Accordingly, the summary of O&M expenses approved in the Tariff Order, claimed by the Petitioner and that approved by the Commission in this Order for Truing-up of FY 2009-10 is shown in the Table below:

Table 5-5: O&M EXPENSES APPROVED BY THE COMMISSION (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Normative Computed in this Order	Allowable
Employee Expenses	70.96	88.64	88.64	91.35	88.64
Repair & Maintenance Expenses	19.51	18.71	18.71	36.76	18.71
Administrative and General Expenses	13.95	14.76	14.76	5.40	14.76
Gross Operation and Maintenance Expenses	**104.42**	**122.11**	**122.11**	**133.51**	**122.11**
Less: Capitalisation	0.00	0.00	0.00		0.00
Employee Cost Capitalized	10.64	1.92	1.92	1.92	1.92
A&G Expenses Capitalized	2.09	0.01	0.01	0.01	0.01
Total Capitalization	**12.73**	**1.94**	**1.94**	**1.94**	**1.94**
Net Operation and Maintenance Expenses	**91.69**	**120.17**	**120.17**	**131.58**	**120.17**
Efficiency Gain			**0.40**		**5.70**

5.5 INTEREST AND FINANCE CHARGES

Interest on Long Term Loans:

5.5.1 The Petitioner has claimed interest on long term loan of Rs. 11.86 Crore as against Rs. 10.76 Crore approved in the Tariff Order dated 14th October, 2010 in

Petition No. 634 of 2009. The Petitioner submitted that the interest capitalised for FY 2009-10 was to the tune of Rs. 0.00 Crore as against Rs. 2.47 Crore approved by the Commission in the Tariff Order. Thus, the net interest on loan for FY 2009-10 as submitted by the Petitioner works to Rs. 11.86 Crore as against Rs. 8.29 Crore approved by the Commission in the Tariff Order dated 14th October, 2010 in Petition No. 634 of 2009 for FY 2009-10.

5.5.2 The Commission vide its preliminary deficiency note has asked the Petitioner to submit the details of actual loans along with computation of Interest on Loan as claimed by the Petitioner for FY 2009-10 in its True up Petition. In reply to the Commission's query the Petitioner submitted that subsequent to the filing of the True-up Petition for FY 2008-09 to 2011-12, the Commission issued the True-up Order for FY 2000-01 to 2007-08 on 21st May, 2013 in which the Commission had adopted a normative approach to tariff with a gearing of 70:30. The Petitioner submitted that the same was reaffirmed by the Commission in the suo-motu Tariff Order for FY 2013-14.

5.5.3 The Petitioner further submitted that it is agreeable to the approach followed by the Commission in this regard. Accordingly, based on the normative approach, the Petitioner submitted the re-worked the loan balances, additions based on normative capital expenditure, normative repayment linked with allowable depreciation of the respective year and the average interest rate as per the weighted average interest rate of the licensee as per Audited Accounts. The revised interest on long term loan claimed by the Petitioner based on the normative approach works out to Rs. 2.20 Crore.

5.5.4 Further, as discussed in Para 4.5.4 above the Petitioner has reaffirmed that the loan balances and interest amount to be considered includes only the loan amount borrowed from PFC and the interest payable to PFC respectively as disclosed in the books of accounts. Accordingly the Petitioner re-submitted the revised head wise detailed computations of opening and closing loan balances and the weighted average rate of interest after reconciling the same with the Audited Accounts as shown in the Table below:

Table 5-6: REVISED COMPUTATION OF WEIGHTED AVERAGE RATE OF INTEREST SUBMITTED BY THE PETITIONER (Rs. Crore)

Particulars	FY 2009-10
Opening Loan	178.98
Closing Loan Balance	89.37
Interest	11.24
Rate of Interest	8.38%

5.5.5 Accordingly, based on the above, the revised interest on long term loan claimed by the Petitioner works out to Rs. 2.08 Crore. Further, the Petitioner has not claimed any amount towards normative interest capitalization in accordance with the Audited Accounts. Thus, net interest on long term loan, claimed by the Petitioner works out to Rs. 2.08 Crore for FY 2009-10.

5.5.6 The Petitioner further submitted that subsequent to the approval of the True up Orders for FY 2000-01 to 2007-08 on 21st May, 2013 and the suo-motu Tariff Order for FY 2013-14, the Commission has itself prescribed that the actual loan balances and interest expenses would not be considered; instead a normative approach with a gearing of 70:30 would be applicable.

5.5.7 The Petitioner added that although the submissions made by it in the True-up Petitions are strictly in line with the Audited Accounts which have been furnished to the Commission, however the capitalisation and ARR components such as depreciation, interest and other expenses be allowed based on the normative approach.

5.5.8 As discussed in Para 4.5.8 above the Commission has considered interest cost as an uncontrollable cost as the interest rate regime is determined by various external factors and the actual loans taken are consequential to the capital expenditure undertaken by the Petitioner.

5.5.9 For the above purpose, the Commission has derived actual capital investments undertaken by the Petitioner in FY 2009-10, based on the Audited Accounts. The details are provided in the Table below:

Table 5-7: CAPITAL INVESTMENTS IN FY 2009-10 (Rs. Crore)

Particulars	Tariff Order	Audited	True-up Petition	Allowable
Opening WIP as on 1st April	150.67	50.29	50.29	50.29
Investments	6.44	50.99	50.99	50.99
Employee Expenses Capitalisation	10.64	1.92	1.92	1.92
A&G Expenses Capitalisation	2.09	0.00	0.00	0.00
Interest Capitalisation on Interest on long term loans	2.47	0.01	0.01	0.01
Total Investments	172.32	103.22	103.22	103.22
Transferred to GFA (Total Capitalisation)	68.93	56.74	56.74	56.74
Closing WIP	103.39	46.48	46.48	46.48

5.5.10 The Commission has followed the same approach as in previous Orders and therefore, considering the normative 70:30 gearing approach, 70% of the capital expenditure undertaken in any year has been considered to be financed through loan and balance 30% has been considered to be financed through equity contributions.

5.5.11 The Commission vide its deficiency note asked the Petitioner to submit the details of the GFA addition on account of Consumer Contribution, Grants and subsidies for FY 2008-09 to FY 2011-12. In reply to the Commission's query the Petitioner submitted the details of GFA addition on account of Consumer Contribution, Grants and subsidies for FY 2009-10 as shown in the Table below:

TABLE 5-8: CONSUMER CONTRIBUTION, GRANTS AND SUBSIDIES (Rs. Crore)

Particulars	FY 2009-10
Opening Balance	121.81
Additions during the year	17.44
Amortization	38.85
Closing Balance	**100.40**

5.5.12 The portion of capital expenditure financed through consumer contributions, capital subsidies and grants has been separated as the depreciation and interest thereon would not be charged to the consumers. The Commission has verified the details of GFA addition on account of consumer contributions, capital subsidies and grants from the Audited Accounts of FY 2009-10.

5.5.13 Thus, based on the above the approved financing of the capital investment is depicted in the Table below:

Table 5-9: FINANCING OF THE CAPITAL INVESTMENTS IN FY 2009-10 (Rs. Crore)

Particulars	Derivation	Tariff Order	Audited	True up Petition	Allowable
Investment	A	14.55	50.99	50.99	50.99
Less:					
Consumer Contribution	B	8.11	17.44	17.44	17.44
Investment funded by debt and equity	C= A-B			33.55	33.55
Debt Funded	D= 70%*C	4.51		23.49	23.49
Equity Funded	E=30%*C	1.93		10.07	10.07

5.5.14 From the above Tables it is seen, that the total investments made by the Petitioner in FY 2009-10 were to the tune of Rs. 50.99 Crore. The consumer contributions, capital subsidies and grants received during the corresponding period is Rs. 17.44 Crore. Thus, balance Rs. 33.55 Crore have been funded through debt and equity. Considering a debt equity ratio of 70:30, Rs. 23.49 Crore or 70% of the capital investment is approved to be funded through debt and balance 30% equivalent to Rs. 10.07 Crore through equity. Allowable depreciation for the year has been considered as normative loan repayment. The closing loan balance of FY 2008-09 approved in Section 4.5 has been considered as the opening loan balance of FY 2009-10. The actual weighted average rate as per Audited Accounts has been considered for computing the interest.

5.5.15 Considering the above, the gross interest on long term loan is Rs. 2.12 Crore. The interest capitalisation has been considered at the same rate as per Audited Accounts. The computations for interest on long term loan are depicted below:

Table 5-10: APPROVED INTEREST ON LONG TERM LOAN FOR FY 2009-10 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Opening Balance		178.98	26.65	27.08
Additions: 70% of the Asset Capitalization		-	23.49	23.49
Less: Allowable Depreciation during the Year		-	27.06	27.06
Closing Balance		89.37	23.08	23.51
Average Rate of Interest		8.38%	8.38%	8.38%
Gross Allowable Interest	10.76	11.24	2.08	2.12
Less: Interest Capitalized	2.47	-	0.00	0.00
Net Allowable Interest	8.29	11.24	2.08	2.12

5.5.16 Accordingly, the net interest on long term loan approved by the Commission for Truing up of FY 2009-10 after reducing the interest capitalised of Rs. 0.00 Crore works out to Rs. 2.12 Crore.

Finance Charges

5.5.17 The Petitioner submitted that the finance charges constitutes of components such as guarantee fees, bank charges which are imposed by Government, financial institutions, etc. and are uncontrollable in nature. The Petitioner has claimed Finance charges of Rs. 26.96 Crore as against Rs. 6.63 Crore approved by the Commission in the Tariff Order dated 14th October, 2010 in Petition No. 634 of 2009 for FY 2009-10.

5.5.18 The Petitioner has claimed finance charges towards items such as interest on electricity duty, bank charges, discount to consumers, interest on consumer security deposits, etc.

5.5.19 As discussed in detail in para 4.5.19, the Commission has disallowed the interest on electricity duty of Rs. 26.96 Crore as claimed by the Petitioner.

5.5.20 Further as discussed in detail in Para 4.5.20 of this Order the Commission approves the actual expenses incurred towards discount to consumers. Also, bank charges and interest on consumer security deposits have been allowed at actual based on Audited Accounts as detailed in Para 4.5.21.

5.5.21 Thus, the Commission has approved finance charges amounting to Rs. 4.98 Crore for FY 2009-10 as against Rs. 26.96 Crore claimed by the Petitioner as shown in the Table below:

Table 5-11: ALLOWABLE FINANCE CHARGES FOR FY 2009-10 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Interest on Electricity Duty	0.00	21.97	21.97	0.00
Finance Charges / Guarantee Fees	0.02	0.00	0.00	0.00
Bank Charges	0.00	0.06	0.06	0.06
Discount to Consumers on sale of energy	0.50	0.82	0.82	0.82
Interest on Consumer Security Deposits	6.11	4.10	4.10	4.10
Total Finance Charges	**6.63**	**26.96**	**26.96**	**4.98**

Interest on Working Capital

5.5.22 The Petitioner submitted that Tariff Regulations provide for normative interest on working capital based on the principles outline in the Distribution Tariff Regulations, 2006. The Petitioner submitted that in accordance with the

Regulations it is eligible for interest on working capital. The Petitioner further submitted that Regulation 4.8(2)(B) of the Distribution Tariff Regulations, 2006 specifies the rate of interest on working capital borrowing as the bank rate specified by RBI plus some margin approved by the Commission. The Petitioner submitted that it has accordingly considered a rate of 11.75% which is line with the rate approved by the Commission in its Tariff Order for FY 2009-10. The Petitioner further requested the Commission to approve normative interest on working of Rs. 6.15 Crore as against Rs. 7.84 Crore approved by the Commission in the Tariff Order of FY 2009-10.

5.5.23 Based on the methodology specified in the Distribution Tariff Regulations, 2006 the Commission in the Tariff Order dated 14th October, 2010 in Petition No. 634 of 2009 for FY 2009-10 had allowed normative interest on working capital of Rs. 7.84 Crore. Following the similar approach and in accordance with the Regulations, the Commission in this Order has assessed the working capital and interest thereon based on the Trued-up ARR of the Petitioner.

5.5.24 The Commission has approved Rs. 6.15 Crore towards interest on working capital for FY 2009-10 which is same as that claimed by the Petitioner. The summary of the interest on working capital approved by the Commission in the Tariff Order for FY 2009-10, claimed by the Petitioner and that approved by the Commission in the present Truing up Order is shown in the Table below:

Table 5-12: ALLOWABLE INTEREST ON WORKING CAPITAL FOR FY 2009-10 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
One month's O & M Expenses	7.64		10.01	10.01
One-twelfth of the sum of the book value of stores, materials and supplies at the end of each month of such financial year	1.96		2.32	2.32
Receivables equivalent to 60 days average billing of Beneficiaries	154.24		131.59	131.59

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Gross Total	163.84		143.92	143.92
Security Deposits by the beneficiaries (if any)	97.08		91.55	91.55
Net Working Capital	66.76		52.37	52.37
Rate of Interest for Working Capital	11.75%		11.75%	11.75%
Interest on Working Capital	7.84	4.66	6.15	6.15

Total Interest and Finance Charges

5.5.25 The following Table summarises the interest and finance charges approved by the Commission in the Tariff Order, interest and finance charges claimed by the Petitioner and that approved by the Commission in this Order:

Table 5-13: ALLOWABLE INTEREST AND FINANCE CHARGES FOR FY 2009-10 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
A: Interest on Long Term Loans				
Gross Interest on Long Term Loan	10.76	11.86	2.08	2.12
Less: Interest Capitalisation	2.47	0.00	0.00	0.00
Net Interest on Long Term Loans	**8.29**	**11.86**	**2.08**	**2.12**
B: Finance and Other Charges	0.00	0.00	0.00	0.00
Interest on Electricity Duty	0.00	21.97	21.97	0.00
Finance Charges / Guarantee Fees	0.02	0.00	0.00	0.00
Bank Charges	0.00	0.06	0.06	0.06
Discount to Consumers on sale of energy	0.50	0.82	0.82	0.82
Interest on Consumer Security Deposits	6.11	4.10	4.10	4.10

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Total Finance Charges	**6.63**	**26.96**	**26.96**	**4.98**
C: Interest on Working Capital	**7.84**	**4.66**	**6.15**	**6.15**
Total (A+B+C)	**22.76**	**43.47**	**35.19**	**13.26**

5.6 DEPRECIATION

5.6.1 The Petitioner submitted that in the Tariff Order dated 14th October, 2010 in Petition No. 634 of 2009 for FY 2009-10, the Commission had approved a depreciation expense of Rs. 24.32 Crore on a gross fixed asset base of Rs. 382.81 Crore.

5.6.2 The Petitioner submitted that the actual depreciation expense as per Audited Accounts is Rs. 16.23 Crore. However the same depreciation has been accounted for considering the depreciation rates prescribed by the Companies Act, 1956. The Petitioner further submitted that for the purpose of Truing up, it has computed the depreciation expense on the actual GFA base and at the regulatory rates applicable for FY 2009-10.

5.6.3 The Petitioner added that for the purpose of True-up it has computed depreciation expense on the actual gross fixed asset base using the same depreciation rates which were used by the Commission in the Tariff Order dated 14th October, 2010 in Petition No. 634 of 2009 for FY 2009-10. However, it was observed that the Petitioner had considered depreciation rate of 7.91% to compute the depreciation as against the depreciation rate of 6.98% approved by the Commission in the Tariff Order dated 14th October, 2010 in Petition No. 634 of 2009 for FY 2009-10. In reply to the Commission's query regarding variation in Depreciation rate the Petitioner submitted the revised depreciation computation after considering the depreciation rate approved by the Commission in the aforesaid Tariff Order as shown in the Table below:

Table 5-14: ALLOWABLE DEPRECIATION SUBMITTED BY THE PETITIONER (Rs. Crore)

Particulars	Opening GFA	Additions to GFA	Deductions to GFA	Closing GFA	Depreciation Rates considered	Allowable Depreciation
Buildings						
a. Residential Colonies	10.10	0.08		10.18	6.98%	0.71
b. Office Building	1.07	0.13		1.20	6.98%	0.08
c. Building containing Sub-stations	15.17	0.49		15.66	6.98%	1.08
Plants & Machinery						
a. Plant & Machinery	113.46	21.34		134.80	6.98%	8.66
b. Lines, Cables, Networks etc.	295.25	34.05		329.30	6.98%	21.80
c. Office Equipments	5.62	0.06		5.69	6.98%	0.39
d. Computers	2.12	0.39		2.51	6.98%	0.16
Furniture & Fixtures	0.98	0.07		1.05	6.98%	0.07
Vehicles	3.16	0.12		3.28	6.98%	0.22
Grand Total	**446.94**	**56.74**		**503.68**		**33.18**

5.6.4 As regards the Commission's query regarding source-wise of funding of capitalization, the Petitioner submitted that the Commission in the True up Order dated 21st May, 2013 for FY 2000-01 to 2007-08 and in the suo-motu Tariff Order dated 31st May, 2012 for FY 2013-14 had considered a normative tariff approach wherein it had considered a normative gearing of 70:30 and 70% of the capital expenditure undertaken in any year was considered to be financed through loan and balance 30% has been considered to be financed through equity contributions. The Petitioner further submitted that in its aforesaid Orders the portion of capital expenditure financed through consumer contributions, capital subsidies and grants was separated by the Commission as the depreciation and interest thereon would not be charged to the consumers.

5.6.5 The Petitioner added that since it is agreeable to this normative approach approved by the Commission hence no deviation in this approach has been sought by it.

5.6.6 It was further observed that the Petitioner had not reduced the depreciation charged on assets created out of consumer contributions, capital grants and subsidies. In this regards the Commission vide its deficiency note sought the justification for not deducting the depreciation on assets acquired out of the Consumer Contribution and GoUP Subsidy from the depreciation on the GFA along with the revised computation of depreciation after reducing depreciation on assets acquired out of the Consumer Contribution and GoUP Subsidy.

5.6.7 In its reply the Petitioner submitted that the philosophy for reduction of depreciation on assets created out of consumer contributions, grants and subsidies from the gross depreciation expense was settled in the True up Order for FY 2000-01 to 2007-08 before which the True-up Petitions for FY 2008-09 to 2011-12 were filed by it. The Petitioner further submitted that subsequent to the principle being established by the Commission, it is agreeable to this methodology and has submitted the revised Table depicting the allowable depreciation as shown below:

Table 5-15: REVISED ALLOWABLE DEPRECIATION SUBMITTED BY THE PETITIONER (Rs. Crore)

Particulars	2009-10
Gross Allowable Depreciation	33.18
Less: Depreciation on account of Consumer Contribution, Subsidies and Grants	6.12
Net Allowable Depreciation	27.06

5.6.8 The Commission asked the Petitioner to confirm that the cumulative depreciation in FY 2008-09 is less than 90% of GFA for all assets, since assets cannot be depreciated beyond 90% of GFA in accordance with the Distribution Tariff Regulations, 2006 which the Petitioner confirmed in reply to deficiency note.

5.6.9 As detailed in para 4.6.10 the Commission has considered the same philosophy as adopted by the Petitioner. After scrutinising the Audited Accounts for FY 2009-10 as submitted by the Petitioner, the net entitlement towards depreciation expenses claimed by the Petitioner and that approved by the Commission for Truing up of FY 2009-10 is shown in the Table below:

Table 5-16: DEPRECIATION EXPENSES FOR FY 2009-10 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Gross Allowable Depreciation	24.32	16.23	33.18	33.18
Less: Equivalent amount of depreciation on assets acquired out of the consumer contribution and GoUP Subsidy	0.00	0.00	6.12	6.12
Net Allowable Depreciation	24.32	16.23	27.06	27.06

5.7 PRIOR PERIOD EXPENSES

5.7.1 The Petitioner submitted that there are certain expenses and incomes which are omitted to be accounted for in one or more financial years. The Petitioner further submitted that its financial statements are prepared in compliance with Generally Accepted Accounting Principles (GAAP) and Accounting Standards issued by Accounting Standards Board of Institute of Chartered Accountants of India. The Petitioner added that the Accounting Standards (AS 5) (Revised) on 'Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies' provides that when such omissions or errors are detected they should be accounted for in the relevant year in which they are detected as stated below:

> *"Prior period items are income or expenses which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods"*

5.7.2 The Petitioner submitted that accordingly it has accounted for such transactions in the True-up computations strictly as per its Audited Accounts.

5.7.3 The Petitioner submitted that in the audited financial statements for FY 2009-10, there has been recognition of Rs. 15.36 Crore of prior period incomes and prior period expenses of Rs. 1.22 Crore, thereby increasing the eligible True-up by Rs. 14.25 Crore. The Petitioner further submitted the detailed break-up of the prior period items for FY 2009-10 as per Audited Accounts as shown in the Table below:

Table 5-17: BREAK UP OF PRIOR PERIOD EXPENSES / INCOMES (Rs. Crore)

Particulars	FY 2009-10
Prior Period Expenses	
Employees Cost	0.95
Operating Expenses	0.17
Interest and Financial Charges	-
Sub Total of Prior Period Expenses	**1.12**
Prior Period Income	
Power Purchase	15.35
Sale of Energy	0.01
Interest and Financial Charges	0.00
Sub Total of Prior Period Income	**15.36**
Net Prior Period Income	**14.25**

5.7.4 As regards the prior period expenses / incomes the Commission vide its deficiency note has asked the Petitioner to submit the detailed breakup of prior period expenses / incomes along with the details of years to which they pertain and the justification for not booking such amount in the annual account of the respective years. In its reply the Petitioner has submitted the year wise breakup of prior period expenses / incomes however the submission does not provide clarification regarding the heads under which these expenses have been booked.

5.7.5 As discussed in detail in Para 4.7.6, the Commission has not allowed any claims towards prior period expenses. The summary of the prior period expenses approved in the Tariff Order, claimed by the Petitioner and that approved by the Petitioner in this Order for Truing up of FY 2009-10 is shown in the Table below:

Table 5-18: PRIOR PERIOD EXPENSES / INCOMES FOR FY 2009-10 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Prior Period Incomes	0.00	14.25	14.25	0.00

5.7.6 Further, as discussed in detail in Para 4.7.8, the Petitioner is directed to submit a separate Petition for approval of prior period expenses / incomes for FY 2009-10 for the Commission's consideration.

5.8 OTHER EXPENSES

5.8.1 The Petitioner submitted that there are certain other expenses which cannot be claimed under any specific head of the ARR. The Petitioner further submitted that such minor expenses have been bundled together under the nomenclature of 'Other Miscellaneous Expenses' and the impact of such expenses is only Rs. 2.37 Crore in FY 2009-10 towards On Line Billing Charges.

5.8.2 As discussed in detail in Para 4.8.2 the Commission has not considered such expenses for admissibility in the True-up. The summary of other expenses approved in the Tariff Order, claimed by the Petitioner and approved by the Commission in this Order for Truing up of FY 2009-10 is shown in the Table below:

Table 5-19: OTHER EXPENSES FOR FY 2009-10 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Online Billing Charges		2.37	2.37	0.00
Total	**0.00**	**2.37**	**2.37**	**0.00**

5.9 PROVISION FOR BAD AND DOUBTFUL DEBT

5.9.1 The Petitioner submitted that the Commission has not allowed any amounts towards Provision for Bad and Doubtful Debts in the Tariff Order dated 14th October, 2010 in Petition No. 634 of 2009 for FY 2009-10 even though the Distribution Tariff Regulations, 2006 provide for allowing 2% provision in respect of revenue receivables.

5.9.2 The Petitioner submitted that such expenses are legitimate business expenses and are accepted accounting principle even in sectors like Banking where the provisioning of un-collectable dues is considered as a normal commercial practice.

5.9.3 The Petitioner submitted that it has computed the entitlement towards provision for bad and doubtful debts as 2% of the closing revenue receivables as per Audited Accounts of the relevant financial year for distribution business.

5.9.4 The Petitioner has claimed Rs. 45.36 Crore towards provision for bad and doubtful debts for FY 2009-10.

5.9.5 As discussed in detail in Para 4.9.9 due to the absence of proper policy in place for identifying and writing off receivables, the Commission disallows the claims towards provision for bad and doubtful debts.

Table 5-20: PROVISION FOR BAD AND DOUBTFUL DEBT FOR FY 2009-10 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Provision for Bad and Doubtful Debts	0.00	21.19	45.36	0.00

5.10 RETURN ON EQUITY

5.10.1 The Petitioner has not claimed any return on equity for the year under review. The Petitioner has stated that it does not want to burden the consumers by proposing return on equity as it will further increase the gap. Hence, agreeing with the Petitioner's submission in this regards, the Commission has also not allowed any amounts towards return on equity for FY 2009-10.

5.11 REVENUE SIDE TRUING UP

NON TARIFF INCOMES

5.11.1 The Petitioner submitted that the actual Non Tariff income earned by it in FY 2009-10 is Rs. 2.54 Crore against the projection of Rs. 2.88 Crore approved by the Commission in the Tariff Order dated 14th October, 2010 in Petition No. 634 of 2009.

5.11.2 As regards the Commission's query regarding detailed break-up of Non Tariff Income the Petitioner has submitted as follows:

Table 5-21: NON TARIFF INCOME (Rs. Crore)

Particulars	FY 2009-10
Interest from FDR including TDS amount	0.15
Reconnection and Disconnection Fees	-
Other Recoveries from consumers	-
Recoveries from Theft/Malpractices	-
Other Charges from Consumers	-
Misc Income	2.39

Particulars	FY 2009-10
Other Non-Operating Income	-
Total NTI	**2.54**

5.11.3 The Commission has accepted the submission of the Petitioner, under this head and has accordingly approved Non Tariff Income of Rs. 2.54 Crore for Truing up of FY 2009-10.

REVENUE FROM SALE OF POWER

5.11.4 The Petitioner submitted that in the Tariff Order dated 14th October, 2010 in Petition No. 634 of 2009 for FY 2009-10 the Commission had projected revenue from sale of power of Rs. 822.65 Crore for FY 2009-10. The Petitioner further submitted that as per the Audited Accounts the actual revenue from sale of power is Rs. 789.51 Crore (including Rs. 42.67 Crore towards delayed payment surcharge) towards electricity sales of 1732.08 MU.

5.11.5 The Commission has accepted the revenue from sale of power as submitted by the Petitioner after verifying the same from the Audited Accounts of FY 2009-10 and has accordingly approved actual revenue of Rs. 789.51 Crore including delayed payment surcharge towards sales of 1732.08 MU. The summary of revenue approved in the Tariff Order, that claimed by the Petitioner and that approved by the Commission in this Order for Truing up of FY 2009-10 is shown in the Table below:

Table 5-22: REVENUE FOR FY 2009-10 (Rs. Crore)

<table>
<tr><th>Particulars</th><th>Tariff Order</th><th>Actuals as per Audited Accounts</th><th>True-up Petition</th><th>Allowable</th></tr>
<tr><td>Revenue from Tariff</td><td rowspan="2">938.28</td><td rowspan="2">789.51</td><td rowspan="2">789.51</td><td rowspan="2">789.51</td></tr>
<tr><td>Delayed Payment Surcharge</td></tr>
</table>

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Non Tariff Income	2.88	2.54	2.54	2.54
Total Revenue	**941.16**	**792.06**	**792.06**	**792.06**

5.12 AGGREGATE REVENUE REQUIREMENT AND REVENUE GAP/ (SURPLUS) FOR FY 2009-10 AFTER TRUING UP

5.12.1 The Aggregate Revenue Requirement for FY 2009-10 after final Truing-up is summarised in the Table below:

Table 5-23: ARR, REVENUE AND GAP SUMMARY FOR FY 2009-10 (Rs. Crore)

Particulars	Approved	Actuals as per Audited Accounts	True-up Petition	Allowable
(a)	(b)	(c)	(d)	(e)
Power Purchase Expenses	730.44	757.95	620.05	699.02
Employee Expenses	70.96	88.64	88.64	88.64
Repair and Maintenance Expenses	19.51	18.71	18.71	18.71
A&G Expenses	13.95	14.76	14.76	14.76
Gross Interest on Long Term Loans	10.76	11.86	2.08	2.12
Finance Charges	6.63	26.96	26.96	4.98
Interest on Working Capital	7.84	4.66	6.15	6.15
Discount to Consumers	0.00	0.00	0.00	0.00
Depreciation	24.32	16.23	27.06	27.06
Prior Period Expenses	(14.25)	(14.25)	(14.25)	0.00
Other Misc Expenses	0.00	2.37	2.37	0.00
Provision for Bad and Doubtful Debts	0.00	21.19	45.36	0.00
Gross Expenditure	**870.16**	**949.08**	**837.90**	**861.45**
Less: Employee	1.92	1.92	1.92	1.92

Particulars	Approved	Actuals as per Audited Accounts	True-up Petition	Allowable
Capitalisation				
Less: A&G Capitalisation	2.09	0.01	0.01	0.01
Less: Interest Capitalisation	2.47	0.00	0.00	0.00
Total Capitalisation	**6.48**	**1.94**	**1.94**	**1.94**
Net Expenditure	**863.68**	**947.14**	**835.96**	**859.51**
Add: Return on Equity	0.00	0.00	0.00	0.00
Less: Non-Tariff Incomes	2.88	2.54	2.54	2.54
Add: Efficiency Gains	0.00	0.00	0.40	5.70
Annual Revenue Requirement	**860.80**	**944.60**	**833.42**	**862.67**
Revenue from Tariff including DPS	938.28	789.51	789.51	789.51
Net Revenue Gap	**-77.48**	**155.08**	**43.90**	**73.15**

5.12.2 The Petitioner requested the Commission to consider the revenue side True-up and expense side True-up as per the aforementioned Sections wherein the net revenue gap has been computed at Rs. 43.50 Crore before considering any efficiency gains. The Petitioner further submitted that it is also entitled for efficiency gains of Rs. 0.40 Crore; thereby the net entitlement under the True-up for FY 2009-10 is Rs. 43.90 Crore.

5.12.3 However, as observed from the above Table, against the gap of Rs. 43.90 Crore claimed by the Petitioner for Truing-up of FY 2009-10, the Commission has worked out the gap of Rs. 73.15 Crore while carrying out the Truing-up on the basis of the Audited Accounts. The Commission has discussed the treatment of above revenue gap subsequently in this Order

6 TRUING UP OF AGGREGATE REVENUE REQUIREMENT FOR FY 2010-11

6.1 BACKGROUND

6.1.1 The Petitioner has sought the final Truing-up of expenditure and revenue for FY 2008-09 to FY 2011-12 based on actual expenditure and revenue as per Audited Accounts. In this Section, the Commission has analysed all the elements of actual revenue and expenses for FY 2010-11 and has undertaken the Truing-up of expenses and revenue after prudence check on the data made available by the Petitioner.

6.2 POWER PURCHASE QUANTUM AND COST FOR FY 2010-11

6.2.1 The Petitioner submitted that in the Tariff Order dated 19th October, 2012 in Petition No. 751 / 2011 and 798 / 2012 for FY 2010-11, the Commission had approved the power purchase cost of Rs. 885.81 Crore towards a projected purchase of 2941.92 MU. The Petitioner submitted that the actual power purchase in FY 2010-11 was 2940.01 MU at a cost of Rs. 884.94 Crore.

6.2.2 The Petitioner submitted that it has considered the following philosophy for computing the allowable power purchase cost:

- The Petitioner has first calculated the allowable power purchase input which has been calculated by grossing up the actual energy sales by the approved T&D loss target of FY 2010-11.

- The allowable power purchase cost has been computed by multiplying the derived allowable power purchase input by the actual power purchase rate as per Audited Accounts.

6.2.3 Thus, considering the above philosophy the Petitioner has claimed an allowable power purchase expenses of Rs. 864.94 Crore in FY 2010-11.

6.2.4 The Commission in its Order dated 21st May, 2013 has concurred with the philosophy considered by the Petitioner, wherein the efficiency target of T&D loss level, was considered as controllable parameter, and thereupon the power purchase cost consequent to under-achievement of T&D loss was disallowed. The Commission in its Tariff Order of DVVNL for FY 2014-15 has determined the Trued-up bulk supply tariff of Rs.3.14 per kWh for FY 2010-11.

6.2.5 Considering the allowable power purchase quantum of 2873.57 MU and the Trued-up power purchase rate of Rs. 3.14 per kWh, the allowable power purchase cost has been assessed at Rs. 900.79 Crore.

6.2.6 The table below summarises the sales, distribution losses, energy balance, power purchase quantum and cost approved in the Tariff Order, as submitted by the Petitioner in the Truing-up Petition and as approved by the Commission in this Order after Truing-up of FY 2010-11:

Table 6-1: ALLOWABLE POWER PURCHASE COST FOR FY 2010-11

Particulars	Unit	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Power Purchase	MU	2941.92	2940.01	2940.01	2940.01
Energy Sales	MU	1887.32	1843.47	1843.47	1843.47
Distribution Loss	%	35.85%	37.30%	35.85%	35.85%
Power Purchase Cost	Rs. Crore	885.81	884.94	884.94	
Power Purchase Cost per unit	Rs. /kWh	3.011	3.010	3.010	3.135
Allowable Power Purchase Input	MU			2873.57	2873.57
Allowable Power Purchase Cost at BST	Rs. Crore			864.94*	900.79

**Power Purchase cost at pooled cost as submitted by the Petitioner*

6.3 TRANSMISSION CHARGES

6.3.1 The Petitioner submitted that in the Tariff Order dated 19th October, 2012 in Petition No. 751 / 2011 and 798 / 2012 for FY 2010-11, the Commission had approved the Transmission Charges of Rs. 42.41 Crore towards a projected power purchase of 2941.92 MU. The Petitioner submitted that the actual Power Purchase in FY 2010-11 was 2940.01 MU incurring Transmission Charges to the tune of Rs. 37.04 Crore as per the Audited Accounts. The Petitioner further submitted that the allowable power purchase input for FY 2010-11 works out to 2873.57 MU and therefore for the purpose of claiming the Trued-up of Transmission Charges this allowable power purchase input has been taken into consideration. The Petitioner further submitted that the Transmission Charge of Rs. 0.1513 per kWh has been considered equivalent to the rate submitted by UPPTCL in its True-up Petition No. 883/2013 filed before the Commission on 29th November, 2013 for True up of FY 2010-11. The Petitioner further submitted that the allowable Transmission Charges for FY 2010-11 works out Rs. 43.47 Crore.

6.3.2 Accordingly, the Petitioner has claimed allowable Transmission Charges of Rs. 43.47 Crore against the actual transmission charges of Rs. 37.04 Crore.

6.3.3 The Commission in its Tariff Order dated 19th October, 2012 in Petition No. 751 / 2011 and 798 / 2012 had prescribed the distribution loss targets for the Petitioner. The Commission has computed the allowable power purchase by grossing up the actual energy sales by the approved distribution loss target. It is observed that the Petitioner has considered Transmission Charges at the rate equivalent to the rate submitted by UPPTCL in its True-up Petition, however, the True up Order in the matter of Petition No. 849 / 2012 and 883 / 2013 was issued by the Commission on 31st May, 2013. Thus, to derive the allowable Transmission Charges the allowable power purchase input has been multiplied by the trued up transmission tariff for Truing-up.

6.3.4 Accordingly, the Table below provides the allowable Transmission Charges for the Petitioner for FY 2010-11

Table 6-2: ALLOWABLE TRANSMISSION CHARGES FOR FY 2010-11 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Allowable Units Wheeled (MU)			2873.57	2873.57

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Trued up Transmission Charge (Rs/kWh)	0.15		0.1516	0.1354
Transmission Charges (Rs Crore)	42.41	37.04	43.47	38.91

6.4 O&M EXPENSES

6.4.1 Operation and Maintenance (O&M) expenses comprise of employee related costs, A&G expenses and R&M expenditure.

6.4.2 The Petitioner's submissions on each of the heads of O&M expenditure for FY 2010-11, and the Commission's analysis on the Truing-up of O&M expenditure heads are detailed below:

6.4.3 The Petitioner submitted that the actual net employee expenses for FY 2010-11 is Rs. 90.11 Crore as against approved expenses of Rs. 85.27 Crore.

6.4.4 The Petitioner submitted that the actual net administrative and general expense for the FY 2010-11 is Rs. 8.38 Crore against the approved expenses of Rs. 15.54 Crore. The Petitioner submitted that the actual A&G expenses are below the approved expenses, thereby making the Petitioner eligible for efficiency gain. The Petitioner added that accordingly the net entitlement of A&G expenses for FY 2010-11 is Rs. 11.96 Crore against the approved expenses of Rs. 15.54 Crore.

6.4.5 The Petitioner submitted that the actual R&M expense for FY 2010-11 is Rs. 26.73 Crore as against Rs. 21.46 Crore approved in the Tariff Order for FY 2010-11.

6.4.6 In reply to the Commission's query regarding the basis of capitalization the Petitioner added that the capitalisation of Employee expenses and A&G expenses for FY 2010-11 has been done on the basis of Audited Accounts of FY 2010-11.

6.4.7 The normative gross employee expenses for FY 2010-11 have been considered by escalating the component wise normative O&M expenses of FY 2009-10 by escalation index of 9.96% approved in Table 4-3 above.

6.4.8 Further, in addition to the normative O&M cost based on inflationary indices based escalation, incremental O&M expenses at 2.5% on addition to assets during the previous year has also been computed based on Regulation 4.3 (3) of the Distribution Tariff Regulations 2006.

6.4.9 Since, the normative O&M expenses computed based on the Distribution Tariff Regulations, 2006 is higher than the actual audited O&M expenses for FY 2010-11, hence, for the reasons detailed in Para 4.4.12 of Chapter 4 of this Order, the Commission has approved actual audited O&M expenses as claimed by the Petitioner for FY 2010-11.

6.4.10 In reply to the Commission's query regarding whether CGRF expenses have been included in O&M expenses, the Petitioner submitted that the CGRF expenses are part of O&M expenses claimed by it. The Petitioner submitted that such expenses are not separately accounted for and hence, details of such expenses are not available with it. The Petitioner requested the Commission to allow an adhoc allowance towards the CGRF expenses considering the remuneration norms and associated costs in CGRF framework approved by the Commission. As detailed in the para 4.4.13 above the Commission has not allowed any additional allowance towards the CGRF expenses.

6.4.11 In reply to the Commission's query regarding the details of expenses incurred towards allocation of Interest Charges and O&M Expenses of UPPCL, the Petitioner submitted the chart depicting the allocation of O&M Expenses of UPPCL as shown below:

TABLE 6-3: ALLOCATION OF O&M EXPENSES IN FY 2010-11 (Rs. Crore)

Particulars	Amount
Employees Expenses	5.93
Administrative, General & Other Expenses	12.24
Repairs and Maintenance Expenses	121.29
Total	**139.46**

TABLE 6-4: ALLOCATION OF O&M EXPENSES AMONG DISTRIBUTION LICENSEES IN FY 2010-11

Name of Distribution Licensees	Sales Input (MU)	O&M Expenses Allocated (Rs. Crore)
DVVNL	14,296	32.08
MVVNL	10,945	24.56
PVVNL	19,640	44.08
PuVVNL	14,012	31.45
KESCO	2,940	6.60
NPCL	310	0.70
Total	**62,142**	**139.46**

6.4.12 As detailed in earlier para 4.4.15 the Commission has considered the allocation of O&M expenses of UPPCL while computing the Bulk supply tariff itself hence no separate allocation in this regards has been allowed while doing the Truing-up of FY 2010-11.

6.4.13 Further, the Petitioner has also claimed efficiency gain on account of A&G expenses of Rs. 3.58 Crore in addition to A&G expenses of Rs. 8.38 Crore resulting into net A&G expenses of Rs. 11.96 Crore. As explained in earlier para 4.4.18 the Commission has allowed sharing of efficiency gains with respect to normative O&M expenses for Truing-up of FY 2010-11 which works out to Rs. 9.87 Crore as against Rs. 3.58 Crore as claimed by the Petitioner. The Commission has allowed the sharing of efficiency gain on account of O&M expenses separately in the ARR and has not included the same in the O&M expenses as claimed by the Petitioner.

6.4.14 Accordingly, the summary of O&M expenses approved in the Tariff Order, claimed by the Petitioner and that approved by the Commission in this Order for Truing Up of FY 2010-11 is shown in the Table below:

Table 6-5: O&M EXPENSES APPROVED BY THE COMMISSION (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Normative	Allowable
Employee Expenses	88.30	93.36	93.36	101.41	93.36
Repair & Maintenance Expenses	21.50	26.73	26.73	40.49	26.73
Administrative and General Expenses	15.60	8.39	8.39	6.34	8.39
Gross Operation and Maintenance Expenses	**125.40**	**128.48**	**128.48**	**148.23**	**128.48**
Less: Capitalisation					
Employee Cost Capitalized	3.00	3.25	3.25	3.25	3.25
A&G Expenses Capitalized	0.01	0.00	0.00	0.00	0.00
Total Capitalization	3.01	3.26	3.26	**3.26**	3.26
Net Operation and Maintenance Expenses	**122.39**	**125.23**	**125.23**	**144.98**	**125.23**
Efficiency Gain			**3.58**		**9.87**

6.5 INTEREST AND FINANCE CHARGES

Interest on Long Term Loans:

6.5.1 The Petitioner has claimed interest on long term loan of Rs. 39.42 Crore as against Rs. 18.91 Crore approved in the Tariff Order dated 19th October, 2012 in Petition No. 751 / 2011 and 798 / 2011. The Petitioner submitted that the interest capitalised for FY 2010-11 was to the tune of Rs. 0.00 Crore as against Rs. 0.38 Crore approved by the Commission in the Tariff Order. The net interest on loan for FY 2010-11 claimed by the Petitioner is Rs. 39.42 Crore, against Rs. 18.91 Crore approved by the Commission in the Tariff Order.

6.5.2 The Commission vide its preliminary deficiency note has asked the Petitioner to submit the details of actual loans along with computation of Interest on Loan as claimed by the Petitioner for FY 2010-11 in its True up Petition. In reply to the Commission's query the Petitioner submitted that subsequent to the filing of the True-up Petitions for FY 2008-09 to 2011-12, the Commission issued the True-up Order for FY 2000-01 to 2007-08 on 21st May, 2013 in which the Commission had adopted a normative approach to tariff with a gearing of 70:30. The Petitioner submitted that the same was reaffirmed by the Commission in the suo-motu Tariff Order for FY 2013-14.

6.5.3 The Petitioner further submitted that it is agreeable to the approach followed by the Commission in this regard. Accordingly, based on the normative approach, the Petitioner submitted the re-worked the loan balances, additions based on normative capital expenditure, normative repayment linked with allowable depreciation of the respective year and the average interest rate as per the weighted average interest rate of the licensee as per Audited Accounts. The revised interest on long term loan claimed by the Petitioner based on the normative approach works out to Rs. 2.68 Crore

6.5.4 Further, as discussed in Para 4.5.4 above the Petitioner has reaffirmed that the loan balances and interest amount to be considered includes only the loan amount borrowed from PFC and the interest payable to PFC respectively as disclosed in the books of accounts. Accordingly the Petitioner re-submitted the revised head wise detailed computations of opening and closing loan balances and the weighted average rate of interest after reconciling the same with the Audited Accounts as shown in the Table below:

TABLE 6-6: REVISED COMPUTATION OF WEIGHTED AVERAGE RATE OF INTEREST SUBMITTED BY THE PETITIONER (Rs. Crore)

Particulars	FY 2010-11
Opening Loan	89.37
Closing Loan Balance	78.75
Interest	10.92

Particulars	FY 2010-11
Rate of Interest	12.99%

6.5.5 Accordingly, based on the above, the revised interest on long term loan claimed by the Petitioner works out to Rs. 2.68 Crore. Further, the Petitioner has not claimed any amount towards normative interest capitalization in accordance with the Audited Accounts. Thus, net interest on long term loan, claimed by the Petitioner works out to Rs. 2.68 Crore for FY 2010-11.

6.5.6 Based on the approach explained in earlier para 4.5.9 the Commission, has derived the actual capital investments undertaken by the Petitioner in FY 2010-11 based on the Audited Accounts. The details are provided in the Table below:

Table 6-7: CAPITAL INVESTMENTS IN FY 2010-11 (Rs. Crore)

Particulars	Tariff Order	Audited	True-up Petition	Allowable
Opening WIP as on 1st April	46.5	46.48	46.48	46.48
Investments	30.10	30.12	30.12	30.12
Employee Expenses Capitalisation		3.25	3.25	3.25
A&G Expenses Capitalisation		0.00	0.00	0.00
Interest Capitalisation on Interest on long term loans		0.00	0.00	0.00
Total Investments	**80.2**	**79.86**	**79.86**	**79.86**
Transferred to GFA (Total Capitalisation)	**0.00**	**43.35**	**43.35**	**43.35**
Closing WIP	**80.2**	**36.50**	**36.50**	**36.50**

6.5.7 The Commission has considered the normative 70:30 gearing approach, 70% of the capital expenditure undertaken in any year has been considered to be financed through loan and balance 30% has been considered to be financed through equity contributions.

6.5.8 The Commission vide its deficiency note has asked the Petitioner to submit the details of the GFA addition on account of Consumer Contribution, Grants and subsidies for FY 2008-09 to FY 2011-12. In reply to the Commission's query the

Petitioner submitted the details of GFA addition on account of Consumer Contribution, Grants and subsidies for FY 2010-11 as shown in the Table below:

TABLE 6-8: CONSUMER CONTRIBUTION, GRANTS AND SUBSIDIES (Rs. Crore)

Particulars	FY 2010-11
Opening Balance	139.25
Additions during the year	11.36
Amortization	45.71
Closing Balance	**104.90**

6.5.9 The Commission has verified the details of GFA addition on account of consumer contributions, capital subsidies and grants from the Audited Accounts of FY 2010-11.

6.5.10 Thus, based on the above the approved financing of the capital investment is depicted in the Table below:

Table 6-9: FINANCING OF THE CAPITAL INVESTMENTS IN FY 2010-11 (Rs. Crore)

Particulars	Derivation	Tariff Order	Audited	True-up Petition	Allowable
Investment	A	30.00	60.29	30.12	30.12
Less:				0	-
Consumer Contribution	B	11.00	11.36	11.36	11.36
Investment funded by debt and equity	C=A-B	19.00		18.76	18.76
Debt Funded	D= 70%*C	13.00		13.13	13.13
Equity Funded	E=30%*C	6.00		5.63	5.63

6.5.11 Thus, from the above Tables it is seen, that the total investments made by the Petitioner in FY 2010-11 were to the tune of Rs. 30.12 Crore. The consumer contributions, capital subsidies and grants received during the corresponding period is Rs. 11.36 Crore. Thus, balance Rs. 18.76 Crore have been funded through debt and equity. Considering a debt equity ratio of 70:30, Rs. 13.13 Crore or 70% of the capital investment is approved to be funded through debt and balance 30% equivalent to Rs. 5.63 Crore through equity. Allowable depreciation for the year has been considered as normative loan repayment. The closing loan balance of FY 2009-10 has been considered as the opening loan balance of FY 2010-11. The actual weighted average rate as per Audited Accounts has been considered for computing the interest.

6.5.12 Considering the above, the gross interest on long term loan is Rs. 2.58 Crore. The interest capitalisation has been considered at the same rate as per Audited Accounts. The computations for interest on long term loan are depicted below:

Table 6-10: APPROVED INTEREST ON LONG TERM LOAN FOR FY 2010-11 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Opening Balance		89.37	23.08	23.51
Additions: 70% of the Asset Capitalization		-	13.13	13.13
Less: Allowable Depreciation during the Year		-	17.99	17.99
Closing Balance		88.93	18.22	18.65
Average Rate of Interest		12.25%	12.99%	12.25%
Gross Allowable Interest	12.29	10.92	2.68	2.58
Less: Interest Capitalized	0.38	-	0.00	0.00
Net Allowable Interest	11.91	10.92	2.68	2.58

6.5.13 Thus, the net interest on long term loan approved by the Commission for Truing up of FY 2010-11 after reducing the nil interest capitalised works out to Rs. 2.58 Crore.

Finance Charges

6.5.14 The Petitioner submitted that the finance charges constitutes of components such as guarantee fees, bank charges which are imposed by Government, financial institutions, etc. and are uncontrollable in nature. The Petitioner has claimed Finance charges of Rs. 27.89 Crore as against Rs. 7.00 Crore approved by the Commission in the Tariff Order dated 19th October, 2012 in Petition No. 751 / 2011 and 798 / 2012 for FY 2010-11.

6.5.15 The Petitioner has claimed finance charges towards items such as interest on electricity duty, bank charges, discount to consumers, interest on consumer security deposits, etc.

6.5.16 As discussed in detail in para 4.5.19, the Commission has disallowed the interest on electricity duty of Rs. 23.39 Crore as claimed by the Petitioner.

6.5.17 Further as discussed in detail in Para 4.5.20 of this Order the Commission approves the actual expenses incurred towards discount to consumers. Also, bank charges and interest on consumer security deposits have been allowed at actual based on Audited Accounts as detailed in Para 4.5.21.

6.5.18 Thus, the Commission has approved finance charges amounting to Rs. 4.50 Crore for FY 2010-11 as against Rs. 27.89 Crore claimed by the Petitioner as shown in the Table below:

Table 6-11: ALLOWABLE FINANCE CHARGES FOR FY 2010-11 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Interest on Electricity Duty	0.00	23.39	23.39	0.00
Finance Charges / Guarantee Fees	0.96	0.00	0.00	0.00
Bank Charges	0.04	0.04	0.04	0.04
Discount to Consumers on sale of energy	1.53	0.00	0.00	0.00
Interest on Consumer Security Deposits	4.47	4.46	4.46	4.46
Total Finance Charges	**7.00**	**27.89**	**27.89**	**4.50**

Interest on Working Capital

6.5.19 The Petitioner submitted that Tariff Regulations provide for normative interest on working capital based on the principles outline in the Distribution Tariff Regulations, 2006. The Petitioner submitted that in accordance with the

Regulations it is eligible for interest on working capital. The Petitioner further submitted that Regulations 4.8(2)(B) of the Distribution Tariff Regulations, 2006specifies the rate of interest on working capital borrowing as the bank rate specified by RBI plus some margin approved by the Commission. The Petitioner submitted that it has accordingly considered a rate of 12.50% which is line with the rate approved by the Commission in its Tariff Order for FY 2010-11. The Petitioner further requested the Commission to approve normative interest on working of Rs. 8.77 Crore as against Rs. 10.37 Crore approved by the Commission in the Tariff Order of FY 2010-11.

6.5.20 Based on the methodology specified in the above Regulations the Commission in the Tariff Order dated 19th October, 2012 in Petition No. 751 / 2011 and 798 / 2012 for FY 2010-11 had allowed normative interest on working capital of Rs. 10.37 Crore. Following the similar approach and in accordance with the Regulations, the Commission in this Order has assessed the working capital and interest thereon based on the trued up ARR of the Petitioner.

6.5.21 The Commission has approved Rs. 8.77 Crore towards interest on working capital for FY 2010-11 which is same as that claimed by the Petitioner. The summary of the interest on working capital approved by the Commission in the Tariff Order for FY 2010-11, claimed by the Petitioner and that approved by the Commission in the present Truing up Order is shown in the Table below:

Table 6-12: ALLOWABLE INTEREST ON WORKING CAPITAL FOR FY 2010-11 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
One month's O & M Expenses	10.19		10.44	10.44
One-twelfth of the sum of the book value of stores, materials and supplies at the end of each month of such financial year	0.91		1.61	1.61
Receivables equivalent to 60 days average billing of Beneficiaries	149.24		157.01	157.01

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Gross Total	160.34		169.06	169.06
Security Deposits by the beneficiaries (if any)	**77.35**		**98.89**	**98.89**
Net Working Capital	**82.99**		**70.17**	**70.17**
Rate of Interest for Working Capital	12.50%		12.50%	12.50%
Interest on Working Capital	**10.37**	**0.16**	**8.77**	**8.77**

Total Interest and Finance Charges

6.5.22 The following Table summarises the interest and finance charges approved by the Commission in the Tariff Order, interest and finance charges claimed by the Petitioner and that approved by the Commission in this Order:

Table 6-13: ALLOWABLE INTEREST AND FINANCE CHARGES FOR FY 2010-11 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
A: Interest on Long Term Loans				
Gross Interest on Long Term Loan	12.29	11.53	2.68	2.58
Less: Interest Capitalisation	0.38	0.00	0.00	0.00
Net Interest on Long Term Loans	**11.91**	**11.53**	**2.68**	**2.58**
B: Finance and Other Charges				
Interest on Electricity Duty	0.00	23.39	23.39	0.00
Finance Charges / Guarantee Fees	0.96	0.00	0.00	0.00
Bank Charges	0.04	0.04	0.04	0.04
Discount to Consumers on sale of energy	1.53	0.00	0.00	0.00
Interest on Consumer Security Deposits	4.47	4.46	4.46	4.46

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Total Finance Charges	**7.00**	**27.89**	**27.89**	**4.50**
C: Interest on Working Capital	**10.37**	**0.16**	**8.77**	**8.77**
Total (A+B+C)	**29.28**	**39.58**	**39.34**	**15.86**

6.6 DEPRECIATION

6.6.1 The Petitioner submitted that in the Tariff Order dated 19th October, 2012 in Petition No. 751 / 2011 and 798 / 2012 for FY 2010-11, the Commission had approved a depreciation expense of Rs. 17.20 Crore on a gross fixed asset base of Rs. 503.68 Crore.

6.6.2 The Petitioner submitted that the actual depreciation expense as per Audited Accounts is Rs. 17.28 Crore. However the same depreciation has been accounted for considering the depreciation rates prescribed by the Companies Act, 1956. The Petitioner further submitted that for the purpose of Truing up, it has computed the depreciation expense on the actual GFA base and at the regulatory rates applicable for FY 2010-11.

6.6.3 The Petitioner further submitted that in the earlier Tariff Orders, the Commission has approved depreciation expense on the basis of the projected gross fixed asset balances after prudence check of the capital investment proposed by Petitioner. The Petitioner further submitted that the depreciation has been allowed at the rates specified in the Ministry of Power notifications in the initial years and thereafter in line with the UPERC (Terms and Conditions of Distribution Tariff) Regulations 2006 which also prescribe depreciation rates as per the Ministry of Power notification No. S.O. 265(E) dated 27th March 1994. The Petitioner also submitted that in some years where asset class wise details of capitalisation were not available, the Commission had allowed weighted average depreciation rates on composite basis.

6.6.4 The Petitioner added that for the purpose of True-up it has computed depreciation expense on the actual gross fixed asset base using the same depreciation rates which were used by the Commission in the Tariff Order dated 19th October, 2012 in Petition No. 751 / 2011 and 798 / 2012 for FY 2010-11 However, it was observed that the Petitioner had considered depreciation rate of 7.91% to compute the depreciation as against the depreciation rate of 4.73% approved by the Commission in the Tariff Order dated 19th October, 2012 in Petition No. 751 / 2011 and 798 / 2012 for FY 2010-11. In reply to the Commission's query regarding variation in Depreciation rate the Petitioner submitted the revised depreciation computation after considering the depreciation rate approved by the Commission in the aforesaid Tariff Order as shown in the Table below:

TABLE 6-14: ALLOWABLE DEPRECIATION SUBMITTED BY THE PETITIONER (Rs. Crore)

Particulars	Opening GFA	Additions to GFA	Deductions to GFA	Closing GFA	Depreciation Rates considered	Allowable Depreciation
Buildings						
a. Residential Colonies	10.18	0.01	-	10.19	4.73%	0.48
b. Office Building	1.20	0.29	-	1.50	4.73%	0.06
c. Building containing Sub-stations	15.66	0.63	-	16.28	4.73%	0.76
Plants & Machinery						
a. Plant & Machinery	134.80	9.64	-	144.44	4.73%	6.60
b. Lines, Cables, Networks etc.	329.30	32.03	-	361.34	4.73%	16.33
c. Office Equipments	5.69	0.26	-	5.95	4.73%	0.28
d. Computers	2.51	0.36	-	2.87	4.73%	0.13
Furniture & Fixtures	1.05	0.07	-	1.12	4.73%	0.05
Vehicles	3.28	0.06	-	3.34	4.73%	0.16
Grand Total	**503.68**	**43.35**	-	**547.03**		**24.85**

6.6.5 As regards the Commission's query regarding source-wise of funding of capitalization, the Petitioner submitted that the Commission in the True up Order dated 21st May, 2013 for FY 2000-01 to 2007-08 and in the suo-motu Tariff Order dated 31st May, 2013 for FY 2013-14 had considered a normative tariff approach wherein it had considered a normative gearing of 70:30 wherein 70% of the capital expenditure undertaken in any year was considered to be financed through loan and balance 30% has been considered to be financed through equity contributions. The Petitioner further submitted that in its aforesaid Orders the portion of capital expenditure financed through consumer contributions, capital subsidies and grants was separated by the Commission as the depreciation and interest thereon would not be charged to the consumers.

6.6.6 The Petitioner added that since it is agreeable to this normative approach approved by the Commission hence no deviation in this approach has been sought by it.

6.6.7 It was further observed that the Petitioner had not reduced the depreciation charged on assets created out of consumer contributions, capital grants and subsidies. In this regards the Commission vide its deficiency note sought the justification for not deducting the depreciation on assets acquired out of the Consumer Contribution and GoUP Subsidy from the depreciation on the GFA along with the revised computation of depreciation after reducing depreciation on assets acquired out of the Consumer Contribution and GoUP Subsidy.

6.6.8 In its reply the Petitioner submitted that the philosophy for reduction of depreciation on assets created out of consumer contributions, grants and subsidies from the gross depreciation expense was settled in the True up Order for FY 2000-01 to 2007-08 before which the True up Petitions for FY 2008-09 to 2011-12 were filed by it. The Petitioner further submitted that subsequent to the principle being established by the Commission, it is agreeable to this methodology and has submitted the revised Table depicting the allowable depreciation as shown below:

TABLE 6-15: REVISED ALLOWABLE DEPRECIATION SUBMITTED BY THE PETITIONER (Rs. Crore)

Particulars	FY 2010-11
Gross Allowable Depreciation	24.85
Less: Depreciation on account of Consumer Contribution, Subsidies and Grants	6.86
Net Allowable Depreciation	17.99

6.6.9 The Commission asked the Petitioner to confirm that the cumulative depreciation in FY 2010-11 is less than 90% of GFA for all assets, since assets cannot be depreciated beyond 90% of GFA in accordance with the Distribution Tariff Regulations, 2006 which the Petitioner confirmed in the reply to deficiency note.

6.6.10 As detailed in para 4.6.10 the Commission has considered the same philosophy as adopted by the Petitioner. After scrutinising the Audited Accounts for FY 2010-11 as submitted by the Petitioner, the net entitlement towards depreciation expenses claimed by the Petitioner and that approved by the Commission for Truing-up of FY 2010-11 is shown in the Table below:

Table 6-16: DEPRECIATION EXPENSES FOR FY 2010-11 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Gross Allowable Depreciation	24.00	17.28	24.85	24.85
Less: Equivalent amount of depreciation on assets acquired out of the consumer contribution and GoUP Subsidy	7.00	0.00	6.86	6.86
Net Allowable Depreciation	**17.00**	**17.28**	17.99	17.99

6.7 PRIOR PERIOD EXPENSES

6.7.1 The Petitioner submitted that there are certain expenses and incomes which are omitted to be accounted for in one or more financial years. The Petitioner further submitted that its financial statements are prepared in compliance with Generally Accepted Accounting Principles (GAAP) and Accounting Standards issued by Accounting Standards Board of Institute of Chartered Accountants of India. The Petitioner added that the Accounting Standards (AS 5) (Revised) on 'Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies' provides that when such omissions or errors are detected they should be accounted for in the relevant year in which they are detected as stated below:

> *"Prior period items are income or expenses which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods."*

6.7.2 The Petitioner submitted that accordingly it has accounted for such transactions in the True-up computations strictly as per its Audited Accounts.

6.7.3 The Petitioner submitted that in the audited financial statements for FY 2010-11, there has been recognition of Rs. 0.26 Crore of prior period incomes and prior period expenses of Rs. 0.06 Crore, thereby decreasing the eligible True-up by 0.19 Crore. The Petitioner further submitted the detailed break-up of the prior period items for FY 2010-11 as per Audited Accounts as shown in the Table below:

Table 6-17: BREAK UP OF PRIOR PERIOD EXPENSES / INCOMES (Rs. Crore)

Particulars	FY 2010-11
Prior Period Expenses	
Employees Cost	0.06
Operating Expenses	-
Interest and Financial Charges	-
Sub Total of Prior Period Expenses	**0.06**
Prior Period Income	
Power Purchase	-

Particulars	FY 2010-11
Sale of Energy	0.00
Interest and Financial Charges	0.25
Sub Total of Prior Period Income	**0.26**
Net Prior Period Income	**0.19**

6.7.4 As regards the prior period expenses / incomes the Commission vide its deficiency note has asked the Petitioner to submit the detailed breakup of prior period expenses / incomes along with the details of years to which they pertain and the justification for not booking such amount in the annual account of the respective years. In its reply the Petitioner has submitted the year wise breakup of prior period expenses / incomes however the submission does not provide clarification regarding the heads under which these expenses have been booked.

6.7.5 As discussed in detail in Para 4.7.6, the Commission has not allowed any claims towards prior period expenses. The summary of the prior period expenses approved in the Tariff Order, claimed by the Petitioner and that approved by the Petitioner in this Order for Truing up of FY 2010-11 is shown in the Table below:

Table 6-18: PRIOR PERIOD EXPENSES / INCOMES FOR FY 2010-11 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Prior Period Incomes	0.00	0.19	0.19	0.00

6.7.6 Further, as detailed in earlier Para 4.7.8 the Petitioner is directed to file a separate Petition for approval of prior period expenses / incomes for FY 2010-11 for the Commission's consideration.

6.8 OTHER EXPENSES

6.8.1 The Petitioner submitted that there are certain other expenses which cannot be claimed under any specific head of the ARR. The Petitioner further submitted that such minor expenses have been bundled together under the nomenclature of 'Other Miscellaneous Expenses' and the impact of such expenses is only Rs. 2.39 Crore in FY 2010-11 towards On Line Billing Charges.

6.8.2 As discussed in detail in Para 4.8.2 the Commission has not considered such expenses for admissibility in the True-up. The summary of other expenses approved in the Tariff Order, claimed by the Petitioner and approved by the Commission in this Order for Truing-up of FY 2010-11 is shown in the Table below:

Table 6-19: OTHER EXPENSES FOR FY 2010-11 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Online Billing Charges		2.39	2.39	0.00
Total	**0.00**	**2.39**	**2.39**	**0.00**

6.9 PROVISION FOR BAD AND DOUBTFUL DEBT

6.9.1 The Petitioner submitted that the Commission has not allowed any amounts towards Provision for Bad and Doubtful Debts in the Tariff Order dated 19th October, 2012 in Petition No. 751 / 2011 and 798 / 2012 for FY 2010-11 even though the Distribution Tariff Regulations, 2006 provide for allowing 2% provision in respect of revenue receivables.

6.9.2 The Petitioner submitted that such expenses are legitimate business expenses and are accepted accounting principle even in sectors like Banking where the provisioning of un-collectable dues is considered as a normal commercial practice.

6.9.3 The Petitioner submitted that it has computed the entitlement towards provision for bad and doubtful debts as 2% of the closing revenue receivables as per Audited Accounts of the relevant financial year for distribution business.

6.9.4 The Petitioner has claimed Rs. 46.62 Crore towards provision for bad and doubtful debts for FY 2010-11.

6.9.5 As discussed in detail in Para 4.9.10 due to the absence of proper policy in place for identifying and writing off receivables, the Commission disallows the claims towards provision for bad and doubtful debts.

Table 6-20: PROVISION FOR BAD AND DOUBTFUL DEBT FOR FY 2009-10 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Provision for Bad and Doubtful Debts	0.00	23.50	46.62	0.00

6.10 RETURN ON EQUITY

6.10.1 The Petitioner has not claimed any return on equity for the year under review. The Petitioner has stated that it does not want to burden the consumers by proposing return on equity as it will further increase the gap. Hence, agreeing with the Petitioner's submission in this regards, the Commission has also not allowed any amounts towards return on equity for FY 2010-11.

6.11 REVENUE SIDE TRUING UP

NON TARIFF INCOMES

6.11.1 The Petitioner submitted that the actual Non-Tariff income earned by it in FY 2010-11 is Rs. 5.94 Crore against the projection of Rs. 54.69 Crore approved by the Commission in the Tariff Order dated 19th October, 2012 in Petition No. 751 / 2011 and 798 / 2012.

6.11.2 As regards the Commission's query regarding detailed break-up of Non-Tariff Income the Petitioner has submitted as follows:

Table 6-21: NON TARIFF INCOME (Rs. Crore)

Particulars	FY 2011-12
Interest from FDR including TDS amount	0.18
Reconnection and Disconnection Fees	-
Other Recoveries from consumers	-
Recoveries from Theft/Malpractices	-
Other Charges from Consumers	-
Misc Income	5.76
Other Non-Operating Income	-
Total NTI	**5.94**

6.11.3 The Commission has accepted the submission of the Petitioner, under this head and has accordingly approved Non Tariff Income of Rs. 5.94 Crore for Truing up of FY 2010-11.

REVENUE FROM SALE OF POWER

6.11.4 The Petitioner submitted that in the Tariff Order dated 19th October, 2012 in Petition No. 751 / 2011 and 798 / 2012 for FY 2010-11 the Commission had projected revenue from sale of power of Rs. 895.41 Crore for FY 2010-11. The Petitioner further submitted that as per the Audited Accounts the actual revenue from sale of power is Rs. 942.06 Crore (including Rs. 48.75 Crore towards delayed payment surcharge) towards electricity sales of 1843 MU.

6.11.5 The Commission has accepted the revenue from sale of power as submitted by the Petitioner after verifying the same from the Audited Accounts of FY 2010-11 and has accordingly approved actual revenue of Rs. 942.06 Crore including delayed payment surcharge towards sales of 1843 MU. The summary of revenue approved in the Tariff Order, that claimed by the Petitioner and that approved by the Commission in this Order for Truing up of FY 2010-11 is shown in the Table below:

Table 6-22: REVENUE FOR FY 2010-11 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Revenue from Tariff	895.00	942.06	942.06	942.06
Delayed Payment Surcharge				
Non Tariff Income	55.00	5.94	5.94	5.94
Total Revenue	**950.00**	**948.00**	**948.00**	**948.00**

6.12 AGGREGATE REVENUE REQUIREMENT AND REVENUE GAP/ (SURPLUS) FOR FY 2010-11 AFTER TRUING UP

6.12.1 The Aggregate Revenue Requirement for FY 2010-11 after final Truing-up is summarised in the Table below:

Table 6-23: ARR, REVENUE AND GAP SUMMARY FOR FY 2010-11 (Rs. Crore)

Particulars	Approved	Actuals as per Audited Accounts	True-up Petition	Allowable
(a)	(b)	(c)	(d)	(e)
Power Purchase Expenses	928.00	921.98	915.01	939.70
Employee Expenses	88.30	93.36	93.36	93.36
Repair and Maintenance Expenses	21.50	26.73	26.73	26.73
A&G Expenses	15.60	8.39	8.39	8.39
Gross Interest on Long Term Loans	12.29	11.53	2.68	2.58
Finance Charges	7.00	27.89	27.89	4.50
Interest on Working Capital	10.37	0.16	8.77	8.77
Discount to Consumers	0.00	0.00	0.00	0.00
Depreciation	17.00	17.28	17.99	17.99
Prior Period Expenses	0.00	(0.19)	(0.19)	0.00
Other Misc Expenses	0.00	2.39	2.39	0.00
Provision for Bad and Doubtful Debts	0.00	23.50	46.62	0.00
Gross Expenditure	**1100.06**	**1133.22**	**1149.64**	**1102.03**

Particulars	Approved	Actuals as per Audited Accounts	True-up Petition	Allowable
Less: Employee Capitalisation	3.00	3.25	3.25	3.25
Less: A&G Capitalisation	0.01	0.00	0.00	0.00
Less: Interest Capitalisation	0.38	0.00	0.00	0.00
Total Capitalisation	**3.39**	**3.26**	**3.26**	**3.26**
Net Expenditure	**1096.67**	**1129.96**	**1146.38**	**1098.77**
Add: Return on Equity				
Less: Non-tariff Incomes	55.00	5.94	5.94	5.94
Add: Efficiency Gains			3.58	9.87
Annual Revenue Requirement	**1041.67**	**1124.02**	**1140.44**	**1102.71**
Revenue from Tariff incl DPS	895.00	942.06	942.06	942.06
Net Revenue Gap	**146.67**	**181.97**	**198.39**	**160.65**

 # Apportionment of O&M Expenses of UPPCL has been allowed while computing BST

6.12.2 The Petitioner requested the Commission to consider the revenue side True-up and expense side True-up as per the aforementioned Sections wherein the net revenue gap has been computed at Rs. 194.81 Crore before considering any efficiency gains. The Petitioner further submitted that it is also entitled for efficiency gains of Rs. 3.58 Crore; thereby the net entitlement under the True-up for FY 2010-11 is Rs. 198.39 Crore.

6.12.3 However, as observed from the above Table, against the gap of Rs. 198.39 Crore claimed by the Petitioner for Truing-up of FY 2010-11, the Commission has worked out the gap of Rs. 160.65 Crore while carrying out the Truing-up on the basis of the Audited Accounts. The Commission has discussed the treatment of above revenue gap subsequently in this Order.

7 TRUING UP OF AGGREGATE REVENUE REQUIREMENT FOR FY 2011-12

7.1 INTRODUCTION

7.1.1 The Petitioner has sought the final Truing-up of expenditure and revenue for FY 2008-09 to FY 2011-12 based on actual expenditure and revenue as per Audited Accounts. In this section, the Commission has analysed all the elements of actual revenue and expenses for FY 2011-12 and has undertaken the truing up of expenses and revenue after prudence check on the data made available by the Petitioner.

7.2 POWER PURCHASE QUANTUM AND COST FOR FY 2011-12

7.2.1 The Petitioner submitted that in the Tariff Order dated 19th October, 2012 in Petition No. 751 / 2011 and 798 / 2012for FY 2011-12, the Commission had approved the power purchase cost of Rs. 1166.85 Crore towards a projected purchase of 3089.24 MU. The Petitioner submitted that the actual power purchase in FY 2011-12 was 3102.96 MU at a cost of Rs. 1167.62 Crore.

7.2.2 The Petitioner submitted that it has considered the following philosophy for computing the allowable power purchase cost:

- The Petitioner has first calculated the allowable power purchase input which has been calculated by grossing up the actual energy sales by the approved T&D loss target of FY 2011-12.

- The allowable power purchase cost has been computed by multiplying the derived allowable power purchase input by the actual power purchase rate as per Audited Accounts.

7.2.3 Thus, considering the above philosophy the Petitioner has claimed an allowable power purchase expenses of Rs. 1131.33 Crore in FY 2011-12.

7.2.4 The Commission in its Order dated 21st May, 2013 has concurred with the philosophy considered by the Petitioner, wherein the efficiency target of T&D loss level, was considered as controllable parameter, and thereupon the power purchase cost consequent to under-achievement of T&D loss was disallowed. The Commission in its Tariff Order of DVVNL for FY 2014-15 has determined the trued-up bulk supply tariff of Rs. 3.619 per kWh for FY 2011-12.

7.2.5 Considering the allowable power purchase quantum of 3008.48 MU and the Trued-up power purchase rate of Rs. 3.619 per kWh, the allowable power purchase cost has been assessed at Rs. 1088.86 Crore.

7.2.6 The Table below summarises the sales, distribution losses, energy balance, power purchase quantum and cost approved in the Tariff Order, as submitted by the Petitioner in the Truing up Petition and as approved by the Commission in this Order:

Table 7-1: ALLOWABLE POWER PURCHASE COST FOR FY 2011-12

Particulars	Unit	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Power Purchase	MU	3089.24	3088.95	3088.95	3088.95
Energy Sales	MU	2125.80	2070.23	2070.23	2070.23
Distribution Loss Loss	%	31.19%	32.98%	31.19%	31.19%
Power Purchase Cost	Rs. Crore	1166.85	1167.62	1167.62	
Power Purchase Cost per unit	Rs. /kWh	3.777	3.780	3.780	3.619
Allowable Power Purchase Input	MU			3006.50	3008.48
Allowable Power Purchase Cost at BST	Rs. Crore			1131.33*	1088.86

**Power Purchase Cost at pooled cost as submitted by the Petitioner*

7.3 TRANSMISSION CHARGES

7.3.1 The Petitioner submitted that in the Tariff Order dated 19th October, 2012 in Petition No. 751 / 2011 and 798 / 2012 for FY 2011-12, the Commission had approved the Transmission Charges of Rs. 50.65 Crore towards a projected power purchase of 3089.24 MU. The Petitioner submitted that the actual Power

Purchase in FY 2010-11 was 3102.96 MU incurring Transmission Charges to the tune of Rs. 38.92 Crore as per the Audited Accounts. The Petitioner further submitted that the allowable power purchase input for FY 2011-12 works out to 3006.50 MU and therefore for the purpose of claiming the trued of Transmission Charges this allowable power purchase input has been taken into consideration. The Petitioner further submitted that the per unit rate of Transmission Charge has been traced from the Order dated 19th October, 2012 approved by the Commission. The Petitioner further submitted that the allowable Transmission Charges for FY 2011-12 works out Rs. 47.72 Crore.

7.3.2 Accordingly, the Petitioner has claimed allowable Transmission Charges of Rs. 47.72 Crore against the actual transmission charges of Rs. 38.92 Crore.

7.3.3 The Commission in its Tariff Order dated 19th October, 2012 in Petition No. 751 / 2011 and 798 / 2012had prescribed the distribution loss targets for the Petitioner. The Commission has computed the allowable power purchase by grossing up the actual energy sales by the approved distribution loss target Thus, to derive the allowable Transmission Charges the allowable power purchase input has been multiplied by the Trued- up Transmission Tariff approved in Tariff Order for FY 2014-15, and Truing up of UPPTCL for FY 2011-12.

7.3.4 Accordingly, the Table below provides the allowable Transmission Charges for the Petitioner for FY 2011-12:

Table 7-2: ALLOWABLE TRANSMISSION CHARGES FOR FY 2011-12 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Allowable Units Wheeled (MU)	3089.24		3006.50	3008.48
Trued up Transmission Charge (Rs/kWh)	0.16		0.16	0.14
Transmission Charges (Rs Crore)	50.65	38.92	47.72	43.53

7.4 O&M EXPENSES

7.4.1 Operation and Maintenance (O&M) expenses comprise of employee related costs, A&G expenses and R&M expenditure.

7.4.2 The Petitioner's submissions on each of the heads of O&M expenditure for FY 2011-12, and the Commission's analysis on Truing-up of the O&M expenditure heads are detailed below:

7.4.3 The Petitioner submitted that the actual net employee expenses for FY 2011-12 is Rs. 97.15 Crore as against approved expenses of Rs. 89.47 Crore. The Petitioner requested the Commission to consider the Employee expenses as per its Audited Accounts.

7.4.4 The Petitioner submitted that the actual net administrative and general expense for the FY 2011-12 is Rs. 11.18 Crore against the approved expenses of Rs. 14.17 Crore. The Petitioner further submitted that the actual A&G expenses are lower than the approved A&G expenses thereby making it eligible for efficiency gain and has accordingly claimed Rs. 12.67 Crore towards net entitlement of A&G expenses for FY 2011-12 against the approved expenses of Rs. 14.17 Crore.

7.4.5 The Petitioner submitted that the actual R&M expense for FY 2011-12 is Rs. 25.43 Crore as against Rs. 23.32 Crore approved in the Tariff Order for FY 2009-10. The Petitioner requested the Commission to consider the R&M expenses as per its Audited Accounts.

7.4.6 In reply to the Commission's query regarding the basis of capitalization the Petitioner added that the capitalisation of Employee expenses and A&G expenses for FY 2011-12 has been done on the basis of Audited Accounts of FY 2011-12.

7.4.7 The normative gross employee expenses for FY 2011-12 have been considered by escalating the component wise normative O&M expenses for FY 2010-11 by escalation index of 8.69 % approved in **Table 4-3** above.

7.4.8 Further, in addition to the normative O&M cost based on inflationary indices based escalation, the Distribution Tariff Regulations provide for incremental O&M expenses at 2.5% on addition to assets during the previous year has also been computed.

7.4.9 As already discussed in Para 4.4.12 since, the actual O&M expenses in FY 2011-12 are lower than the normative O&M expenses computed by the Commission, hence, the actual audited O&M expenses as claimed by the Petitioner for FY 2011-12 has been approved while doing the Truing-up of FY 2011-12.

7.4.10 In reply to the Commission's query regarding whether CGRF expenses have been included in O&M expenses the Petitioner submitted that the CGRF expenses are part of O&M expenses claimed by it. The Petitioner submitted that such expenses are not separately accounted for and hence, details of such expenses are not available with it. The Petitioner requested the Commission to allow an adhoc allowance towards the CGRF expenses considering the remuneration norms and associated costs in CGRF framework approved by the Commission. As detailed in the para 4.4.13 above the Commission has not allowed any additional allowance towards the CGRF expenses.

7.4.11 In reply to the Commission's query regarding the details of expenses incurred towards allocation of Interest Charges and O&M Expenses of UPPCL, the Petitioner submitted the chart depicting the allocation of O&M Expenses of UPPCL as shown below:

TABLE 7-3: ALLOCATION OF O&M EXPENSES IN FY 2011-12 (Rs. Crore)

Particulars	Amount
Employees Expenses	5.93
Administrative, General & Other Expenses	12.24
Repairs and Maintenance Expenses	121.29
Total	**139.46**

TABLE 7-4: ALLOCATION OF O&M EXPENSES AMONG DISTRIBUTION LICENSEES IN FY 2011-12

Name of Distribution Licensees	Sales Input (MU)	O&M Expenses Allocated (Rs. Crore)
DVVNL	16,052	34.23
MVVNL	12,537	26.73
PVVNL	22,649	48.29
PuVVNL	15,704	33.48
KESCO	3,089	6.59
NPCL	337	0.72
Total	**70,367**	**150.04**

7.4.12 As detailed in earlier para 4.4.15 no separate expense for allocation of O&M expenses for UPPCL has been approved for FY 2011-12 as the same has already been considered while approving the Bulk supply rate by the Commission.

7.4.13 Further, the Petitioner has also claimed efficiency gain on account of A&G expenses of Rs. 1.50 Crore in addition to A&G expenses of Rs. 11.18 Crore resulting into net A&G expenses of Rs. 12.67 Crore. In Para 4.4.18 the Commission has already explained in detail the philosophy of sharing of efficiency gains on account of O&M expenses. Accordingly, the entitlement towards sharing of efficiency gain works out to Rs. 13.55 Crore on account of O&M expenses as against the Petitioner's claim of Rs. 1.50 Crore.

7.4.14 Thus, the summary of O&M expenses approved in the Tariff Order, claimed by the Petitioner and that approved by the Commission in this Order for Truing-up of FY 2011-12 is shown in the Table below:

Table 7-5: O&M EXPENSES APPROVED BY THE COMMISSION (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Normative	Allowable
Employee Expenses	105.30	98.48	98.48	110.95	98.48

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Normative	Allowable
Repair & Maintenance Expenses	23.30	25.43	25.43	44.05	25.43
Administrative and General Expenses	16.70	11.19	11.19	7.19	11.19
Gross Operation and Maintenance Expenses	**145.30**	**135.10**	**135.10**	**162.19**	**135.10**
Less: Capitalisation					
Employee Cost Capitalized	15.48	1.33	1.33	1.33	1.33
A&G Expenses Capitalized	2.50	0.01	0.01	0.01	0.01
Total Capitalization	**17.98**	**1.34**	**1.34**	**1.34**	**1.34**
Net Operation and Maintenance Expenses	127.32	133.76	133.76	160.85	133.76
Efficiency Gain			1.50		13.55

7.5 INTEREST AND FINANCE CHARGES

Interest on Long Term Loans:

7.5.1 The Petitioner has claimed interest on long term loan of Rs. 11.53 Crore as against Rs. 13.48 Crore approved in the Tariff Order dated 19th October, 2012 in Petition No. 751 / 2011 and 798 / 2011. The Petitioner submitted that the interest capitalised for FY 2011-12 was to the tune of Rs. 0.00 Crore as against Rs. 0.68 Crore approved by the Commission in the Tariff Order. Thus, the net interest on loan for FY 2011-12 as submitted by the Petitioner works to Rs. 11.53 Crore as against Rs. 12.80 Crore approved by the Commission, in the aforesaid Tariff Order for FY 2011-12.

7.5.2 The Commission vide its preliminary deficiency note has asked the Petitioner to submit the details of actual loans alongwith computation of Interest on Loan as claimed by the Petitioner for FY 2009-10 in its True up Petition. In reply to the Commission's query the Petitioner submitted that subsequent to the filing of the

True- up Petitions for FY 2008-09 to 2011-12, the Commission issued the True up Order for FY 2000-01 to 2007-08 on 21st May, 2013 in which the Commission had adopted a normative approach to tariff with a gearing of 70:30. The Petitioner submitted that the same was reaffirmed by the Commission in the suo-motu Tariff Order for FY 2013-14.

7.5.3 The Petitioner further submitted that it is agreeable to the approach followed by the Commission in this regard. Accordingly, based on the normative approach, the Petitioner submitted the re-worked the loan balances, additions based on normative capital expenditure, normative repayment linked with allowable depreciation of the respective year and the average interest rate as per the weighted average interest rate of the licensee as per Audited Accounts. The revised interest on long term loan claimed by the Petitioner based on the normative approach works out to Rs. 1.65 Crore.

7.5.4 Further, as discussed in Para 4.5.4 above the Petitioner has reaffirmed that the loan balances and interest amount to be considered includes only the loan amount borrowed from PFC and the interest payable to PFC respectively as disclosed in the books of accounts. Accordingly the Petitioner re-submitted the revised head wise detailed computations of opening and closing loan balances and the weighted average rate of interest after reconciling the same with the Audited Accounts as shown in the Table below:

TABLE 7-6: REVISED COMPUTATION OF WEIGHTED AVERAGE RATE OF INTEREST SUBMITTED BY THE PETITIONER (Rs. Crore)

Particulars	FY 2011-12
Opening Loan	78.75
Closing Loan Balance	68.58
Interest	10.59
Rate of Interest	14.38%

7.5.5 Accordingly, based on the above, the revised interest on long term loan claimed by the Petitioner works out to Rs. 1.65 Crore. Further, the Petitioner has not claimed any amount towards normative interest capitalization in accordance with the Audited Accounts. Thus, net interest on long term loan, claimed by the Petitioner works out to Rs. 1.65 Crore for FY 2011-12.

7.5.6 Based on the approach explained in the earlier paragraphs, the Commission has derived the actual capital investments undertaken by the Petitioner in FY 2011-12, based on the Audited Accounts. The details are provided in the Table below:

Table 7-7: CAPITAL INVESTMENTS IN FY 2011-12 (Rs. Crore)

Particulars	Tariff Order	Audited	True-up Petition	Allowable
Opening WIP as on 1st April	80.2	36.50	36.50	36.50
Investments	38.6	22.67	22.67	22.67
Employee Expenses Capitalisation	15.8	1.33	1.33	1.33
A&G Expenses Capitalisation	2.5	0.01	0.01	0.01
Interest Capitalisation on Interest on long term loans	0.7	0.00	0.00	0.00
Total Investments	**137.8**	**60.51**	**60.51**	**60.51**
Transferred to GFA (Total Capitalisation)	**55.8**	**15.84**	**15.84**	**15.84**
Closing WIP	**82.0**	**44.67**	**44.67**	**44.67**

7.5.7 The Commission vide its deficiency note asked the Petitioner to submit the details of the GFA addition on account of Consumer Contribution, Grants and subsidies for FY 2008-09 to FY 2011-12. In reply to the Commission's query the Petitioner submitted the details of GFA addition on account of Consumer Contribution, Grants and subsidies for FY 2011-12 as shown in the Table below:

TABLE 7-8: CONSUMER CONTRIBUTION, GRANTS AND SUBSIDIES (Rs. Crore)

Particulars	FY 2011-12
Opening Balance	177.20
Additions during the year	18.27
Amortization	56.74
Closing Balance	**138.73**

7.5.8 Further, the Commission has verified the details of GFA addition on account of consumer contributions, capital subsidies and grants from the Audited Accounts of FY 2011-12.

7.5.9 Thus, based on the above the approved financing of the capital investment is depicted in the Table below:

Table 7-9: FINANCING OF THE CAPITAL INVESTMENTS IN FY 2011-12 (Rs. Crore)

Particulars	Derivation	Tariff Order	Audited	Petition	True-Up
Investment	A	38.6	60.29	22.67	22.67
Less:				0	-
Consumer Contribution	B	5	18.27	18.27	18.27
Investment funded by debt and equity	C=A-B	33.6		4.40	4.40
Debt Funded	70%*C	23.5		3.08	3.08
Equity Funded	30%*C	10.1		1.32	1.32

7.5.10 Thus, from the above Tables it is seen, that the total investments made by the Petitioner in FY 2011-12 were to the tune of Rs. 22.67 Crore. The consumer contributions, capital subsidies and grants received during the corresponding period is Rs. 18.27 Crore. Thus, balance Rs. 4.40 Crore have been funded through debt and equity. Considering a debt equity ratio of 70:30, Rs. 3.08 Crore or 70% of the capital investment is approved to be funded through debt and balance 30% equivalent to Rs. 1.32 Crore through equity. Allowable depreciation for the year has been considered as normative loan repayment. The closing loan balance of FY 2010-11 has been considered as the opening loan balance of FY 2011-12. The actual weighted average rate as per Audited Accounts has been considered for computing the interest.

7.5.11 Considering the above, the gross interest on long term loan works out to Rs. 1.60 Crore. The interest capitalisation has been considered at the same rate as per

Audited Accounts. The computations for interest on long term loan are depicted below:

Table 7-10: APPROVED INTEREST ON LONG TERM LOAN FOR FY 2011-12 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Opening Balance		88.93	18.22	18.65
Additions: 70% of the Asset Capitalization		-	3.08	3.08
Less: Allowable Depreciation during the Year		-	16.65	16.65
Closing Balance		68.58	4.66	5.08
Average Rate of Interest		13.45%	14.38%	13.45%
Gross Allowable Interest	13.48	10.59	1.65	1.60
Less: Interest Capitalized	0.68	-	0.00	0.00
Net Allowable Interest	12.80	10.59	1.65	1.60

7.5.12 Thus, the net interest on long term loan approved by the Commission for Truing up of FY 2011-12 after reducing the interest capitalised of Rs. 0.00 Crore works out to Rs. 1.60 Crore.

Finance Charges

7.5.13 The Petitioner submitted that the finance charges constitutes of components such as guarantee fees, bank charges which are imposed by Government, financial institutions, etc. and are uncontrollable in nature. The Petitioner has claimed Finance charges of Rs. 27.96 Crore as against Rs. 7.50 Crore approved by the Commission in the Tariff Order dated 19th October, 2012 in Petition No. 751 / 2011 and 798 / 2012 for FY 2011-12.

7.5.14 The Petitioner has claimed finance charges towards items such as interest on electricity duty, bank charges, discount to consumers, interest on consumer security deposits, etc.

7.5.15 As discussed in detail in para 4.5.19 the Commission has disallowed the interest on electricity duty of Rs. 23.09 Crore as claimed by the Petitioner.

7.5.16 Further as discussed in detail in Para 4.5.20 of this Order the Commission approves the actual expenses incurred towards discount to consumers. Also, bank charges and interest on consumer security deposits have been allowed at actual based on Audited Accounts as detailed in Para 4.5.21.

7.5.17 Thus, the Commission has approved finance charges amounting to Rs. 4.87 Crore for FY 2011-12 as against Rs. 27.96 Crore claimed by the Petitioner as shown in the Table below:

Table 7-11: ALLOWABLE FINANCE CHARGES FOR FY 2011-12 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Interest on Electricity Duty	0.00	23.09	23.09	0.00
Finance Charges / Guarantee Fees	1.12	0.00	0.00	0.00
Bank Charges	0.05	0.01	0.01	0.01
Discount to Consumers on sale of energy	1.60	0.00	0.00	0.00
Interest on Consumer Security Deposits	4.73	4.87	4.87	4.87
Total Finance Charges	**7.50**	**27.96**	**27.96**	**4.87**

Interest on Working Capital

7.5.17.1 The Petitioner submitted that Tariff Regulations provide for normative interest on working capital based on the principles outline in the Distribution Tariff Regulations, 2006. The Petitioner submitted that in accordance with the Regulations it is eligible for interest on working capital. The Petitioner further submitted that Regulation 4.8(2)(B) of the Distribution Tariff Regulations, 2006 specifies the rate of interest on working capital borrowing as the bank rate specified by RBI plus some margin approved by the Commission. The Petitioner submitted that it has accordingly considered a rate of 12.50% which is line with the rate approved by the Commission in its Tariff Order for FY 2011-12. The Petitioner further requested the Commission to approve normative interest on working of Rs. 12.08 Crore as against Rs. 11.09 Crore approved by the Commission in the Tariff Order of FY 2011-12.

7.5.18 Based on the methodology specified in the above Regulations the Commission in the Tariff Order dated 19th October, 2012 in Petition No. 751 / 2011 and 798 / 2012 for FY 2011-12 had allowed normative interest on working capital of Rs. 11.09 Crore. Following the similar approach and in accordance with the Regulations, the Commission in this Order has assessed the working capital and interest thereon based on the trued up ARR of the Petitioner.

7.5.19 Further, it was observed that the Petitioner had considered One-twelfth of the sum of the book value of stores, materials and supplies at the end of each month for FY 2011-12 as Rs. 0.66 Crore, however as per the Audited Accounts the same worked out as Rs. 2.162 Crore. Hence, while computing the interest on working capital the Commission has considered the one-twelfth of the sum of the book value of stores, materials and supplies at the end of each month for FY 2011-12 in accordance with the Audited Accounts.

7.5.20 Accordingly, the Commission has approved Rs. 12.30 Crore towards interest on working capital for FY 2011-12. The summary of the interest on working capital approved by the Commission in the Tariff Order for FY 2011-12, claimed by the Petitioner and that approved by the Commission in the present Truing up Order is shown in the Table below:

Table 7-12: ALLOWABLE INTEREST ON WORKING CAPITAL FOR FY 2011-12 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
One month's O & M Expenses	10.58		11.15	11.15
One-twelfth of the sum of the book value of stores, materials and supplies at the end of each month of such financial year	2.36		0.66	2.16
Receivables equivalent to 60 days average billing of Beneficiaries	156.25		169.17	169.46
Gross Total	169.19		180.98	182.77
Security Deposits by the beneficiaries (if any)	80.47		84.36	84.36
Net Working Capital	88.72		96.62	98.41
Rate of Interest for Working Capital	12.50%		12.50%	12.50%
Interest on Working Capital	11.09	-	12.08	12.30

Total Interest and Finance Charges

7.5.21 The following Table summarises the interest and finance charges approved by the Commission in the Tariff Order, interest and finance charges claimed by the Petitioner and that approved by the Commission in this Order:

Table 7-13: ALLOWABLE INTEREST AND FINANCE CHARGES FOR FY 2011-12 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
A: Interest on Long Term Loans				
Gross Interest on Long Term Loan	13.48	11.21	1.65	1.60
Less: Interest Capitalisation	0.68	0.00	0.00	0.00
Net Interest on Long Term Loans	**12.80**	**11.21**	**1.65**	**1.60**
B: Finance and Other Charges				

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Interest on Electricity Duty	0.00	23.09	23.09	0.00
Finance Charges / Guarantee Fees	1.12	0.00	0.00	0.00
Bank Charges	0.05	0.01	0.01	0.01
Discount to Consumers on sale of energy	1.60	0.00	0.00	0.00
Interest on Consumer Security Deposits	4.73	4.87	4.87	4.87
Total Finance Charges	**7.50**	**27.96**	**27.96**	**4.87**
C: Interest on Working Capital	**11.09**	**0.00**	**12.08**	**12.30**
Total (A+B+C)	**31.39**	**39.17**	**41.68**	**18.77**

7.6 DEPRECIATION

7.6.1 The Petitioner submitted that in the Tariff Order dated 19th October, 2012 in Petition No. 751 / 2011 and 798 / 2012 for FY 2011-12, the Commission had approved a depreciation expense of Rs. 20.73 Crore on a gross fixed asset base of Rs. 562.88 Crore.

7.6.2 The Petitioner submitted that the actual depreciation expense as per Audited Accounts is Rs. 16.12 Crore. However the same depreciation has been accounted for considering the depreciation rates prescribed by the Companies Act, 1956. The Petitioner further submitted that for the purpose of Truing up, it has computed the depreciation expense on the actual GFA base and at the regulatory rates applicable FY 2011-12.

7.6.3 The Petitioner added that for the purpose of True-up it has computed depreciation expense on the actual gross fixed asset base using the same depreciation rates which were used by the Commission in the Tariff Order Order dated 19th October, 2012 in Petition No. 751 / 2011 and 798 / 2012 for FY 2011-12. However, it was observed that the Petitioner had considered depreciation rate of 7.91% to compute the depreciation as against the depreciation rate of 4.74% approved by the Commission in the Tariff Order dated 19th October, 2012 in Petition No. 751 / 2011 and 798 / 2012 for FY 2010-11. In reply to the Commission's query regarding variation in Depreciation rate the Petitioner submitted the revised depreciation computation after considering the depreciation rate approved by the Commission in the aforesaid Tariff Order as shown in the Table below:

TABLE 7-14: ALLOWABLE DEPRECIATION SUBMITTED BY THE PETITIONER (Rs. Crore)

Particulars	Opening GFA	Additions to GFA	Deductions to GFA	Closing GFA	Depreciation Rates considered	Allowable Depreciation
Buildings						
a. Residential Colonies	10.19	-		10.19	4.74%	0.48
b. Office Building	1.50	0.16		1.66	4.74%	0.07
c. Building containing Sub-stations	16.28	0.60		16.89	4.74%	0.79
Plants & Machinery						
a. Plant & Machinery	144.44	10.85		155.29	4.74%	7.10
b. Lines, Cables, Networks etc.	361.34	3.28		364.62	4.74%	17.21
c. Office Equipments	5.95	0.21		6.15	4.74%	0.29
d. Computers	2.87	0.48		3.35	4.74%	0.15
Furniture & Fixtures	1.12	0.15		1.27	4.74%	0.06
Vehicles	3.34	0.11		3.45	4.74%	0.16
Grand Total	**547.03**	**15.84**	**-**	**562.88**		**26.30**

7.6.4 As regards the Commission's query regarding source-wise of funding of capitalization, the Petitioner submitted that the Commission in the True up Order dated 21st May, 2013 for FY 2000-01 to 2007-08 and in the suo-motu Tariff Order dated 31st May, 2013 for FY 2013-14 had considered a normative tariff approach wherein it had considered a normative gearing of 70:30 wherein 70% of the capital expenditure undertaken in any year was considered to be financed through loan and balance 30% has been considered to be financed through equity contributions. The Petitioner further submitted that in its aforesaid Orders the portion of capital expenditure financed through consumer contributions, capital subsidies and grants was separated by the Commission as the depreciation and interest thereon would not be charged to the consumers.

7.6.5 The Petitioner added that since it is agreeable to this normative approach approved by the Commission hence no deviation in this approach has been sought by it.

7.6.6 It was further observed that the Petitioner had not reduced the depreciation charged on assets created out of consumer contributions, capital grants and subsidies. In this regards the Commission vide its deficiency note sought justification for not deducting the depreciation on assets acquired out of the Consumer Contribution and GoUP Subsidy from the depreciation on the GFA along with the revised computation of depreciation after reducing depreciation on assets acquired out of the Consumer Contribution and GoUP Subsidy.

7.6.7 In its reply the Petitioner submitted that the philosophy for reduction of depreciation on assets created out of consumer contributions, grants and subsidies from the gross depreciation expense was settled in the True up Order for FY 2000-01 to 2007-08 before which the True up Petitions for FY 2008-09 to 2011-12 were filed by the it. The Petitioner further submitted that subsequent to the principle being established by the Commission, it is agreeable to this methodology and has submitted the revised Table depicting the allowable depreciation as shown below:

TABLE 7-15: REVISED ALLOWABLE DEPRECIATION SUBMITTED BY THE PETITIONER (Rs. Crore)

Particulars	FY 2011-12
Gross Allowable Depreciation	26.30
Less: Depreciation on account of Consumer Contribution, Subsidies and Grants	9.66
Net Allowable Depreciation	16.64

7.6.8 The Commission asked the Petitioner to confirm that the cumulative depreciation in FY 2011-12 is less than 90% of GFA for all assets, since assets cannot be depreciated beyond 90% of GFA in accordance with the Distribution Tariff Regulations, 2006 which the Petitioner confirmed in the reply to deficiency note.

7.6.9 As detailed in para 4.6.10 the Commission has considered the same philosophy as adopted by the Petitioner. After scrutinising the Audited Accounts for FY 2011-12 as submitted by the Petitioner, the net entitlement towards depreciation expenses claimed by the Petitioner and that approved by the Commission for Truing-up of FY 2011-12 is shown in the Table below:

Table 7-16: DEPRECIATION EXPENSES FOR FY 2011-12 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Gross Allowable Depreciation	25.00	16.12	26.30	26.30
Less: Equivalent amount of depreciation on assets acquired out of the consumer contribution and GoUP Subsidy	4.00	0.00	9.66	9.66
Net Allowable Depreciation	21.00	16.12	16.64	16.64

7.7 PRIOR PERIOD EXPENSES

7.7.1 The Petitioner submitted that there are certain expenses and incomes which are omitted to be accounted for in one or more financial years. The Petitioner further submitted that its financial statements are prepared in compliance with Generally Accepted Accounting Principles (GAAP) and Accounting Standards issued by Accounting Standards Board of Institute of Chartered Accountants of India. The Petitioner added that the Accounting Standards (AS 5) (Revised) on 'Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies' provides that when such omissions or errors are detected they should be accounted for in the relevant year in which they are detected as stated below:

"Prior period items are income or expenses which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods"

7.7.2 The Petitioner submitted that accordingly it has accounted for such transactions in the True-up computations strictly as per its Audited Accounts.

7.7.3 The Petitioner submitted that in the audited financial statements for FY 2011-12, there has been recognition of Rs. 1.21 Crore of prior period items. The Petitioner further submitted the detailed break-up of the prior period items for FY 2011-12 as per Audited Accounts as shown in the Table below:

Table 7-17: BREAK UP OF PRIOR PERIOD EXPENSES / INCOMES (Rs. Crore)

Particulars	FY 2011-12
Employee Salary Arrears	0.14
Dearness allowance	0.72
Prior period depreciation	0.03
Operating expenses	0.32
Net Prior Period Expenditure	**1.21**

7.7.4 As regards the prior period expenses / incomes the Commission vide its deficiency note has asked the Petitioner to submit the detailed breakup of prior period expenses / incomes along with the details of years to which they pertain and the justification for not booking such amount in the annual account of the respective years. In its reply the Petitioner has submitted the year wise breakup of prior period expenses / incomes however the submission does not provide clarification regarding the heads under which these expenses have been booked.

7.7.5 As discussed in detail in Para 4.7.6, the Commission has not allowed any claims towards prior period expenses. The summary of the prior period expenses approved in the Tariff Order, claimed by the Petitioner and that approved by the Petitioner in this Order for Truing up of FY 2011-12 is shown in the Table below:

Table 7-18: PRIOR PERIOD EXPENSES / INCOMES FOR FY 2011-12 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Prior Period Expenses	0.00	1.21	1.21	0.00

7.7.6 Further, as directed in the Para 4.7.8 the Petitioner is directed to submit a separate Petition for approval of prior period expenses / incomes for the Commission's consideration.

7.8 OTHER EXPENSES

7.8.1 The Petitioner submitted that there are certain other expenses which cannot be claimed under any specific head of the ARR. The Petitioner further submitted that such minor expenses have been bundled together under the nomenclature of 'Other Miscellaneous Expenses' and the impact of such expenses is only Rs. 2.80 Crore in FY 2011-12 towards On Line Billing Charges.

7.8.2 As discussed in detail in Para 4.8.2 the Commission has not considered such expenses for admissibility in the True-up. The summary of other expenses approved in the Tariff Order, claimed by the Petitioner and approved by the Commission in this Order for Truing up of FY 2011-12 is shown in the Table below:

Table 7-19: OTHER EXPENSES FOR FY 2011-12 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Online Billing Charges		2.80	2.80	0.00
Total	**0.00**	**2.80**	**2.80**	**0.00**

7.9 PROVISION FOR BAD AND DOUBTFUL DEBT

7.9.1 The Petitioner submitted that the Commission has not allowed any amounts towards Provision for Bad and Doubtful Debts in the Tariff Order dated 19th October, 2012 in Petition No. 751 / 2011 and 798 / 2012 for FY 2011-12 even though the Distribution Tariff Regulations, 2006 provide for allowing 2% provision in respect of revenue receivables.

7.9.2 The Petitioner submitted that such expenses are legitimate business expenses and are accepted accounting principle even in sectors like Banking where the provisioning of un-collectable dues is considered as a normal commercial practice.

7.9.3 The Petitioner submitted that it has computed the entitlement towards provision for bad and doubtful debts as 2% of the closing revenue receivables as per Audited Accounts of the relevant financial year for distribution business.

7.9.4 The Petitioner has claimed Rs. 45.86 Crore towards provision for bad and doubtful debts for FY 2011-12.

7.9.5 As discussed in detail in Para 4.9.10 due to the absence of proper policy in place for identifying and writing off receivables, the Commission disallows the claims towards provision for bad and doubtful debts.

Table 7-20: PROVISION FOR BAD AND DOUBTFUL DEBT FOR FY 2011-12 (Rs. Crore)

Particulars	Tariff Order	Actuals as per Audited Accounts	True-up Petition	Allowable
Provision for Bad and Doubtful Debts	0.00	7.08	45.86	0.00

7.10 RETURN ON EQUITY

7.10.1 The Petitioner has not claimed any return on equity for the year under review. The Petitioner has stated that it does not want to burden the consumers by proposing return on equity as it will further increase the gap. Hence, , agreeing with the Petitioner's submission in this regards, the Commission has also not allowed any amounts towards return on equity for FY 2011-12.

7.11 REVENUE SIDE TRUING UP

NON TARIFF INCOMES

7.11.1 The Petitioner submitted that the actual Non Tariff income earned by it in FY 2011-12 is Rs. 6.24 Crore against the projection of Rs. 6.52 Crore approved by the Commission in the Tariff Order dated 19th October, 2012 in Petition No. 751 / 2011 and 798 / 2012.

7.11.2 As regards the Commission's query regarding detailed break-up of Non Tariff Income the Petitioner has submitted as follows:

Table 7-21: NON TARIFF INCOME (Rs. Crore)

Particulars	FY 2011-12
Interest from FDR including TDS amount	0.88
Reconnection and Disconnection Fees	-
Other Recoveries from consumers	-
Recoveries from Theft/Malpractices	-
Other Charges from Consumers	-
Misc Income	-
Other Non-Operating Income	5.36
Total NTI	**6.24**

7.11.3 The Commission has accepted the submission of the Petitioner, under this head and has accordingly approved Non Tariff Income of Rs. 6.24 Crore for Truing up of FY 2011-12.

REVENUE FROM SALE OF POWER

7.11.4 The Petitioner submitted that in the Tariff Order dated 19th October, 2012 in Petition No. 751 / 2011 and 798 / 2012 for FY 2011-12 the Commission had projected revenue from sale of power of Rs. 937.48 Crore for FY 2011-12. The Petitioner further submitted that as per the Audited Accounts the actual revenue from sale of power is Rs. 1016.76 Crore (including Rs. 38.09 Crore towards delayed payment surcharge) towards electricity sales of 2071 MU.

7.11.5 The Commission has accepted the revenue from sale of power as submitted by the Petitioner after verifying the same from the Audited Accounts of FY 2011-12 and has accordingly approved actual revenue of Rs. 1016.76 Crore including delayed payment surcharge towards sales of 2071 MU. The summary of revenue approved in the Tariff Order, that claimed by the Petitioner and that approved by the Commission in this Order for Truing up of FY 2011-12 is shown in the Table below:

Table 7-22: REVENUE FOR FY 2011-12 (Rs. Crore)

<table>
<tr><th>Particulars</th><th>Tariff Order</th><th>Actuals as per Audited Accounts</th><th>True-up Petition</th><th>Allowable</th></tr>
<tr><td>Revenue from Tariff</td><td rowspan="2">937.00</td><td rowspan="2">1016.76</td><td rowspan="2">1016.76</td><td rowspan="2">1016.76</td></tr>
<tr><td>Delayed Payment Surcharge</td></tr>
<tr><td>Non Tariff Income</td><td>7.00</td><td>6.24</td><td>6.24</td><td>6.24</td></tr>
<tr><td>Total Revenue</td><td>944.00</td><td>1023.01</td><td>1023.01</td><td>1023.01</td></tr>
</table>

7.12 AGGREGATE REVENUE REQUIREMENT AND REVENUE GAP/ (SURPLUS) FOR FY 2011-12 AFTER TRUING UP

7.12.1 The Aggregate Revenue Requirement for FY 2011-12 after final Truing-up is summarised in the Table below:

Table 7-23: ARR, REVENUE AND GAP SUMMARY FOR FY 2011-12 (Rs. Crore)

Particulars	Approved	Actuals as per Audited Accounts	True-up Petition	Allowable
(a)	(b)	(c)	(d)	(e)
Power Purchase Expenses (including Transmission Charges)	1218.00	1206.54	1185.50	1132.40
Employee Expenses	105.30	98.48	98.48	98.48
Repair and Maintenance Expenses	23.30	25.43	25.43	25.43
A&G Expenses	16.70	11.19	11.19	11.19
Gross Interest on Long Term Loans	13.48	11.21	1.65	1.60
Finance Charges	7.50	27.96	27.96	4.87
Interest on Working Capital	11.09	0.00	12.08	12.30
Discount to Consumers	0.00	0.00	0.00	0.00
Depreciation	21.00	16.12	16.64	16.65
Prior Period Expenses / (Incomes)	0.00	1.21	1.21	0.00
Other Misc Expenses	0.00	2.80	2.80	0.00
Provision for Bad and Doubtful Debts	0.00	7.08	45.86	0.00
Gross Expenditure	**1416.37**	**1408.02**	**1428.80**	**1302.91**
Less: Employee Capitalisation	15.48	1.33	1.33	1.33
Less: A&G Capitalisation	2.50	0.01	0.01	0.01
Less: Interest Capitalisation	0.68	0.00	0.00	0.00
Total Capitalisation	**18.66**	**1.34**	**1.34**	**1.34**
Net Expenditure	**1397.71**	**1406.68**	**1427.46**	**1301.57**
Add: Return on Equity	0.00	0.00	0.00	0.00
Less: Non-tariff Incomes	7.00	6.24	6.24	6.24
Add: Efficiency Gains			1.50	13.55
Annual Revenue Requirement	**1390.71**	**1400.43**	**1421.22**	**1308.87**
Revenue from Tariff incl DPS	937.00	1016.76	1016.76	1016.76
Net Revenue Gap	**453.71**	**383.67**	**404.46**	**292.11**

 # Apportionment of O&M Expenses of UPPCL has been allowed while computing BST

7.12.2 The Petitioner requested the Commission to consider the revenue side True-up and expense side True-up as per the aforementioned sections wherein the net revenue gap has been computed at Rs. 402.96 Crore before considering any efficiency gains. The Petitioner further submitted that it is also entitled for efficiency gains of Rs. 1.50 Crore; thereby the net entitlement under the True-up for FY 2011-12 is Rs. 404.46 Crore.

7.12.3 However, as observed from the above Table against the gap of Rs. 404.46 Crore claimed by the Petitioner for truing up of FY 2011-12, the Commission has worked out the gap of Rs. 292.11 Crore while carrying out the Truing-up on the basis of the Audited Accounts.

8 YEAR WISE REVENUE GAPS / (SURPLUS) AND CARRYING COST

8.1 APPROVED REVENUE GAP / (SURPLUS)

8.1.1 The Commission has detailed the Truing-up exercise of KESCO in the aforementioned Sections. The overall revenue gaps / (surplus) of the Petitioner over the period FY 2008-09 to FY 2011-12 combined together is depicted in the Table below:

Table 8-1: YEAR WISE REVENUE GAPS / (SURPLUS) (Rs. Crores)

Year	Tariff Order	Actual as per Audited Accounts	True-up Petition	Approved
FY 2008-09	0.00	81.34	73.46	52.38
FY 2009-10	(71.95)	155.08	44.30	73.15
FY 2010-11	74.72	181.77	198.39	160.65
FY 2011-12	528.43	383.84	404.45	292.11
Total	**531.21**	**802.03**	**720.60**	**578.29**

8.1.2 Thus, after final truing up of FY 2008-09 to FY 2011-12, there is a net revenue gap of Rs. 578.29, which the Petitioner is eligible to recover though Tariff.

8.2 CARRYING COST

8.2.1 The Petitioner has submitted that it is eligible for carrying cost on the under-recovered amount upon final Truing- up; as such amounts are in the nature of deferred payments. To support its contention it has quoted the Hon'ble APTEL's Judgment in Appeal No. 117 of 2008.

8.2.2 The Petitioner has computed the carrying cost on the yearly under-recovered amounts based on the applicable SBI PLR rate approved in relevant Tariff Orders of the Commission.

8.2.3 The Petitioner submitted that considering the fact that under the normal Tariff determination exercise for the n^{th} year, the Commission carries out the final Truing- up requirement for $(n-2)^{th}$ year and allows the impact of the same in the Tariff for the n^{th} year, it has adopted the same philosophy while computing the carrying cost. Accordingly, the Petitioner has sought a carrying cost of Rs. 170.17 Crore.

8.2.4 The Commission in its Order dated 21st May, 2013 in Petition No. 809 of 2012 in the matter of Truing up for FY 2000-01 to FY 2007-08 has ruled as under:

> *"There has been an inordinate delay by the distribution companies in filing the True-up Petitions in spite of several directives by this Commission. The distribution companies were constrained to file such petitions only after a judicial pronouncement by the APTEL. It is fairly established that true-up should be regularly conducted and uncontrollable costs should be recovered speedily to ensure that future consumers are not burdened with past costs. The true-up being claimed in this Petition is for a period ranging from 5-12 years back. The onus of such unreasonable delay squarely falls on the Petitioner and is not due to any process of law.*
>
> *The Commission appreciates that the claim of carrying cost is towards revenue gap as a result of legitimate expenditure in the true up. However issue of delayed filing of true up petitions is also pertinent to be considered.*
>
> *The Commission would decide on the issue of carrying cost while approving the mechanism and time period for recovery of true up amounts as described in Section 13."*

8.2.5 Further, relevant extract of Section 13 of the aforementioned Order is represented below:

> *"….The entire amount of net recoverable gap subsequent to final truing up of FY 2000-01 to 2007-08, amounting to Rs. 2,487.93 crores would be adjusted with the amount of the Aggregate Revenue Requirement of the*

distribution companies namely DVVNL, MVVNL, PVVNL and PuVVNL for the year 2013-14 or that for any other ensuing year or through a separate order, as may be decided by the Commission.

………

The decision of the Commission in this regard will be given in the Tariff Order of the aforementioned distribution companies for the year 2013-14 or that for any other ensuing year or in a separate order."

8.2.6 UPPCL and other State Distribution Licensees namely DVVNL, PuVVNL, MVVNL and PVNNL have filed an Appeal before the Hon'ble APTEL against the Commission's decision on this matter. Since, the matter is sub-judice before the Hon'ble ATE, thus the Commission has considered the same philosophy on the issue as mentioned above. Therefore, the Commission has disallowed the Petitioner's claim of Rs. 170.17 Crore towards carrying cost in the present Order. However, the same shall be reviewed based on the Judgment of the Hon'ble ATE in this regard.

9 ANALYSIS OF ARR FOR FY 2014-15

9.1 INTRODUCTION

9.1.1 In this Section, the Commission has undertaken the process of approval of the Annual Revenue Requirements and Tariff determination of the Petitioner in line with provisions of the Distribution Tariff Regulations, 2006.

9.2 CONSUMPTION PARAMETERS: CONSUMER NUMBERS, CONNECTED LOAD, SALES

9.2.1 The Petitioner submitted that it has projected category-wise sales based on CAGR of last eight years data and considering factors like available population data, expected conversion of unauthorized connections, connected load factor and specific growth factors and wherever the data was incongruous such incongruity was ignored while projecting the load growth for the ensuing years.

9.2.2 The Petitioner submitted that the forecast projects the specific consumption level (consumption per customer) appropriate for each customer category. The Petitioner submitted that the forecast is based on expected growth relationships to income and price, effect of Demand Side Management and impact of hours of service.

9.2.3 The Petitioner submitted that the specific consumption level along with the number of consumers in each category gives the sales figure for that particular sub-category and the final detailed calculations estimate the connected load by tariff category. The Petitioner added that the division level forecasts have been consolidated and losses have been added to the sales estimates to determine power purchase requirements.

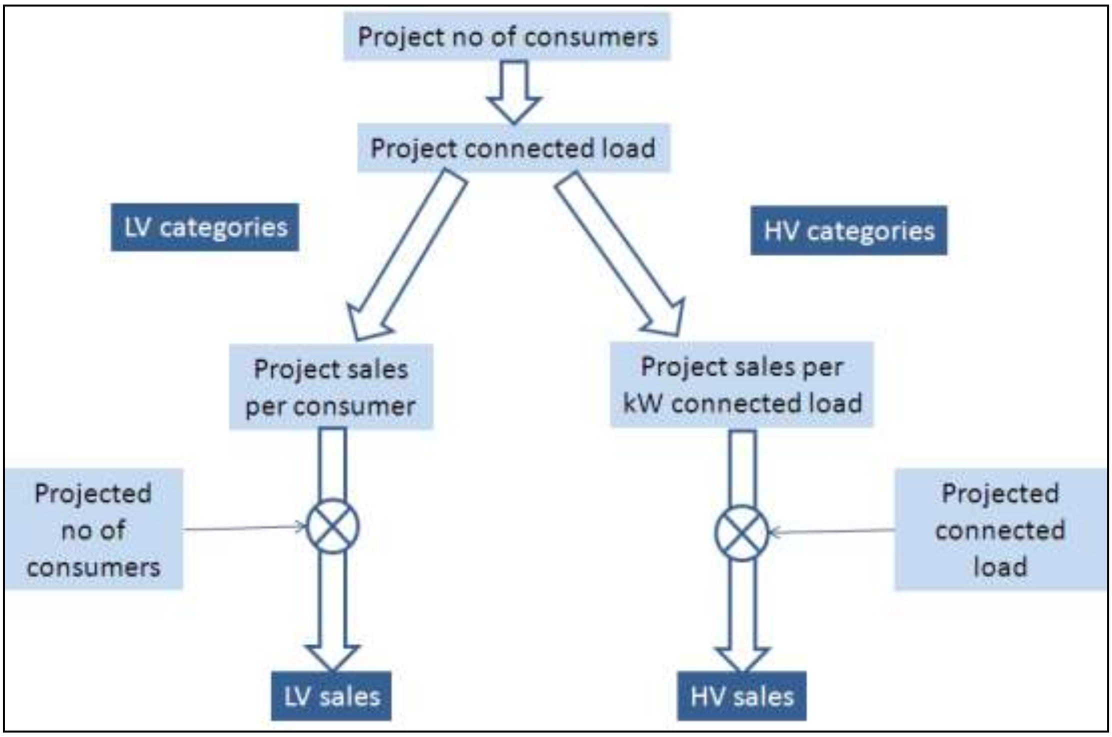
9.2.4 The billing determinants including number of consumers, connected load and energy sales for FY 2014-15 as submitted by the Petitioner is shown in the Table below:

Table 9-1: CONSUMPTION PARAMETERS SUBMITTED BY THE PETITIONER FOR FY 2014-15

Consumer categories	No. of consumers	Connected load (kW)	Energy sales (MU)
LMV-1: Domestic	518008	1149730	1300.85
LMV-2:Non-Domestic	106835	284756	357.22
LMV-3: Public Lamps	18	13768	59.48
LMV-4: Institutions	1182	14009	59.09
LMV-5: Private Tube Wells	16	123	0
LMV 6: Small and Medium Power	10187	221095	316.57
LMV-7: Public Water Works	680	23259	54.87
LMV-8: State Tube Wells			
LMV-9: Temporary Supply	468	1,036	2.00
LMV-10: Departmental Employees	8267	28652	24.06
HV-1: Non-Industrial Bulk Loads	133	51052	118.92
HV-2: Large and Heavy Power	554	207996	417.86
HV-3: Railway Traction			
HV-4: Lift Irrigation			
Sub-total	**646348**	**1995478**	**2711.23**
Extra state & Bulk			
Total	**646348**	**1995478**	**2711.23**

9.2.5 The Commission has adopted the same methodology adopted in its suo-motu Tariff Order dated 31st May, 2013 for KESCO as illustrated in the following diagram:

Figure 1: METHODOLOGY TO FORECAST CONSUMPTION FOR FY 2014-15



9.2.6 The following paragraph describes in detail the forecast methodology used by the Commission.

1. As a **first step**, historical consumption parameters (for each of the three years between FY 2010-11 and FY 2012-13) were tabulated for each consumer sub-category. These parameters included number of consumers, connected load (kW), sales per consumer (kWh) and sales per kW of connected load (kWh/kW). The Table below provides the source of data for each year:

Table 9-2: SOURCE OF DATA FOR HISTORICAL PARAMETERS

S.No	Year	Source of data
1	FY 2010-11	Actuals submitted by Petitioner along with ARR / Tariff Petition for FY 2014-15
2	FY 2011-12	Actuals submitted by Petitioner in ARR / Tariff Petition for FY 2014-15.

S.No	Year	Source of data
3	FY 2012-13	Actuals submitted by Petitioner in ARR / Tariff Petition for FY 2014-15.

2. **Secondly**, 3-year CAGR was computed for each of the parameter and for each consumer sub-category based on the above set of data.
3. As a **third step**, the value for FY 2014-15 was estimated for each of the above consumption parameters in the following manner:
    a. A 3-year trend line was plotted and the trend observed.
    b. If the trend appeared to be smooth, the 3-year CAGR was adopted.
    c. If there was a sharp change in the trend in recent years, then the appropriate CAGR was adopted.
    d. The adopted CAGR was applied on the value of FY 2012-13 to derive the value for FY 2013-14. Further the same CAGR was applied on this derived value of FY 2013-14 to derive the value of FY 2014-15.

9.2.7 The consumption norms for projection of unmetered sales were established vide UPPCL Order No. 2649-CUR/L, dated 20-07-2001, however, since, then there has been lot of development in the State. In addition, there has been significant economical and industrial growth resulting in higher GDP growth rate, as compared to that in FY 2001-02.

9.2.8 The Commission is of the view that in the present scenario the existing consumption norms may have become redundant and therefore, based on the data submitted by the Distribution Licensees the Commission has tried to work out the extent of redundancy of above norms and the possible new consumption norms as shown in the Table below:

Table 9-3: CONSUMPTION NORMS FOR UNMETERED CONSUMPTION

Sl. No	Category	Existing Consumption Norm	Re- worked Consumption Norm

Sl. No	Category	Existing Consumption Norm	Re- worked Consumption Norm
1	LMV1: Domestic Rural	72 kWh / kW / month	85.69 kWh / kW / month
2	LMV2: Non Domestic Rural	72 kWh / kW / month	101.93 kWh / kW / month
3	LMV3: Public Lamps	300 kWh / kW / month	309.15 kWh / kW / month
4	LMV5: Private Tube Wells (Rural)	91.66 kWh / kW / month	94.89 kWh / kW / month
5	LMV8: State Tube Wells	3562.35 kWh / connection / month	5226.58 kWh / connection / month

9.2.9 However, since, the unmetered data submitted by the Distribution Licensees is itself on assessment basis, and does not give the accurate and true picture of the actual unmetered consumption; the data submitted by the Distribution Licensees cannot be the only basis for computation of new consumption norms.

9.2.10 Further, as regards consumption norms to be considered for assessment of consumption of unmetered categories, Regulation 3.1 (3) of the Distribution Tariff Regulations, 2006 specifies as follows:

> *"3. As per the Tariff Policy issued by the Central Government metering is to be completed by March 2007, however, based on ground realities if the distribution licensee seeks exemption towards its metering obligation for any particular category of consumers it must provide the Commission revised norms, based on fresh studies, for assessment of consumption for these categories. Sales forecast for such un-metered categories shall be validated with norms approved by the Commission on the basis of above study carried out by the licensee."*

9.2.11 Also, the Hon'ble APTEL in its Judgment dated 28th November, 2013 in Appeal No. 239 of 2012 has ruled as follows:

> *"The issue of unmetered supply is not restricted only to the State of Uttar Pradesh but is prevalent in every State throughout the country especially in the agriculture sector. The Commission has to adopt some normative value for estimation of the unmetered supply. In the absence of any scientific study made available to the Commission, the Commission has*

adopted the norms available at that relevant time. The Commission had been directing the distribution licensees to carry out study done for accurate estimation of consumption by unmetered supply. We accept the submissions made by the Commission and do not intend to interfere with the impugned order at present. However, we feel that the important issue cannot be postponed indefinitely at the hands of distribution licensees. We direct the Commission to get the required study done by itself through some expert consultant in a fixed time frame."

9.2.12 Hence, the Commission is of the opinion that revising the consumption norms without validating the same based on a more detailed and appropriate study to provide accurate and affective consumption norms would not be appropriate. Further, the Distribution Licensees / UPPCL in the meeting on this issue held with the Commission on 28th April, 2014 in response to the In-House Paper prepared by the Commission, have agreed to conduct a study to assess the actual consumption norms in accordance with the Regulations.

9.2.13 **In view of the above, to provide more accurate and effective consumption norms the Commission directs the Petitioners to conduct a detailed study which should include the following:**

- Review of Methodology adopted by Distribution Licensees for assessment of consumption norms for unmetered consumers.
- Identification and finalization of sample size of unmetered consumers for installation of meters by Distribution Licensee.
- Collection and analysis of data like Distribution Sub-division wise numbers of consumers where sample meters have been installed, month wise load of each such consumer maintained in the Distribution Sub-divisions, month-wise consumption readings of each sample meter along with number of supply hours per month, total connected load - division wise and month wise, etc.

9.2.14 Therefore, for the present Order, the Commission has estimated the sales for unmetered categories for FY 2014-15 by multiplying the existing consumption norms as per UPPCL Order No. 2649-CUR/L, dated 20th July, 2001 with the appropriate consumption parameter (connected load or number of consumers) as shown in the Table 9-1 above.

9.2.15 Further, in reply to the Commission's deficiency note regarding number of unmetered connections, load and sales of such consumers up to December, 2013, the Petitioner has submitted as follows:

Table 9-4: DETAILS OF UNMETERD CATEGORIES UPTO DECEMBER, 2013

Category of consumers	No. of Consumers	Contracted Load	MU	Revenue (Rs Lakh)		Consumption / Consumer	Consumption / kW
				Billed Amount	Received Amount		
LMV-3 - Public Lamps	18.00	14068.00	37.71	3701.66	27.13	2095222.22	2680.84
LMV-10 – Employees	4844.00	14532.00	11.73	94.94	94.94	2422.38	807.46

9.2.16 From the above Table 9-4 it is observed that the Petitioner has very low number of unmetered consumers compared to the Other Distribution Licensees in the State. The Commission appreciates this fact that the Petitioner is the only Distribution Licensee among the State Distribution Licensees with no domestic consumers under unmetered category and in a way the Petitioner has set example for other State Distribution Licensees in achieving the best metering status in the State. However, it is observed that the number of unmetered consumers under LMV-3 category has been 18 since FY 2008-09 and the Petitioner has not been able to convert its LMV-3 consumers into metered connections since a very long time. It may be noted that the Commission its Tariff Order dated 31st May, 2013 had directed the Petitioner as follows:

"Commission directs the Licensee to submit a road map for 100% metering in its licensed area. However, based on the ground realities, if the Distribution Licensee seeks exemption towards its metering obligation for any particular category of consumers, it must provide the Commission revised norms specific for its supply area, based on fresh studies, for assessment of consumption for these categories. Sales forecast for such un-metered categories shall be validated with norms approved by the Commission on the basis of above study carried out by the Licensee."

9.2.17 However, the Petitioner has not submitted any explanation as to why it has not been able to achieve a single metered connection in a particular category since FY 2008-09. This clearly implies that the Petitioner is not making its full efforts to convert the unmetered connections under LMV-3 category into metered connections**. Therefore, the Commission directs the Petitioner to ensure to convert all the 18 consumers under LMV-3 category into metered connections within one month of the issue of this Order failing which the Commission will resort to take stringent action against the Petitioner.**

9.2.18 Further, it is observed that the consumption parameters submitted by the Petitioner for LMV-10 category of consumers is quite abnormal. The number of consumers in LMV-10 category has increased from 576 in FY 2011-12 to 8267 in FY 2012-13. Similarly the connected load for LMV-10 category has increased from 1853 kW to 28652 kW in FY 2012-13. The Commission is of the view that such an exorbitant increase of 1335% and 1446% in number of consumers and connected load is not possible.

9.2.19 From the above Table 9-4, it is observed that the number of unmetered consumers under LMV-10 is 4844. The past trend for unmetered consumers for LMV-10 category as submitted by the Petitioner is as follows:

Table 9-5: PAST TREND OF UNMETERD CONSUMPTION IN LMV-10 CATEGORY

Particulars	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14 (Upto December 2013)
Number of Consumer	576.00	0	0	0	0	4844
Contracted Load	1783	0	0	0	0	14532
Sales (MU)	1.73	1.46	1.46	0	0	11.734
Revenue Billed (Rs. Lakh)	9.77	9.17	9.17	0	0	94.94
Revenue Received (Rs. Lakh)	12.36	9.12	9.12	0	0	94.94

9.2.20 From the above Table 9-5 it is observed that there is some flaw in the data submitted by the Petitioner. The number of unmetered consumers in FY 2013-14 has suddenly increased from nil in FY 2012-13 to 4844 in FY 2013-14. Also, in the Load forecast model the Petitioner has submitted the total number of consumers in FY 2012-13 as 8267, assuming this figure to be correct then as per the Petitioner's submission in above case, since, there is no unmetered consumer in FY 2012-13 it implies that all the 8267 consumers of LMV-10 category were metered connections. Then the question arises that without any increase in the number of consumers under this category how come the number of unmetered consumers has increased from 0 to 4844.

9.2.21 With no clarity and accuracy in the data, it seems that either there has been any error by the Petitioner while compiling the consumption data or there may be a possibility that for some reasons unknown to the Commission the Petitioner may have purposely manipulated the above data. However, due to lack of any authentic supporting documents the Commission has not been able to verify the same.

9.2.22 **Further, the Commission directs the Petitioner to provide detailed explanation in this regards alongwith all the necessary supporting documents for verification of such data while filing for Truing-up of FY 2012-13. However, for the purpose of the present Order the Commission has accepted the Petitioner's submission regarding the consumption parameters for FY 2012-13.**

9.2.23 In view of the above, the Commission hereby approves the consumption parameters for FY 2014-15 as shown in the Table below. The detailed sub-category wise consumption parameters (historical and approved) have been provided in Annexure 15.1.

Table 9-6: CONSUMPTION PARAMETERS APPROVED BY COMMISSION FOR FY 2014-15

Consumer categories	No. of consumers	Connected load (kW)	Energy sales (MU)
LMV-1: Domestic	543469	1248376	1138.31
LMV-2:Non-Domestic	106835	298493	319.55
LMV-3: Public Lamps	18	13768	59.48
LMV-4: Institutions	1180	14982	41.78
LMV-5: Private Tube Wells	16	123	0.10
LMV 6: Small and Medium Power	9636	120496	301.49
LMV-7: Public Water Works	681	28371	41.89
LMV-8: State Tube Wells	0	0	0.00
LMV-9: Temporary Supply	406	849	1.02
LMV-10: Departmental Employees	8267	1853	24.37
HV-1: Non-Industrial Bulk Loads	133	51052	118.92
HV-2: Large and Heavy Power	543	207996	427.75
HV-3: Railway Traction	0	0	0.00
HV-4: Lift Irrigation	0	0	0.00
Sub-total	**671184**	**1986360**	**2474.67**
Extra state & Bulk	0	**0**	0.00
Total	**671184**	**1986360**	**2474.67**

Table 9-7: NUMBER OF CONSUMERS: HISTORICAL TREND AND APPROVED VALUES FOR FY 2014-15

Consumer categories	FY 2010-11	FY 2011-12	FY 2012-13	Revised Estimates for FY 2013-14	Approved for FY 2014-15	Growth of FY 15 over FY 14
LMV-1: Domestic	439646	461805	515364	529209	543469	3%
LMV-2:Non-Domestic	90716	94283	98552	102609	106835	4%
LMV-3: Public Lamps	18	18	18	18	18	0%
LMV-4: Institutions	1029	1048	1069	1123	1180	5%
LMV-5: Private Tube Wells	0	0	16	16	16	0%
LMV 6: Small and Medium Power	7467	8158	8736	9169	9636	5%
LMV-7: Public Water Works	620	634	667	674	681	1%
LMV-8: State Tube Wells	0	0	0	0	0	0%
LMV-9: Temporary Supply	0	0	468	406	406	0%
LMV-10: Departmental Employees	576	576	8267	8267	8267	0%
HV-1: Non-Industrial Bulk Loads	110	116	133	133	133	0%
HV-2: Large and Heavy Power	522	535	543	543	543	0%
HV-3: Railway Traction	0	0	0	0	0	0%
HV-4: Lift Irrigation	0	0	0	0	0	0%
Sub-total	**540704**	**567173**	**633833**	**652167**	**671184**	**3%**
Extra state & Bulk	0	0	0	0	0	0%
Total	**540704**	**567173**	**633833**	**652167**	**671184**	**3%**

Table 9-8: CONNECTED LOAD (KW): HISTORICAL TREND AND APPROVED VALUES FOR FY 2014-15

Consumer categories	FY 2010-11	FY 2011-12	FY 2012-13	Revised Estimates for FY 2013-14	Approved for FY 2014-15	Growth of FY 15 over FY 14
LMV-1: Domestic	976498	1020274	1145139	1194761	1248376	4%
LMV-2:Non-Domestic	230832	239951	262580	279961	298493	7%
LMV-3: Public Lamps	13369	13768	13768	13768	13768	0%
LMV-4: Institutions	10592	9624	12670	13777	14982	9%
LMV-5: Private Tube Wells	0	0	123	123	123	-
LMV 6: Small and Medium Power	110128	114476	120496	120496	120496	0%
LMV-7: Public Water Works	19631	19888	23600	25876	28371	10%
LMV-8: State Tube Wells	0	0	0	0	0	-
LMV-9: Temporary Supply	0	0	1005	849	849	-
LMV-10: Departmental Employees	1853	1853	1	1853	1853	0%
HV-1: Non-Industrial Bulk Loads	41935	53411	51052	51052	51052	0%
HV-2: Large and Heavy Power	175864	159071	203898	205937	207996	1%
HV-3: Railway Traction	0	0	0	0	0	-
HV-4: Lift Irrigation	0	0	0	0	0	-
Sub-total	**1580702**	**1632316**	**1862983**	**1908453**	**1986360**	**4%**
Extra state & Bulk	0	0	0	0	0	-
Total	**1580702**	**1632316**	**1862983**	**1908453**	**1986360**	**4%**

Table 9-9: ENERGY SALES (MU): HISTORICAL TREND AND APPROVED VALUES FOR FY 2014-15

Consumer categories	FY 2010-11	FY 2011-12	FY 2012-13	Revised Estimates for FY 2013-14	Approved for FY 2014-15	Growth of FY 15 over FY 14
LMV-1: Domestic	1071	1160	979	1056	1138	8%
LMV-2:Non-Domestic	229	259	261	289	320	0%
LMV-3: Public Lamps	48	49	40	59	59	0%
LMV-4: Institutions	24	43	32	37	42	14%
LMV-5: Private Tube Wells	0	0	0		0	-
LMV 6: Small and Medium Power	232	232	240	281	301	7%
LMV-7: Public Water Works	50	49	40	41	42	2%
LMV-8: State Tube Wells	0	0	0	0	0	-
LMV-9: Temporary Supply	1	0	1	1	1	-
LMV-10: Departmental Employees	1	1	22	23	24	5%
HV-1: Non-Industrial Bulk Loads	105	115	119	119	119	0%
HV-2: Large and Heavy Power	367	389	419	424	428	1%
HV-3: Railway Traction	0	0	0	0	0	-
HV-4: Lift Irrigation	0	0	0	0	0	-
Sub-total	**2130**	**2297**	**2154**	**2329**	**2475**	**6%**
Extra state & Bulk	0	0			0	-
Total	**2130**	**2297**	**2154**	**2329**	**2475**	**6%**

9.2.24 As regards the metering of consumers, Section 55 of the Electricity Act, 2003 stipulates as follows:

> *"55. (1) No licensee shall supply electricity, after the expiry of two years from the appointed date, except through installation of a correct meter in accordance with regulations to be made in this behalf by the Authority:"*

9.2.25 Chapter 5 'Metering' of the U.P. Electricity Supply Code 2005, specifies as follows:

> *"5.1 Licensees obligation to give supply on meters: Requirement of Meters*
> *(a) 2 [No new connection shall be given without a Meter and Miniature Circuit Breaker (MCB) or Circuit Breaker (CB) of appropriate specification from the date of issue of this code.*
> *(b) All unmetered connections including PTW, streetlights shall be metered by the licensee.*
> *(c) The Licensee shall not supply electricity to any person, except through installation of a correct meter in accordance with the regulations to be made by the Central Electricity Authority under Electricity Act, 2003.]*
> *Provided that the Commission may, by notification, extend the said period for a class or classes of persons or for such area as may be specified in that notification.*
> *2 [Provided also that if a person makes default in complying with the provisions contained in the clauses 5.1(a), (b) and (c), UPERC may make such order as it thinks fit for requiring the default to be made good by the generating company or licensee or by any officer of a company or other association or any person who is responsible for the default."*

9.2.26 From the above, it is evident that metering of consumers is essential. However, by not complying with the above, the Distribution Licensees are contravening and are in default of above provisions / Regulations. The Distribution Licensees must demonstrate on best effort basis, their will and intent to comply with the provisions of the Act and Regulations, failing which they are liable for being dealt with appropriately as per provisions of the Act / Regulations.

9.2.27 The Distribution Losses of the Petition are amongst the highest in the country and one of the major reasons for high distribution losses is higher number of unmetered connections which ultimately leads to disallowance of power purchase cost on one hand and loss of revenue on other hand. Thus, it becomes extremely necessary for the Petitioner to ensure that it achieves the target of 100% metering within its distribution area.

9.2.28 Although bound by the various provisions of the Electricity Act, 2003, various Regulations, and several directions given by the Commission, the Distribution Licensee has not been able to improve the metering status in its distribution areas. The Commission opines that part of the problem has aroused because of lack of strong will power and determination of the Distribution Licensee to tackle the above issue and part of the problem has been due to the resistance that the Distribution Licensee faces in this regards. The Commission is of the view that a solution to the above problem can only be evolved if both the consumers and the Distribution Licensee work together under the supervision of the Commission to achieve a goal towards 100% metering.

9.2.29 In view of the above, to encourage the unmetered consumers to shift to metered connections the Commission thinks it appropriate to reduce the variable charge for such consumers who shift from unmetered to metered category to some extent ensuring that the monthly electricity bills for such consumers is reduced if they shift from unmetered to metered category. By this way of incentivising the consumers, the consumers will be encouraged to go to the Distribution Licensees themselves, making it easier for the Distribution Licensees to achieve its target of 100% metering.

9.2.30 Further to discourage the unmetered connections the Commission has decided to increase the Tariff for unmetered category of consumers, for instance the tariff for rural domestic consumers will be specified based on per kW / month from the existing per / connection / month. The Commission appreciates that it is a big task for both the Distribution Licensees as well as the consumers to implement the Commission's proposal, therefore, **the Commission provides a final opportunity to all such unmetered consumers to mandatorily get metered connection latest by 31st March, 2015.**

9.2.31 To further, encourage the consumers to get metered connection, the cost of meter may be borne initially by the Licensee which shall be adjusted in the consumers' bill within 6 months of time. However, the above scheme would be applicable only for the consumers, who install the meters by 31st March, 2015.

9.2.32 As discussed above also, it should be noted that while undertaking the above procedure of converting the unmetered connections into metered connections, the Licensee will require a huge number of meters and it may be difficult for the Licensee to procure so many meters by itself. The Distribution Licensee may also provide an option to the consumers to procure meters by themselves. For this the Distribution Licensee should take necessary actions as it deems fit to achieve 100% metering targets. Further, the Commission would like to suggest some steps that shall help the Distribution Licensee to achieve the targets of 100% metering. As an initial step, the Licensee may empanel meter manufacturing firms, more than one, through a transparent process of open tender for supply of meters for direct procurement by consumers or in any other way the Distribution Licensee deem fit and provide the information regarding the meter and its supplier's outlet to the consumer by way of putting it on the website of the Licensee and by any other appropriate means.

9.2.33 Further, the Commission also floated an In-House paper on achieving 100% metering targets in the State and invited suggestions / views of the stakeholders including the Licensees. Various stakeholders submitted that the power should not be supplied to the consumers having unmetered connections, however, no response regarding the same has been provided by the Licensees.

9.2.34 The Commission in the above mentioned In-House Paper has also suggested a model, "**Direct procurement of meter by the Consumer**" for procurement of consumer meters, single phase and three phase, including smart and prepaid meters for new connections and replacement that will help the Distribution Licensees in achieving the metering targets. The Licensee may refer the same and choose appropriate methodology for procurement of meters by the consumers as it deems necessary.

9.2.35 Thus, the Commission expressing its utmost concern, **accords a final opportunity to the Distribution Licensees and direct them to ensure that all their unmetered consumers get converted into metered connection latest by 31st March, 2015 beyond which, the Tariff for unmetered categories shall be discontinued.** The above has been detailed subsequently in this Order in section Tariff philosophy.

9.3 DISTRIBUTION LOSSES AND ENERGY BALANCE

9.3.1 The Petitioner submitted that the actual T&D losses in FY 2012-13 were 31.41%. The Petitioner has estimated its T&D losses at 30.78% for FY 2013-14. In the ensuing year FY 2014-15, the Petitioner has projected a T&D loss of 30.17%.

9.3.2 The Petitioner submitted that pending the proper loss estimate studies and establishment of base line losses under the Multi Year Tariff framework, it has estimated a 2% improvement in T&D losses each year over the actual loss levels for FY 2012-13.

9.3.3 Based on review of actual performance of the Petitioner, the Commission is of the view that there is ample room for reduction in distribution losses; however, the Petitioner has failed to act upon the same. There is an urgent need to have an appreciable loss reduction trajectory and aggressive follow-up efforts to achieve it.

9.3.4 In this regard, the Commission in its previous Tariff Orders had directed the Petitioner to conduct proper loss estimate studies for assessment of technical and commercial losses under its supervision and submit the report to the Commission so that the Commission may set the base line losses in accordance with Clause 3.2.3 and Clause 3.2.4 of the Distribution Tariff Regulations, 2006. The study shall segregate voltage-wise distribution losses into technical loss (i.e. Ohmic /Core loss in the lines, substations and equipment) and commercial loss (i.e. unaccounted energy due to metering inaccuracies / inadequacies, pilferage of energy, improper billing, no billing, bad debts, etc.). The Commission also directed the Licensee to complete the study and submit the report within 3 months of the Order, i.e., by 31st August, 2013.

9.3.5 In this regards, the Distribution Licensees submitted that M/s PFC Consulting Ltd. has been appointed to draft a strategy paper for the turnaround of the distribution licensees which covers the voltage wise loss studies.

9.3.6 As per the current status of compliance of the Commission's Direction, the mentioned study has not been completed and no report has been submitted for perusal of the Commission. The Commission would like to reiterate that the distribution loss proposal of the Licensee should be based on correct energy audit data and supported by a report on the study carried out on such data. The Commission has been continuously stressing upon such study so that the appropriate target of distribution losses could be given to the Distribution Licensee.

9.3.7 The Commission in its deficiency note asked the Distribution Licensees to submit the basis of arriving at the above mentioned losses proposed for FY 2014-15. The Commission also asked the Licensees to submit the reason for variation in the projected losses as per the ARR / Tariff Petition and as approved in the FRP.

9.3.8 In reply to the above, the Licensees submitted that the projected distribution losses for FY 2014-15 have been worked out by considering the year on year improvement in losses of around 2% from FY 2012-13 level. The Licensees further submitted that while granting in-principle approval of FRP on 19th March, 2013, the Commission had stated that the determination of ARR and Tariff would be governed by the Commission's Regulations. The Licensee submitted that their proposal is as per the principles laid down in the Distribution Tariff Regulations, 2006.

9.3.9 The summary of the actual distribution loss for the past years as submitted by the Petitioner, distribution loss approved in the FRP for FY 2014-15 and the distribution loss as projected by the Licensee for FY 2014-15 is shown in the Table below:

Table 9-10: SUMMARY OF DISTRIBUTION LOSSES

Distribution Licensee	Actual FY 2008-09	Actual FY 2009-10	Actual FY 2010-11	Actual FY 2011-12	Actual FY 2012-13	Approved by the Commission for FY 2013-14	Approved in FRP for FY 2014-15	Projected by Licensees for FY 2014-15
KESCO	25.86%	36.79%	37.30%	33.33%	31.41%	23.00%	21.00%	30.17%

9.3.10 The Licensees, in their subsequent submission vide letter no. 1851/RAU/ARR & Tariff/2014-15 dated 31st July, 2014 submitted the revised projections of the Distribution Losses for FY 2014-15 based on the AT&C loss reduction trajectory suggested by Ministry of Power, Government of India for the period from FY 2013-14 to FY 2021-22. The revised Distribution Losses as projected by the Licensees is shown in the Table below:

Table 9-11: REVISED DISTRIBUTION LOSS TRAJECTORY SUBMITTED BY THE PETITIONERS FOR ARR PURPOSES

Distribution Licensee	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22
DVVNL	35.85%	35.13%	32.63%	30.13%	28.13%	26.13%	24.13%	21.73%	19.28%
MVVNL	24.35%	23.86%	22.66%	22.16%	21.66%	20.16%	18.66%	16.66%	14.66%
PVVNL	26.68%	26.15%	25.15%	23.95%	22.60%	21.10%	19.60%	17.60%	15.60%
PuVNNL	25.15%	24.65%	23.55%	22.30%	21.80%	20.30%	19.30%	17.30%	15.30%
KESCO	28.05%	27.66%	26.66%	25.46%	23.46%	21.46%	19.96%	17.96%	15.96%

9.3.11 It may be observed that the above revised projections submitted by the Petitioners for consideration in the ARR are same for DVVNL, MVVNL, PVVNL and PuVVNL, and only for KESCO such projections has been revised from 30.17% to 27.66%, which is still at higher end.

9.3.12 In the above matter of setting up of the target distribution loss for FY 2014-15, UPPCL in the meeting held on 28th April, 2014, requested the Commission that the targets for distribution loss reduction as mentioned in the FRP should be considered for the Tariff approval for FY 2014-15 and future years. Considering the same, the Commission in its Order dated 6th June, 2014 for Extension of Applicability of Regulatory Surcharge also considered the Distribution Loss target for FY 2014-15 at the same levels as approved in the FRP.

9.3.13 However, as may be observed in the above Table, the actual distribution losses of the Licensees for FY 2012-13 are very high as compared to the loss target approved in the FRP for FY 2014-15. Therefore approving the target losses at the levels approved in the FRP would not be practically achievable by the Licensees.

9.3.14 The Commission is of the view that the revised projected Distribution Losses which are also arrived by considering the year on year improvement of only 2% is very low. As the actual losses are very high, there is ample room to reduce the distribution losses with appropriate measures. The Commission for the purpose of approving the target losses for FY 2014-15 has considered the year on year improvement of 8% as against 2% proposed by the Licensee over actual losses of FY 2012-13. Further, as the Commission in its Tariff Order dated 31st May, 2013 has approved the losses for FY 2013-14 and considering that the Loss target level for FY 2014-15 should not be higher than the target for FY 2013-14, the Commission in such cases, has limited the target distribution losses for FY 2014-15 to the level approved for FY 2013-14 in Tariff Order dated 31st May, 2013.

9.3.15 Further, Transmission Losses has been considered as proposed by the Petitioner.

9.3.16 Considering the above methodology, the Commission has approved the target distribution losses for the Petitioner as shown in the Table below:

Table 9-12: DISTRIBUTION LOSS APPROVED BY THE COMMISSION FOR FY 2014-15

Distribution Licensee	Actual submitted by Licensee FY 2012-13	Projected by Licensees for FY 2014-15	Approved in TO for FY 2013-14 (B)	Worked out with 8% Y-o-Y improvement FY 2014-15 (A)	Approved for FY 2014-15 (Minimum of A & B)
KESCO	31.41%	30.17%	23.00%	26.59%	23.00%

9.3.17 The energy balance for FY 2014-15 submitted by the Petitioner and that approved by the Commission is given in Table below:

Table 9-13: APPROVED ENERGY BALANCE FOR FY 2014-15

Particulars	ARR Petition	Approved for KESCO	Approved for Consolidated State Sector *
Retail Sales (MU)	2711.23	2,474.67	63,183.13
Bulk Sales (MU)			
Distribution Losses (%)	30.17%	23.00%	23.50%
Energy at Discom Periphery for Retail Sales (MU)	3882.42	3,213.85	82,592.76
Inter-State Transmission Losses %	3.67%	3.67%	3.67%
Energy Available at State periphery for Transmission(MU)	4030.33	3,336.32	85,739.90
Inter-State Transmission Losses (%)	1.65%	1.65%	1.65%
Purchases Required & Billed Energy (MU)	4097.95	3,392.29	87,178.35
Total Inter & Intra State Transmission Losses (%)	5.26%	5.26%	5.26%
Total T&D Losses in Retail Sales (MU)/(%)	33.84%	917.62	27.52%

**Consolidated State Sector includes DVVNL, MVVNL, PVVNL, PuVVNL and KESCO*

9.3.18 Although, the Commission has approved the above losses based on the review of actual performance of the Petitioner, the Commission feels that the same are still on a higher side. Further, considering that the number of unmetered consumers of KESCO is lower compared to other State Distribution Licensees, the distribution losses for KESCO should not be as high as 31.41%. Such exorbitant losses clearly indicate performance failure of the Petitioner.

9.3.19 Keeping in view the high distribution losses (both technical and commercial) of the State-owned Distribution Licensees, the Commission in its previous Tariff Orders has been consistently directing the Licensees to carry out the energy audit / loss estimation study with voltage-wise break up of distribution losses into technical loss and commercial loss. Further, the Licensees were also directed to keep the Commission abreast regarding the study to be undertaken, scope of work, methodology being adopted, whether the study is being undertaken departmentally or assistance of experts in the field is being availed, etc. Such directions given by the Commission in its last Tariff Order dated 31st May, 2013 are reproduced below:

"The Commission directs the Licensee to conduct proper loss estimate studies for assessment of technical and commercial losses under its supervision so that the Commission may set the base line losses in accordance with Clause 3.2.3 and Clause 3.2.4 of the Distribution Tariff Regulations and submit the report to the Commission. The study shall segregate voltage-wise distribution losses into technical loss (i.e. Ohmic /Core loss in the lines, substations and equipment) and commercial loss (i.e. unaccounted energy due to metering inaccuracies/inadequacies, pilferage of energy, improper billing, no billing, unrealized revenues etc.)."

9.3.20 However, because of various reasons, no such study has been carried out by the Licensees and in the absence of any authentic data, the Commission had been approving the distribution loss targets based on the loss target claimed by the Licensees.

9.3.21 Distribution losses and collection efficiency are the two critical parameters to evaluate the performance of a Distribution Licensee and have to be brought to the desired levels, based on sound and authentic data and study analysis.

9.3.22 Although, the Commission while doing the True-up of previous years has disallowed the excess power purchase cost on account of higher losses. It is important to note that such disallowance of the cost is borne by the Distribution Licensees and the officials responsible for not achieving the targets have no direct accountability. The Commission opines that this methodology of reducing the power purchase cost on account of distribution losses neither directly affect the officials responsible for achieving the target loss levels nor does it encourage the employees to strive for achieving the loss targets for the benefit of the utility.

9.3.23 Further, it is a common industry practice that the employees achieving or exceeding their targets are provided with bonuses / incentives. Such practice may be introduced for the officials of the Distribution Licensees so as to encourage them to assist the utilities to achieve the targeted losses / collections efficiency. The accountability of achieving the targets should be assigned to the responsible officials.

9.3.24 In view of the above, the Commission **directs the Distribution Licensees to formulate a mechanism so as to make their officials accountable by providing incentives or disincentives for achievement or non-achievement of distribution loss and the collection efficiency targets.** Further, such policy should also cover the following aspects:

1) Allocation of such distribution loss and collection efficiency targets to various responsible officials based on current level of losses and efficiency levels in their area / zone / circle / division / sub-station, etc.
2) The system of MoU signed by concerned Officer(s) regarding distribution loss target, which can be based on input energy, billed energy / amount and collection efficiency, etc. - Fixing of accountability of the concerned personnel of the Utilities will help considerably in reduction of losses. This may include making the relevant field level personnel accountable and through monitoring of their performance, to achieve result in the form of reduction of losses. Similarly, holding officials responsible for Zone / Circle / Division / sub-station wise revenue related performance parameters such as reduction in arrears etc. will help the Distribution Licensees in improving the cash flows for day to day operations.
3) Senior officials including Chairman UPPCL, Managing Director, UPPCL, Managing Directors of all State owned Distribution Utilities and all other officials upto Junior Engineer level as per the hierarchy shall be part of the process of signing of the above MoU.
4) Formulation of clear mechanism for providing incentives or disincentives to the concerned officials.
5) Regular monitoring of the entire mechanism along with submission of monthly reports to the Commission.
6) Further, the organisational structure and management system of the Distribution Licensees are best understood by the Distribution Licensees, hence, it would be more appropriate that any other important aspect as deemed necessary by the Licensees may also be included in addition to the above.

9.3.25 The Petitioner in its submissions on the In-House paper prepared by the Commission in this regards have also agreed to the Commission's approach to get the MoU signed by its officials. **The Commission further directs the Petitioner to submit draft MoU to be implemented at all levels for the Commission's consideration within one month of the issue of this Order**.

9.4 ANNUAL REVENUE REQUIREMENT OF KESCO FOR FY 2014-15

9.4.1 The Petitioner submitted that the Distribution Tariff Regulations, 2006 requires KESCO to file Aggregate Revenue Requirement (ARR) complete in all respect along with requisite fees as prescribed by the Commission.

9.4.2 The Petitioner submitted that as per the Regulations, the ARR Petition should contain details of estimated expenditure and expected revenue that it may recover in the ensuing financial year at the prevailing rate of Tariff. The Petitioner further submitted that the Distribution Tariff Regulations, 2006 require that the ARR should separately indicate Aggregate Revenue Requirement (ARR) for Wheeling & Retail Supply function embedded in the distribution function and till such time complete segregation of accounts between Wheeling and Retail Supply Business takes place, ARR proposals for Wheeling and Retail Supply Business shall be prepared based on an allocation statement to as per the best judgement of the Distribution Licensee.

9.4.3 The Petitioner submitted that the Distribution Tariff Regulations, 2006 has broadly classified cost incurred by the Petitioner as controllable and uncontrollable costs wherein the uncontrollable cost include fuel cost, increase in cost due to changes in interest rate, increase of cost due to inflation, taxes and cess, variation of power purchase unit costs etc.

9.4.4 The Petitioner further submitted that the Tariff Order for FY 2007-08 is the first Order issued by the Commission in accordance with the Distribution Tariff Regulations, 2006. The Petitioner submitted that in the aforesaid Tariff Order the Commission had used allocation methodology for segregation of Wheeling & Retail Supply business function of ARR and accordingly, it has also adopted the same methodology for deriving wheeling charges, as the complete segregation of accounts between Wheeling and Retail Supply business has not yet been completed.

9.4.5 The Petitioner submitted that it has filed the current ARR Petition in strict compliance with the Distribution Tariff Regulations, 2006 and in line with the philosophies established by the Commission in the True up Order dated 21st May, 2013 and suo-motu Tariff Order for FY 2013-14 dated 31st May, 2013

9.4.6 The Commission has analysed all the components of the Aggregate Revenue Requirement (ARR) to arrive at suitable values. As per the Distribution Tariff Regulations, the ARR comprises the following components:

a) Power Purchase cost
b) Transmission Charges
c) SLDC Charges
d) Operation and Maintenance Expenses
- Employee Expenses
- Administration & General Expenses
- Repairs and Maintenance Expenses

e) Depreciation
f) Interest and Financing Costs
g) Bad and Doubtful Debts
h) Return on Equity
i) Taxes on Income
j) Other Expenses
k) Contribution to Contingency Reserve

9.4.7 The detailed analysis of each and every element identified above alongwith the Petitioner's submission in this regards is presented in the subsequent Sections. However, for approving the O&M expenses for the ensuing year, the Distribution Tariff Regulations provides for a formula of escalation index to be applied to the base year.

9.5 ESCALATION INDEX

9.5.1 The Petitioner submitted that the Distribution Tariff Regulations, 2006 issued by Commission specifies that the expenses of the base year shall be escalated at Inflation / Escalation rate notified by Central Government for different years. The Petitioner submitted that the inflation rate for this purpose shall be weighted average of Wholesale Price Index and Consumer Price Index in the ratio of 60:40.

9.5.2 The Petitioner submitted that for the purpose of ARR, it has used the above methodology in arriving at Escalation Index/Inflation Rate of 8.75% in FY 2013-14 and 8.15% in FY 2014-15. This escalation / inflation index has been used in estimation of various components of ARR.

9.5.3 Regulation 4.3 of the Distribution Tariff Regulations, 2006 specifies the methodology for consideration of the O&M Expenses, wherein such expenses are linked to the inflation index determined under these Regulations. Accordingly, the Commission has computed escalation / inflation index of 7.69% in FY 2014-15 as computed in Table 4-3 of Chapter 4 of this Order.

9.6 POWER PROCUREMENT COST

9.6.1 The rationale for projecting the power purchase units and expenses for FY 2014-15 as submitted by the Petitioner is explained below:-

- The power purchase units have been projected based on estimated T&D losses of 30.17% in FY 2014-15.

- KESCO which is 100% subsidiary of UPPCL sources all its power purchases from UPPCL (through Dakshinanchal Vidyut Vitran Nigam Limited)

- The power purchase rate for FY 2014-15 have been traced from the ARR / Tariff filings of Dakshinanchal Vidyut Vitran Nigam Limited for FY 2014-15 filed before the Commission. The Power Purchase rate projected in the aforementioned Petition by Dakshinanchal Vidyut Vitran Nigam Ltd is Rs. 4.14 per kWh for FY 2014-15.

- Further considering the supply constraints in the State, DVVNL in its ARR/Tariff Petition for the FY 2014-15 has considered 3882.42 MU as the energy which would be available to KESCO for power purchase.

- Thus, considering the aforementioned rate and power purchase input, the power purchase cost of KESCO has been considered at Rs. 1,606.78 Crore for FY 2014-15.

9.6.2 For FY 2014-15, the power purchase quantum approved by the Commission has been already determined in Table 9-13 of energy balance described above. The bulk power purchase quantum so determined has been multiplied by bulk supply tariff approved for other State Distribution Licensees by the Commission for FY 2014-15 in their respective Tariff Orders. Accordingly, the power purchase cost submitted by the Petitioner and that approved by the Commission for FY 2014-15 is shown in the Table below:

Table 9-14: POWER PROCUREMENT COST FOR FY 2014-15

Particulars	Derivation	ARR Petition	Approved
Energy Input into Transmission-Distribution Interface (MU)	A	3,882.42	3,213.85
Bulk Supply Tariff (Rs./kWh)	B	4.14	3.83
Power Procurement Cost from UPPCL (Rs. Crore)	C =A*B /10	1,606.78	1,232.27

9.6.3 However, the power purchase cost shall be Trued-up based on the actual cost on submission of Audited Accounts.

9.7 FUEL & POWER PURCHASE COST ADJUSTMENT SURCHARGE

9.7.1 For the purpose of Fuel & Power Purchase Cost Adjustment (FPPCA) as provided in Regulation 6.9 of Distribution Tariff Regulations, 2006 Amendment No. 3, 2012, the monthly approvals are provided in Annexure 15.6, which is derived from the monthly power purchase submitted by the Licensees. The monthly power purchase quantum has been worked out excluding the power requirement of NPCL, as UPPCL has discontinued the supply of power to NPCL.

9.7.2 Further, the Commission in its previous Orders has time and again directed the Petitioner to file submissions in respect of FPPCA in a timely and regular manner as specified under the Regulations. However, the Petitioner has not complied with the directions of the Commission in this regards.

9.7.3 It is to be noted that power purchase expense being an uncontrollable expense, is pass-through to the consumers, however, the difference between the actual cost of power procurement and the approved power purchase expenses, is being recovered by the Distribution Licensee at the time of truing up. The time lag in recovery of the variation in power purchase expenses adversely affects the financial position of the Distribution Licensee and also puts additional burden on consumers on account of Carrying Cost.

9.7.4 Failure to file FPPCA in a timely manner has many repercussions such as higher accumulated Aggregate Revenue Requirement (ARR) on account of variation in Power Purchase Expenses and the carrying cost, higher increase in Tariff or allowance in the form of Regulatory Surcharge, leading to Tariff shock. Further, the delayed filing of the FPPCA and claiming of the additional power purchase expenses during the Truing-up process also put the burden of such additional power purchase expenses on the new consumers, who may not have been consumers during the respective year.

9.7.5 The Commission had also prepared an In-house Paper on the matter and uploaded the same on the website of the Commission and invited the views / objections on the same from the stakeholders including the Petitioner. The Petitioner has not provided any satisfactory views on the above mentioned In-house Paper.

9.7.6 Recently, the Petitioner has filed FPPCA for three quarters, i.e, from January 2013 to September, 2013 only, while as per the Regulations the Petitioner is required to file FPPCA at the end of each quarter. The Petitioner should understand that the timely filing of FPPCA would benefit them financially in the form of regular pass through of the variation in the fuel and power purchase expenses, and would benefit the consumers as they would not have to bear the additional burden of Carrying Cost.

9.7.7 In view of the above the Commission once again directs the Petitioner that it should file FPPCA in a timely and regular manner in accordance with the Regulations failing which the Commission may have to resort to take strict action against the Petitioner like disallowance of additional power purchase expenses and the associated carrying cost on account of additional Power Purchase expenses or any other action that the Commission may deem fit while doing the Truing up.

9.8 TRANSMISSION AND SLDC CHARGES

9.8.1 The Petitioner submitted that the projections of Transmission Charges have been traced from the ARR / Tariff Petition filed by UPPTCL for FY 2014-15 filed before the Commission.

9.8.2 The Petitioner submitted that in its Petition, UPPTCL has projected Transmission Charge at the rate of Rs. 0.217 per kWh for FY 2014-15. The Petitioner added that considering the wheeled energy of 3,882.42 MU, the Transmission Charges work out to Rs. 84.34 Crore for FY 2014-15.

9.8.3 Transmission and SLDC Charges for FY 2014-15 have been approved in concurrence with the ARR and transmission tariff approved for UPPTCL for FY 2014-15 in the Commission's Order for determination of Intra-Sate Transmission Charges approved for UPPTCL by the Commission.

9.8.4 The Transmission Charges approved by the Commission for FY 2014-15, and the Petitioner's submission are given in Table below:

Table 9-15: INTRA STATE TRANSMISSION CHARGES FOR FY 2014-15

Particulars	Derivation	ARR Petition	Approved
Energy Input into Transmission-Distribution Interface (MU)	A	3,882.42	3,213.85
Transmission Tariff (Rs./kWh)	B	0.217	0.194
Transmission Cost (Rs. Crore)	C =A*B /10	84.34	62.25

9.9 O&M EXPENSES

9.9.1 The Petitioner submitted that the O&M expenses comprise of Employee costs, Administrative & General (A&G) Expenses and Repair & Maintenance (R&M) expenses. Regulation 4.3 of the Distribution Tariff Regulations, 2006 issued by the Commission specifies as follows:

"...

1. The O&M expenses comprise of employee cost, repairs & maintenance (R&M) cost and administrative & general (A&G) cost. The O&M expenses for the base year shall be calculated on the basis of historical/audited costs and past trend during the preceding five years. However, any abnormal variation during the preceding five years shall be excluded. For determination of the O&M expenses of the year under consideration, the O & M expenses of the base year shall be escalated at inflation rates notified by the Central Government for different years. The inflation rate for above purpose shall be the weighted average of Wholesale Price Index and Consumer Price Index in the ratio of 60:40. Base year, for these regulations means, the first year of tariff determination under these regulations.

2. Where such data for the preceding five years is not available the Commission may fix O&M expenses for the base year as certain percentage of the capital cost.

3. *Incremental O&M expenses for the ensuing financial year shall be 2.5% of capital addition during the current year. O&M charges for the ensuing financial year shall be sum of incremental O&M expenses so worked out and O&M charges of current year escalated on the basis of predetermined indices as indicated in regulation 4.3 (1)..............."*

9.9.2 The Petitioner submitted that it has computed the allowable O&M expenses up to FY 2011-12 in its True-up Petition filed before the Commission on 14th May, 2013. The Petitioner submitted that the allowable O&M expenses for FY 2014-15 have been claimed by escalating the component wise actual O&M expenses for FY 2011-12 by using the yearly inflation indices approved by the Commission up to FY 2013-14 in its Tariff Order dated 31st May, 2013 and at the rate of 8.15% for FY 2014-15.

9.9.3 Further, in accordance with the Distribution Tariff Regulations, 2006, the Petitioner has computed incremental O&M expenses which have further been allocated across the individual elements of the O&M expenses on the basis of contribution of each element in the gross O&M expenses excluding incremental O&M expenses.

9.9.4 The Petitioner submitted that increase in dearness pay may be higher than the escalation index determined as per the Distribution Tariff Regulations, 2006 and requested the Commission that any variation in employee expenses due to increase in dearness pay may be considered by the Commission at the time of True-up for the relevant year based on specific submissions by the Petitioner in this regard.

9.9.5 The Commission has computed the normative O&M expenses for FY 2014-15 by escalating the normative O&M expenses of FY 2013-14 with the escalation index of 7.66%. Since, escalation index of FY 2014-15 cannot be computed at this stage, escalation index of FY 2013-14 has been considered to project the normative O&M expense of FY 2014-15. The escalation index computation has been shown in **Table 4-3** of Chapter 4 of this Order.

9.9.6 Further, in addition to the O&M expenses based on inflationary indices based escalation, the Commission has also worked out incremental O&M expenses for FY 2014-15 and has further allocated the same across the individual elements of the O&M expenses on the basis of the contribution of each element in the O&M expenses.

9.9.7 It is observed that the Normative O&M expenses computed by the Commission after considering base year as FY 2007-08 are working out higher than the O&M expenses estimated by the Petitioner. Further, since, the O&M expenses for the past years have been consistently lower than the normative O&M Expenses, it may not be appropriate to allow higher normative O&M Expenses. Also, the Petitioner has claimed O&M expenses lower than the normative expenses as shown in the Table below:

Table 9-16: PAST TREND IN O&M EXPENSES (Rs. Crore)

O&M Expenses	FY 09 Actual	FY 10 Actual	FY 11 Actual	FY 12 Actual	FY 13 Provisional	FY 14 Tariff Order	FY 15 ARR Petition	FY 15 Normative
KESCO	122.43	120.17	125.23	133.76	151.41	168.2	158.45	184.05

9.9.8 Therefore, for the purpose of ARR of FY 2014-15 the Commission has approved O&M expenses as claimed by the Petitioner in its ARR Petition. The summary of the O&M expenses submitted by the Petitioner and that approved by the Commission for FY 2014-15 is shown in the Table below:

Table 9-17: O&M EXPENSES UP TO FY 2014-15 (Rs. Crore)

Particulars	ARR Petition	Approved
Employee Expenses		
Employee Cost and Provisions	120.27	120.27
Incremental Employee Expenses @ 2.5%	0.86	0.86
Gross Employee Expenses	**121.14**	**121.14**
Employee expenses capitalized	18.17	18.17
Net Employee Expenses	**102.97**	**102.97**
A&G Expenses		
Admin & Gen Expenses	15.26	15.26
Incremental Admin & Gen Expenses @ 2.5%	0.11	0.11
Gross Admin & Gen Expenses	**15.37**	**15.37**
Admin & Gen expenses capitalized	2.31	2.31
Net Admin & Gen Expenses	**13.07**	**13.07**

Particulars	ARR Petition	Approved
R&M Expenses		
Repair & Maintenance Expenditure	42.42	42.42
Incremental R&M Expenses @ 2.5%	0.36	0.36
Gross Repair & Maintenance Expenses	**42.78**	**42.78**
Total Normal O&M Expenses	**158.81**	**158.81**

9.9.9 Further, it is clarified that the O&M expenses thus approved would be subject to Truing- up upon finalisation of Audited Accounts of FY 2014-15.

9.10 GFA BALANCES AND CAPITAL FORMATION ASSUMPTIONS

9.10.1 The Petitioner has proposed capital investment of Rs. 85 Crore for FY 2014-15 details of which are provided in the Table below:

Table 9-18: CAPITAL INVESTMENT PROPOSED BY THE PETITIONER (Rs. Crore)

Description	Physical	Capital Expenditure			
		Loans	Equity / Internal Accruals	Deposit Works	Total
Capacity Enhancement/Construction of 33/11 kV Sub-stations	2 Nos	0.58	0.25		0.83
Replacement of Damaged 33kV Breakers	5 Nos	0.18	0.08		0.26
Replacement of Damaged 11kV Incoming/Outgoing/Bus-Couplers with Breakers	10 Nos	0.26	0.11		0.37
Installation of 250 KVA and 400 KVA transformers	13 - 400 KVA; 64 - 250 KVA	1.97	0.84		2.81
Capacity enhancement of distribution transformers from 250KVA to 400 KVA	34 Nos	0.66	0.28		0.94
Installation of Aerial Bunch Conductor	250 Kms	8.99	3.85		12.84
Replacement of Old Conductors	19 Kms	0.62	0.26		0.88
Replacement of Old Poles	770 Nos	0.64	0.28		0.92
Replacement of 33kV Line	11.45 kms	3.21	1.37		4.58
Construction of 33 KV Overhead Line	4 kms	0.62	0.26		0.88
Construction of 33 kV underground line	10 Kms	5.53	2.37		7.90
Construction of 11 kV Overhead line	17 kms	0.99	0.43		1.42

Description	Physical	Capital Expenditure			
		Loans	Equity / Internal Accruals	Deposit Works	Total
Replacement of 11Kv cables/underground cables	27.5 Kms	2.60	1.11		3.71
Plinth works and Fencing Works of Transformers	140 Nos	0.63	0.27		0.90
Guarding of 33kV and 11kV S/S	20 Kms	0.22	0.10		0.32
Replacement & Installation of Meters	42000 Nos	3.15	1.35		4.50
Installation of 3 phase meters	3500 Nos	1.06	0.45		1.51
Checking of Meters	50000 Nos	1.05	0.45		1.50
Double Metering of Consumers					
(a) LT Meters	1000 Nos	1.05	0.45		1.50
(b) HT Meters	171 Nos	0.76	0.32		1.08
Purchase and Installation of L.P.R	1500 Nos	0.21	0.09		0.30
Investment on the new Online Billing Centers	5 Nos	0.21	0.09		0.30
System Improvement	NA	1.73	0.74		2.47
R-APDRP Works	NA	5.10	2.18		7.28
Deposit Works	NA			25.00	25.00
Total		**42.00**	**18.00**	**25.00**	**85.00**

9.10.2 In line with the Distribution Tariff Regulations, 2006 and philosophy established by the Commission, the Petitioner has proposed that the projected capital expenditure be funded in a debt equity mix of 70:30.

9.10.3 The Petitioner submitted that following assumptions were used for projecting GFA and CWIP for FY 2014-15:

- The opening GFA and CWIP for FY 2013-14 have been taken as per the closing figures from provisional annual accounts of FY 2012-13.
- 40% the opening CWIP and 40% of investment made during the year, expenses capitalized and interest capitalized (40% of total investment) has been assumed to get capitalized during the year.
- Investment through “deposit work” has been taken for capital formation. However depreciation thereon has not been charged to ARR in line with the policy adopted by the Commission in its last Tariff Orders.

- The capital investment for FY 2013-14 has been pegged at Rs. 70 Crore out of which works through deposit works have been envisaged at Rs. 20 Crore.
- The Petitioner has envisaged capital investment of Rs. 85 Crore in FY 2014-15 out of which works through deposit works have been envisaged at Rs. 25 Crore.

9.10.4 With a view to approve realistic levels of gross fixed asset balance, and consequent tariff components such as depreciation, interest on loan and return on equity, the Commission has referred to the gross fixed asset balances, capital additions, capital deletions, capital work in progress balances, etc., upto FY 2012-13 as per the provisional accounts for FY 2012-13 as also considered by the Petitioner in its Petition.

9.10.5 Regulation 4.5 of Distribution Tariff Regulation, 2006 specifies as below:

"4.5 Capital Investment Plan:

1. The licensee shall in its ARR/Tariff filing identify projects for the ensuing financial year and subsequent four years and submit detailed capital investment plan along with a financing plan for undertaking the identified projects in order to meet the requirement of load growth, refurbishment and replacement of equipment, reduction in distribution losses, improvement of voltage profile, improvement in quality of supply & system reliability, metering, communication, computerization, etc.

2. The Commission shall consider and approve the licensee's capital investment plan, subject to prudence check. The costs corresponding to the approved investment plan of the licensee for a given year shall be considered for determining its annual revenue requirement. Provided that prior approval would not be required in cases where the normal distribution projects cost is below 1 Crs.

3. The detailed capital investment plan shall separately show ongoing projects that will spill into the year under review, and new projects that will commence but may be completed within or beyond the tariff period.

For the new projects, the filing must provide the justification as stipulated under investment guidelines of the Commission.

....

7. The Licensee shall provide Project Completion Report in respect of those projects for which prior approval has been sought from the Commission, as and when they achieve the Commercial Operation.

8. Capitalisation of works by the Licensee will be linked to the physical completion of the works. ***The Commission will not accept any capitalisation that does not have work completion certificates and the work is put to beneficial use of consumers. (Emphasis added)***

9. The Licensee will maintain asset registers at each operating circle/ division that will capture all necessary details on the asset, including the cost incurred, date of commissioning, location of asset, and all other technical details."

9.10.6 The Commission has considered the capital investments and capital additions philosophy, etc. approved in the Tariff Order dated 31st May, 2013.The Commission in its Order dated 31st May, 2013 has observed as follows:

"...the capital investment claimed by the Licensee is not in strict accordance with the Distribution Tariff Regulations. In order to reprimand the Licensee, the Commission disallows 30% of the capital investment claimed in the ARR / Tariff Petition and allows only Rs. 99.90 crores towards capital investment for FY 2013-14."

9.10.7 For FY 2014-15 also, the Commission observed that the capital investment claimed by the Licensee is not in strict accordance with the Distribution Tariff Regulations, 2006 as reproduced above and hence there based on the philosophy adopted by the Commission in its Order dated 31st May, 2013. Thus, the

Commission approves capital investment of Rs. 59.50 Crore for FY 2014-15 (i.e. 70% of capital investment of Rs. 85.00 Crore proposed by the Petitioner).

9.10.8 The expenses capitalisation and interest capitalisation have been considered as approved in the Sections dealing with O&M expenses and Interest on long term loans respectively.

9.10.9 The capitalisation of expenses and interest has been considered as detailed in the sections dealing with O&M expenses and Interest on long term loans. Further in line with the methodology adopted by the Commission in its Order dated 31st May, 2013, 40% of the total investments including opening CWIP, expenses and interest capitalisation during the year have been projected to be capitalised in FY 2014-15

9.10.10 Accordingly, the details of Capitalisation and Work-in-progress up to FY 2014-15 are provided in the Table below:

Table 9-19: CAPITALISATION & WIP UP TO FY 2014-15 (Rs. Crore)

Particulars	Derivation	ARR Petition	Approved
Opening WIP as on 1st April	A	79.78	67.49
Investments	B	85.00	59.50
Employee Expenses Capitalisation	C	18.17	18.76
A&G Expenses Capitalisation	D	2.31	2.17
Interest Capitalisation on Interest on long term loans	E		0.00
Total Investments	**F= A+B+C+D+E**	**185.25**	**147.93**
Transferred to GFA (Total Capitalisation)	**G=F*40%**	74.15	59.17
Closing WIP	**H = F-G**	**111.11**	**88.76**

9.11 FINANCING OF THE CAPITAL INVESTMENT

9.11.1 The Petitioner has considered a normative gearing of 70:30. Considering this approach, 70% of the capital expenditure undertaken in any year has been considered to be financed through loan and balance 30% has been considered to be financed through equity contributions. The portion of capital expenditure financed through consumer contribution, capital subsidies and grants has been separated as the depreciation and interest thereon would not be charged to the beneficiaries.

9.11.2 The amounts received as consumer contributions, capital subsidies and grants are traced from the provisional accounts for FY 2012-13. Further, the consumer contributions, capital subsidies and grants for FY 2013-14 and 2014-15 have been considered to be in the same ratio to the total investments, as received by it in FY 2012-13

9.11.3 The Petitioner has adopted a normative approach with a gearing of 70:30 which is in line with the methodology adopted by the Commission in the previous Orders. Accordingly, on similar lines, the Commission has re-worked the portion of capital expenditure financed through consumer contribution capital grants and subsidies. The Trued-up closing balance of consumer contribution, capital grants and subsidies of FY 2011-12 based on the audited has been considered and subsequent additions in FY 2012-13 and FY 2013-14 have been considered to arrive at the opening amount of consumer contribution, capital grants and subsidies for FY 2014-15.

9.11.4 Since, the Commission has reduced the 30% of capital investment claimed by the Petitioner, the same treatment has been given to the additions on account of consumer contribution, capital grants and subsidies and accordingly, the Commission has allowed only 70% of total additions in consumer contribution, capital grants and subsidies claimed by the Petitioner in the ARR / Tariff Petition.

9.11.5 The Table below summarises the amounts considered towards consumer contributions, capital grants and subsidies up to FY 2014-15:

Table 9-20: CONSUMER CONTRIBUTIONS, CAPITAL GRANTS AND SUBSIDIES CONSIDERED UP TO FY 2014-15 (Rs. Crore)

Particulars	Derivation	ARR Petition	Approved
Opening Balance of Consumer Contributions, Grants and Subsidies towards Cost of Capital Assets	A	156.14	194.74
Additions during the year	B	25.00	17.50
Less: Amortisation	C	15.92	15.24
Closing Balance	**D=A+B-C**	**165.22**	**197.01**

9.11.6 Thus, the approved financing of the capital investment is depicted in the Table below:

Table 9-21: FINANCING OF THE CAPITAL INVESTMENTS UP TO FY 2014-15 (Rs. Crore)

Particulars	Derivation	ARR Petition	Approved
Investment	A	85.00	59.50
Less:		-	-
Consumer Contribution and Capital Assets Subsidy	B	25.00	17.50
Investment funded by debt and equity	**C = A- B**	60.00	42.00
Debt Funded	**D=70%*C**	42.00	29.40
Equity Funded	**E=30%*C**	18.00	12.60

9.11.7 The Commission approves consumer contributions, capital subsidies and grants to the tune of Rs. 17.50 Crore in FY 2014-15. Thus, balance Rs. 42.00 Crore have been considered to be funded through debt and equity. Considering a debt equity ratio of 70:30, Rs. 29.40 Crore or 70% of the capital investment is approved to be funded through debt and balance 30% equivalent to Rs. 12.60 Crore through equity.

9.12 DEPRECIATION EXPENSE

9.12.1 The Petitioner submitted that Regulation 4.9 of the Distribution Tariff Regulations, 2006 specifies for:

- full year depreciation on the opening balance of GFA
- pro-rata depreciation on the additions made to the GFA balance during the relevant financial year

9.12.2 The Petitioner submitted that for computing allowable depreciation, it has considered GFA base as per the Audited Accounts for FY 2011-12 and subsequently added the yearly capitalizations for FY 2012-13, 2013-14 and 2014-15. The Petitioner added that it has computed depreciation only on depreciable asset base and has excluded the non-depreciable assets such as land, land rights, etc**.**

9.12.3 The Petitioner submitted that Annexure B to the Distribution Tariff Regulations, 2006 specifies the depreciation rate to be charged on each class of asset and accordingly, the weighted average rate of depreciation works out to 7.84%.

9.12.4 Regulation 4.9 of the Distribution Tariff Regulations, 2006 specifies as under:

"4.9 Depreciation:

1. For the purposes of tariff, depreciation shall be computed in the following manner, namely:

a. The value base for the purpose of depreciation shall be the historical cost as provided in the Fixed Assets Register, excluding consumer contribution or capital subsidy/grant utilized for capitalization of the assets.

b. Depreciation shall be calculated annually at the rates specified in the Annexure - B.

c. The residual value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the historical capital cost of the asset. Land is not a depreciable asset and its cost shall be excluded from the capital cost while computing 90% of the historical cost of the asset.

d. On repayment of entire loan, the remaining depreciable value shall be spread over the balance useful life of the asset.

e. Depreciation shall be chargeable from the first year of operation. In case of operation of the asset for part of the year, depreciation shall be charged on pro-rata basis.

Provided that where the Fixed Assets Register is not maintained, the Commission shall allow only as much depreciation as it may consider appropriate."

9.12.5 In reply to the deficiency note the Petitioner had submitted the Fixed Asset Register for FY 2012-13. Considering the asset base as per the FAR and the rates prescribed in the Distribution Tariff Regulations, 2006 the Commission has computed deprecation for FY 2014-15 at a weighted average rate of 6.89%.

9.12.6 For the purpose of computing depreciation, the Commission has considered the GFA base as per Audited Accounts up to FY 2011-12 and have subsequently added the yearly capitalisations for FY 2012-13 and 2013-14 considered to arrive at the opening balance of the GFA of FY 2014-15.

9.12.7 The Commission has computed the depreciation only on the depreciable asset base and have excluded the non-depreciable assets such as land, land rights, etc.

9.12.8 Considering the philosophy and total capitalization approved by the Commission for FY 2014-15 as above, the GFA base approved by the Commission and the Petitioner's submission in this regards is given in the Table below:

Table 9-22: GROSS FIXED ASSETS FOR FY 2014-15 (Rs. Crore)

Particulars	Derivation	ARR Petition	Approved
Depreciation Rate	A	7.84%	6.89%
Opening GFA as on 1st April (Depreciable)	B	636.46	628.26
Opening GFA as on 1st April (Non-Depreciable)	C	-	-
Total Opening GFA as on 1st April	**D=B+C**	**636.46**	**628.26**

Particulars	Derivation	ARR Petition	Approved
Addition to GFA during the year (Depreciable)	D	74.15	59.17
Addition to GFA during the year (Non Depreciable)	E	-	-
Deduction from GFA during the year (Depreciable)	F	-	-
Closing GFA as on 31st March (Depreciable)	G = B + D – F	710.60	687.44
Closing GFA as on 31st March (Non Depreciable)	H = C+E		-
Total Closing GFA as on 31st March	**I = G + H**	**710.60**	**687.44**

9.12.9 The Commission has projected the depreciation on assets created out of consumer contributions, capital grants and subsidies for FY 2014-15 in the same ratio as per provisional accounts for FY 2012-13. The Commission has reduced the equivalent depreciation amounting to Rs. 17.33 Crore in respect of depreciation on assets created out of consumer contributions, capital grants and subsidies.

9.12.10 Thus, the Commission has approved net depreciation expense of Rs. 30.11 Crore for FY 2014-15 as depicted in the Table below:

Table 9-23: APPROVED DEPRECIATION FOR FY 2014-15 (Rs. Crore)

Particulars	Derivation	ARR Petition	Approved
Depreciation Rate	A	7.84%	6.89%
Opening GFA as on 1st April (Depreciable Assets)	B	636.46	628.26
Addition to GFA during the year (Depreciable Assets)	C	74.15	59.17
Depreciation on Opening GFA + Addition during the year	**D = (A*B)+(C*A/2)**	**52.8**	**45.34**
Less:			
Depreciation on assets created from Consumer Contribution and Capital Assets Subsidy	E	15.92	15.24
Net Allowable Depreciation for FY 2014-15	**F=D-E**	**36.89**	**30.11**

9.13 INTEREST AND FINANCING COST

Interest on Long Term Loans

9.13.1 The Petitioner submitted that in line with the approach adopted by the Commission in its previous Order it has considered a normative tariff approach with a debt: equity of 70:30. In this approach, 70% of the capital expenditure undertaken in any year has been considered to be financed through loan and balance 30% has been considered to be funded through equity contributions. The portion of capital expenditure financed through consumer contributions, capital subsidies and grants has been separated as the depreciation and interest thereon would not be charged to the consumers.

9.13.2 The Petitioner submitted that the allowable depreciation for the year has been considered as normative loan repayment. The Petitioner submitted that it has considered the weighted average rate of interest of overall long term loan portfolio for FY 2012-13, FY 2013-14 and 2014-15, as it seemed fair and equitable. The Petitioner has considered interest capitalization at a rate of 23% of the total interest which is consistent with the rate considered by the Commission in previous Tariff Orders

9.13.3 It is observed that the Petitioner has computed interest on long term loan based on the normative approach adopted by the Commission in its previous Orders. Therefore, the Commission approves the methodology used by the Petitioner in this regard. However, the Commission has recomputed the interest on long term loan based on the revised opening and closing loan balances approved in earlier sections while doing the Truing up of FY 2011-12. Also the loan addition during FY 2014-15 has been considered as worked out in earlier Section of this Chapter.

9.13.4 The weighted average rate of interest as submitted by the Petitioner has been considered for computing the interest on long term loan for FY 2014-15. Further, the interest capitalisation has been considered at a rate of 23% which is same as the Petitioner’s submission and is also consistent with the methodology adopted by the Commission in its previous Orders.

9.13.5 The allowable depreciation for FY 2014-15 has been considered as normative loan repayment. However, it is observed that the depreciation of Rs. 30.11 Crore is higher than the sum of the opening loan balance and the loan addition for FY 2014-15. Thus, the entire amount of Rs. 29.40 Crore has been considered to be repaid resulting into net interest on long term loan as nil.

9.13.6 The computations for interest on long term loan as claimed by the Petitioner and that approved by the Commission is shown in the Table below:

Table 9-24: INTEREST ON LONG TERM LOANS UP TO FY 2014-15 (Rs. Crore)

Particulars	ARR Petition	Approved
Opening Loan	1.60	-
Loan Additions (70% of Investments)	42.00	29.40
Less: Repayments (Depreciation allowable for the year)	36.89	29.40
Closing Loan Balance	6.72	-
Weighted Average Rate of Interest	11.99%	11.99%
Interest on long term loan	0.50	0.00
Interest Capitalisation Rate	23.00%	23.00%
Less: Interest Capitalized	0.11	-
Net Interest Charged	0.38	0.00

Interest on Working Capital

9.13.7 The Petitioner submitted that the Distribution Tariff Regulations, 2006 provides for interest on the working capital requirement at the Bank rate as specified by the Reserve Bank of India as on 1st April of the relevant year plus a margin as decided by the Commission. The Petitioner submitted that accordingly it has considered the interest rate on working capital requirement at 12.50% including margin, however, the actual rate of interest would be considered based on the Audited Accounts during the True-up process for the year in accordance with the Distribution Tariff Regulations, 2006.

9.13.8 Regulation 4.8.2 of the Distribution Tariff Regulations lays down the norms and methodology for calculating interest on working capital. Further, the Commission in its earlier Orders has clearly opined that although there is a situation of financial stress and liquidity crunch within the Petitioner company, however, the Distribution Licensee is eligible only for interest cost on account of normative working capital. Further, it is observed that the collection efficiency of the Petitioner also needs improvement and by improving its collection efficiency and reduction in bad debts etc. the cash flows of the Petitioner can improve which will help it in managing its day to day working capital requirements. The Petitioner should understand that only by ensuring that its working capital needs are well looked after, it can focus on growth and development of its organisation.

9.13.9 In view of the above the Commission has considered the interest on working capital at the rate of 12.50% as proposed by the Petitioner which includes the margin above the Bank Rate specified by the RBI and is in accordance in line with the provisions of the Distribution Tariff Regulations, 2006.

9.13.10 The interest on working capital as submitted by the Petitioner and that approved by the Commission for FY 2014-15 is given in the Table below:

Table 9-25: INTEREST COST ON WORKING CAPITAL LOANS FOR FY 2014-15 (Rs. Crore)

Particulars	ARR Petition	Approved
One month's O&M Expenses	13.23	13.23
One-twelfth of the sum of the book value of materials in stores at the end of each month of such financial year.	0.59	0.59
Receivables equivalent to 60 days average billing on consumers	264.80	258.71
Gross Total	**278.63**	**272.00**
Less: Total Security Deposits by the Consumers reduced by Security Deposits under section 47(1)(b) of the Electricity Act 2003	101.14	101.14
Net Working Capital	**177.49**	**170.85**
Rate of Interest for Working Capital	12.50%	12.50%

Particulars	ARR Petition	Approved
Interest on Working Capital	**22.19**	**21.36**

Interest on Consumer Security Deposits

9.13.11 The Petitioner submitted that as per Regulation 4.8(3) of the Distribution Tariff Regulation, 2006 the Licensee has to pay interest to the consumers at Bank Rate or more on the consumer security deposit.

9.13.12 The Petitioner further submitted that Section 47(4) of the Electricity Act 2003, states as follows:

> "*...the distribution licensee shall pay interest equivalent to the bank rate or more, as may be specified by the concerned state Commission, on the security referred to in sub-section (1) and refund such security on the request of the person who gave such security*"

9.13.13 The Petitioner submitted that accordingly, the interest to consumers on the security deposits has been computed on the opening balance of the security deposits at the beginning of the year at the Bank Rate of 9% for FY 2013-14 and 8.75% for FY 2014-15, however, the same shall be Trued-up, based on Audited Accounts.

9.13.14 As the approach followed by the Petitioner is in accordance with the Regulations and is also consistent with the approach adopted by the Commission in the previous Tariff Orders therefore, the Commission approves the methodology employed by the Petitioner in this regard. However, it is observed that the Reserve Bank of India vide circular no. RBI/2013-14/469 dated 28th January, 2014 has revised the Bank Rate from 8.75% to 9.00% w.e.f 28th January, 2014. Hence, the Commission has recomputed the interest on consumer security deposit at the rate of 9.00%. However, the actual interest payable on consumer security deposits would be at the Bank Rates notified by the RBI from time to time as per the provision of the Electricity Supply Code. The same would be Trued-up based on Audited Accounts.

9.13.15 Accordingly, the Commission has approved interest on security deposits for FY 2014-15 at Rs. 8.96 Crore against Rs. 8.71 Crore claimed by the Petitioner is shown in the Table below:

Table 9-26: INTEREST ON SECURITY DEPOSITS FOR FY 2014-15 (Rs. Crore)

Particulars	Derivation	ARR Petition	Approved
Opening Balance of Consumer Security Deposits	A	98.00	98.00
Projected Closing Balance of Consumer Security Deposits	B	101.14	101.14
Weighted Average Bank Rate (%)	C	8.75%	9.00%
Interest on Security Deposits	**D = (A+B)/2*C**	**8.71**	**8.96**

Finance Charges

9.13.16 The Petitioner has projected marginal expenses towards finance and bank charges to the tune of Rs. 0.001 Crore in FY 2013-14 and 2014-15 respectively. Further, the Petitioner has requested the Commission that it may be allowed to claim discount to consumers on actuals during truing up based on Audited Accounts.

9.13.17 Accordingly, the Commission has considered Rs. 0.001 Crore towards bank charges. As regards discount to consumers it is to be noted that such rebates / discounts are given to consumers under different heads like power factor rebate, etc. and are recovered from the consumers on actual basis. Hence, the Commission allows the Petitioner’s request to claim discount to consumers on actual basis during the Truing up of FY 2014-15 based on the Audited Accounts. The Petitioner should however, ensure that such discount should have been adjusted in the actual revenue recovered during the year.

Summary of Interest and Finance Charges

9.13.18 Thus, based on above, the approved interest and finance costs including interest on working capital for FY 2014-15 is summarised in the Table below:

Table 9-27: INTEREST and FINANCE CHARGES FOR FY 2014-15 (Rs. Crore)

Particulars	ARR Petition	Approved
Interest on Long term Loans	0.5	-
Interest on Working Capital Loans	22.19	21.36
Sub Total	**22.68**	**21.36**
Interest on Consumer Security Deposits	8.71	8.96
Bank Charges	0.001	0.001
Discount to Consumers	-	-
Sub Total	**8.71**	**8.96**
Gross Total Interest & Finance Charges	31.4	**30.32**
Less: Capitalization of interest on Long term Loans	0.11	-
Interest Capitalization Rate (%)	23.00%	23.00%
Net Interest & Finance Charges	**31.28**	**30.32**

9.14 PROVISION FOR BAD AND DOUBTFUL DEBTS

The Petitioner submitted that the provisions have been made for bad and doubtful debts at 2% of revenue receivables in line with Regulation 4.4 of Distribution Tariff Regulations, 2006. The Petitioner submitted that in the last Tariff Order the Commission had disallowed the Petitioner's claim for provision for bad and doubtful debts due to the absence of any clear-cut policy. The Petitioner added that provision for bad and doubtful debts are accepted accounting principle even in sector like banking where the provisioning of un-collectable dues are considered as a normal commercial practice.

9.14.1 Despite the Commission's views on this component of ARR, the Petitioner has requested the Commission to allow the annual provisioning towards bad and doubtful debts as it is an accepted industry norm and also recognized by other State Electricity Regulatory Commissions.

9.14.2 The Petitioner submitted that the amount, if any, written off towards bad debts is only adjusted against the accumulated provisions in the books, irrespective of the actual amount of bad debts during any particular year and hence, it is a legitimate ARR component. Accordingly, the Petitioner has made provisions for bad debts for FY 2014-15 in line with the provisions of the Distribution Tariff Regulations, 2006.

9.14.3 Regulation 4.4 of the Distribution Tariff Regulations, 2006 provide for expenses under bad and doubtful Debts to the extent of 2% of the revenue receivables as specified below:

> *"4.4 Bad and Doubtful Debts:*
>
> *Bad and Doubtful Debts shall be allowed as a legitimate business expense with the ceiling limit of 2% of the revenue receivables* ***provided the distribution licensee actually identifies and writes off bad debts as per the transparent policy approved by the Commission****. In case there is any recovery of bad debts already written off, the recovered bad debt will be treated as other income."(****emphasis added)***

9.14.4 However, the Petitioner has to actually identify and write-off the bad debts as per a transparent policy approved by the Commission.

9.14.5 The Commission in its Tariff Order dated 31st May, 2013 has disallowed the provision for bad and doubtful debts on account of lack of proper and transparent policy for actual identification and write-off the bad debts. The relevant extract of the Commission's aforesaid Order is reproduced below:

> *"...The Commission in its previous Tariff Orders opined that it is not averse to allowing provision for bad and doubtful debts in the course of normal operations of the Distribution Licensee. However such provisioning needs to backed up with processes to identify consumers who are not paying and then making adequate attempts to collect from such consumers. In this regard, the Commission in its previous order directed the Distribution Licensee to submit ten such sample cases of LT & HT consumers where orders have been issued*

for writing off bad debts clearly depicting the procedure adopted for writing off bad debts along with a policy framework for Commission's approval within a month of issue of this Order. In this regard the Licensee has submitted that action is being taken regularly in cases by way of P.D. and writing off the fictitious arrears at the distribution division level. However no such sample was submitted to the Commission. Thus, in view of the above, Commission opines that it is inappropriate to approve the Bad & Doubtful debts without a proper policy in place..."

9.14.6 The Petitioner has repeatedly pointed out that provisioning towards bad and doubtful debts is an accepted industry norm. However, the Petitioner should also recognize that as per prudent practices, every business should also ensure that the amount of debtors do not increase to an alarming level. Further, every prudent management would ensure to recover the dues and prevent them from becoming bad. It has been observed that despite the Commission's directions in the regard in the previous Tariff Orders there has been no improvement on the part of the Petitioner.

9.14.7 The very fact that the Petitioner has not been able to identify and write off any amount towards bad and doubtful debts till now clearly indicates lack of proper policy framework for identification, recognition, and management of provision for bad and doubtful debt. Therefore, in accordance with the Regulations, the Commission disallows the Petitioner's claim towards provision for bad and doubtful debts for FY 2014-15.

9.14.8 **Further, in view of the above, the Commission accords a final direction to the Petitioner to frame guidelines and procedures for identifying, physically verifying and writing off the bad debts and also to fix responsibility of its employees in this regard within 3 months from the date of issue of the Order and submit the same to the Commission for its approval.**

9.15 OTHER INCOME

9.15.1 The Petitioner submitted that other income includes non tariff income such as interest on loans and advances to employees, income from fixed rate investment deposits, and other miscellaneous income from retail sources. The Petitioner has projected the other income for FY 2014-15 to grow at the rate of inflation index from the actuals of FY 2012-13.

9.15.2 As per Regulation 5.1 (2) of the Distribution Tariff Regulations, 2006 the indicative heads to be considered in Non-Tariff are as follows:

"5.1 Forecast of Revenues:

...2. The non-tariff income shall comprise of:
(a) Delayed Payment Surcharge,
(b) Meter Rent,
(c) Income from investments,
(d) Miscellaneous receipts from consumers,
(e) Trading income
(f) Share of income from the other businesses of the distribution licensee
(g) Any other income...."

9.15.3 Accordingly, the Commission has approved Non-Tariff Income to the tune of Rs. 6.50 Crore for FY 2014-15 which is same as that claimed by the Petitioner as shown in the Table below:

Table 9-28: OTHER INCOME FOR FY 2014-15 (Rs. Crore)

Particulars	ARR Petition	Approved
Interest on fixed deposits	1.64	1.64
Rental from Staff	0.10	0.10
Miscellaneous receipts	0.04	0.04
Recovery from theft of energy	-	-
Misc. charges from consumers	1.80	1.80
Delayed payment charges from consumers	2.91	2.91
Total	**6.50**	**6.50**

9.15.4 Further, any variation on this account would be taken up at the time of True-up of FY 2014-15 based on the Audited Accounts.

9.16 RETURN ON EQUITY

9.16.1 The Petitioner has not claimed any return on equity for the year under review. The Petitioner has stated that they do not want to burden the consumers by proposing return on equity as it will further increase the gap. Hence, agreeing with the Petitioner's submission in this regards, the Commission has not approved any amounts towards return on equity for FY 2014-15.

9.17 CONTRIBUTION TO CONTINGENCY RESERVE

9.17.1 The Petitioner submitted that the Distribution Tariff Regulations provides for the contribution to the contingency reserves up to 0.50% of opening GFA to be included in the ARR of Licensees and the contingency reserve so created shall be utilized to meet cost of replacement of equipment damaged due to force majeure situations. The Licensee shall invest in Contingency Reserve as allowed by the Commission in Government securities. However, the use of such reserve is only with the prior permission of the Commission.

9.17.2 The Petitioner submitted that since there is a substantial revenue gap between ARR and revenue forecast, any amounts allowed on this account will only go to enhance the already large gap and create extra burden on the consumers. The Petitioner has not claimed any contribution to contingency reserve for the year under review. In view of the same, the Commission has also not approved any amounts under the said component in the present Order.

9.18 APPORTIONMENT OF O&M EXPENSES AND INTEREST & FINANCE CHARGES OF UPPCL

9.18.1 The Petitioner submitted that in FY 2012-13 Tariff Order dated 19th October, 2012, the Commission had directed the distribution companies to consider the apportionment of the O&M expenses of UPPCL and submit the share of each

Distribution Licensees and accordingly, the O&M expenses of UPPCL for FY 2012-13 as per provisional accounts have been considered as base expenses and the same have been escalated for 2014-15 based on the escalation indices.

9.18.2 The Petitioner submitted that considering the above, the same have also been apportioned to all the Distribution Licensee including KESCO in the power purchase ratio for each relevant year. The Petitioner submitted that the share of apportionment of O&M charges of UPPCL is Rs. 7.76 Crore for FY 2014-15 and accordingly the same have been considered as part of ARR to be recovered from retail consumers.

9.18.3 The Petitioner submitted that UPPCL resorts to short term borrowings on behalf of distribution companies to meet the power purchase liabilities of Distribution Licensees and incurs interest expenses on behalf of such working capital loans. Also it incurs expenditure towards LC and OD charges incidental to power purchase expenses. The Petitioner requested the Commission to consider these expenses and allow UPPCL to claim such expenses from KESCO and other distribution companies through an internal adjustment without any impact on the ARR of KESCO.

9.18.4 The Commission while computing the Bulk Supply Tariff, in Tariff Order of DVVNL for FY 2014-15 while doing the Truing-up for FY 2008-09 to FY 2011-12 has allowed such expenses based on based on the Audited Accounts of UPPCL. Further, as discussed in the Truing-up section, since, the above expenses have been incurred by UPPCL, mostly for procuring the power for the Licensees, the above expenses have been allowed while doing the Truing-up of FY 2008-09 to FY 2011-12. However, it may be noted that procurement of power is the responsibility of the Distribution Licensees and the Commission allows considerable amount of O&M Expenses to the Licensees for this purpose. The Commission has allowed such expenses for the past years, however for future years i.e. from FY 2014-15 onwards, the Commission disallows the claim of additional expenses towards allocation of O&M expenses for UPPCL **and directs the Petitioner to manage such additional Expenses for procuring the power from the O&M Expenses allowed to it for relevant year.**

9.19 REVENUE FROM SALE OF ELECTRICITY

9.19.1 For FY 2014-15, the Petitioner has estimated the overall revenue from tariffs of Rs. 1610.89 Crore, based on approved Tariff as per Tariff Order dated 31st May, 2013.

9.19.2 The Commission has computed the revenue at existing Tariffs by applying the Tariff rates as per Tariff Order dated 31st May, 2013 to the approved consumption for FY 2014-15. As the sales mix projected by the Commission is in variation with the Petitioner, the total Revenue at existing Tariff is working out to lower than as estimated by the Petitioner. Further, the Commission has also approved Tariffs and computed resultant revenue by applying the approved Tariff rates to the approved consumption parameters for FY 2014-15. The following Table summarizes the revenue approved by Commission for FY 2014-15 at both existing as well as revised Tariffs.

Table 9-29: EXISTING & APPROVED TARIFF REVENUES: FY 2014-15 (Rs. Crore)

Consumer Categories	Existing		Revised	
	ARR Petition	Approved	ARR Petition	Approved
LMV-1: Domestic	634.46	575.80	745.81	588.45
LMV-2:Non-Domestic	251.08	253.55	265.68	257.95
LMV-3: Public Lamps	41.30	41.30	41.30	41.30
LMV-4: Institutions	41.08	30.01	41.99	30.33
LMV-5: Private Tube Wells	0.04	0.04	0.05	0.04
LMV 6: Small and Medium Power	224.76	201.40	249.09	212.31
LMV-7: Public Water Works	37.28	34.01	40.00	35.16
LMV-8: State Tube Wells	0.00	0.00	0.00	0.00
LMV-9: Temporary Supply	0.98	0.66	1.02	0.69
LMV-10: Departmental Employees	8.52	8.25	11.79	9.89
HV-1: Non-Industrial Bulk Loads	84.55	84.82	94.27	88.93
HV-2: Large and Heavy Power	286.83	296.72	309.71	305.47
HV-3: Railway Traction	0.00	0.00	0.00	0.00
HV-4: Lift Irrigation	0.00	0.00	0.00	0.00
Sub-total	1610.89	1526.55	1800.71	1570.54

Consumer Categories	Existing		Revised	
	ARR Petition	Approved	ARR Petition	Approved
Extra state & Bulk	0.00	0.00	0.00	0.00
Total	1610.89	1526.55	1800.71	1570.54

Note: Revenue at approved tariffs depicted in the table above have been considered effective for 6 months in FY 2014-15

9.20 APPROVED ARR SUMMARY, REVENUE FROM TARIFFS AND RESULTANT GAP

9.20.1 In the preceding Sections, the Commission has detailed the expenses submitted by the Petitioner and that approved by the Commission under various heads for FY 2014-15. The Commission has also approved the revenue from existing Tariff and revenue from revised Tariff.

9.20.2 The Commission has assessed the ARR for FY 2014-15 on standalone basis. Based on the above, the approved ARR and the revenue from existing Tariff for FY 2014-15 are summarized in the Table below:

Table 9-30: ARR, REVENUE AND GAP SUMMARY FOR FY 2014-15 (Rs. Crore)

Particulars	ARR Petition	Approved
Power Purchase Expenses (incl PGCIL charges)	1606.78	1232.27
Transmission Charges - Intra state (incl SLDC Charges)	84.34	62.25
Employee cost	121.14	121.14
A&G expenses	15.37	15.37
R&M expenses	42.78	42.78
Interest & Finance charges	31.40	30.32
Depreciation	36.88	30.11
Total Expenditure	**1938.69**	**1,534.24**
Expense capitalization	**20.59**	**20.48**
Employee cost capitalized	18.17	18.17
Interest capitalized	0.11	-
A&G expenses capitalized	2.31	2.31
Net Expenditure	**1918.10**	**1,513.77**
Special Appropriations		
Provision for Bad & Doubtful debts	36.99	-

Provision for Contingency Reserve		**-**
Apportionment of O&M Expenses & Interest & Finance Charges of UPPCL	7.76	-
Total net expenditure with provisions	**1962.85**	**1,513.77**
Add: Return on Equity	0.00	0.00
Less: Non Tariff Income	6.50	6.50
Annual Revenue Requirement (ARR)	**1956.35**	**1,507.27**
Revenue from existing tariffs	1610.89	1526.55
Net Gap / (surplus) at existing Tariffs	**155.46**	**(19.29)**

9.20.3 Treatment of the above approved revenue gap / (surplus) has been discussed subsequently in this Order

10 OPEN ACCESS CHARGES

10.1 BACKGROUND:

10.1.1 The Commission has issued Uttar Pradesh Electricity Regulatory Commission (Terms and Conditions for Open Access) Regulations, 2004 (in short 'UPERC Open Access Regulations') vide notification no. UPERC/Secy./Regulations/05-249 dated 7th June, 2005 to operationalize long term and short term open access in the State. The Regulations also provides that effective from 1st April, 2008 any consumer with demand of above 1 MW can avail open access of transmission and distribution systems.

10.1.2 Subsequently, the Commission has also made / finalized the necessary regulatory framework as below:

a. UPERC (Terms and Conditions for Open Access) (First Amendment) Regulations, 2009 that includes among others detailed procedure(s) for Long-Term Open Access and Short-Term Open Access for use of distribution system, with or without transmission system;

b. Model Bulk Power Wheeling Agreement (BPWA) for availing wheeling services of Distribution Licensee(s);

c. Procedures for Scheduling, Dispatch, Energy Accounting, UI Accounting and Settlement System of electricity transmitted through the State grid for the electricity drawn by Distribution Licensee(s) from outside and / or within the State.

10.1.3 Further, the Commission has also advised the SLDC to develop procedure for energy accounting of electricity drawn from the grid by an open access consumer who is connected with the distribution system or electricity injected into the grid by a generating station embedded in the distribution system.

10.2 RECENT DEVELOPMENTS:

10.2.1 In absence of procedures and guidelines from State Transmission Utility (in short 'STU') and State Load Despatch Centre (in short 'SLDC'), the Commission, on its own motion, has made detailed procedures for long term and short term open access which covers all aspects, which the Regulations direct by way of an amendment. The "Uttar Pradesh Electricity Regulatory Commission (Terms and Conditions for Open Access) (First Amendment) Regulations, 2009 dated 18.6.09", came into force from the date it is notified in the Gazette.

10.2.2 The said amendment, which includes procedures for Long-Term Open Access and Short-Term Open Access mainly, focuses on:

a. Operationalisation of long-term and short-term use of intra-State transmission and distribution system by generating companies including captive plants /renewable energy plants, distribution / trading Licensees and open access customers with sustained development of transmission and distribution systems in 'proper and coordinated' manner for conveyance of electricity.

b. Operationalisation of time-block wise accounting of the quantity of electricity transmitted through State grid and stating the responsibilities of STU for weekly metering and of SLDC for scheduling, dispatch and energy accounting including UI accounting.

c. Requirement of Bulk Power Transmission Agreement for use of transmission network and Bulk Power Wheeling Agreement for use of distribution network for long-term open access transactions.

10.2.3 The Commission has finalized the model Bulk Power Transmission Agreement (BPTA) and Supplementary BPTA for availing transmission services of UPPTCL.

10.2.4 The Commission has also finalized model Bulk Power Wheeling Agreement (BPWA) which is to be signed between a Distribution Licensee and long term customer to agree therein, inter alia, to make payment of wheeling charge, surcharge and additional surcharge, if any, for use of the distribution system.

10.3 OPEN ACCESS CHARGES

10.3.1 The Commission in the Tariff Order for UPPTCL has determined the Transmission Charges payable by Open Access users for use of UPPTCL transmission network for transmission of electricity. Similarly, the Commission in this Order has also determined the wheeling charges payable by the Open Access users for utilising the distribution network of the Distribution Licensees for wheeling of electricity.

10.4 WHEELING CHARGES

10.4.1 Clauses 2.1 (2) and (3) of the Distribution Tariff Regulations, 2006 specify that the ARR / Tariff filing by the Distribution Licensee shall separately indicate Aggregate Revenue Requirement (ARR) for Wheeling function and Retail Supply function embedded in the distribution function and that till such time complete segregation of accounts between Wheeling and Retail Supply function takes place, ARR proposals for Wheeling and Retail Supply function shall be submitted on the basis of an allocation statement to be prepared by the Distribution Licensee based on their best judgement.

10.4.2 The Licensee, in its Petition, has followed the allocation in accordance with the approach followed by the Commission in the previous Order. As there is no basis submitted by the Licensee in its filing, the Commission finds merit in considering the allocation into Retail Supply and Wheeling Function as per the methodology adopted in the previous Tariff Order. The allocation of ARR for KESCO into wheeling function and retail function as approved by the Commission for FY 2014-15 is as shown in the Table below:

Table 10-1: WHEELING & RETAIL SUPPLY ARR FOR FY 2014-15 (Rs. Crore)

Particulars	Allocation %		Allocation FY 2014-15		
	Wheeling	Supply	Wheeling	Supply	Total
Power Purchase Expenses (incl PGCIL charges)	0%	100%	0.00	1,232.27	1,232.27
Apportionment of O&M Expenses & Interest & Finance Charges of UPPCL	0%	100%	0.00	0.00	0.00
Transmission Charges - Intra state (incl SLDC Charges)	0%	100%	0.00	62.25	62.25
Gross O&M Expenses			117.33	61.96	179.29
Gross Employee cost	*60%*	40%	72.68	48.45	121.14

Particulars	Allocation %		Allocation FY 2014-15		
	Wheeling	Supply	Wheeling	Supply	Total
Gross A&G expenses	*40%*	60%	6.15	9.22	15.37
Gross R&M expenses	*90%*	10%	38.50	4.28	42.78
Gross Interest & Finance charges	*90%*	10%	27.29	3.03	30.32
Depreciation	*90%*	10%	27.10	3.01	30.11
Total Expenditure			171.71	1,362.53	1,534.24
Expense capitalization			11.82	8.65	20.48
Employee cost capitalized	*60%*	40%	10.90	7.27	18.17
Interest capitalized	*90%*	10%	0.00	0.00	0.00
A&G expenses capitalized	*40%*	60%	0.92	1.38	2.31
Net Expenditure			159.89	1,353.87	1,513.77
Special Appropriations					
Provision for Bad & Doubtful debts	0%	100%	0.00	0.00	0.00
Provision for Contingency Reserve	0%	100%	0.00	0.00	0.00
Total net expenditure with provisions			159.89	1,353.87	1,513.77
Add: Return on Equity	90%	10%	0.00	0.00	0.00
Less: Non Tariff Income	**0%**	100%	0.00	6.50	6.50
Annual Revenue Requirement (ARR)			159.89	1,347.38	1,507.27

10.4.3 Based on the above, the wheeling charges for FY 2014-15 are as shown in the Table below:

Table 10-2: WHEELING CHARGES FOR FY 2014-15

S. No	Particulars	Units	Approved FY 2014-15
1	Wheeling ARR	Rs. Crore	159.89
2	Retail sales	MU	2,474.67
3	Average Wheeling charge	Rs./kWh	0.646

10.4.4 The Commission, in order to encourage Open Access transactions in the State, has further tried to segregate the wheeling charges payable by consumers seeking Open Access based on the voltage levels at which they are connected to the distribution network. However, in absence of voltage level wise break-up of expenses and asset details, the Commission has considered an interim allocation of costs at various voltage levels and approved the following wheeling charges payable by Open Access customers based on the voltage level at which they are connected with the distribution network.

10.4.5 The charges have been worked out on the assumption that the wheeling expenses at 11 kV voltage level shall be 80% of the average wheeling charges determined for the Wheeling function of all Distribution Licensees and that for wheeling at voltages above 11 kV shall be 50% of the average wheeling charges. Further, as detailed in the Tariff Order of UPPTCL for FY 2014-15, the Commission has considered the transmission open access charges for short term open access at the same level as approved for Long term open access. Due to substantial use of short-term Open Access, the basis on which the short-term Open Access Charges are being levied in the country have undergone change. This could be observed from the Central Electricity Regulatory Commission (Sharing of Inter State Transmission Charges and Losses) Regulations, 2010 wherein the transmission charges for long-term, medium-term and short-term Designated ISTS customer of the transmission system is same. In view of the same the Commission has approved the short term distribution wheeling charges same as long term wheeling charges..

Table 10-3: APPROVED VOLTAGE-WISE WHEELING CHARGES FOR FY 2014-15

S. No.	Particulars	Units	Approved FY 2014-15
1	Connected at 11 kV		
I	Long Term (@ 80% of Average Wheeling Charge)	Rs./kWh	0.517
II	Short Term (@ 80% of Average Wheeling Charge)	Rs./kWh	0.517
2	Connected above 11 kV		
I	Long Term (@ 50% of Average Wheeling Charge)	Rs./kWh	0.323
II	Short Term (@ 50% of Average Wheeling Charge)	Rs./kWh	0.323

10.4.6 In addition to the payment of wheeling charges, the customers also have to bear the wheeling losses in kind. The Commission has been seeking voltage level loss data from the utility but the same has not been forthcoming. Further, it is also logical that the open access customers have to bear only the technical losses in the system, and should not be asked to bear any part of the commercial losses.

10.4.7 The Commission has estimated that the technical losses at 11 kV voltage level would be in the range of 8% to 9%. As regard the technical losses above 11 kV voltage levels and up to 132 kV, the Petitioner vide letter dated 2nd July, 2014 submitted that the losses at higher voltage levels is around 4% to 5%. Hence, the Commission has decided that the wheeling loss applicable for Open Access transactions entailing drawl at 11 kV voltage level shall be 8%, and that for drawl at voltages above 11 kV voltage level shall be 4%.

10.4.8 The open access charges and the losses to be borne by the Open Access customers may be reviewed by the Commission on submission of the relevant information by the Licensee.

10.4.9 The wheeling charges determined above shall not be payable if the Open Access customer is availing supply directly from the State transmission network.

10.5 CROSS SUBSIDY SURCHARGE

10.5.1 As regards the Cross Subsidy Surcharge, Regulation 6.6 of the Distribution Tariff Regulations, 2006 specifies as follows:

"6.6 Surcharge

1. Till such time the cross subsidies are eliminated, the open access consumer shall pay to the distribution licensee a cross subsidy surcharge in addition to wheeling charges. Surcharge to be levied on the open access consumer shall be determined by the Commission keeping in view the loss of cross-subsidy from the consumers or category of consumers who have opted for open access to take supply from a person other than the incumbent distribution licensee.

2. When open access is allowed the surcharge for the purpose of sections 38, 39, 40 and sub-section 2 of section 42 would be computed as the *difference between (i) the tariff applicable to the relevant category of consumers and (ii) the cost of the distribution licensee to supply electricity to the consumers of the applicable class. In case of a consumer opting for open access, the distribution licensee could be in a position to discontinue purchase of power at the margin in the merit order. Accordingly, the cost of supply to the consumer for this purpose may be computed as the aggregate of (a) the weighted average of power purchase costs (inclusive of fixed and variable charges) of top 5% power at the margin, excluding liquid fuel based generation, in the merit order approved by the UPERC adjusted for average loss compensation of the relevant voltage level and (b) the transmission and distribution wheeling charges as determined in accordance with the UPERC Terms and Conditions for Determination of Distribution and Transmission Tariff Regulations as amended from time to time.*

Cross Subsidy Surcharge formula:

$$S = T - [C (1 + L / 100) + D]$$

Where

S is the cross subsidy surcharge

T is the Tariff payable by the relevant category of consumers;

C is the Weighted average cost of power purchase of top 5% at the margin excluding liquid fuel based generation and renewable power

D is the Wheeling charges for transmission and distribution of power.

L is the system Losses for the applicable voltage level, expressed as a percentage

The cross-subsidy surcharge shall be brought down progressively and, as far as possible, at a linear rate to a maximum of 20% of its opening level by the year 2010-11.

…

5. However, in order to facilitate open access, the Commission may adopt a procedure different from the procedure stated above for the calculation of cross subsidy surcharge consistent with the provisions of the EA 2003 and the spirit of the tariff policy after considering the view points of licensee and the open access customer."

10.5.2 In the Previous Tariff Order dated 31st May, 2013, the Commission had computed the Cross Subsidy Surcharge as zero using the above formula. The relevant extract of the Commission's Order for FY 2013-14 is reproduced below:

"5.3.3 The Commission has computed the cross subsidy surcharge for the relevant consumer categories using the following formula:

S = T – [C (1+ L / 100) + D]

Where

S is the cross subsidy surcharge

T is the Tariff payable by the relevant category of consumers;

C is the Weighted average cost of power purchase of top 5% at the margin excluding liquid fuel based generation and renewable power. In case of UP, this works out to Rs. 6.59 /kWh considering the cost of marginal power purchase sources of Anta, Auraiya, Dadri Gas and Rosa Power Project II.

D is the average wheeling charges for transmission and distribution of power which is Rs. 0.644 /kWh

L is the system losses for the applicable voltage level, expressed as a percentage, which is computed as 23%.

5.3.4 The cross subsidy surcharge computed by Commission for relevant categories works out to be Nil."

10.5.3 The Petitioner, in a separate Petition, submitted that the Cross Subsidy Surcharge computed as per the formula specified in the Regulations would always work out to be zero for the Licensees of the State of Uttar Pradesh, because the weighted average power purchase cost of top 5% at margin after adding the intra-State transmission tariff and distribution losses comes out to be more than the average realization from the HT category. The Petitioner further submitted that a zero Cross Subsidy Surcharge implies that the present tariff structure does not have cross subsidy, which is incorrect.

10.5.4 It may further be noted that in the absence of the voltage-wise losses, the Commission in its Tariff Order dated 31st May, 2013, considered “L”, i.e., the system losses as the total losses for the entire Distribution System, which resulted in “nil” Cross Subsidy Surcharge.

10.5.5 As a result, the Distribution Licensees have been resisting open access, due to the fear of losing their high paying consumers without getting any Cross Subsidy Surcharge for the same. The Commission, in its In-house Paper, based on the assumption that the power purchase, which could be avoided in case of migration of a consumer to open access is the short-term power purchase and not the long-term power purchase for which the Licensees have signed the PPAs and is liable to pay the fixed charges, proposed to compute Cross Subsidy Surcharge considering “C” (cost of power) as Rs. 5 per kWh, which is the weighted average rate of short-term power purchase as submitted by the Petitioner. The Commission considered the Losses for the consumers connected at High Voltage network as 7.80%. The Petitioner also agreed with the Commission’s approach, as the computed CSS was working out to Rs. 1.47 / kWh for consumers of HV-2 category at loss level of around 7.80%. The Petitioner, in its letter dated 2nd July, 2014, submitted that the actual loss level would be around 4% to 5%.

10.5.6 The Commission has gone through the submissions made by the Distribution Licensee. However, as the approach proposed in the In-house Paper would be in variation to the approach specified in the Regulations, the Commission has computed the Cross Subsidy Surcharge in accordance with the methodology specified in Clause 6.6 of Distribution Tariff Regulations, 2006.

10.5.7 As per Clause 6.6, the Cross Subsidy Surcharge is to be computed based on the difference between (i) the tariff applicable to the relevant category of consumers and (ii) the cost of the Distribution Licensee to supply electricity to the consumers of the applicable class. In case of a consumer opting for open access, the Distribution Licensee could be in a position to discontinue purchase of power at the margin in the merit order. Accordingly, the Commission has computed the cost of supply to the consumer for this purpose as the aggregate of (a) the weighted average of power purchase costs (inclusive of fixed and variable charges) of top 5% power at the margin, excluding renewable and liquid fuel based generation, adjusted for average loss compensation of the relevant voltage level, and (b) the distribution wheeling charges as determined in the preceding section.

10.5.8 The Commission has computed the Cross Subsidy Surcharge for the relevant consumer categories using the following formula:

$$S = T – [C (1+ L / 100) + D]$$

Where

S is the cross subsidy surcharge

T is the Tariff payable by the relevant category of consumers;

C is the Weighted average cost of power purchase of top 5% at the margin excluding liquid fuel based generation and renewable power. In case of UP, this works out to Rs. 6.38 / kWh considering the cost of marginal power purchase sources of Bajaj Hindustan, Harduaganj and Rosa Power Project I.

D is the wheeling charges.

L is the system losses for the applicable voltage level, expressed as a percentage, which is considered as 4% for HT Categories (above 11 KV) and 8% for HT Categories (at 11 KV).

10.5.9 The cost of the Distribution Licensee to supply electricity to the consumers of the HV-2 category (above 11 KV) and HV-2 category (at 11 KV) is working out as shown in the Table below:

Table 10-4: COST OF SUPPLY APPROVED BY THE COMMISSION FOR FY 2014-15

S No.	Categories	Wheeling Charge (D)	Wt. Avg. Power Purchase Cost (C)	System Loss (L)	Total Cost
1	HV Categories above 11 KV	**0.323**	**6.376**	**4.00%**	**6.955**
2	HV Categories at 11 KV	**0.517**	**6.376**	**8.00%**	**7.403**

10.5.10 The impact of migration / shifting of consumers from the network of the incumbent Distribution Licensee on the consumer mix and revenues of a particular Distribution Licensee shall be reviewed by the Commission from time to time as may be considered appropriate.

10.5.11 The Commission has approved levy of Regulatory Surcharge for recovery of cumulative regulatory asset created for the Licensee, which is a part of the tariff charged to different consumer categories. Hence, the Cross Subsidy Surcharge has been computed by subtracting the avoidable cost of supply for the Open Access consumers from the tariff applicable for the relevant consumer, which also includes the applicable Regulatory Surcharge.

10.5.12 The category-wise Cross Subsidy Surcharge approved by the Commission for FY 2014-15 is as given in the Table below:

Table 10-5: CROSS SUBSIDY SURCHARGE APROVED BY THE COMMISSISON FOR FY 2014-15

S No.	Categories	Average Billing Rate	Average Billing Rate (inclusive of Regulatory Surcharge) "T"	Cost of Supply for computing CSS	Cross Subsidy Surcharge "CSS"
1	HV-1 (Supply at 11 kV)	7.85	7.85	7.403	0.45
2	HV-1 (Supply above 11 kV)	7.57	7.57	6.955	0.62
3	HV-2 (Supply at 11 kV)	7.35	7.35	7.403	Nil

S No.	Categories	Average Billing Rate	Average Billing Rate (inclusive of Regulatory Surcharge) "T"	Cost of Supply for computing CSS	Cross Subsidy Surcharge "CSS"
4	HV-2 (Supply above 11 kV)	7.33	7.33	6.955	0.37

10.6 ADDITIONAL SURCHARGE

10.6.1 It has been observed by the Commission that there has been considerable amount of load shedding which implies that there is a power deficit scenario. In such a case if any consumer avails open access, the Licensee does not really have to reduce the power procurement from the tied up sources. The distribution licensee in such a scenario still has large number of consumers to whom the available electricity can be supplied and there will not be any stranded costs. Considering the above, the Commission has approved additional surcharge for FY 2014-15 as Nil (zero).

10.7 OTHER CHARGES

10.7.1 The Commission to encourage the Open access in the State rules that the standby charges, grid support charges and parallel operations charges shall be zero in case of Open Access consumers.

11 TARIFF PHILOSPHY

11.1 CONSIDERATIONS IN TARIFF DESIGN

11.1.1 Section 62 of the Electricity Act 2003, read with Section 24 of the Uttar Pradesh Electricity Reforms Act, 1999 sets out the overall principles for the Commission to determine the final tariffs for all categories of consumers defined and differentiated according to consumer's load factor, power factor, voltage, total consumption of energy during any specified period or the time at which supply is required or the geographical position of any area, nature of supply and the purpose for which the supply is required. The overall mandate of the statutory legislations to the Commission is to adopt factors that will encourage efficiency, economical use of the resources, good performance, optimum investments and observance of the conditions of the License.

11.1.2 The linkage of tariffs to cost of service and elimination of cross-subsidies is an important feature of the Electricity Act, 2003. Section 61 (g) of the Electricity Act, 2003 states that the tariffs should progressively reflect the cost of supply and it also requires the Commission to reduce cross subsidies within a timeframe specified by it. The need for progressive reduction of cross subsidies has also been underlined in Sections 39, 40 and 42 of the Electricity Act, 2003. The Tariff Policy also advocates for adoption of average cost of supply, which should be taken as reference point for fixing the tariff bands for different categories.

11.1.3 The Commission has determined the retail tariff for FY 2014-15 in view of the guiding principles as stated in the Electricity Act, 2003 and Tariff Policy. The Commission has also considered the comments / suggestions / objections of the stakeholders and public at large while determining the tariffs. The Commission in its past Orders has laid emphasis on adoption of factors that encourages economy, efficiency, effective performance, autonomy, regulatory discipline and improved conditions of supply. On these lines, the Commission, in this Order too, has applied similar principles keeping in view the ground realities.

11.1.4 As regards to the linkage of Tariff with the Cost of Service, the Distribution Tariff Regulations state as follows:

> *"1. The tariffs for various categories / voltages shall progressively reflect Licensee's cost to serve a particular category at a particular voltage. Allocation of all costs prudently incurred by the Distribution Licensee to different category of consumers shall form the basis of assessing cost to serve of a particular category. Pending availability of information that reasonably establishes the category-wise / voltage-wise cost to serve, average cost of supply shall be used for determining tariffs taking into account the fact that existing cross subsidies will be reduced gradually. Every Licensee shall provide to the Commission an accurate cost to serve study for its area. The category-wise/ voltage wise cost to serve should factor in such characteristics as supply hours, the load factor, voltage, extent of technical and commercial losses etc.*
>
> *2. To achieve the objective that the tariff progressively reflects the cost of supply of electricity, the Commission may notify a roadmap with a target that latest by the end of year 2010-2011 tariffs are within ± 20 % of the average cost of supply. The road map shall also have intermediate milestones, based on the approach of a gradual reduction in cross subsidy."*

11.1.5 In terms of the Distribution Tariff Regulations, 2006, Tariff Policy and the Electricity Act, 2003, the Commission opines that in the ideal scenario, the tariff of any category should be linked to the cost imposed on the system by the said category. In this regard, the Commission has been directing the Licensee to conduct Cost of Service studies to have a tool for alignment of costs and charges. The Licensee has not submitted any details regarding the cost of service studies for each category or voltage level. The paucity of data in this regard has restricted the Commission in establishing a linkage of tariff to average cost of supply.

11.1.6 Accordingly, while determining the tariff for each category, the Commission has looked into the relationship between the tariff and the overall average cost of supply for FY 2014-15. Effort has been made to move the tariff of appropriate consumer categories, towards the band of +/- 20% to meet the declared objectives of the Distribution Tariff Regulations, 2006, Tariff Policy and the Electricity Act, 2003.

11.1.7 In view of the above, the Commission has determined the retail tariff keeping in the mind the guiding principles as stated in Section 61 of the Electricity Act, 2003. The accumulated gap for FY 2014-15 (including the gap for previous years) consolidated for Discoms[1] is Rs. 13283.01 Crore and for KESCO is Rs. 515.02 Crore. Keeping in view, such a huge amount of accumulated revenue gap and high cost of supply and resultant poor cost coverage in the absence of cost reflective tariff, the Commission has decided to increase the tariff as detailed in the subsequent sections to ensure some recovery of the revenue gap.

[1] *DVVNL, MVVNL, PVVNL and PuVVNL*

100% Metering:

11.1.8 As detailed earlier in this Order, despite categorical provision under Electricity Act, 2003 to necessarily achieve 100% metering, large chunk of consumers are still un-metered in the State. Predominant proportion of rural consumers either in domestic category (LMV-1), commercial (LMV-2) or pump set (LMV-5) category continue to be billed under un-metered category. Further, the Tariff for unmetered domestic category of LMV-1 and unmetered commercial category of LMV-2 is linked with number of consumers and not with the load. It has been observed that the unmetered category of consumers operate unaccounted load which usually higher than 1 KW. The Commission feels that unless very clear incentives and disincentives are built in the system, the vision of universal metering would remain merely a wishful and glorious intention of the legislature. The Commission in view of the same has linked the tariff for such unmetered consumer categories in (LMV-1 and LMV-2) with the contracted load which was earlier linked with number of consumers. The tariff for LMV-5 category is already linked with the load.

11.1.9 To further, incentivise the consumers who shifts from unmetered to metered category, the Commission has allowed a rebate of 10% on Rate applicable as per the applicable tariff of metered category.

11.1.10 The Commission in its pursuit of achieving the mandate of 100% metering has also increased the tariff of un-metered consumers in LMV-9 (Temporary Supply) and LMV-10 (Departmental Employees and Pensioners) categories to discourage unmetered connections. Therefore, impetus to metering is at the nucleus of present rate design.

11.1.11 It has further been observed in the previous years, that in spite of various incentive / dis-incentives, there has not been any considerable improvement in the metering status in the State and the Distribution Licensees continue to supply electricity to the unmetered consumers which results in huge loss of unaccounted electricity. The Commission expressing its utmost concern, accords a final opportunity to the Distribution Licensees and direct them to ensure that all their unmetered consumers get converted into metered connection by 31st March, 2015 beyond which, the Tariff for unmetered categories shall be discontinued.

New Slabs based on consumption

11.1.12 Tariff has been designed in such a way that the effective tariff for the high consumption consumers would be higher than those who consume less electricity. This would discourage the consumers to use more electricity and will contribute in electricity savings. The Commission has introduced new slabs in LMV-1, LMV-2, LMV-4 and LMV-6 categories which will ensure the above philosophy.

Rural Rebate

11.1.13 The Licensee has submitted that in the present scenario the supply to rural consumers is scheduled at approximately 10 hours per day. However there has been constant demand for increase in supply hours over the years from the rural consumers. Therefore, with a view to match the demand and plan to supply more power to the rural consumers to supply by upto 14 hours per day, there would be adverse affect on the cash flows due to low tariffs for the rural consumers. In view of the same, to meet the required cash gaps the Licensees have proposed to decrease the rebate allowed for rural consumers in the tariff rates from 15% to 7.5%.

11.1.14 The Commission appreciates that the Licensees are planning to increase the number of supply hours for the rural consumers. As consumers are also of the same view to increase the supply hours and are also ready to pay higher if they get electricity supply for considerable duration during a day. The Commission considering the same has accepted the proposal of the Licensee. However since the acceptance of above proposal of the Licensee will eventually result in a slightly higher tariff for rural consumers, thus the Licensee must ensure that the above proposal is not confined to mechanism of increasing the tariffs and revenue but the Licensee must ensure that it supplies the committed 14 hours of supply in rural areas. Further, **the Licensee is also directed to submit a note on the same detailing the area-wise actual number of supply hours provided to such rural area by the end of FY 2014-15, failing which the Commission would resort to take appropriate action in this regards during the subsequent Tariff proceedings.**

Time of Day Tariff

11.1.15 Licensees submitted that the Time of Day tariff (ToD) is a widely accepted Demand side Management (DSM) measure for energy conservation by price. The ToD structure prompts the consumer to change their consumption profile so as to shift their loads during off peak hours when the power is relatively cheaper. ToD tariff encourages the distribution licensees to move towards separation of peak and off-peak tariffs which would help in reducing consumption as well as costly power purchase at the peak time. The Tariff is set in such a way that it inherently provides incentives and disincentives for the use of electricity in different time periods. The basic objective of implementing time of day tariffs is to flatten the load curve over a period of a day resulting in a reduction in the peaking power requirement and also to enhance power requirement during off peak period. Licensees also submitted the load pattern of UP over the last 2 years. The Licensees in view of the same proposed to revise the TOD slabs for peak hours, normal hours and off-peak hours. Licensees have proposed to have separate TOD slabs during summer season (i.e. April to September) and winter season (i.e. October to March). The Licensees vide email dated 4th August, 2014 on specific query raised by the Commission also submitted revised TOD slabs wherein minor change was made in TOD slabs for winter season.

11.1.16 It has been observed that apart from shifting the timings for the peak hours, normal hours and the off-peak hours, the Licensees have also increased the number of hours applicable for the peak period and has reduced the number of hours applicable for off-peak and normal period which will effectively increase the tariff for the consumers. It may be noted that by implementing the ToD Tariff, the peak load gets shifted and the distribution Licensees gain in the form of reduction in power purchase expenses as the additional energy supplied to the consumers during peak hours are typically purchased from a costlier source. The Commission is of the view that the ToD tariff should be a tool only to effectively undertake the DSM measure and flatten the load curve but not as a source of additional revenue. Further, any revision in the ToD Tariff should not have any additional impact on the total revenue as the Distribution Licensees are already getting benefited by better power purchase planning and savings in power purchase expenses. Thus, the Commission is of the view that accepting any TOD design which would increase the effective tariff of the consumers would not be appropriate and would unduly burden the consumers. The Commission in this Tariff Order has therefore not made any change in the TOD slabs applicable for LMV-6 and HV-2 categories.

Life-line consumers

11.1.17 Licensees submitted that the Tariff Policy contemplates that the consumptions norms for lifeline consumers should be restricted to 30 units per month. Most of the States have designed their tariff structure for the lifeline / BPL category in line with the tariff policy except Punjab which has a consumption norm of up to 200 units / month but the Punjab Govt. provides 100% subsidy for this purpose. However, no subsidy is provided by the Government of Uttar Pradesh for this particular category of consumers. The rate for this category is much below against cost of supply which results in huge uncovered revenue gap. Accordingly the Licensees proposed that the consumptions norms for the lifeline consumer category may be aligned with Other States and in compliance with Tariff Policy. Therefore, to ensure that only genuine lifeline consumers gets the benefit of this rate slab and also in accordance with the provisions of tariff policy, the ceiling consumption range are proposed to be reduced from 150 units per month to 50 units per month. However to provide additional relief to such consumers the energy rate per unit has been reduced from 2.20 per kWh and 2.60 per kWh to a single rate of Rs. 2.00 per kWh.

11.1.18 The Commission in the past has been allowing tariff support to lifeline consumers having load up to 1 kW and maximum consumption of 150 kWh / month. Tariff for the mentioned category had been given in two slabs i.e. (0 to 100 kWh / month) and (101 to 150 kWh / month). Thus, in spirit of the National Electricity Policy, the Commission in this Order, has changed the slabs for the lifeline consumers and has given lower tariff for consumers with consumption up to 50 kWh / month. In view of the same, to ensure that the burden on the genuinely poor consumers get reduced the Commission has also reduced the Tariff for the lower slab and has marginally increased the tariff in the higher slab as depicted in the Rate Schedule.

Rebate on Timely Payment:

11.1.19 The Commission in its Tariff Order for FY 2003-04 had abolished the rebate on timely payment stating that the consumers already enjoys a considerable period of credit as the due dates for the payments are on post paid basis. The Commission in the mentioned Order also stated that unless the rebate results in better realisation and specifically proposed by the Licensees such rebate should not allowed. However, it has been observed that over the years the collection efficiency of the Licensees have reduced and resultantly many OTS schemes have to be launched so as to recover the arrears. The Commission is of the view that the many consumers who do not make the payments in time get the OTS waivers and resultantly does not have to pay the full amount of surcharge. The Commission is of the view that if a nominal rebate to the consumers for timely payment can improve the collection efficiency and the cash flows of the Licensees, then why the Licensees have never proposed for such rebate. The Licensees must understand that such rebates would be beneficial for the Licensees resulting in better cash flows. Further, there has been a long pending demand by the consumers to reward the honest consumer paying on time. Thus, considering the same, the Commission in has decided to give a rebate of 0.25% to the consumers who pays the bills in time i.e. before due date.

Rebate for prepaid Meters:

11.1.20 In order to encourage the prepaid meters, the Commission has allowed the rebate of 1.25% on the Rate of Charge for the consumers having prepaid meters.

Delayed Payment Surcharge / Penalty

11.1.21 Further, to discourage the late payment of electricity bills the Commission has revised the applicable surcharge / penalty on the late payment of bills to 1.5% per month (based on number of days for which the payment is delayed from the due date).

Load factor rebate

11.1.22 Distribution Licensees have proposed to abolish the load factor rebate applicable to various categories. Licensee further, submitted that the Load factor rebate had been introduced earlier in large and heavy consumers to curb the theft of electricity. But, now Licensees has installed high precision meters to monitor the trend and other parameters and as such it appears that there is no need to provide incentive for consumption.

11.1.23 The Commission appreciates that the Licensees for installing the high precision meters which would benefit both the Licensees and the consumers. The Load factor rebate encourages the consumers to consume more electricity. Load factor rebate also defeats the approach of the Commission, that the tariff for consumers, consuming more electricity should be higher. Considering the same, the Commission has decided to abolish the load factor rebate as proposed by the Distribution Licensees.

Single point buyer

11.1.24 It has been general grievance of the consumers that the single point buyers under LMV-1 and HV-1 categories charge variably from it end consumers and earns lot of profit by selling electricity at higher rates. The Commission is of the view that the body seeking the supply at Single point connection for bulk loads under the mentioned categories are responsible for all the activities to supply electricity from the single point connection to the end consumers. The Commission understands that such activities also involve certain amount of cost which is required to be recovered from the end consumers. It has been observed that such additional cost is usually charged from the consumers through a separate maintenance bill or is included in the electricity bill itself. The Commission is of the view that such single point buyer should not be entitled for any unreasonable profits but should be allowed to recover the cost it incurs for supply of electricity. In view of the same, and as depicted in the Rate Schedule the Commission has specified maximum limit of 10% for the single point buyer to charge the end consumers over and above the actual Rate & other applicable charges.

Protective Load:

11.1.25 The Licensees have proposed certain changes applicability of the protective load. Licensees have proposed to add the word "grid" before the substation. It has been further submitted that providing continuous supply to a sub-station is not possible without continuous supply to a Grid substation, as a Grid substation is the primary sub-station of the transmission license. Further, the Licensee has also proposed to abolish the discounted portative load charges for LMV-4 (A) – Public institutions.

11.1.26 It is clear that the above proposed changes would increase the revenue for the Licensees, however before approving such changes, the impact of the same on the consumers should also be estimated. In absence of the details submitted by the Licensees the Commission has not been able to estimate the revenue / tariff impact on the consumers. Thus, the Commission has retained the existing provisions in this regard. The Commission directs the Licensees if such changes are required to be made, the estimated impact along with detailed computations should be submitted to the Commission in ARR / Tariff Petition for FY 2015-16.

Tariff for Jhuggi / Hutments and Patri shopkeeper:

11.1.27 The Commission has included the required provisions for applicability of Tariff for Jhuggi / Hutments and Patri shopkeeper in the Rate schedule.

Rebate for using Solar water heater.

11.1.28 In order to encourage the use of solar energy which will conserve electricity, the Commission has introduced a rebate to all the consumers who installs and uses the solar water heater.

Increase in tariff

11.1.29 The Commission has approved a nominal increase in various categories endeavouring that the tariff for various categories should remain within the range of +/-20% of the average cost of supply. However, as the increase in tariff is not only due to increase in ACOS but also for the part recovery of the large accumulated revenue gap for previous years, the tariff for few categories is nominally beyond the limit of +/- 20% of ACOS.

Modification in OTS Scheme

11.1.30 As depicted in the Rate Schedule the Commission has also made certain modifications in the OTS (One Time Settlement) Scheme for best utilisation of this scheme

11.1.31 The applicability, character and point of supply and other terms & conditions of different consumer categories have been defined in the Rate Schedule given in **ANNEXURE 15.2**. In case of any inconformity, the Rate schedule shall prevail over the details given in the various sections of this Order.

12 REVENUE AT REVISED TARIFF AND REVENUE GAP:

12.1 REVENUE FROM SALE OF POWER AT APPROVED TARIFF

12.1.1 As detailed in the previous Chapter, the Commission has revised the Tariff for different categories. The Tariff so published shall become the notified Tariff applicable in the area of supply and shall come into force after seven days from the date of such publication of the Tariff, and unless amended or revoked, shall continue to be in force till issuance of the next Tariff Order. Considering the period of applicability, the revenue at revised Tariff for FY 2014-15 is worked out as under:

Table 12-1: REVENUE FROM SALE OF POWER AT APPROVED TARIFF - FY 2014-15 (Rs. Crore)

Consumer categories	Approved Revenue FY 2014-15
LMV-1: Domestic	588.45
LMV-2:Non-Domestic	257.95
LMV-3: Public Lamps	41.30
LMV-4: Institutions	30.33
LMV-5: Private Tube Wells	0.04
LMV 6: Small and Medium Power	212.31
LMV-7: Public Water Works	35.16
LMV-8: State Tube Wells	0.00
LMV-9: Temporary Supply	0.69
LMV-10: Departmental Employees	9.89
HV-1: Non-Industrial Bulk Loads	88.93
HV-2: Large and Heavy Power	305.47
HV-3: Railway Traction	0.00
HV-4: Lift Irrigation	0.00
Sub-total	**1570.54**
Extra state & Bulk	0.00
Total	**1570.54**

12.1.2 The revenue increase due to approved Tariff would be Rs. 43.98 Crore (Rs. 1570.54 Crore – Rs. 1526.55 Crore).

12.1.3 The estimated gap / surplus after incorporating impact of revised Tariff for FY 2014-15 for the period of 6 months is given in the Table below:

Table 12-2: ESTIMATION OF ARR GAP/SURPLUS AT REVISED TARIFF FOR FY 2014-15 (Rs. Crore)

Particulars	Petitioner	Approved
Revenue Gap for FY 2008-09	73.46	52.38
Revenue Gap for FY 2009-10	44.30	73.15
Revenue Gap for FY 2010-11	198.39	160.65
Revenue Gap for FY 2011-12	404.45	292.11
Revenue Gap for FY 2008-09 to FY 2011-12	**720.60**	**578.29**
Revenue Gap / (Surplus) for FY 2014-15 (at existing Tariff)	345.46	(19.29)
Increase in Revenue due to revision in Tariff	190	43.98
Total Revenue Approved by the Commission for FY 2014-15 (Excluding Regulatory Charge)	1,800.89	1,570.54
Revenue Gap of FY 2014-15	**876.06**	**515.02**

12.2 AVERAGE COST OF SUPPLY

12.2.1 In the instant Tariff Order, the cross subsidy structure has marginally changed as the ACOS has not undergone any significant change, however for the recovery of accumulated revenue gap the tariff has been increased to some extent. The table below summarises the per unit revenue realisation (average billing rate) as a percentage of ACOS for KESCO.

Table 12-3: REVENUE REALIZED AS % OF ACOS

Consumer Categories	Existing Tariff		Revised Tariff	
	Avg Revenue (Rs. / kWh)	Avg Revenue / unit % of ACOS	Avg Revenue (Rs. / kWh)	Avg Revenue / unit % of ACOS
LMV-1: Domestic	5.06	83%	5.28	87%
LMV-2:Non-Domestic	7.93	130%	8.21	135%
LMV-3: Public Lamps	6.94	114%	6.94	114%
LMV-4: Institutions	7.18	118%	7.34	120%
LMV-5: Private Tube Wells	3.73	61%	4.91	81%
LMV 6: Small and Medium Power	6.68	110%	7.40	122%
LMV-7: Public Water Works	8.12	133%	8.67	142%
LMV-8: State Tube Wells	0.00	0%	0.00	0%
LMV-9: Temporary Supply	6.45	106%	7.15	117%
LMV-10: Departmental Employees	3.38	56%	4.73	78%
HV-1: Non-Industrial Bulk Loads	7.13	117%	7.82	128%
HV-2: Large and Heavy Power	6.94	114%	7.35	121%
HV-3: Railway Traction	0.00	0%	0.00	0%
HV-4: Lift Irrigation	0.00	0%	0.00	0%
Sub-Total	**6.17**	**101%**	**6.52**	**107%**
Extra state & Bulk	0.00	0%	0.00	0%
Total	**6.17**	**101%**	**6.52**	**107%**

12.3 TREATMENT OF REVENUE GAP

12.3.1 It may be observed that even after a considerable increase in Tariff allowed by the Commission in this Order, there is still a considerable accumulated revenue gap of Rs. 515.02 Crore. The huge and ever increasing cumulative outstanding revenue gap to be recovered from the consumers is a matter of great concern for the Commission as well as the Licensee. The consumers on the other hand are aggrieved with the poor quality of supply and services being rendered by the Licensee and the constantly rising tariff. The Commission issued an In-house paper on recovery of the cumulative revenue gap in which it was stated that the recovery of the accumulated revenue gap if allowed to be recovered in less than three years may result in a massive tariff shock for the consumers. In view of the same and considering such a huge amount of accumulated revenue gap / regulatory asset, the Commission in its In-House paper proposed the recovery of the same in more than 3 years to avoid any tariff shock to the consumers. The above methodology may however be in variation with the provisions of the Distribution Tariff Regulations, 2006 and the findings of the Hon'ble ATE in its Judgment in OP No. 1 of 2011 but would be the most appropriate way for recovering the gap in the current scenario of large accumulated revenue gap. However, the Licensee submitted that the recovery of the accumulated revenue gap / regulatory asset may be allowed in a period not exceeding 3 years at the most and preferably within the control period which is line with the findings of the Hon'ble ATE.

12.3.2 It may be noted that the total accumulated revenue gap / regulatory asset of Rs. 559.01 Crore if allowed to be recovered within 3 years would result in an additional regulatory surcharge of around 15%. It may be noted that along with other reasons the major reasons which have resulted in such a huge accumulated revenue gap / regulatory asset are (a) Not filling the FPPPCA Petition and (b) Late filing of the True-up Petitions. If the Licensees would have filed the FPPPCA and True-up Petitions on time the accumulated revenue gap / regulatory asset would have been much lower. And in such a case the recovery of the same could have been allowed within 3 years of time. However, in the current scenario it would not be appropriate to give a huge tariff shock to the consumers. Also the Hon'ble ATE in its various Judgments has ruled that the increase in Tariff should not result in tariff shock for the consumers. A relevant extract of the Hon'ble ATE's Judgment in Appeal No.10 of 2013 & I.A. Nos. 29 & 30 of 2013 dated 25th October, 2013 in matter of Association of Approved & Classified Hotels vs Kerala State Electricity Regulatory Commission and Kerala State Electricity Board is reproduced below:

> ***<u>"21. Summary of our findings</u>***
>
> *The tariff determined by the State Commission for HT IV Commercial Category is inconsistent with the provisions of Act and Tariff Policy and the dictum held by this Tribunal in various judgments. The tariff of consumers*

of this category has been increased exorbitantly giving them tariff shock. Accordingly, the tariff fixed by the State Commission for HT IV Commercial Category is set aside and they will be charged at the tariff as proposed by the Electricity Board in their petition to the State Commission i.e. fixed charges of Rs. 400 per kVA per month and energy charges of Rs. 5.50 per kWh…"

12.3.3 Giving due consideration to the view of the Hon'ble ATE it may not be appropriate to allow the recovery of the entire accumulated revenue gap / regulatory asset within 3 years of time which may result in Tariff shock to the consumers. The Commission for liquidation of the Regulatory asset as approved in this Order has decided to introduce a regulatory surcharge of 2.23% applicable on **"RATE"** as defined in the Rate Schedule for FY 2014-15. **Such surcharge would be applicable in the supply areas of KESCO only.** The details are provided in the Table below:

Table 12-4: REGULATORY SURCHARGE FOR FY 2014-15

Particulars	KESCO
Revenue Gap for FY 2008-09	52.38
Revenue Gap for FY 2009-10	73.15
Revenue Gap for FY 2010-11	160.65
Revenue Gap for FY 2011-12	292.11
Revenue Gap for FY 2008-09 to FY 2011-12	578.29
Revenue Gap / (Surplus) for FY 2014-15 (at existing Tariff)	(19.29)
Increase in Revenue due to Tariff revision	43.98
Total approved revenue for FY 2014-15	1,570.54
Net Revenue Gap for FY 2014-15 after tariff increase (Including gap for FY 2008-09 to FY 2011-12)	515.02
Carrying Cost on the Regulatory Asset	15.02
Recovery through Regulatory Surcharge	18.51
Net Revenue Gap after considering part recovery of Regulatory Asset admitted by the Commission in this Order	**511.53**

12.3.4 It has been further, observed that the Distribution losses of the Licensee have been consistently higher as compared to the losses approved by the Commission. The Commission is of the view that the utilities cannot be given a free hand to keep incurring the losses due to inefficiencies while the consumers are forced to pay for these losses. Even though the case for Regulatory Surcharge is well made out but it needs to be supported by the positive evidence of the efforts made by the licensee to reduce losses so as to increase the revenue realisation. The Commission is therefore of the view to approve the Regulatory Surcharge linked with the performance parameters. This performance linked Regulatory Surcharge will hopefully motivate the Licensee to take concrete steps to reduce the losses.

12.3.5 The above philosophy of the Commission can be supported by the fact, that in the deficit scenario prevailing in the State the under-achievement of the Distribution Losses results in lower sales which further, results in lower overall revenue. Further, as the recovery of Regulatory Surcharge is also proportionate to actual Revenue for the year, therefore the higher losses would result in lower recovery of Regulatory Surcharge. In such a case it would not be appropriate to pass on the above under-recovery of Regulatory Surcharge to the consumer which has been resulted due to the under-performance of the Distribution Licensees.

12.3.6 In view of the above, the applicable Regulatory Surcharge for FY 2014-15 shall be 2.23%. However, the Regulatory Surcharge for subsequent year shall be linked with the actual performance of the Licensees in previous year i.e. the regulatory surcharge for FY 2015-16 will depend on the performance of the Licensees in FY 2014-15. In case the Distribution Licensees fail to achieve the target distribution losses in FY 2014-15, the regulatory surcharge for subsequent year i.e. FY 2015-16 shall be reduced by 10% over the applicable regulatory surcharge for the previous year (i.e. FY 2014-15). The Commission at the end of FY 2015-16 shall again review the applicability of the regulatory surcharge for future years i.e. beyond 2015-16 based on the actual performance of Licensee in the past years.

12.3.7 It may be clarified that the Regulatory Surcharge reduced on account of the under-achieved performance targets shall be considered as deemed recovery. The Commission after accounting the actual recovery and the deemed recovery shall true-up the over / under recovery of the accumulated Regulatory Surcharge while undertaking the Truing up of the relevant year.

12.3.8 The Licensee is **directed to depict the Regulatory Surcharge separately and distinctly in the electricity bills of the consumers. The Commission directs the Licensee to maintain separate accounting fields for the regulatory surcharge approved in this Order, and capture the amount collected as Regulatory Surcharge in both of its financial and commercial statements**. This would enable the Licensee to correctly report the amounts collected towards Regulatory Surcharge.

12.3.9 The **Licensee is directed to submit the actual Regulatory Surcharge recovered in FY 2014-15 on account of the Revenue Gap / Regulatory Asset admitted by the Commission in this Order along with the actual Distribution Losses achieved in FY 2014-15 added in FY 2014-15 by 15th April, 2015.**

12.3.10 Based on the achievement or under-achievement of target Distribution Losses the Regulatory Surcharge for subsequent financial year i.e. FY 2015-16 shall be revised as detailed in Para 12.3.6 above and the same shall be applicable for FY 2015-16.

12.3.11 Further, the huge and ever increasing cumulative outstanding revenue gap to be recovered from the consumers is a matter of great concern for the Commission as well as the Licensee. The Commission further directs the Licensees to also consult the Government for providing any relief in this matter which is of great concern.

13 DIRECTIVES

13.1 DIRECTIVES PROVIDED BY COMMISSION AND THEIR COMPLIANCE BY LICENSEE

13.1.1 The Commission had issued several directives to the Licensee in the previous Tariff Order dated 31st may, 2013. The status of compliance as submitted by the Licensee is as detailed in the following Table:

TABLE 13-1: STATUS OF COMPLIANCE OF DIRECTIVES

S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
1.	The Commission directs the Licensee to pressingly pursue the proposal for allocation of PPAs to Discoms with GoUP and expedite the process of allocation.	Immediate	Licensee submitted that the draft proposal for allocation of PPAs to Discoms has already been sent to GoUP for notification and the matter is still pending at GoUP level.	The Licensee should expedite the process of allocation and submit the status of the same in next Tariff filling.
2.	The Commission directs the Licensee to file its ARR / Tariff Petition for FY 2014-15 along with True up Petition for FY 2011-12 based on audited accounts.	By 30th November, 2013	Licensee submitted that the current petition is being filed by in a time bound manner. The true up for FY 2011-12 based on audited accounts is also being filed	-

S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
			along with the ARR Petition	
3.	The Commission directs the Licensee to submit the supplementary audit report of the AGUP for FY 2009-10 and 2010-11.	Within 7 days of the date of its finalization by the AGUP	Licensee submitted that the supplementary audit report of the AGUP for FY 2009-10, 2010-11 and 2011-12 are being filed along with the current Petition.	-
4.	The scheme of the Act requires the Licensee to work with complete functional autonomy and independence. The Commission, with a view to ensure functional autonomy, independence, transparency and regulatory discipline, hereby direct, that in case of all future ARR submissions, each distribution Licensee shall file independent ARR	Along with the petition for FY 2014-15	The Petitioner is filing the ARR Petition independently and not through its holding company.	-

S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
	petitions, rate schedule, response to deficiency notes, additional submissions, response to stakeholder queries, etc directly before the Commission and not through its holding company namely UPPCL.			
5.	The Commission directs the Licensee to pressingly pursue the GoUP for finalization of the Transfer Scheme and submit a copy of the same.	Within 3 months	Licensee submitted that matter is being handled through the holding company namely UPPCL on behalf of all the Discoms which is pressingly pursuing the matter with the GoUP for the finalization of the Transfer Scheme.	The Licensee should expedite the process of finalization of transfer scheme and submit the status of the same in next Tariff filling.

S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
6.	The Commission directs the Licensee to submit its share of apportioned O&M expenses of UPPCL from FY 2007-08 onwards. The same would be considered along with the true up petitions filed by the Licensee.	Within 1 month	The Petitioner submitted it has requested the UPPCL to file the details of the O&M expenses for the FY 2008-09 to 2011-12 before the Commission and the same may be considered by the Commission while conducting the final truing up for FY 2008-09 to 2011-12.	-
7.	The Commission directs the Licensee to frame an appropriate policy on capitalization of (i) employee costs, and (ii) A&G expenses.	Along with the petition for FY 2014-15	The licensee's policy on capitalization of (i) employee costs, and (ii) A&G expenses has been provided in the Notes on Accounts annexed with the audited accounts which is reproduced below: "Due to multiplicity of functional units as well as multiplicity of function at particular unit, employee cost and general & administration expenses to	The Licensee has quoted the extract of the audited accounts. However, still the Licensee has not framed any policy in the same. Licensee should frame a policy capitalization of (i) employee costs, and (ii)

S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
			capital works are capitalised @ 15% on distribution and deposit work, 11% on other works on the amount of total expenditure."	A&G expenses. Licensee should also submit an detailed note on the framed policy in its next ARR filing.
8.	The Commission directs the Licensee to submit Fresh Actuarial Valuation Study Report in respect to employee expenses.	Along with the Petition for FY 2014-15	Licensee submitted that the matter would be taken up at UPPCL level as the employees the Licensee are not its core employees but common employees across all 4 Discoms, UPPTCL and UPPCL.	As directed in the previous Order, the Licensee should submit the Fresh Actuarial Valuation Study Report in respect to employee expenses in its next ARR filing.
9.	The Commission directs the Licensee to submit statutory auditor certificate towards pay revision impacts which are	Within 1 month	The Licensee submitted the statement of payments towards pay revision impacts which are uncontrollable in nature for the	-

S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
	uncontrollable in nature in FY 2008-09, 2009-10, 2010-11 and 2011-12.		period FY 2007-08 to 2011-12 duly certified by a chartered accountant along with the Petition	
10.	As lack of approved transparent policy on identifying and writing off bad debts is hindering allowance of bad debts as an ARR component; the Commission directs the Licensee to submit ten sample cases of LT & HT consumers where orders have been issued for writing off bad debts, clearly depicting the procedure adopted for writing off bad debts along with policy framework for managing bad debts for the Commission's perusal.	Within 1 month	Licensee submitted that it has recently framed a policy for identifying and writing off old arrears which has been provided to the Commission along with this submission. Appropriate directions have been issued to the field units to compile the sample cases based on this recently issued order of the licensee.	As per Regulation 4.4 of Distribution Tariff Regulations the Licensee is required to take prior approval of the Commission for policy on bad debts. Further, such policy should detail the mechanism to identify consumers who are not paying up and ensure that Licensee has made adequate attempts to

S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
				collect from such consumers.
11.	The Commission directs the Licensee to evolve principles for prudent segregation of ARR towards wheeling function and retail supply function embedded in the distribution function in accordance with Clause 2.1.2 of the Distribution Tariff Regulations.	Within 4 months	The Licensee submitted that the same would be taken up subsequent to the notification of the Multi Year Tariff Regulations which are current under formulation.	-
12.	The Commission directs the Licensee to submit a long term business plan in accordance with Clause 2.1.7 of the Distribution Tariff Regulations. The Licensee in such business plan shall identify capex projects for the ensuing year and subsequent four years and	Within 3 months	Licensee submitted that the same would be taken up subsequent to the notification of the Multi Year Tariff Regulations which are current under formulation.	-

S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
	submit detailed capital investment plan along with a financing plan for undertaking the identified projects in order to meet the requirement of load growth, refurbishment and replacement of equipment, reduction in distribution losses, improvement of voltage profile, improvement in quality of supply, system reliability, metering, communication and computerization, etc.			
13.	The Commission directs the Licensee to conduct benchmarking studies to determine the desired performance standards in accordance with Clause 2.1.8 of the Distribution Tariff Regulations.	Within 3 months	Licensee submitted that The Commission has written a letter to the licensee dated 3rd February, 2014 indicating the scope of work for the benchmarking studies. Based on the letter from UPERC, the Terms of Reference for the benchmarking	The Licensee should expedite the process and update the Commission in its next ARR filing.

S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
			studies is being revised.	
14.	The Commission directs the Licensee to conduct proper loss estimate studies for assessment of technical and commercial losses under its supervision so that the Commission may set the base line losses in accordance with Clause 3.2.3 and Clause 3.2.4 of the Distribution Tariff Regulations and submit the report to the Commission. The study shall segregate voltage-wise distribution losses into technical loss (i.e. Ohmic/Core loss in the lines, substations and equipment) and commercial loss (i.e. unaccounted energy due to metering	Within 3 months	Licensee submitted that PFC Consulting Ltd has been appointed by the Licensee to draft a strategy paper for the turnaround of the distribution licensees which covers the voltage wise loss studies.	The Licensee should expedite process and complete the study at the earliest.

S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
	inaccuracies/inadequacies, pilferage of energy, improper billing, no billing, unrealized revenues etc.).			
15.	The Commission directs the Licensee to submit completion report in respect of all capital projects which have achieved the Commercial Operation Date during FY 2011-12 in accordance with Clause 4.5.7 of the Distribution Tariff Regulations.	Along with the true up petition for FY 2011-12	Licensee submitted that as per the principles laid down in the Distribution Tariff Regulations, 2006 submission of Project Completion Reports are required to be submitted in cases where prior approval for capital expenditure has been obtained from the Commission. As the individual distribution capex schemes were below the threshold limit, hence no prior approval was obtained.	-
16.	The Commission directs the Licensee to conduct Cost of Service studies which would serve as a tool for alignment of costs and charges and submit details	Within 6 months	Licensee submitted that PFC Consulting Ltd has been appointed by the Licensee to draft a strategy paper for the turnaround of the distribution licensees which covers the assessment of cost of service for	The Licensee should expedite process and complete the study at the earliest.

S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
	regarding the cost of service studies for each category or voltage level.		different categories of consumers.	
17.	Commission directs the Licensee to submit a road map for 100% metering in its licensed area. However, based on the ground realities, if the Distribution Licensee seeks exemption towards its metering obligation for any particular category of consumers, it must provide the Commission revised norms specific for its supply area, based on fresh studies, for assessment of consumption for these categories. Sales forecast for un-metered categories shall be validated with norms approved by the Commission on the basis of above study carried out by the	Within 2 months	Licensee submitted that this work is being taken up under the R-APDRP scheme. 100% Metering would be achieved during the FRP period	The Licensee is directed to achieve 100% metering within 6 months of time.

S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
	Licensee.			
18.	The Commission directs the Licensee to install electronic meters in the residential consumers under LMV-10 category and submit a progress report every month.	Within one month	Licensee submitted that Section 23 (7) of Electricity Reforms Act, 1999 provides that "terms and condition of service of the personnel shall not be less favourable to the terms and condition which were applicable to them before the transfer". The same spirit has been echoed under first proviso of section 133 (2) of the Electricity Act, 2003. The benefits for employees / pensioners as provided in section 12 (b) (ii) of the Uttar Pradesh Reform Transfer Scheme, 2000 include "concessional rate of electricity", which means concession in rate of electricity to the extent it is not inferior to what was	The referred statutory provision nowhere specifies that the LMV-10 consumers can be unmetered supply. The Commission again directs the Licensee to install electronic meters in the residential consumers under LMV-10 category and submit a progress report every month.

S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
			existing before 14th January, 2000.	
19.	The Commission directs the Licensee to submit data related to its peak demand and off peak demand in MW along with its sales projections in accordance with Clause 3.1.4 of the Distribution Tariff Regulations.	Along with the petition for FY 2014-15	Licensee submitted that Commission has approved the MYT Regulations and has sent them for notification. It is understood that subsequent to the notification of the MYT Regulations, the Tariff Regulations of 2006 would cease to be applicable. The Licensee would take suitable steps to abide by the stipulations of the new regulations subsequent to its notification.	The Licensee should ensure the compliance of the Commission's directions based on the MYT Regulations to be notified.
20.	The Commission directs the Licensee to reconcile the inter-unit balances lying un-	Along with the petition for FY	Licensee submitted that the determination of tariff is done by the	There are no un-reconciled inter-unit

S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
	reconciled either itself or through independent chartered accountant firms.	2014-15	Commission on normative basis based on the Tariff Regulations. As such the inter-unit reconciliation has no forbearance on the ARR and Tariff determination and assessment of revenue gap.	balances in the audited accounts of FY 2011-12
21.	The Commission directs the Licensee to file submissions in respect of FPPCA in a timely and regular manner.	Every quarter as per the time frame prescribed in the Regulations	Licensee has filed the FPPCA Petition for 3 quarters starting 1st January, 2013.	Licensee should submit the FPPCA Petition for further periods also in accordance with Distribution Tariff Regulations, 2006 and further amendments.

13.1.2 The Commission once again **directs the Licensee to comply with the balance directives issued in the previous Tariff Order. The compliance report on the said directives shall be submitted to the Commission within one month from the date of issue of this Tariff Order.**

13.1.3 Further, some of the directives issued by the Commission in the present Tariff Order are in continuation or similar to the directives issued in the previous Tariff Order. In case the Licensees have not complied with the same earlier, it shall be necessary for them to provide reasons for non-compliance and further comply with the same as per the time-lines prescribed in the present Tariff Order.

13.1.4 The directives to the Licensee as issued under the present Tariff Order along with the time frame for compliance are given in the Table below:

TABLE 13-2: DIRECTIVES

S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order
1.	The Licensees are directed to arrange for quarterly meetings between the MDs of the Licensees and the consumer representatives for solving various grievances of the consumers and submit a status report containing details of such meetings along with the next ARR filing.	Immediate

S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order
2.	The Commission directs the Licensee to pay the applicable interest on consumer's security deposit as per the Orders of the Commission and submit the compliance report with the next ARR filing. Licensees are directed to ensure the timely payment of the interest on security deposit to the consumers.	Immediate
3.	As regards the various complaints of the stakeholders brought to the notice of the Commission during public hearing, the Licensee is directed to look into the matters and take appropriate action on the same. Further, the Licensee must ensure that proper advertising regarding CGRF is done to bring awareness amongst the consumers. The chairperson of the CGRF should also be part of such public hearings so that a direct interaction may take place and the grievances of the consumers could be settled in a more appropriate manner	Immediate
4.	To provide accurate and effective consumption norms, the Commission directs the Petitioners to conduct a detailed study which should include all the relevant details pointed out by the Commission in Para 9.2.13	Within 6 months from issue of this Order
5.	The Commission directs the Petitioner to ensure to convert all the 18 consumers under LMV-3 category into metered connections within one month of the issue of this Order failing which the Commission will resort to take stringent action against the Petitioner.	Within one month from issue of this Order
6.	As regards the observed uncertainty in the billing determinants for LMV-10 category, the Commission	Next ARR filing

S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order
	directs the Petitioner to provide detailed explanation in this regards alongwith all the necessary supporting documents for verification of such data while filing for Truing-up of FY 2012-13. However, for the purpose of the present Order the Commission has accepted the Petitioner's submission regarding the consumption parameters for FY 2012-13.	
7.	As regards the Commission's directives to submit a road map for 100% metering in its licensed area given in the Tariff Order dated 31st May, 2013, the Licensees has not complied with the directions of the Commission. The Commission once again directs the Licensee to comply with the direction given by the Commission in this Order and accordingly put it sincere efforts to achieve 100% metering.	3 months from issue of this Order
8.	The Commission directs the Distribution Licensees to formulate a mechanism so as to make their officials accountable by providing incentives or disincentives for achievement or non-achievement of the distribution loss and the collection efficiency targets. The Policy should include all the relevant details pointed out by the Commission in Para 9.3.24 of this Order	Within 2 months from the issue of this Order
9.	The Commission further directs the Petitioner to sign the MoUs to be implemented at all levels and submit the copy of the same to the Commission within 2 months from the date of this Order.	Within 2 months from the date of issuance of this Order

S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order
10.	As regards timely filing of FPPCA the Commission once again directs the Licensees that they should file FPPCA in a timely and regular manner in accordance with the Distribution Tariff Regulations, 2006 failing which the Commission may have to resort to take strict action against the Licensees.	Immediate
11.	As regards the increasing number of unmetered consumers the Commission accords a final opportunity to the Distribution Licensees and directs them to ensure that all their unmetered consumers get converted into metered connection.	31st May, 2015
12.	As regards the choice of connection, the Licensee, in accordance with the provisions of the supply code wherein the consumer has the choice to opt the supplier, is directed to release connections to all such consumers who desire to disconnect their connections from the single point supplier and instead wish to take connections directly from the Licensee and submit the status report on the same along with next ARR filing.	Next ARR filing
13.	The Licensees are directed to provide the monthly MRI reports to all the applicable consumers through email. The consumers would be required to register their email to the Licensee and submit the status report on the same along with next ARR filing.	Immediate

S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order
14.	As regards the Petition on minimum consumption charges, the Licensee is directed to re-submit its above proposal for the Commission's consideration.	Next ARR Filing
15.	The Licensee is directed to file a separate Petition for approval of prior period expenses / incomes. The Petition should clearly indicate the head-wise year-wise bifurcation of prior period expenses / incomes clearly indicating the impact of such expenses / incomes on various ARR components, and such impact should not exceed the normative expenses for any particular year.	1 month from the date of issuance of this Order
16.	The Licensee is directed to submit a note detailing the area-wise actual number of supply hours provided to rural areas by the end of FY 2014-15.	By end of FY 2014-15
17.	The Licensee is directed to depict the Regulatory Surcharge separately and distinctly in the electricity bills of the consumers. Further, the Licensee is also directed to maintain separate accounting fields for the regulatory surcharge approved in this Order, and capture the amount collected as Regulatory Surcharges in both of its financial and commercial statements	Immediate
18.	Licensee is directed to submit the actual Regulatory Surcharge recovered in FY 2014-15 on account of the Revenue Gap / Regulatory Asset admitted by the Commission in this Order along with the actual Distribution Losses achieved in FY 2014-15 added in FY 2014-15.	15th April, 2015

13.1.5 The Commission would like to mention here that the list given above may not be exhaustive and the Licensee is directed comply with all directives given in the text of this Order.

13.1.6 The Commission directs the Licensee to follow the directions scrupulously and send the periodical reports by 30th of every month about the compliance of these directions in the format titled '**Action Taken Report on the Directions Issued by the Commission'** provided at **Annexure 15.7** of this Order.

14 APPLICABILITY OF THE ORDER

The Licensee, in accordance to Section 139 of the Uttar Pradesh Electricity Regulatory Commission (Conduct of Business) Regulations 2004, shall publish the approved tariffs and regulatory surcharge within three days from the date of this Order. The Licensee shall ensure that the same is published in at least two daily newspapers (one English and one Hindi) having wide circulation in the area of supply. The tariffs so published shall become the notified tariffs applicable in the area of supply and shall come into force after seven days from the date of such publication of the tariffs, and unless amended or revoked, shall continue to be in force till issuance of the next Tariff Order.

(I. B. Pandey)	(Meenakshi Singh)	(Desh Deepak Verma)
Member	Member	Chairman

Dated: 1st October, 2014
Lucknow.

15 ANNEXURE

15.1 COMMISSION FORECAST OF CONSUMPTION PARAMETERS FOR FY 2014-15

TABLE 15-1: COMMISSION'S APPROVAL OF NUMBER OF CONSUMERS FOR FY 2014-15

Consumer categories	FY 10-11	FY 11-12	FY 12-13	3-yr CAGR	Adopted growth rate	Revised Computation for FY 13-14	Approved for FY 14-15
LMV-1: Domestic							
Rural (unmetered)	0	0	0	0%	0%	0	0
Rural (metered)	0	0	0	0%	0%	0	0
Bulk Load	0	0	26	0%	0%	26	26
Other Metered	439646	416775	461504	2%	3%	475349	489609
BPL	0	45030	53834	0%	0%	53834	53834
SUBTOTAL (LMV-1)	**439646**	**461805**	**515364**			**529209**	**543469**
LMV-2:Non-Domestic							
Rural (unmetered)	0	0	0	0%	0%	0	0
Rural (metered)	0	0	0	0%	0%	0	0
Advertising	1558	1763	1795	7%	1%	1813	1831
Other Metered	89158	92520	96757	4%	4%	100796	105004
SUBTOTAL (LMV-2)	**90716**	**94283**	**98552**			**102609**	**106835**
LMV-3: Public Lamps							
Unmetered - Gram Panchayat	0	0	0	0%	0%	0	0
Unmetered - Nagar Palika & Panchayat	0	0	0	0%	0%	0	0
Unmetered - Nagar Nigam	18	18	18	0%	0%	18	18

Consumer categories	FY 10-11	FY 11-12	FY 12-13	3-yr CAGR	Adopted growth rate	Revised Computation for FY 13-14	Approved for FY 14-15
Metered - Gram Panchayat	0	0	0	0%	0%	0	0
Metered - Nagar Palika & Panchayat	0	0	0	0%	1%	0	0
Metered - Nagar Nigam	0	0	0	0%	1%	0	0
SUBTOTAL (LMV-3)	**18**	**18**	**18**			**18**	**18**
LMV-4: Institutions							
Public	901	907	927	1%	5%	973	1022
Private	128	141	142	5%	5%	150	158
SUBTOTAL (LMV-4)	**1029**	**1048**	**1069**			**1123**	**1180**
LMV-5: Private Tube Wells							
Rural (unmetered)	0	0	0	0%	0%	0	0
Rural (metered)	0	0	0	0%	0%	0	0
Urban (metered)	0	0	16	0%	0%	16	16
SUBTOTAL (LMV-5)	**0**	**0**	**16**			**16**	**16**
LMV 6: Small and Medium Power							
Power Loom: Rural	0	0	0	0%	0%	0	0
Power Loom: Urban	11	0	15	17%	1%	15	15
Others: Rural	0	0	3312	0%	0%	3312	3312

Consumer categories	FY 10-11	FY 11-12	FY 12-13	3-yr CAGR	Adopted growth rate	Revised Computation for FY 13-14	Approved for FY 14-15
Others: Urban	7456	8158	5409	-15%	8%	5842	6309
SUBTOTAL (LMV-6)	**7467**	**8158**	**8736**			**9169**	**9636**
LMV-7: Public Water Works							
Rural: Jal Nigam	0	0	0	0%	0%	0	0
Rural: Jal Sansthan	0	0	0	0%	0%	0	0
Rural: Other PWWs	0	0	0	0%	0%	0	0
Urban: Jal Nigam	0	0	0	0%	0%	0	0
Urban: Jal Sansthan	620	634	667	4%	1%	674	681
Urban: Other PWWs	0	0	0	0%	0%	0	0
SUBTOTAL (LMV-7)	**620**	**634**	**667**			**674**	**681**
LMV-8: State Tube Wells							
Metered STW	0	0	0	0%	0%	0	0
Unmetered STW	0	0	0	0%	0%	0	0
Unmetered Laghu Dal Nahar	0	0	0	0%	0%	0	0
SUBTOTAL (LMV-8)	**0**	**0**	**0**			**0**	**0**
LMV-9: Temporary Supply							
Metered: Individual residential	0	0	406	0%	0%	406	406

Consumer categories	FY 10-11	FY 11-12	FY 12-13	3-yr CAGR	Adopted growth rate	Revised Computation for FY 13-14	Approved for FY 14-15
Metered: Others	0	0	0	0%	0%	0	0
Unmetered: Ceremonies	0	0	0	0%	0%	0	0
Unmetered: Temp shops	0	0	62	0%	0%	0	0
SUBTOTAL (LMV-9)	**0**	**0**	**468**			**406**	**406**
LMV-10: Departmental Employees							
Class IV	187	187	1411	175%	0%	1411	1411
Class III	95	95	1966	355%	0%	1966	1966
Junior Engineers	5	5	257	617%	0%	257	257
Assistant Engineers	13	13	82	151%	0%	82	82
Executive Engineers	15	15	219	282%	0%	219	219
Deputy General Manager	4	4	4	0%	0%	4	4
CGM/GM	1	1	1	0%	0%	1	1
Pensioners	256	256	4327	311%	0%	4327	4327
SUBTOTAL (LMV-10)	**576**	**576**	**8267**			**8267**	**8267**
HV-1: Non-Industrial Bulk Loads							
Urban: 11 kV	0	0	120	0%	0%	126	126
Urban: Above 11 kV & up to 66 kV	0	0	13	0%	0%	7	7
Urban: Above 66 kV & up to 132 kV	110	116	0	-100%	0%	0	0

Consumer categories	FY 10-11	FY 11-12	FY 12-13	3-yr CAGR	Adopted growth rate	Revised Computation for FY 13-14	Approved for FY 14-15
Urban: Above 132 kV	0	0	0	0%	0%	0	0
Rural: At 11 kV	0	0	0	0%	0%	0	0
Rural: Above 11 kV & up to 66 kV	0	0	0	0%	0%	0	0
SUBTOTAL (HV-1)	**110**	**116**	**133**			**133**	**133**
HV-2: Large and Heavy Power							
Urban: 11 kV	0	0	537	0%	0%	537	537
Urban: Above 11 kV & up to 66 kV	0	0	4	0%	0%	4	4
Urban: Above 66 kV & up to 132 kV	522	535	2	-94%	0%	2	2
Urban: Above 132 kV	0	0	0	0%	0%	0	0
Rural: At 11 kV	0	0	0	0%	0%	0	0
Rural: Above 11 kV & up to 66 kV	0	0	0	0%	0%	0	0
SUBTOTAL (HV-2)	**522**	**535**	**543**			**543**	**543**
HV-3: Railway Traction							
At 132 kV and above	0	0	0	0%	0%	0	0
Below 132 kV	0	0	0	0%	0%	0	0
Metro traction	0	0	0	0%	0%	0	0
SUBTOTAL (HV-3)	**0**	**0**	**0**			**0**	**0**

Consumer categories	FY 10-11	FY 11-12	FY 12-13	3-yr CAGR	Adopted growth rate	Revised Computation for FY 13-14	Approved for FY 14-15
HV-4: Lift Irrigation							
At 11kV	0	0	0	0%	0%	0	0
Above 11kV & up to 66kV	0	0	0	0%	0%	0	0
Above 66 kV & up to 132kV	0	0	0	0%	0%	0	0
SUBTOTAL (HV-4)	**0**	**0**	**0**			**0**	**0**
Bulk & Extra State							
Extra state & others	0	0	0	0%	0%	0	0
Bulk supply – Others	0	0	0	0%	0%	0	0
SUBTOTAL (Bulk & Extra State)	**0**	**0**	**0**			**0**	**0**
GRAND TOTAL	**540704**	**567173**	**633833**			**652167**	**671184**

Table 15-2: COMMISSION'S APPROVAL OF CONNECTED LOAD (KW) FOR FY 2014-15

Consumer categories	FY 10-11	FY 11-12	FY 12-13	3-yr CAGR	Adopted growth rate	Revised Computation for FY 13-14	Approved for FY 14-15
LMV-1: Domestic							
Rural (unmetered)	0	0	0	0%	0%	0	0
Rural (metered)	0	0	0	0%	0%	0	0
Bulk Load	0	0	17801	0%	0%	17801	17801
Other Metered	976498	930041	1071954	5%	5%	1123126	1176741
BPL	0	90233	55384	0%	0%	53834	53834
SUBTOTAL (LMV-1)	**976498**	**1020274**	**1145139**			**1194761**	**1248376**
LMV-2:Non-Domestic							
Rural (unmetered)	0	0	0	0%	0%	0	0
Rural (metered)	0	0	0	0%	0%	0	0
Advertising	3739	4295	4298	7%	5%	4513	4739
Other Metered	227093	235656	258282	7%	7%	275448	293755
SUBTOTAL (LMV-2)	**230832**	**239951**	**262580**			**279961**	**298493**
LMV-3: Public Lamps							
Unmetered - Gram Panchayat	0	0	0	0%	0%	0	0
Unmetered - Nagar Palika & Panchayat	0	0	0	0%	0%	0	0

Consumer categories	FY 10-11	FY 11-12	FY 12-13	3-yr CAGR	Adopted growth rate	Revised Computation for FY 13-14	Approved for FY 14-15
Unmetered - Nagar Nigam	13369	13768	13768	1%	0%	13768	13768
Metered - Gram Panchayat	0	0	0	0%	0%	0	0
Metered - Nagar Palika & Panchayat	0	0	0	0%	0%	0	0
Metered - Nagar Nigam	0	0	0	0%	0%	0	0
SUBTOTAL (LMV-3)	**13369**	**13768**	**13768**			**13768**	**13768**
LMV-4: Institutions							
Public	9012	7795	10751	9%	9%	11743	12826
Private	1580	1829	1919	10%	6%	2034	2156
SUBTOTAL (LMV-4)	**10592**	**9624**	**12670**			**13777**	**14982**
LMV-5: Private Tube Wells							
Rural (unmetered)	0	0	0	0%	0%	0	0
Rural (metered)	0	0	0	0%	0%	0	0
Urban (metered)	0	0	123	0%	0%	123	123
SUBTOTAL (LMV-5)	**0**	**0**	**123**			**123**	**123**
LMV 6: Small and Medium Power							
Power Loom: Rural	0	0	0	0%	0%	0	0
Power Loom: Urban	78	0	35	-33%	0%	35	35

Consumer categories	FY 10-11	FY 11-12	FY 12-13	3-yr CAGR	Adopted growth rate	Revised Computation for FY 13-14	Approved for FY 14-15
Others: Rural	0	0	61688	0%	0%	61688	61688
Others: Urban	110050	114476	58773	-27%	0%	58773	58773
SUBTOTAL (LMV-6)	**110128**	**114476**	**120496**			**120496**	**120496**
LMV-7: Public Water Works							
Rural: Jal Nigam	0	0	0	0%	0%	0	0
Rural: Jal Sansthan	0	0	0	0%	0%	0	0
Rural: Other PWWs	0	0	0	0%	0%	0	0
Urban: Jal Nigam	0	0	0	0%	0%	0	0
Urban: Jal Sansthan	19631	19888	23600	10%	10%	25876	28371
Urban: Other PWWs	0	0	0	0%	0%	0	0
SUBTOTAL (LMV-7)	**19631**	**19888**	**23600**			**25876**	**28371**
LMV-8: State Tube Wells							
Metered STW	0	0	0	0%	0%	0	0
Unmetered STW	0	0	0	0%	0%	0	0
Unmetered Laghu Dal Nahar	0	0	0	0%	0%	0	0
SUBTOTAL (LMV-8)	**0**	**0**	**0**			**0**	**0**
LMV-9: Temporary Supply							

Consumer categories	FY 10-11	FY 11-12	FY 12-13	3-yr CAGR	Adopted growth rate	Revised Computation for FY 13-14	Approved for FY 14-15
Metered: Individual residential	0	0	849	0%	0%	849	849
Metered: Others	0	0	0	0%	0%	0	0
Unmetered: Ceremonies	0	0	0	0%	0%	0	0
Unmetered: Temp shops	0	0	156	0%	0%	0	0
SUBTOTAL (LMV-9)	**0**	**0**	**1005**			**849**	**849**
LMV-10: Departmental Employees							
Class IV	374	374	0	-100%	0%	374	374
Class III	295	295	0	-100%	0%	295	295
Junior Engineers	30	30	0	-100%	0%	30	30
Assistant Engineers	71	71	0	-100%	0%	71	71
Executive Engineers	75	75	0	-100%	0%	75	75
Deputy General Manager	20	20	0	-100%	0%	20	20
CGM/GM	5	5	0	-100%	0%	5	5
Pensioners	983	983	1	-97%	0%	983	983
SUBTOTAL (LMV-10)	**1853**	**1853**	**1**			**1853**	**1853**
HV-1: Non-Industrial Bulk Loads							
Urban: 11 kV	0	0	45947	0%	0%	45947	45947
Urban: Above 11 kV & up to 66 kV	0	0	5105	0%	0%	5105	5105

Consumer categories	FY 10-11	FY 11-12	FY 12-13	3-yr CAGR	Adopted growth rate	Revised Computation for FY 13-14	Approved for FY 14-15
Urban: Above 66 kV & up to 132 kV	41935	53411	0	-100%	1%	0	0
Urban: Above 132 kV	0	0	0	0%	0%	0	0
Rural: At 11 kV	0	0	0	0%	0%	0	0
Rural: Above 11 kV & up to 66 kV	0	0	0	0%	0%	0	0
SUBTOTAL (HV-1)	**41935**	**53411**	**51052**			**51052**	**51052**
HV-2: Large and Heavy Power							
Urban: 11 kV	0	0	122975	0%	1%	124205	125447
Urban: Above 11 kV & up to 66 kV	0	0	14300	0%	1%	14443	14587
Urban: Above 66 kV & up to 132 kV	175864	159071	66623	0%	1%	67289	67962
Urban: Above 132 kV	0	0	0	0%	1%	0	0
Rural: At 11 kV	0	0	0	0%	1%	0	0
Rural: Above 11 kV & up to 66 kV	0	0	0	0%	1%	0	0
SUBTOTAL (HV-2)	**175864**	**159071**	**203898**			**205937**	**207996**
HV-3: Railway Traction							
At 132 kV and above	0	0	0	0%	0%	0	0
Below 132 kV	0	0	0	0%	0%	0	0
Metro traction	0	0	0	0%	0%	0	0
SUBTOTAL (HV-3)	**0**	**0**	**0**			**0**	**0**

Consumer categories	FY 10-11	FY 11-12	FY 12-13	3-yr CAGR	Adopted growth rate	Revised Computation for FY 13-14	Approved for FY 14-15
HV-4: Lift Irrigation							
At 11kV	0	0	0	0%	0%	0	0
Above 11kV & up to 66kV	0	0	0	0%	0%	0	0
Above 66 kV & up to 132kV	0	0	0	0%	0%	0	0
SUBTOTAL (HV-4)	**0**	**0**	**0**			**0**	**0**
Bulk & Extra State							
Extra state & others	0	0	0	0%	0%	0	0
Bulk supply – Others	0	0	0	0%	0%	0	0
SUBTOTAL (Bulk & Extra State)	**0**	**0**	**0**			**0**	**0**
GRAND TOTAL	**1580702**	**1632316**	**1834332**			**1908453**	**1986360**

Table 15-3: COMMISSION'S APPROVAL OF ENERGY SALES (MU) FOR FY 2014-15

Consumer categories	FY 10-11	FY 11-12	FY 12-13	Revised Computation for FY 13-14	Approved for FY 2014-15
LMV-1: Domestic					
Rural (unmetered)	0	0	0	0	0
Rural (metered)	0	0	0	0	0
Bulk Load	0	0	38	38	38
Other Metered	1067	1148	877	948	1026
BPL	4	12	64	69	75
SUBTOTAL (LMV-1)	**1071**	**1160**	**979**	**1056**	**1138**
LMV-2:Non-Domestic					
Rural (unmetered)	0	0	0	0	0
Rural (metered)	1	0	0	0	0
Advertising	18	3	3	3	3
Other Metered	210	256	258	286	316
SUBTOTAL (LMV-2)					
LMV-3: Public Lamps					
Unmetered - Gram Panchayat	0	0	0	0	0
Unmetered - Nagar Palika & Panchayat	0	0	0	0	0
Unmetered - Nagar Nigam	48	49	40	59	59
Metered - Gram Panchayat	0	0	0	0	0
Metered - Nagar Palika & Panchayat	0	0	0	0	0
Metered - Nagar Nigam	0	0	0	0	0
SUBTOTAL (LMV-3)	**48**	**49**	**40**	**59**	**59**
LMV-4: Institutions					
Public	20	38	27	31	36
Private	5	5	5	6	6
SUBTOTAL (LMV-4)	**24**	**43**	**32**	**37**	**42**
LMV-5: Private Tube Wells					
Rural (unmetered)	0	0	0	0	0
Rural (metered)	0	0	0	0	0

Consumer categories	FY 10-11	FY 11-12	FY 12-13	Revised Computation for FY 13-14	Approved for FY 2014-15
Urban (metered)	0	0	0	0	0
SUBTOTAL (LMV-5)	**0**	**0**	**0**	**0**	**0**
LMV 6: Small and Medium Power					
Power Loom: Rural	0	0	0	0	0
Power Loom: Urban	0	0	3	3	3
Others: Rural	0	0	22	22	22
Others: Urban	232	232	215	255	276
SUBTOTAL (LMV-6)	**232**	**232**	**240**	**281**	**301**
LMV-7: Public Water Works					
Rural: Jal Nigam	0	0	0	0	0
Rural: Jal Sansthan	0	0	0	0	0
Rural: Other PWWs	0	0	0	0	0
Urban: Jal Nigam	0	0	0	0	0
Urban: Jal Sansthan	49	49	40	41	42
Urban: Other PWWs	0	0	0	0	0
SUBTOTAL (LMV-7)	**50**	**49**	**40**	**41**	**42**
LMV-8: State Tube Wells					
Metered STW	0	0	0	0	0
Unmetered STW	0	0	0	0	0
Unmetered Laghu Dal Nahar	0	0	0	0	0
SUBTOTAL (LMV-8)	**0**	**0**	**0**	**0**	**0**
LMV-9: Temporary Supply					
Metered: Individual residential	1	0	1	1	1
Metered: Others	0	0	0	0	0
Unmetered: Ceremonies	1	0	0	0	0
Unmetered: Temp shops	0	0	0	0	0
SUBTOTAL (LMV-9)	**1**	**0**	**1**	**1**	**1**
LMV-10: Departmental Employees					

Consumer categories	FY 10-11	FY 11-12	FY 12-13	Revised Computation for FY 13-14	Approved for FY 2014-15
Class IV	0	0	4	5	5
Class III	0	0	3	3	3
Junior Engineers	0	0	1	1	1
Assistant Engineers	0	0	0	1	1
Executive Engineers	0	0	0	0	0
Deputy General Manager	0	0	0	0	0
CGM/GM	0	0	0	0	0
Pensioners	1	1	12	13	13
SUBTOTAL (LMV-10)	**1**	**1**	**22**	**23**	**24**
HV-1: Non-Industrial Bulk Loads					
Urban: 11 kV	17	0	107	107	107
Urban: Above 11 kV & up to 66 kV	0	0	12	12	12
Urban: Above 66 kV & up to 132 kV	88	113	0	0	0
Urban: Above 132 kV	0	1	0	0	0
Rural: At 11 kV	0	0	0	0	0
Rural: Above 11 kV & up to 66 kV	0	0	0	0	0
SUBTOTAL (HV-1)	**105**	**114**	**119**	**119**	**119**
HV-2: Large and Heavy Power					
Urban: 11 kV	4	0	276	279	282
Urban: Above 11 kV & up to 66 kV	0	0	34	34	35
Urban: Above 66 kV & up to 132 kV	364	389	109	110	111
Urban: Above 132 kV	0	0	0	0	0
Rural: At 11 kV	0	0	0	0	0
Rural: Above 11 kV & up to 66 kV	0	0	0	0	0
SUBTOTAL (HV-2)	**367**	**389**	**419**	**424**	**428**
HV-3: Railway Traction					
At 132 kV and above	0	0	0	0	0
Below 132 kV	0	0	0	0	0

Consumer categories	FY 10-11	FY 11-12	FY 12-13	Revised Computation for FY 13-14	Approved for FY 2014-15
Metro traction	0	0	0	0	0
SUBTOTAL (HV-3)	**0**	**0**	**0**	**0**	**0**
HV-4: Lift Irrigation					
At 11kV	0	0	0	0	0
Above 11kV & up to 66kV	0	0	0	0	0
Above 66 kV & up to 132kV	0	0	0	0	0
SUBTOTAL (HV-4)	**0**	**0**	**0**	**0**	**0**
Bulk & Extra State					
Extra state & others	0	0	0	0	0
Bulk supply – Others	0	0	0	0	0
SUBTOTAL (Bulk & Extra State)	**0**	**0**	**0**	**0**	**0**
GRAND TOTAL	**2130**	**2297**	**2154**	**2329**	**2475**

15.2 RATE SCHEDULE FOR FY 2014-15

RETAIL TARIFFS FOR FINANCIAL YEAR 2014-15:

GENERAL PROVISIONS:

These provisions shall apply to all categories unless specified otherwise and are integral part of the Rate Schedule.

1. NEW CONNECTIONS:

(i) All new connections shall be given as per the applicable provisions of Electricity Supply Code and shall be released in multiples of KW only, excluding consumers under categories LMV-5 & LMV-8 of Rate Schedule. Further, for tariff application purposes, if the contracted load (kW) of already existing consumer is in fractions then the same shall be treated as next higher kW load;

2. READING OF METERS:

As per applicable provisions of Electricity Supply Code.

3. BILLING WHEN METER IS NOT MADE ACCESSIBLE:

A penalty of Rs. 50 / kW or as decided by the Commission through an Order shall be levied for the purposes of Clause 6.2 (c) of the applicable Electricity Supply Code.

4. BILLING IN CASE OF DEFECTIVE METERS:

As per the applicable provisions of Electricity Supply Code.

5. KVAH TARIFF:

'kVAh based tariffs' shall be applicable on all consumers having contracted load of 10 kW / 13.4 BHP and above, under different categories with TVM / TOD / Demand recording meters (as appropriate).

The rates prescribed in different categories in terms of kW and kWh will be converted into appropriate kVA and kVAh by multiplying Fixed / Demand Charges and Energy Charges by an average power factor of 0.90. Similarly, the Fixed / Demand Charges expressed in BHP can be converted into respective kVA rates in accordance with formula given below:

Demand Charges in kVA = (Demand Charges in BHP / 0.746) * 0 .90

Demand Charges in kVA = (Fixed Charges in kW * 0.90)

Energy Charges in kVAh = (Energy Charges in kWh * 0.90)

Note: If the power factor of a consumer is leading and is within the range of 0.95 -1.00, then for tariff application purposes such leading power factor shall be treated as unity. The bills of such consumers shall be prepared accordingly. However, if the leading power factor is below 0.95 (lead) then the consumer shall be billed as per the kVAh reading indicated by the meter. However, the aforesaid provision of treating power factor below 0.95 (lead) as the commensurate lagging power factor for the purposes of billing shall not be applicable on HV-3 category and shall be treated as unity. Hence, for HV-3, lag + lead logic of the meter should not be used and "lag only" logic of the meter should be provided which blocks leading kVARh thereby treating leading power factor as unity and registering instantaneous kWh as instantaneous kVAh in case of leading power factor.

6. BILLABLE LOAD / DEMAND:

For all consumers having TVM / TOD / Demand recording meters installed, the billable load / demand during a month shall be the actual maximum load / demand as recorded by the meter (can be in parts of kW or kVA) or 75% of the contracted load / demand (kW or kVA), whichever is higher. The consumers having load of 10 KW / 13.4 BHP and above, the contracted demand in kVA can be worked out according to the following formula:

Demand in kVA = (Load in BHP *0.746)/ 0.90

Demand in kVA = (Load in kW)/ 0.90

Examples:

A. Contracted demand = 2500 kVA,

   Maximum Demand recorded by the meter = 2800 kVA,

   75% of the contracted demand = 0.75 x 2500 kVA = 1875 kVA

   Billable Demand = 2800 kVA,

   Excess Demand = 2800 - 2500 = 300 kVA,

B. Contracted demand = 2500 kVA,

   Maximum Demand recorded by the meter = 1800 kVA,

   75% of Contracted Demand = 0.75 x 2500 kVA = 1875 kVA

   Billable Demand = 1875 kVA,

C. Contracted load = 3 kW,

   Maximum load recorded by the meter = 2.2 kW,

   75% of Contracted load = 0.75 x 3 kW = 2.25 kW

   Billable Load = 2.25 kW,

D. Contracted load = 3 kW,

   Maximum load recorded by the meter = 3.20 kW,

   75% of Contracted load = 0.75 x 3 kW = 2.25 kW

   Billable Load = 3.20 kW,

   Excess load = 3.20 – 3.00 = 0.20 kW,

E. Contracted load = 10 kW,

   Contracted demand in kVA = 10 / 0.9 kVA = 11.11 kVA

   Maximum demand recorded by the meter = 13.20 kVA,

   75% of Contracted demand = 0.75 x 11.11 kVA = 8.33 kVA

Billable Demand = 13.20 kVA,

Excess Demand = 13.20 kVA – 11.11 kVA = 2.08 kVA

7. SURCHARGE / PENALTY:

(i) DELAYED PAYMENT:

If a consumer fails to pay his electricity bill by the due date specified therein, a late payment surcharge shall be levied at 1.5% per month. Late payment surcharge shall be calculated proportionately for the number of days for which the payment is delayed beyond the due date specified in the bill and levied on the unpaid amount of the bill excluding surcharge. Imposition of this surcharge is without prejudice to the right of the Licensee to disconnect the supply or take any other measure permissible under the law.

(ii) CHARGES FOR EXCEEDING CONTRACTED DEMAND:

If the maximum load / demand in any month of a consumer having TVM / TOD / Demand recording meters exceed the contracted load / demand, then such excess load / demand shall be levied equal to twice the normal rate apart from the normal fixed / demand charge as per the maximum load / demand recorded by the meter.

The above shall be without prejudice to the Licensee's right to take such other appropriate action including disconnection of supply, as may be deemed necessary to restrain the consumer from exceeding his contracted load.

Any surcharge / penalty shall be over and above the minimum charge, if the consumption bill of the consumer is being prepared on the basis of minimum charge.

Examples:

A. For consumers billed on fixed charge basis:

Contracted load = 5 kW, Maximum load recorded by meter = 7.2 kW, 75% of the contracted load = 3.75 kW, Billable Load = 7.2 kW

Excess Load = 7.2 kW – 5 kW = 2.2 kW,

Rate of Fixed Charges = Rs. 225 / kW

Fixed Charges for maximum load = 7.2 x 225=Rs. 1620

Penalty Charges for excess load = 2.2 x (2 x225) =Rs. 990

Total Charges = 1620 + 990 = Rs. 2610

B. For consumers billed on demand charge basis:

Contracted demand = 2500 kVA, Maximum Demand recorded by meter = 2800 kVA,

75% of the contracted demand = 1875 kVA, Billable demand = 2800 kVA

Excess Demand = 2800 kVA – 2500 kVA = 300 kVA,

Rate of Demand Charges = Rs. 250 / kVA

Demand Charges for maximum demand =2800 x 250=Rs. 700000

Penalty Charges for excess demand = 300 x (2 x 250) =Rs. 150000

Total Charges = 700000+150000= Rs. 850000

C. For consumers billed on demand charge basis:

Contracted load = 10 kW, Contracted demand in kVA = 10 / 0.9 kVA = 11.11 kVA

Maximum demand recorded by the meter = 13.20 kVA,

75% of Contracted demand = 0.75 x 11.11 kVA = 8.33 kVA

Billable Demand = 13.20 kVA,

Excess Demand = 13.20 kVA – 11.11 kVA = 2.09 kVA

Rate of Demand Charges = Rs. 250 / kVA

Demand Charges for maximum demand =13.20 x 250=Rs. 3300

Penalty Charges for excess demand = 2.09 x (2 x 250) =Rs. 1045

Total Charges = 3300+1040 = Rs. 4345

Provided where no TVM / TOD / Demand recording meter is installed, the excess load / demand penalty shall be billed as per the UPERC Electricity Supply Code, 2005 and amendments thereof.

8. POWER FACTOR SURCHARGE:

(i) Power factor surcharge shall not be levied where consumer is being billed on kVAh consumption basis.

(ii) It shall be obligatory for all consumers to maintain an average power factor of 0.85 or more during any billing period. No new connections of motive power loads / inductive loads above 3 kW, other than under LMV-1 and LMV-2 category, and / or of welding transformers above 1kVA shall be given, unless shunt capacitors having I.S.I specifications of appropriate ratings are installed, as described in **ANNEXURE 15.4**.

(iii) In respect of the consumers with or without static TVMs, excluding consumers under LMV-1 category up to connected load of 10 kW and LMV-2 category up to connected load of 5 kW, if on inspection it is found that capacitors of appropriate rating are missing or in-operational and Licensee can prove that the absence of capacitor is bringing down the power factor of the consumer below the obligatory norm of 0.85; then a surcharge of 15% of the amount of bill shall be levied on such consumers. Licensee may also initiate action under the relevant provisions of the Electricity Act, 2003, as amended from time to time.

Notwithstanding above the Licensee also has a right to disconnect the power supply, if the power factor falls below 0.75.

(iv) Power factor surcharge shall however, not be levied during the period of disconnection on account of any reason whatsoever.

9. PROVISION RELATED TO SURCHARGE WAIVER SCHEME FOR RECOVERY OF BLOCKED ARREARS:

(i) The Licensee may, on a decision by its Board of Directors, launch a Surcharge Waiver Scheme (One time Settlement Scheme) beginning January and July of every year, for a period of two months each, for recovery of its blocked arrears by waving off surcharge to the extent not exceeding 50% of overall surcharge for which no approval of the Commission shall be required.

Provided that the impact of such surcharge waiver shall not be allowed as pass through in the next ARR / Tariff or true-ups. In this regard, the Licensees would have to submit the certificate duly verified by the statutory auditor, of the surcharge waived for any previous year along with the ARR / Tariff Petition of the ensuing year.

Provided that the Surcharge Waiver Scheme (One time Settlement Scheme) shall not be applicable for the consumers, who have availed the benefit of the above scheme once in last three financial years.

(ii) Further, the Licensee should also ensure that all such cases of incorrect billing which are pending for more than 3 months, disputes due to delay in issuance of first bill after release of connection and delay in finalisation of permanent disconnection shall be disposed of during the period of the scheme in which it has been registered.

(iii) Further, the Licensee shall ensure that till the finalisation of the case in the above scheme, no coercive action should be taken against the registered consumers.

(iv) Further, the Licensee may launch a surcharge waiver scheme without any restrictions on quantum of surcharge waiver provided the State Government provides an advance subsidy to compensate the complete / full loss of the Licensee arising out of surcharge waiver.

(v) The Licensees would be required to submit the full details of each Surcharge Waiver Scheme (One time Settlement Scheme) within one month from the end of the scheme.

10. PROTECTIVE LOAD:

Consumers getting supply on independent feeder at 11kV & above voltage, emanating from sub-station, may opt for facility of protective load and avail supply during the period of scheduled rostering imposed by the Licensee, except under emergency rostering. An additional charge @ 100% of base demand charges fixed per month shall be levied on the contracted protective (as per

Electricity Supply Code) load each month. However, consumers of LMV-4 (A) - Public Institutions will pay the additional charge @ 25% of base demand charges only. During the period of scheduled rostering, the load shall not exceed the sanctioned protective load. In case the consumer exceeds the sanctioned protective load during scheduled rostering, he shall be liable to pay twice the prescribed charges for such excess load.

11. ROUNDING OFF:

All bills will be rounded off to the nearest rupee.

12. OPTION OF MIGRATION TO HV-2 CATEGORY:

The consumer under LMV-2 and LMV-4 with contracted load above 50 kW and getting supply at 11 kV & above voltage shall have an option to migrate to the HV-1 category and LMV-6 consumers with contracted load above 50 kW and getting supply at 11 kV & above voltage shall have an option to migrate to the HV-2 category. Furthermore, the consumers shall have an option of migrating back to the original category on payment of charges prescribed in Cost Data Book for change in voltage level.

13. PRE-PAID METERS / AUTOMATIC METER READING SYSTEM:

(i) In line with the directive given in the last Tariff Order, the Commission directs the Licensees to expedite the process of introduction of pre-paid meters on all government connections and public institutions wanting to opt for with loads below 45 kW and installation of automatic meter reading systems for loads above 45 kW.

(ii) Any consumer having prepaid meters shall also be entitled to a discount of 1.25% on Rate as defined in the Tariff Order.

(iii) The token charges for code generation for prepaid meters shall be Rs. 10/- per token.

14. CONSUMERS NOT COVERED UNDER ANY RATE SCHEDULE OR EXPRESSLY EXCLUDED FROM ANY CATEGORY:

For consumers of light, fan & power (excluding motive power loads) not covered under any rate schedule or expressly excluded from any LMV Rate Schedule will be categorized under LMV-2.

15. A consumer under metered category may undertake any extension work, in the same premises, on his existing connection without taking any temporary connection as long as his demand does not exceed his contracted demand and the consumer shall be billed in accordance with the tariff applicable to that category of consumer.

16. SOLAR WATER HEATER REBATE:

If consumer installs and uses solar water heating system of 100 litres or more, a rebate of Rs. 100 /- per month or actual bill for that month whichever is lower shall be given. The same shall be subject to the condition that consumer gives an affidavit to the licensee to the effect that he has installed such system and is in working condition, which the licensee shall be free to verify from time to time. If any such claim is found to be false, in addition to punitive legal action that may be taken against such consumer, the licensee will recover the total rebate allowed to the consumer with 100% penalty and debar him from availing such rebate for the next 12 months.

17. REBATE ON PAYMENT BEFORE DUE DATE:

A rebate at 0.25% of Rate shall be given in case the payment is made before the due date. The consumers having any arrears in the bill shall not be entitled for this rebate. The consumers who have paid the bills in advance as per clause 6.4 of the Electricity Supply Code shall also be eligible for the above rebate applicable on Rate. Suitable changes in the billing software should be made by the Licensee to ensure such rebate to all eligible consumers.

18. TARIFF APPLICABILITY FOR UNMETERED CONSUMER CATEGORIES:

The specified tariff for all the unmetered categories shall be applicable only till 31st March, 2015 unless extended by the Commission through an Order.

19. REBATE TO CONSUMERS WHO SHIFT FROM UNMETERED TO METERED CONNECTION:

Consumers who shift from unmetered to metered connection by 31st March, 2015 shall be given a rebate of 10% on Rate which shall be applicable till end of FY 2016-17.

RATE SCHEDULE LMV – 1:

DOMESTIC LIGHT, FAN & POWER:

1. APPLICABILITY:

This schedule shall apply to:

a) Premises for residential / domestic purpose, Janata Service Connections, Kutir Jyoti Connections, Jhuggi / Hutments, Places of Worship (e.g. Temples, Mosques, Gurudwaras, Churches) and Electric Crematoria.

b) Mixed Loads

i. 50 kW and above

a. Registered Societies, Residential Colonies / Townships, Residential Multi-Storied Buildings with mixed loads (getting supply at single point) with the condition that 70% of the total contracted load shall be exclusively for the purposes of domestic light, fan and power. The above mixed load, within 70%, shall also include the load required for lifts, water pumps and common lighting,

b. Military Engineer Service (MES) for Defence Establishments (Mixed load without any load restriction).

ii. Less than 50 kW

Except for the case as specified in Regulation 3.3 (e) of Electricity Supply Code, 2005 as amended from time to time, if any portion of the load is utilized for conduct of business for non-domestic purposes then the entire energy consumed shall be charged under the rate schedule of higher charge

2. CHARACTER AND POINT OF SUPPLY:

As per the applicable provisions of Electricity Supply Code.

3. RATE:

Rate, gives the fixed and energy charges at which the consumer shall be billed for his consumption during the billing period applicable to the category:

(a) Consumers getting supply as per 'Rural Schedule' (other than Tehsil Head Quarters, Nagar Palikas and Nagar Panchayat Areas):

Description	Description	Fixed charge	Energy charge)
i) Un-metered	Load up to 2 kW	Rs. 180 / kW / month	Nil
	Load above 2 kW	Rs. 200 / kW / month	Nil
ii) Metered	All Load	Rs. 50 / kW / month	Rs. 2.20 / kWh

(b) Supply at Single Point for bulk loads:

Description	Fixed Charge	Energy Charge
For Townships, Registered Societies, Residential Colonies, multi-storied residential complexes (including lifts, water pumps and common lighting within the premises) with loads 50 kW and above with the restriction that at least 70% of the total contracted load is meant exclusively for the domestic light, fan and power purposes and for Military Engineer Service (MES) for Defence Establishments (Mixed load without any load restriction).	Rs. 70.00 / kW / Month	Rs. 5.25 / kWh

The body seeking the supply at Single point for bulk loads under this category shall be considered as a deemed franchisee of the Licensee. Such body shall charge not more than 10% additional charge on the above specified Rate from its end consumers apart from other applicable charges such as Regulatory Surcharge, Penalty, Rebate and Electricity Duty on actual basis.

(c) OTHER METERED DOMESTIC CONSUMERS:

1. **Lifeline consumers:** Consumers with contracted load of 1 kW, energy consumption up to 150 kWh / month.

Description	Fixed Charge	Energy Charge
Loads of 1 kW only and for consumption up to 50 kWh / month (0 to 50 kWh / month)	Rs. 50.00 / kW / month	Rs. 2.00 / kWh
Loads of 1 kW only and for consumption above 50 kWh / month up to 150 kWh / month (51 to 150 kWh / month)	Rs. 50.00 / kW / month	Rs. 2.85 / kWh

2. **Others:** Other than life line consumers (i.e. consumers who do not qualify under the criteria laid down for lifeline consumers.)

Description	Consumption Range	Fixed Charge	Energy Charge
All loads	Upto 150 kWh / month	Rs. 75.00 / kW / month	Rs. 4.00 / kWh
	151 - 300 kWh / month		Rs. 4.50 / kWh
	301 – 500 kWh / month		Rs. 5.00 / kWh
	Above 500 kWh / month (From 501st unit onwards)		Rs. 5.50 / kWh

Note:

1. For all consumers under this category the maximum demand during the month recorded by the meter has to be essentially indicated in their monthly bills. However, this condition would be mandatory only in case meter reading is done by the Licensee. Accordingly, if the bill is being prepared on the basis of reading being submitted by the consumer then the consumer would not be liable to furnish maximum demand during the month and his bill would not be held back for lack of data on maximum demand.

RATE SCHEDULE LMV– 2:

NON DOMESTIC LIGHT, FAN AND POWER:

1. APPLICABILITY:

This schedule shall apply to all consumers using electric energy for Light, Fan and Power loads for Non-Domestic purposes, like all type of Shops including Patri Shopkeepers, Hotels, Restaurants, Private Guest Houses, Private Transit Hostels, Private Students Hostels, Marriage Houses, Show-Rooms, Commercial / Trading Establishments, Cinema and Theatres, Banks, Cable T.V. Operators, Telephone Booths / PCO (STD / ISD), Fax Communication Centres, Photo Copiers, Cyber Café, Private Diagnostic Centres including X-Ray Plants, MRI Centres, CAT Scan Centres, Pathologies and Private Advertising / Sign Posts / Sign Boards, Commercial Institutions / Societies, Automobile Service Centres, Coaching Institutes, Private Museums, Power Looms with less than 5 kW load and for all companies registered under the Companies Act, 1956 with loads less than 75 kW.

2. Character and Point of Supply:

As per the applicable provisions of Electricity Supply Code.

3. RATE:

Rate, gives the fixed and energy charges at which the consumer shall be billed for his consumption during the billing period applicable to the category:

(a) Consumers getting supply as per 'Rural Schedule' (other than Tehsil Head Quarters, Nagar Palikas and Nagar Panchayat Areas):

Description	Description	Fixed charge	Energy charge)
i) Un-metered	Load up to 2 kW	Rs. 350 / kW / month	Nil
	Load above 2 kW	Rs. 400 / kW / month	Nil

Description	Description	Fixed charge	Energy charge)
ii) Metered	All Load	Rs. 65 / kW / month	Rs. 2.75 / kWh

(b) Private Advertising / Sign Posts / Sign Boards / Glow Signs / Flex:

For all commercial (road side / roof tops of buildings) advertisement hoardings such as Private Advertising / Sign Posts / Sign Boards / Glow Signs / Flex, the rate of charge shall be as below:

Description	Fixed Charge	Energy Charge	Minimum Charge
Metered	-	Rs. 14.00 / kWh	Rs. 1200 / kW / Month

Note:

For application of these rates Licensee shall ensure that such consumption is separately metered.

(c) In all other cases, including urban consumers and consumers getting supply through rural feeders but exempted from scheduled rostering / restrictions or through co-generating radial feeders in villages / towns.

Consumption Range	Fixed Charge	Energy Charge
Upto 150 kWh / month	Rs. 200.00 / kW / month	Rs. 6.00/ kWh
151 – 300 kWh / month		Rs. 6.50/ kWh
301 – 1000 kWh / month		Rs. 6.80/ kWh
Above 1001 kWh / month (From 1001st unit onwards)		Rs. 7.10/ kWh

Note:

1. For all consumers under this category the maximum demand during the month recorded by the meter has to be essentially indicated in their monthly bills. However, this condition would be mandatory only in case meter reading is done by the Licensee. Accordingly, if the bill is being prepared on the basis of reading being submitted by the consumer then the consumer would not be liable to furnish maximum demand during the month and his bill would not be held back for lack of data on maximum demand.

4. REBATE TO POWER LOOMS:

Rebate to Power Loom consumers shall be applicable in accordance with the Government order dated 14th June, 2006 and the Commission's order dated 11th July, 2006 subject to adherence of provision of advance subsidy.

RATE SCHEDULE LMV -3:

PUBLIC LAMPS:

1. APPLICABILITY:

This schedule shall apply to Public Lamps including Street Lighting System, Road Traffic Control Signals, Lighting of Public Parks, etc. The street lighting in Harijan Bastis and Rural Areas are also covered by this rate schedule.

2. CHARACTER AND POINT OF SUPPLY:

As per the applicable provisions of Electricity Supply Code.

3. RATE:

Rate gives the fixed and energy charges (including the TOD rates as applicable to the hour of operation) at which the consumer shall be billed for his consumption during the billing period applicable to the category:

(a) Un-metered Supply:

Description	Gram Panchayat	Nagar Palika and Nagar Panchayat	Nagar Nigam
To be billed on the basis of total connected load calculated as the summation of individual points	Rs. 1700 per kW or part thereof per month	Rs. 2000 per kW or part thereof per month	Rs. 2500 per kW or part thereof per month

(b) Metered Supply:

Description	Gram Panchayat		Nagar Palika and Nagar Panchayat		Nagar Nigam	
All loads	Fixed Charges	Energy Charges	Fixed Charges	Energy Charges	Fixed Charges	Energy Charges
	Rs. 120 / kW / month	Rs. 5.50 / kWh	Rs. 150 / kW / month	Rs. 5.85 / kWh	Rs. 160 / kW / month	Rs. 6.00 / kWh

TOD Rates applicable for the metered supply (% of Energy Charges):

18:00 hrs – 06:00 hrs	0%
06:00 hrs – 18:00 hrs	(+) 20%

4. For 'Maintenance Charges', 'Provision of Lamps' and 'Verification of Load' refer **ANNEXURE 15.2.2.**

RATE SCHEDULE LMV– 4:

LIGHT, FAN & POWER FOR PUBLIC INSTITUTIONS AND PRIVATE INSTITUTIONS:

1. APPLICABILITY:

LMV- 4 (A) - PUBLIC INSTITUTIONS:

This schedule shall apply to:

(a) Government Hospitals / Government Research Institutions / Offices of the Government Organizations other than companies registered under Companies Act 1956.

(b) Government & Government aided (i) Educational Institutions (ii) Hostels (iii) Libraries

(c) Religious and charitable Institutions including orphanage homes, old age homes and those providing services free of cost or at the charges / structure of charges not exceeding those in similar Government operated institutions.

(d) Railway Establishments (excluding railway traction, industrial premises & Metro) such as Booking Centres, Railway Stations & Railway Research and Development Organization, Railway rest houses, Railway holiday homes, Railway inspection houses.

(e) All India Radio and Doordarshan.

LMV-4 (B) - PRIVATE INSTITUTIONS:

This schedule shall apply to non-Government hospitals, nursing homes / dispensaries / clinics, private research institutes, and schools / colleges / educational institutes & charitable institutions / trusts not covered under **(A)** above**.**

2. CHARACTER AND POINT OF SUPPLY:

As per the applicable provisions of Electricity Supply Code.

3. RATE:

Rate, gives the fixed and energy charges at which the consumer shall be billed for his consumption during the billing period applicable to the category:

Description	Fixed Charge	Energy Charge
(A) For Public Institutions	Rs. 200 / kW / month	0 – 1000 kWh / month – Rs. 6.50 / kWh
		Above 1000 kWh / month – Rs. 6.80 / kWh
(B) For Private Institutions	Rs. 200 / kW / month	0 – 1000 kWh / month – Rs. 6.80 / kWh
		Above 1000 kWh / month – Rs. 7.10 / kWh

RATE SCHEDULE LMV– 5:

SMALL POWER FOR PRIVATE TUBE WELLS / PUMPING SETS FOR IRRIGATION PURPOSES:

1. APPLICABILITY:

This schedule shall apply to all power consumers getting supply as per Rural / Urban Schedule for Private Tube-wells / Pumping Sets for irrigation purposes having a contracted load up to 25 BHP and for additional agricultural processes confined to Chaff-Cutter, Thresher, Cane Crusher and Rice Huller. All new connections under this category shall necessarily have the ISI marked energy efficient mono-bloc pump sets with power factor compensation capacitors of adequate rating to qualify for the supply. All existing pump sets shall be required to install power factor compensation capacitors.

2. CHARACTER AND POINT OF SUPPLY:

As per the applicable provisions of Electricity Supply Code.

3. RATE:

Rate gives the fixed and energy charges at which the consumer shall be billed for his consumption during the billing period applicable to the category:

(A) For consumers getting supply as per **Rural Schedule**:

(i) Un-metered Supply

Fixed Charge	Energy Charge
Rs. 100 / BHP / month	Nil
Consumer under this category will be allowed a maximum lighting load of 120 Watts.	

(ii) Metered Supply

Fixed Charge	Minimum Charges	Energy Charge
Rs. 30.00 / BHP / month	Rs. 75.00 / BHP / month	Rs. 1.00 / kWh

NOTE: *Minimum bill payable by a consumer under Rural Schedule (Metered Supply) shall be Rs. 75 per BHP per month, till the installation of the meter.*

(B) For consumers getting supply as per **Urban Schedule** (Metered Supply) including consumers getting supply through rural feeders exempted from scheduled rostering or through co-generating radial feeders in villages and towns.

Fixed Charge	Minimum Charges	Energy Charge
Rs. 55.00 / BHP / month	Rs. 220.00 / BHP / month	Rs. 5.00 / kWh

NOTE: *Minimum bill payable by a consumer under Urban Schedule (Metered Supply) shall be Rs. 220.00 per BHP per month, till the installation of the meter.*

RATE SCHEDULE LMV– 6:

SMALL AND MEDIUM POWER:

1. **APPLICABILITY:**

This schedule shall apply to all consumers of electrical energy having a contracted load up to 100 HP (75 kW) for industrial / processing or agro-industrial purposes, power loom (load of 5 kW and above) and to other power consumers, not covered under any other rate schedule. Floriculture / Mushroom farming units having loads up-to 100 BHP (75kW) shall also be covered under this rate schedule. This schedule shall also apply to pumping sets above 25 BHP.

2. **CHARACTER AND POINT OF SUPPLY:**

As per the applicable provisions of Electricity Supply Code.

3. **RATE:**

Rate, gives the fixed and energy charges (including the TOD rates as applicable to the hour of operation) at which the consumer shall be billed for his consumption during the billing period applicable to the category:

(A) Consumers getting supply other than Rural Schedule:

Consumption Range	Fixed Charge	Energy Charge
0 – 1000 kWh / month	Rs. 225 / kW / month	Rs. 6.20 / kWh
Above 1000 kWh / month	Rs. 225 / kW / month	Rs. 6.80 / kWh

TOD Rates (% of Energy Charges):

22:00 hrs – 06:00 hrs	(-) 7.5%
06:00 hrs – 17:00 hrs	0%
17:00 hrs – 22:00 hrs	(+) 15%

(B) Consumers getting supply as per Rural Schedule:

The consumer under this category shall be entitled to a rebate of 7.5% on demand & energy charges as given for under urban schedule without TOD rates.

4. PROVISIONS RELATED TO SEASONAL INDUSTRIES:

Seasonal industries will be determined in accordance with the criteria laid down below. No exhaustive list can be provided but some examples of industries exhibiting such characteristics are sugar, ice, rice mill and cold storage. The industries which operate during certain period of the year, i.e. have seasonality of operation, can avail the benefits of seasonal industries provided:

i) The load of such industry is above 13.4 BHP (for motive power loads) & 10 kW (other loads) and have Tri-vector Meters / TOD meters installed at their premises.

ii) The continuous period of operation of such industries shall be at least 4 (four) months but not more than 9 (nine) months in a financial year.

iii) Any prospective consumer, desirous of availing the seasonal benefit, shall specifically declare his season at the time of submission of declaration / execution of agreement mentioning the period of operation unambiguously.

iv) The seasonal period once notified cannot be reduced during the next consecutive 12 months. The off-season tariff is not applicable to composite units having seasonal and other category loads.

v) The off-season tariff is also not available to those units who have captive generation exclusively for process during season and who avail Licensees supply for miscellaneous loads and other non-process loads.

vi) The consumer opting for seasonal benefit has a flexibility to declare his off seasonal maximum demand subject to a maximum of 25% of the contracted demand. The tariff rates (demand charge per kW / kVA and energy charge per kWh / kVAh) for such industries during off-season period will be the same as for normal period. Further, during the off season fixed charges shall be levied on the basis of maximum demand recorded by the meter (not on normal billable demand or on percentage contracted demand). Rates for the energy charges shall however be the same as during the operational season. Further, first violation in the season would attract full billable demand charges and energy charges calculated at the unit rate 50% higher than the applicable tariff during normal period but only for the month in which the consumer has defaulted. However, on second default the consumer will forfeit the benefit of seasonal rates for the entire season.

5. REBATE TO POWER LOOMS:

Rebate to Power Loom consumers shall be applicable in accordance with the Government order dated 14th June, 2006 and the Commission's order dated 11th July, 2006 subject to adherence of provision of advance subsidy.

6. FACTORY LIGHTING:

The electrical energy supplied shall also be utilized in the factory premises for lights, fans, coolers, etc. which shall mean and include all energy consumed for factory lighting in the offices, the main factory building, stores, time keeper's office, canteen, staff club, library, crèche, dispensary, staff welfare centres, compound lighting, etc. No separate connection for the same shall be provided.

RATE SCHEDULE LMV– 7:

PUBLIC WATER WORKS:

1. APPLICABILITY:

This schedule shall apply to Public Water Works, Sewage Treatment Plants and Sewage Pumping Stations functioning under Jal Sansthan, Jal Nigam or other local bodies.

2. CHARACTER AND POINT OF SUPPLY:

As per the applicable provisions of Electricity Supply Code.

3. RATE:

(A) Consumers getting supply other than "Rural Schedule":

Rate gives the fixed and energy charges at which the consumer shall be billed for his consumption during the billing period applicable to the category:

Fixed Charge	Energy Charge
Rs. 230.00 / kW / month	Rs. 6.80 / kWh

(B) Consumers getting supply as per "Rural Schedule":

The consumer under this category shall be entitled to a rebate of 7.5% on demand & energy charges as given for under other than rural schedule.

RATE SCHEDULE LMV – 8:

STATE TUBE WELLS / PANCHAYTI RAJ TUBE WELL & PUMPED CANALS:

1. APPLICABILITY:

(i) This schedule shall apply to supply of power for all State Tube wells, including Tube wells operated by Panchayti Raj, World Bank Tube wells, Indo Dutch Tube wells, Pumped Canals and Lift Irrigation schemes having a load up to 100 BHP.

(ii) Laghu Dal Nahar having load above 100 BHP.

2. CHARACTER AND POINT OF SUPPLY:

As per the applicable provisions of Electricity Supply Code.

3. RATE:

Rate gives the fixed and energy charges at which the consumer shall be billed for his consumption during the billing period applicable to the category:

Description	Fixed Charge	Energy Charge
Metered	Rs. 200.00 / BHP / month	Rs. 6.55 / kWh
Un-metered	Rs. 1500.00 / BHP / month	Nil

4. For finding out net load during any quarter of the year for this category refer **ANNEXURE 15.2.3**

RATE SCHEDULE LMV – 9:

TEMPORARY SUPPLY:

1. APPLICABILITY:

A) Un-metered Supply for Illumination/ Public Address/ Temporary Shops in Melas:

This schedule shall apply to temporary supply of light, fan & power up to 20 KW, Public address system and illumination loads during functions, ceremonies and festivities and temporary shops, not exceeding three months.

B) Metered Supply for all other purposes:

This schedule shall apply to all temporary supplies of light, fan and power load for the purpose other than mentioned in (A) above.

This schedule shall also apply for power taken for construction purposes not exceeding two years, including civil work by all consumers and Govt. Departments.

2. CHARACTER AND POINT OF SUPPLY:

As per the applicable provisions of Electricity Supply Code.

3. RATE (SEPARATELY FOR EACH POINT OF SUPPLY):

Rate gives the fixed and energy charges at which the consumer shall be billed for his consumption during the billing period applicable to the category:

A. Un-metered:

(i) Fixed charges ***for illumination / public address / ceremonies*** for load up to 20 kW per connection plus Rs. 100 per kW per day for each additional kW.	Rs. 3000.00 / day
(ii) Fixed charges for ***temporary shops*** set-up during festivals / melas or otherwise and having load up to 2KW	Rs. 200.00 / day / shop

B. Metered:

Description	Minimum Charge	Energy Charge
Individual Residential construction	Rs. 150.00 / kW / week	Rs. 6.50 / kWh
Others		Rs. 7.85 / kWh

Note:

Charge as specified at A, shall be paid by the consumer in advance.

RATE SCHEDULE LMV– 10:

DEPARTMENTAL EMPLOYEES AND PENSIONERS:

1. **APPLICABILITY:**

This schedule shall apply only to such employees (including the cases of retired / voluntary retired or deemed retired) of Licensees / successor entities of erstwhile Uttar Pradesh State Electricity Board (UPSEB), who own

electricity connection in their own name and opt for the same for their own use for light, fan and power for domestic appliances, where the energy is being fed directly from Licensee mains. The Schedule shall also apply to spouse of employees served under Licensees / successor entities of erstwhile UPSEB.

2. **RATE:**

Un-metered: Rate, gives the fixed and energy charges at which the consumer shall be billed for his consumption during the billing period applicable to the category:

Category	Fixed charge / month	Fixed Monthly Energy Charge
Class IV employees / Operating staff	Rs. 140.00	Rs. 160.00
Class III employees	Rs. 170.00	Rs. 200.00
Junior Engineers & equivalent posts	Rs. 230.00	Rs. 370.00
Assistant Engineers & equivalent posts	Rs. 260.00	Rs. 520.00
Executive Engineers & equivalent posts	Rs. 280.00	Rs. 550.00
Superintending Engineers / Deputy General Managers & equivalent posts	Rs. 510.00	Rs. 650.00
Chief Engineers (I & II) / General Managers and above	Rs. 550.00	Rs. 750.00
Additional charge for employees using Air Conditioners.	Rs. 550.00 per month per Air conditioner	

Metered: Metered consumers under this category shall be given 50% rebate on rate of charge applicable to "other metered consumers" under LMV-1 category.

3. ELECTRICITY DUTY:

Electricity duty on the above shall be levied in addition at the rates as may be notified by the State Government from time to time.

Note: In case of retired / voluntary retired or deemed retired employees, the rate shall be the same as applicable to the post from which he / she has retired.

4. For 'Other Provisions' and 'Mode of Payment' for Departmental Employees refer **ANNEXURE 15.2.1**.

Section 23 (7) of Electricity Reforms Act, 1999 provides that "terms and condition of service of the personnel shall not be less favourable to the terms and condition which were applicable to them before the transfer". The same spirit has been echoed under first proviso of section 133 (2) of the Electricity Act, 2003. The benefits for employees / pensioners as provided in section 12 (b) (ii) of the Uttar Pradesh Reform Transfer Scheme, 2000 include "concessional rate of electricity", which means concession in rate of electricity to the extent it is not inferior to what was existing before 14th January, 2000. The rates and charges indicated above for this category are strictly in adherence of above statutory provisions.

RATE SCHEDULE HV– 1:

NON INDUSTRIAL BULK LOADS:

1. APPLICABILITY:

This rate schedule shall apply to:

(a) Commercial loads (as defined within the meaning of LMV-2) with contracted load of 75 kW & above and getting supply at single point on 11 kV & above voltage levels.

(b) Private institutions (as defined within the meaning of LMV-4 (b)) with contracted load of 75 kW & above and getting supply at single point on 11 kV & above voltage levels.

(c) Non domestic bulk power consumer (other than industrial loads covered under HV-2) with contracted load 75 kW & above and getting supply at single point on 11 kV & above voltage levels and feeding multiple individuals (owners / occupiers / tenants of some area within the larger premises of the bulk power consumer) through its own network and also responsible for maintaining distribution network.

(d) Public institutions (as defined within the meaning of LMV-4 (a)) with contracted load of 75 kW & above and getting supply at single point on 11 kV & above voltage levels. The institution / consumer seeking the supply at Single point for non-industrial bulk loads under this category shall be considered as a deemed franchisee of the Licensee.

(e) Registered Societies, Residential Colonies / Townships, Residential Multi-Storied Buildings with mixed loads (getting supply at single point) with contracted load 75 kW & above and getting supply at single point on 11 kV & above voltage levels and having less than 70% of the total contracted load exclusively for the purposes of domestic light, fan and power. Figure of 70%, shall also include the load required for lifts, water pumps and common lighting,

(f) For Offices / Buildings / Guesthouses of UPPCL / UPRVUNL / UPJVNL / UPPTCL / Distribution Licensees having loads above 75 kW and getting supply at 11 kV & above voltages.

2. CHARACTER AND POINT OF SUPPLY:

As per the applicable provisions of Electricity Supply Code.

3. RATE:

Rate, gives the demand and energy charges at which the consumer shall be billed for consumption during the billing period applicable to the category:

(a) Commercial Loads / Private Institutions / Non domestic bulk power consumer with contracted load 75 kW & above and getting supply at Single Point on 11 kV & above:

	For supply at 11kV	**For supply at 33 kV & above**
Demand Charges	Rs. 270.00 / kVA / month	Rs. 250.00 / kVA / month
Energy Charges	Rs. 6.80 / kVAh	Rs. 6.60 / kVAh

(b) Public Institutions, Registered Societies, Residential Colonies / Townships, Residential Multi-Storied Buildings including Residential Multi-Storied Buildings with contracted load 75 kW & above and getting supply at Single Point on 11 kV & above voltage levels:

	For supply at 11kV	**For supply at 33 kV & above**
Demand Charges	Rs. 250.00 / kVA / month	Rs. 240.00 / kVA / month
Energy Charges	Rs. 6.60 / kVAh	Rs. 6.40 / kVAh

The body seeking the supply at Single point for bulk loads under this category shall be considered as a deemed franchisee of the Licensee. Such body shall charge not more than 10% additional charge on the above specified Rate from its end consumers apart from other applicable charges such as Regulatory Surcharge, Penalty, Rebate and Electricity Duty on actual basis.

RATE SCHEDULE HV– 2:

LARGE AND HEAVY POWER:

1. **APPLICABILITY:**

This rate schedule shall apply to all consumers having contracted load above 75 kW (100 BHP) for industrial and / or processing purposes as well as to Arc / induction furnaces, rolling / re-rolling mills, mini-steel plants and floriculture & farming units and to any other HT consumer not covered under any other rate schedule.

Supply to Induction and Arc furnaces shall be made available only after ensuring that the loads sanctioned are corresponding to the load requirement of tonnage of furnaces. The minimum load of one-ton furnace shall in no case be less than 400 kVA and all loads will be determined on this basis. No supply will be given on loads below this norm.

For all HV-2 consumers, conditions of supply, apart from the rates, as agreed between the Licensee and the consumer shall continue to prevail as long as they are in line with the existing Regulations & Acts.

2. **CHARACTER AND POINT OF SUPPLY:**

As per the applicable provisions of Electricity Supply Code.

3. **RATE:**

Rate, gives the demand and energy charges (including the TOD rates as applicable to the hour of operation) at which the consumer shall be billed for his consumption during the billing period applicable to the category:

(A) Urban Schedule:

	For supply at 11 kV	**For supply above 11 kV and up to & including 66 kV**	**For supply above 66 kV and up to & including 132 kV**	**For supply above 132 kV**
BASE RATE				
Demand Charges	Rs. 250.00 / kVA / month	Rs. 240.00 / kVA / month	Rs. 220.00 / kVA / month	Rs. 220.00 / kVA / month
Energy Charges	Rs. 6.30 / kVAh	Rs. 6.00 / kVAh	Rs. 5.80 / kVAh	Rs. 5.60 / kVAh
TOD RATE				
22:00 hrs – 06:00 hrs	(-) 7.5%	(-) 7.5%	(-) 7.5%	(-) 7.5%
06:00 hrs – 17:00 hrs	0%	0%	0%	0%
17:00 hrs – 22:00 hrs	(+) 15%	(+) 15%	(+) 15%	(+) 15%

(B) Rural Schedule:

This schedule shall be applicable only to consumers getting supply up to 11 kV as per 'Rural Schedule'. The consumer under this category shall be entitled to a rebate of 7.5% on demand & energy charges as given for 11 kV consumers under urban schedule without TOD rates.

(C) Consumers already existing under HV-2 category with metering arrangement at low voltage:

Existing consumer under HV-2 with metering at 0.4 kV shall be required to pay as per schedule applicable to 11 kV consumers under HV-2 category.

4. PROVISIONS RELATED TO SEASONAL INDUSTRIES:

Seasonal industries will be determined in accordance with the criteria laid down below. No exhaustive list can be provided but some examples of industries exhibiting such characteristics are sugar, ice, rice mill and cold storage. The industries which operate during certain period of the year, i.e. have seasonality of operation, can avail the benefits of seasonal industries provided:

i. The continuous period of operation of such industries shall be at least 4 (four) months but not more than 9 (nine) months in a financial year.

ii. Any prospective consumer, desirous of availing the seasonal benefit, shall specifically declare his season at the time of submission of declaration / execution of agreement mentioning the period of operation unambiguously.

iii. The seasonal period once notified cannot be reduced during the next consecutive 12 months. The off-season tariff is not applicable to composite units having seasonal and other category loads.

iv. The off-season tariff is also not available to those units who have captive generation exclusively for process during season and who avail Licensees supply for miscellaneous loads and other non-process loads.

v. The consumer opting for seasonal benefit has a flexibility to declare his off seasonal maximum demand subject to a maximum of 25% of the contracted demand. The tariff rates (demand charge per kW / kVA and energy charge per kWh / kVAh) for such industries during off-season period will be the same as for normal period. Further, during the off season fixed charges shall be levied on the basis of maximum demand recorded by the meter (not on normal billable demand or on percentage contracted demand). Rates for the energy charges shall however be the same as during the operational season. Further, first violation in the season would attract full billable demand charges and energy charges calculated at the unit rate 50% higher than the applicable tariff during normal period but only for the month in which the consumer has defaulted. However, on second default the consumer will forfeit the benefit of seasonal rates for the entire season.

5. FACTORY LIGHTING:

The electrical energy supplied shall also be utilized in the factory premises for lights, fans, coolers, etc. which shall mean and include all energy consumed for factory lighting in the offices, the main factory building, stores, time keeper's office, canteen, staff club, library, crèche, dispensary, staff welfare centres, compound lighting, etc. No separate connection for the same shall be provided.

RATE SCHEDULE HV – 3:

A: RAILWAY TRACTION:

1. APPLICABILITY:

This schedule shall apply to the Railways for Traction loads only.

2. CHARACTER OF SERVICE AND POINT OF SUPPLY:

Alternating Current, single phase, two phase or three phase, 50 cycles, 132 kV or below depending on the availability of voltage of supply and the sole discretion of the Licensee. The supply at each sub-station shall be separately metered and charged.

3. RATE:

Rate, gives the demand and energy charges at which the consumer shall be billed for consumption during the billing period applicable to the category:

Description	Charges
(a) Demand Charge	
For supply at and above 132 kV	Rs. 280.00 / kVA / month
Below 132 Kv	Rs. 6.05 / kVA / month
(b) Energy Charge (all consumption in a month)	
For supply at and above 132 kV	Rs. 280.00 / kVAh
Below 132 kV	Rs. 6.30 / kVAh
(c) Minimum Charge	Rs. 700.00 / kVA / month

4**. DETERMINATION OF THE DEMAND:**

Demand measurement at a particular time will be made on basis of simultaneous maximum demands recorded in summation kilovolt-ampere meter installed at contiguous substation serviced by same grid transformer.

The demand for any month shall be defined as the highest average load measured in Kilo Volt –amperes during any fifteen consecutive minutes period of the month.

B: DELHI METRO RAIL:

1. APPLICABILITY:

This schedule shall apply to the DMRC (Delhi Metro Rail Corporation).

2. CHARACTER OF SERVICE AND POINT OF SUPPLY:

Alternating Current, single phase, two phase or three phase, 50 cycles, 132 kV or below depending on the availability of voltage of supply and the sole discretion of the Licensee. The supply at each sub-station shall be separately metered and charged.

3. RATE:

Rate, gives the energy charges at which the consumer shall be billed for consumption during the billing period applicable to the category:

Demand Charges	Rs. 125.00 / kVA / month
Energy Charges	Rs. 5.60 / kVAh
Minimum charge	Rs. 600 / kVA / month

- Penalty @ Rs. 540 / kVA will be charged on excess demand, if demand exceeds contracted load.
- This category has been made as per the agreement between DMRC and NOIDA Administration.

4. DETERMINATION OF THE DEMAND:

Demand measurement shall be made by suitable kilovolt ampere indicator at the point of delivery. The demand for any month shall be defined as the highest average load measured in Kilo Volt-Amperes during any fifteen consecutive minutes period of the month.

RATE SCHEDULE HV – 4:

LIFT IRRIGATION WORKS:

1. **APPLICABILITY:**

This Rate Schedule shall apply to medium and large pumped canals having load of more than 100 BHP (75kW).

2. **CHARACTER OF SERVICE & POINT OF SUPPLY:**

As per applicable provisions of Electricity Supply Code.

3. **RATE:**

Rate, gives the demand and energy charges at which the consumer shall be billed for his consumption during the billing period applicable to the category:

(a) Demand Charges:

Voltage Level	Rate of Charge
For supply at 11 kV	Rs. 250.00 / kVA / month
For supply at 33 kV and 66 kV	Rs. 240.00 / kVA / month
For supply at 132 kV	Rs. 230.00 / kVA / month

(b) Energy Charges:

Voltage Level	Rate of Charge
For supply at 11 kV	Rs. 6.50 / kVAh
For supply at 33 kV and 66 kV	Rs. 6.25 / kVAh
For supply at 132 kV	Rs. 6.00 / kVAh

c) Minimum Charges:

Rs. 750.00 / kVA / month irrespective of supply voltage

4. DETERMINATION OF THE DEMAND:

Demand measurement shall be made by suitable kilovolt ampere indicator at the point of supply. In the absence of suitable demand indicator, the demand as assessed by the Licensee shall be final and binding. If, however, the number of circuits is more than one, demand and energy measurement will be done on the principle of current transformer summation metering.

15.2.1 **DEPARTMENTAL EMPLOYEES**:

1. OTHER PROVISIONS:

(i) For serving / retired employees and their spouse, the supply will only be given at one place where Licensee’s mains exist. The electric supply under this tariff will be given only at one place, within the area of erstwhile UPSEB / its successor companies.

(ii) In the event of transfer of the employee, this tariff shall be applied at the new place of posting only when a certificate has been obtained from the concerned Executive Engineer of the previous place of posting, that the supply under this tariff has been withdrawn at previous place of posting. Further, the employee shall also be required to submit an affidavit that he is not availing the benefit of LMV-10 connection anywhere else in the state.

(iii) Those who are not availing this tariff shall also give a declaration to this effect. This declaration shall be pasted / kept in his service book / personal file / Pensioners record. If the declaration is found wrong, necessary action against the employee shall be taken as per the provisions of service rules. If declaration has already been given at the present place of posting then further declaration is not necessary due to this revision. Pensioners shall also have to give a similar declaration for availing departmental tariff at only one place. In case this declaration is found wrong, this tariff shall be withdrawn forever.

(iv) No other concession shall be admissible on this tariff.

(v) The schedule of miscellaneous charges as appended with Licensee's General Tariff as amended from time to time and Electricity Supply (Consumers) Regulation, 1984 as enforced from time to time shall also be applicable on the employee / pensioner receiving supply under this schedule.

(vi) Retired employees drawing pension from the Treasury / Bank will have to pay the monthly electricity charges as per the rates given in the rate schedule applicable to their category.

(vii) In case of Multi-Storied / Societies where the electricity connection are provided at single point with HT metering, the employees / pensioners / family pensioners, shall be provided through a separate meter and shall be given adjustment towards HT side metered energy at single point. Fixed charges equivalent to sanctioned load of the departmental employee shall also be adjusted. One percent of energy consumed by LMV-10 consumer shall also be added towards transformation losses for giving adjustment

(viii) LMV-10 consumers will have to give an undertaking regarding use of Air conditioners.

2. MODE OF PAYMENT:

(i) The Disbursing Officer shall compulsorily and regularly deduct the amount due monthly from the salary bill of each and every employee / pensioners drawing pay / pension from his unit each month. The Drawing Officer shall ensure that each employee / pensioner has given the declaration about the connection in his name together with details of S.C. No. / Book No. and name of the billing division, before the disbursement of pay / pension.

(ii) The monthly amount due from a consumer of this category can also be deposited by the concerned officer / employee to the concerned division in case the said amount is not being deducted from his salary / pension.

(iii) Revenue and Energy Statistics in respect of the category of employee / pensioner shall be regularly prepared by the Divisions in the same manner as for every other manually billed category.

(iv) Recovery from the salary shall be sent to the billing units in accordance with the instructions contained in circular No. 362-CAO/C-177 (Misc.) dated 5.5.89 and No. 380-CAO dated 12.5.89 from Chief Accounts Officer of erstwhile UPSEB, Lucknow.

(v) In case of metered consumption, the mode of payment shall be similar to the domestic consumer.

15.2.2 **PUBLIC LAMPS:**

1. MAINTENANCE CHARGE:

In addition to the “Rate of Charge” mentioned above, a sum of Rs. 10.00 per light point per month will be charged for operation and maintenance of street lights. This Maintenance Charge will cover only labour charges, where all required materials are supplied by the local bodies. However, the local bodies will have an option to operate and maintain the public lamps themselves and in such case, no maintenance charge shall be recovered. This charge shall not apply to the consumers with metered supply.

2. PROVISION OF LAMPS:

Streets where distribution mains already exist, the Licensee will provide a separate single-phase, 2-wire system for the street lights including light fitting and incandescent lamps of rating not exceeding 100 Watts each. In case the above maintenance charge is being levied, the labour involved in replacements or renewal of lamps shall be provided by the Licensee. However, all the required materials shall be provided by the local bodies. The cost of all other types of street light fittings shall be paid by the local bodies.

The cost involved in extension of street light mains (including cost of sub - stations, if any) in areas where distribution mains of the Licensee have not been laid, will be paid for by the local bodies.

3. VERIFICATION OF LOAD:

The number of light points including that of traffic signals together with their wattage will be verified jointly by the representatives of Licensee and Town Area / Municipal Board / Corporation at least once in a year. However, additions will be intimated by the Town Area / Municipal Board / Corporation on monthly basis. The Licensee will carry out the checking of such statements to satisfy themselves of the correctness of the same. The monthly bills shall be issued on the basis of verified number of points at the beginning of the year and additions, if any, during the months as intimated above. The difference, if any, detected during joint verification in the following year shall be reconciled and supplementary bills shall be issued.

Further, if the authorized representative of concerned local body does not participate in the work of verification of light points, a notice will be sent by concerned Executive Engineer in writing to such local bodies for deputing representative on specific date(s), failing which the verification of the light points shall be done by the concerned representative of Licensee which shall be final and binding upon such local body.

15.2.3 **STATE TUBE-WELLS**

NET LOAD:

(i) Net load hereinafter shall mean the total load connected during the quarter less the load of failed and abandoned tube-wells accounted for during that quarter.

(ii) The connected load as on 31st March of the preceding year will be worked out on the basis of 'Net load' reported by the Executive Engineers of concerned Divisions after joint inspection and verification of the same by the concerned officers of the State Government / Panchayat, joint meter reading shall also be taken during the inspection on quarterly basis. The monthly bills for three months of the first quarter will be issued on the connected load worked out as such at the above rates. The same process shall be repeated for subsequent quarters.

15.3 SCHEDULE OF MISCELLANEOUS CHARGES

Sl. No.	NATURE OF CHARGES	UNIT	RATES (₹)
1.	Checking and Testing of Meters:		
	a. Single Phase Meters	Per Meter	50.00
	b. Three Phase Meters	Per Meter	50.00
	c. Recording Type Watt-hour Meters	Per Meter	175.00
	d. Maximum Demand Indicator	Per Meter	350.00
	e. Tri-vector Meters	Per Meter	1000.00
	f. Ammeters and Volt Meters	Per Meter	50.00
	g. Special Meters	Per Meter	400.00
	h. Initial Testing of Meters	Per Meter	Nil
2.	Disconnection and Reconnection of supply for any reason whatsoever (Disconnection & Reconnection to be separately treated as single job)		
	a. Consumer having load above 100 BHP/75kW	Per Job	500.00
	b. Power consumers up to 100BHP/75kW	Per Job	275.00
	c. All other categories of consumers.	Per Job	150.00
3.	Replacement of Meters:		
	a. By higher capacity Meter	Per Job	50.00
	b. Installation of Meter and its subsequent removal in case of Temporary Connections	Per Job	75.00
	c. Changing of position of Meter Board at the consumer's request	Per Job	100.00
4.	Service of Wireman :		
	a. Replacement of Fuse	Per Job	20.00
	b. Inserting and Removal of Fuse in respect of night loads.	Per Job	25.00
	c. Hiring of services by the consumer during temporary supply or otherwise.	Per wireman /day of 6 Hrs.	60.00
5.	Resealing of Meters on account of any reason in addition to other charges payable in terms of other provision of charging of penalties, etc.)	Per Meter	100.00

Sl. No.	NATURE OF CHARGES	UNIT	RATES (₹)
6.	Checking of Capacitors (other than initial checking) on consumer's request: a. At 400 V / 230 V b. At 11 kV and above.	 Per Job Per Job	 100.00 200.00

CHARGES FOR TATKAL VIDYUT SANYOJAN (TATKAL CONNECTION):

For urban consumers of LMV-1, LMV-2 and LMV-9 categories, desirous of getting connection within 24 hours of making the application, provided such release of connection does not require extension of distribution mains or commissioning of sub-station or augmenting capacity of transformers, shall have to pay following additional charges apart from the regular connection charges:

1. **FOR PERMANENT ELECTRICITY CONNECTION:**
   a. Single Phase Domestic light and fan : Rs. 500 per connection
   b. Three Phase Domestic light and fan : Rs. 750 per connection
   c. Single Phase Commercial : Rs. 750 per connection
   d. Three Phase Commercial : Rs. 1000 per connection

2. **FOR TEMPORARY ELECTRICITY CONNECTION:**
   a. Single Phase (Up to 4 kW) : Rs. 750 per connection
   b. Three Phase (from 5 kW to 24 kW) : Rs. 1000 per connection

15.4 LIST OF POWER FACTOR APPARATUS

FOR MOTORS:

Sl. No.	Rating of Individual Motor	KVAR Rating of Capacitor			
		750 RPM	1000 RPM	1500 RPM	3000 RPM
1.	Up to 3 HP	1	1	1	1
2.	5 HP	2	2	2	2
3.	7.5 HP	3	3	3	3
4.	10 HP	4	4	4	3
5.	15 HP	6	5	5	4
6.	20 HP	8	7	6	5
7.	25 HP	9	8	7	6
8.	30 HP	10	9	8	7
9.	40 HP	13	11	10	9
10.	50 HP	15	15	12	10
11.	60 HP	20	20	16	14
12.	75 HP	24	23	19	16
13.	100 HP	30	30	24	20
14.	125 HP	39	38	31	26
15.	150 HP	45	45	36	30
16.	200 HP	60	60	48	40

FOR WELDING TRANSFORMERS:

Sl. No.	Name Plate Rating in KVA of Individual Welding Transformer	Capacity of the Capacitors (KVAR)
1.	1	1
2.	2	2
3.	3	3
4.	4	3
5.	5	4
6.	6	5
7.	7	6
8.	8	6
9.	9	7
10.	10	8
11.	11	9
12.	12	9
13.	13	10
14.	14	11
15.	15	12
16.	16	12
17.	17	13
18.	18	14
19.	19	15
20	20	15
21.	21	16
22.	22	17
23.	23	18

Sl. No.	Name Plate Rating in KVA of Individual Welding Transformer	Capacity of the Capacitors (KVAR)
24.	24	19
25.	25	19
26.	26	20
27.	27	21
28.	28	22
29.	29	22
30.	30	23
31.	31	24
32.	32	25
33.	33	25
34.	34	26
35.	35	27

15.5 LIST OF PERSONS WHO HAVE ATTENDED PUBLIC HEARING AT KANPUR FOR ARR & TARIFF DETERMINATION FOR FY 2014-15 AND TRUE-UP OF FY 2008-09 to FY 2011-12.

List of Persons who attended Public Hearing in Kanpur on 4th July, 2014		
S.N	**Name**	**Organization**
1.	Mr. G.C. Shrivastava	Consumer
2.	Mr. A.L. Panday	KESCO
3.	Mr. D.C.Verma	UPPCL
4.	Mr. S.A Razvi	UPPCL
5.	Mr. Mohd. Ghufran	UPPCL
6.	Ms. Chhavi Chauhan	ABPS Consultant (UPERC)
7.	Mr. Raman Gulati	ABPS Consultant (UPERC)
8.	Mr. Hemant Tiwari	UPERC
9.	Mr. Abinash Kumar Agrawal	ABPS Consultant (UPERC)
10.	Mr. Dharmendra Gupta	A2Z Group Gurgaon
11.	Mr. Alok Agarwal	Indian Industries Association (IIA)
12.	Mr. Sunil Vaish	Indian Industries Association (IIA)
13.	Mr. A.K.Arora	NPCL
14.	Mr. Manmohan Rajpal	Indian Industries Association (IIA)
15.	Mr. Navin Khanna	Indian Industries Association (IIA)
16.	Mr. S.B.Verma	KESCO
17.	Mr. A.P. Pathak	KESCO
18.	Mr. V.D Roy	Member State Advisory Committee
19.	Mr. Vishnu Tiwari	INEXT
20.	Mr. U.N. Singh	CM (E) Gail India Ltd.
21.	Mr. Atul Agarwal	SM (F) Gail India Ltd.
22.	Mr. Ramesh Kumar	CE (commercial), KESKO
23.	Mr. Krishna	Consumer
24.	Mr. M. Ahmad	President Shramik Basti Sewa Samiti UP
25.	Mr. Umang Agarwal	Gen Secretary, FITA
26.	Mr. Gaurav	Hindustan Times
27.	Mr. Kedar Nath Gupta	Consumer
28.	Mr. Surendra Panday	consumer
29.	Mr. Dharm Prakash Gupta	GBMS college
30.	Ms. Rani Gupta	Dainik Bhaskar
31.	Mr. Manish Diwedi	EE,KESKO
32.	Mr. Jaspal Singh	Consumer

List of Persons who attended Public Hearing in Kanpur on 4th July, 2014		
S.N	**Name**	**Organization**
33.	Mr. A.K. Singh	EE, KESCO

***Note: The above list may not be exhaustive and does not include names of some of the stakeholders whose names were illegible*.**

15.6 FUEL AND POWER PURCHASE COST ADJUSTMENT SURCHARGE

APPROPRIATION OF APPROVED POWER PURCHASE FOR FY 2014-15: FPPCA

FY 2014-15													
DVVNL	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Total**
Allocation of Approved Power Purchase (MU)	1,743.00	1,915.50	1,909.51	1,912.07	1,929.20	1,616.51	1,607.52	1,435.45	1,492.59	1,524.48	1,340.21	1,561.08	19,987.52
Approved average power (Rs/kWh)													3.49
Allocated Approved Power Purchase Cost (Rs. Crores)	**607.67**	**667.81**	**665.72**	**666.62**	**672.58**	**563.57**	**560.44**	**500.45**	**520.37**	**531.49**	**467.24**	**544.25**	**6,968.34**
FY 2014-15													
MVVNL	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Total**

Allocation of Purchases Energy (MU)	1,380.58	1,517.21	1,512.46	1,514.50	1,528.06	1,280.39	1,273.27	1,136.98	1,182.24	1,207.50	1,061.54	1,236.48	15,831.53
Approved average power (Rs/kWh)													3.49
Allocated Approved Power Purchase Cost (Rs. Crores)	**481.32**	**528.95**	**527.30**	**528.01**	**532.73**	**446.39**	**443.91**	**396.39**	**412.17**	**420.97**	**370.09**	**431.08**	**5,519.42**

FY 2014-15													
PuVVNL	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Total**
Allocation of Purchases Energy (MU)	1,714.46	1,884.14	1,878.24	1,880.77	1,897.61	1,590.04	1,581.20	1,411.94	1,468.15	1,499.52	1,318.26	1,535.52	19,660.27
Approved average power (Rs/kWh)													3.49

Allocated Approved Power Purchase Cost (Rs. Crore)	**597.72**	**656.87**	**654.82**	**655.70**	**661.57**	**554.34**	**551.26**	**492.25**	**511.85**	**522.78**	**459.59**	**535.33**	**6,854.25**
FY 2014-15													
PaVVNL	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Total**
Allocation of Purchases Energy (MU)	2,468.47	2,712.77	2,704.28	2,707.92	2,732.16	2,289.33	2,276.60	2,032.91	2,113.84	2,159.00	1,898.03	2,210.83	28,306.73
Approved average power (Rs/kWh)													3.49
Allocated Approved Power Purchase Cost (Rs. Crore)	**860.59**	**945.76**	**942.81**	**944.07**	**952.53**	**798.14**	**793.70**	**708.74**	**736.96**	**752.70**	**661.72**	**770.77**	**9,868.70**
FY 2014-15													
KESCO	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Total**

Allocation of Purchases Energy (MU)	295.82	325.10	324.08	324.52	327.42	274.35	272.83	243.62	253.32	258.74	227.46	264.95	3,392.29
Approved average power (Rs/kWh)													3.49
Allocated Approved Power Purchase Cost (Rs. Crore)	**103.13**	**113.34**	**112.99**	**113.14**	**114.15**	**95.65**	**95.12**	**84.94**	**88.32**	**90.20**	**79.30**	**92.37**	**1,182.67**
FY 2014-15													
Total - UPPCL	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Total**
Allocation of Purchases Energy (MU)	7,602.32	8,354.71	8,328.57	8,339.77	8,414.45	7,050.63	7,011.42	6,260.90	6,510.14	6,649.23	5,845.50	6,808.85	87,178.35

Approved average power (Rs/kWh)													3.49
Allocated Approved Power Purchase Cost (Rs. Crore)	**2,650.43**	**2,912.74**	**2,903.63**	**2,907.53**	**2,933.57**	**2,458.09**	**2,444.42**	**2,182.77**	**2,269.66**	**2,318.15**	**2,037.94**	**2,373.80**	**30,393.39**

15.7 ACTION TAKEN REPORT ON THE DIRECTIONS ISSUED BY THE COMMISSION IN THE ARR / TARIFF ORDER FOR FY 2014-15

S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of compliance
1.	The Licensee is directed to arrange for quarterly meetings between the MDs of the Licensees and the consumer representatives for solving various grievances of the consumers and submit a status report containing details of such meetings along with the next ARR filing.	Immediate	
2.	The Commission directs the Licensee to pay the applicable interest on consumer's security deposit as per the Orders of the Commission and submit the compliance report with the next ARR filing. Licensees are directed to ensure the timely payment of the interest on security deposit to the consumers.	Immediate	
3.	As regards the various complaints of the stakeholders brought to the notice of the Commission during public hearing, the Licensee is directed to look into the matters and take appropriate action on the same. Further, the Licensee must ensure that proper advertising regarding CGRF is done to bring awareness amongst the consumers. The chairperson of the CGRF should also be part of such public hearings so that a direct interaction may take place and the grievances of the consumers could be settled in a more appropriate manner	Immediate	

S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of compliance
4.	To provide accurate and effective consumption norms, the Commission directs the Petitioners to conduct a detailed study which should include all the relevant details pointed out by the Commission in Para 9.2.13	Within 6 months from issue of this Order	
5.	The Commission directs the Petitioner to ensure to convert all the 18 consumers under LMV-3 category into metered connections within one month of the issue of this Order failing which the Commission will resort to take stringent action against the Petitioner.	Within one month from issue of this Order	
6.	As regards the observed uncertainty in the billing determinants for LMV-10 category, the Commission directs the Petitioner to provide detailed explanation in this regards alongwith all the necessary supporting documents for verification of such data while filing for Truing-up of FY 2012-13. However, for the purpose of the present Order the Commission has accepted the Petitioner's submission regarding the consumption parameters for FY 2012-13.	Next ARR filing	
7.	As regards the Commission's directives to submit a road map for 100% metering in its licensed area given in the Tariff Order dated 31st May, 2013, the Licensees has not complied with the directions of the Commission. The Commission once again directs the Licensee to comply with the direction given by the Commission in this Order and	3 months from issue of this Order	

S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of compliance
	accordingly put it sincere efforts to achieve 100% metering.		
8.	The Commission directs the Distribution Licensees to formulate a mechanism so as to make their officials accountable by providing incentives or disincentives for achievement or non-achievement of the distribution loss and the collection efficiency targets. The Policy should include all the relevant details pointed out by the Commission in Para 9.3.24 of this Order	Within 2 months from the issue of this Order	
9.	The Commission further directs the Petitioner to sign the MoUs to be implemented at all levels and submit the copy of the same to the Commission within 2 months from the date of this Order.	Within 2 months from the date of issuance of this Order	
10.	As regards timely filing of FPPCA the Commission once again directs the Licensees that they should file FPPCA in a timely and regular manner in accordance with the Distribution Tariff Regulations, 2006 failing which the Commission may have to resort to take strict action against the Licensees.	Immediate	
11.	As regards the increasing number of unmetered consumers the Commission accords a final opportunity to the Distribution Licensees and directs them to ensure that all	31st May, 2015	

S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of compliance
	their unmetered consumers get converted into metered connection.		
12.	As regards the choice of connection, the Licensee, in accordance with the provisions of the supply code wherein the consumer has the choice to opt the supplier, is directed to release connections to all such consumers who desire to disconnect their connections from the single point supplier and instead wish to take connections directly from the Licensee and submit the status report on the same along with next ARR filing.	Next ARR filing	
13.	The Licensees are directed to provide the monthly MRI reports to all the applicable consumers through email. The consumers would be required to register their email to the Licensee and submit the status report on the same along with next ARR filing.	Immediate	
14.	As regards the Petition on minimum consumption charges, the Licensee is directed to re-submit its above proposal for the Commission's consideration.	Next ARR Filing	
15.	The Licensee is directed to file a separate Petition for approval of prior period expenses / incomes. The Petition should clearly indicate the head-wise year-wise bifurcation of prior period expenses / incomes clearly indicating the impact of such expenses / incomes on various ARR components, and such impact should not exceed	1 month from the date of issuance of this Order	

S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of compliance
	the normative expenses for any particular year.		
16.	The Licensee is directed to submit a note detailing the area-wise actual number of supply hours provided to rural areas by the end of FY 2014-15.	By end of FY 2014-15	
17.	The Licensee is directed to depict the Regulatory Surcharge separately and distinctly in the electricity bills of the consumers. Further, the Licensee is also directed to maintain separate accounting fields for the regulatory surcharge approved in this Order, and capture the amount collected as Regulatory Surcharges in both of its financial and commercial statements	Immediate	
18.	Licensee is directed to submit the actual Regulatory Surcharge recovered in FY 2014-15 on account of the Revenue Gap / Regulatory Asset admitted by the Commission in this Order along with the actual Distribution Losses achieved in FY 2014-15 added in FY 2014-15.	15th April, 2015	