Annexure-1

List of Objectors

Objection No.	Name & address of the objector
1	Association of the PSEB Affiliated Schools (Pb.) Regd. Head Office: Everest Public Sr. Secondary School, Moti Nagar, Ludhiana through Shri Rajinder Sharma, President.
2	Chamber of Industrial & Commercial Undertakings, Head Office: M.C.Block No.2, IInd Floor, Gill Road, Ludhiana-141003 through Shri Inderjit Singh Pardhan, President.
3	Northern Railway, Hd.Qrs. Office, Baroda House, New Delhi through Shri J.S.P.Singh, Chief Electrical Traction Engineer.
4	Antarctic Industries Limited, C-44/47, Focal Point, Ludhiana, M/S Vardhman Industries Ltd., G.T.Road, Sahnewal, Ludhiana and M/S Garg Furnace Ltd. Kanganwal, Ludhiana through Shri Sandeep Jain, Director. Antarctic Industries Ltd.
5	Steel Furnace Association of India, C/o Upper India Steel Mfg. & Engg. Co. Ltd., Dhandari Industrial Focal Point, Ludhiana through Shri Harinder Puri, Secretary.
6	Cycle Trade Union (Regd.), Kharbanda Complex, Gill Road, Miller Ganj, Ludhiana through Shri Balbir Singh Kharbanda, General Secretary.
7	M/S Mawana Sugars Limited (Formerly known as Siel Ltd. 5th Floor, Kirti Mahal, 19 Rajendra Place, New Delhi-110008 through Shri P.K.Bh alla, Executive Director.
8	Punjab Alkalies & Chemicals Limited, Regd. Office: SCO 125-127, Sector 17-B, Post Box No.152, Chandigarh-160017 through Shri A. Puri, General Manager (Projects & Materials).
9	Mandi Gobindgarh Induction Furnace Association (Regd.) C/O M/S Gian Castings Pvt. Ltd., Grain Market, Mandi Gobindgarh through Shri Mohinder Gupta, President.
10	All India Steel Re-Rollers Association, Ram Mandir, G.T.Road, Mandi Gobindgarh through Shri Vinod Vashisht, President.
11	PSEB Engineers' Association, Office: 45, Ranjit Bagh, Near Modi Mandir, Passey Road, Patiala through Shri R.S.Sarao, General Secretary.
12	Induction Furnace Association of North India (Regd.), Room No.212, 2nd Floor, Savitri Complex, G.T.Road, Ludhiana.-141003 through Shri K.K.Garg, President.
13	Apex Chamber of Commerce & Industry (Punjab), Room No.212, 2nd Floor, Savitri Complex, G.T.Road, Ludhiana.-141003 through Shri P.D.Sharma, President.

Objection No.	Name & address of the objector
14	(i) M/s. Bhawani Industries Ltd., Village Ajnali, Mandi Gobindgarh through Shri Jai Parkash Goyal, Director/Secretary. (ii) M/s. Oasis Enterprises (P) Ltd., Talwara Road, Mandi Gobindgarh through Shri Ramesh Goyal, Director/Secretary. (iii) M/s. Vimal Alloys (P) Ltd., Village Sounti, Amloh Road, Mandi Gobindgarh, Regd. Office: G.T.Road, Mandi Gobindgarh through Shri Subhash Bansal, Director/Secretary. (iv) M/s. Bhawani Castings (P) Ltd., Village Ambeymajra, Mandi Gobindgarh through Shri T.P.Singh, Director/Secretary.
15	Beas Hospital, District Amritsar, Punjab-143201 through Shri M.S.Mann, Offg. Chief Administrator.
16 & 17	Shri S.K.Seth, 41-H B.R.S.Nagar,Ludhiana.
18	Satguru Partap Singh Apollo Hospitals, Sherpur Chowk, G.T.Road, Ludhiana-141003 through Shri Rajesh Gambhir, Deputy Manager Finance.
19	Punjab Cotton Factories & Ginner's Association (Regd.), Regd. Office: Shop No.109, New Grain Market, Muktsar-152026 (Punjab) through Shri Bhagwan Bansal, President.
20	CRPF, Saraikhas, Jalandhar through. Shri M.S.Ahmed Ali, Addl.DIGP, GC.
21	PSEB Engineers' Association, Office: 45, Ranjit Bagh, Near Modi Mandir, Passey Road, Patiala through Er. H.S.Bedi, President.
22	M/s Vimal Alloys Private Limited, Regd. Office: G.T. Road, Mandi Gobindgarh-147301 through. Shri Subhash Bansal, Director.
23 & 24	Shri S.S.Jaspal, 762, Phase 3B1, Mohali.
25	Power Grid Corporation of India Limited, Northern Regional Load Despatch Centre, 18/A, Shaheed Jeet Singh Sansanwal Marg, Katwaria Sarai, New Delhi-110 016 through Shri Rajiv Porwal, Manager.

Annexure II

Objections filed by various stake holders, response of PSEB and View of the Commission

The Commission would like to place on record, its appreciation to the participating consumers and organizations for the comprehensive input received both through the objections and public hearings. In the following paras, the objections filed, response of PSEB and view of the Commission on each of the objections have been briefly discussed. Aberrations, if any, are inadvertent.

Objection No. 1: Association of PSEB Affiliated Schools (Pb.) Regd.

Issue No. 1: Change of Tariff category

Commercial Tariff is charged to the PSEB affiliated schools which are run on no profit no loss basis. The tariff may be changed from NRS to Domestic Supply Tariff. These schools are exempted from Income tax and house tax also.

Response of PSEB

There is no basis that these schools run on no profit no loss. They charge very high fees & other charges. It is proper to charge commercial tariff to them.

View of the Commission

Attention is invited to Chapter 9, para 9.21A of the Tariff Order FY 2004-05, where the issue has been discussed in detail.

Objection No. 2: Chamber of Industrial and Commercial Undertakings

Issue No. 1: Transit loss of coal

PSEB was to reduce transit loss of 2% during 04-05 to 1% in five years' span. Transit loss of coal is high (at 2% at all the three power stations). The Board has not fulfilled its promise of deputing an officer to coal fields to ensure coal quality and weight. Coal should be purchased at the lowest market rates keeping in view the calorific value.

Response of PSEB

There is an expected quantity of loss in weight of coal, due to natural loss on account of evaporation, windage and seepage of fine coal. The extent of losses is a function of distance of coal transportation. Also open wagons are prone to higher losses. PSEB has the longest average linkage of coal transportation. The Board has taken many measures to reduce transit loss.

View of the Commission

The transit loss of coal was fixed by the Commission at 2% for all the thermal stations after detailed discussion in chapter 4 para 4.7 of Tariff Order 2006-07. The cost of coal is approved in the Tariff Orders as per CERC norms.

Issue No. 2: Power purchase

The power purchase cost envisaged is high. It should be reduced through increasing hydel generation as the hydel out look is better this year. Maximum purchases should be from Bairasul & Salal & balance should be from outside supplies in ascending order.

Response of PSEB

Power purchase from outside sources is only resorted to after exhausting local resources. In case hydel generation improves, power purchases will also come down. Salal & Bairasul are Central Generating Stations & the share of Punjab from them is fixed.

View of the Commission

The Commission is generally in agreement with the observations of the Board. Central sector thermal and hydel stations supply power at relatively lesser cost and the Board endeavours to take maximum power from these sources. However, there are overall constraints of the State's share in these projects as well as competing demands from other states. Purchases from outside suppliers on ascending order may not be practical as the supply position when purchase is effected can alone be taken into account.

Issue No. 3: Interest charges

Interest cost of Rs. 1394 crores has occurred due to borrowings necessitated due to the Board running into losses arising out of the supply to AP consumers at the Government's insistence. The Government has to bear this cost & objectors should not be forced to bear this loss on account of cheaper supply of power to agriculture.

Response of PSEB

The commission may take a view in this respect.

View of the Commission

Refer Chapter 4, para 4.13.

Issue No. 4: Employees cost

The number of work-charged employees as on 31.3.2008 may be intimated. The amount of salaries has risen from Rs. 1364.78 crores in 2006-07 to Rs. 1635 crores in 2008-09 though it was stated that the number of employees has reduced. A&G expenses have also shown increase of Rs. 30 crores from 2006-07 to 2008-09.

Response of PSEB

The number of work charged employees as on 31.03.08 was 5958. The increase in amount of salaries was mainly due to annual increments, DA hikes etc. which the employees are entitled to have. There has been no recruitment in the past except for 250 engineers in 2006. The increase in A&G expenses referred was on account of inflation & increase in employee training expenses.

View of the Commission

Refer Chapter 4, paras 4.9 & 4.11.

Issue No. 5: T&D losses

T&D losses are assessed but not measured. The reduction proposed from 2007-08 to 2008-09 is 1.7%. No mention by PSEB of the action proposed on officers where losses are high. The amount of additional power purchase arising out of additional T&D losses may not be admitted in the ARR.

Response of PSEB

The T&D losses are worked out by deducting the actual metered sales & AP consumption (estimated on the basis of sample meter readings) from the energy pumped into the state. The Board has proposed a road map for reduction of T&D losses to 17% by 2011-12 in line with National Tariff Policy. A capital outlay of Rs. 5000 crores has been proposed to achieve the planned T&D losses over a period of 5 years. The Commission is already disallowing power purchases on account of under achievement of T&D losses.

View of the Commission

Refer Chapter 4, paras 4.2 & 4.6.

Issue No. 6: Defaulting amount

There is no mention of the efforts being made to recover the defaulting amount from consumers amounting to Rs. 462.44 crores as on 30.9.2007.

Response of PSEB

Monitoring of the defaulting amount (arising out of litigation cases, Govt. departments, PDCOs & others) is being reviewed at the highest level & all steps are being taken to reduce / recover.

View of the Commission

Refer Annexure IV pertaining to compliance with the Directives.

Issue No. 7: Free electricity to employees

Estimates show that the cost per annum of the free supply of electricity to employees of PSEB amount to Rs. 28.875 crores. The additional revenue that would have accrued if such free supply were not allowed should not be admitted in the ARR.

Response of PSEB

The free supply is limited to 155 units maximum. It is intended to motivate the employees. In the absence of regular reinforcement (in spite of continuous retirement) it is necessary to motivate existing employees. The free supply of electricity is a part of the salary structure. Such perks are allowed by other Government organizations also.

View of the Commission

Free power supply to the employees of the Board is part of the salary structure and the Commission has been allowing employee cost as per PSERC tariff regulations.

Issue No. 8: Maintenance schedule of generating units

The paddy season i.e June to September coincides with the power shortages. The overhauling & maintenance of power stations is to be planned so as not to occur in this season.

Response of PSEB

This aspect is kept in view while planning the maintenance schedule of power stations.

View of the Commission

The Commission agrees with the response of PSEB, though there is always a scope for improvement.

Issue No. 9: MMC

There is no justification for levying MMC as the Board has not supplied regular uninterrupted supply to consumers.

Response of PSEB

The fixed charge incurred by the Board to set up & run the system, needs to be recovered. The MMC is intended to recover such fixed cost at least to certain extent.

View of the Commission

Attention is invited to Chapter 6, para 6.23 of the Tariff Order FY 2005-06, where the issue has been discussed in detail.

Issue No. 10: Manpower reduction and tariff increase

Board should reduce its manpower & reduce other expenses. The existing tariffs are already high and should not be increased.

Response of PSEB

The staff strength is on the decline from 88076 in 2002-03 to 71900 in 2008 due to retirement & stoppage of recruitment (except for 250 engineers in 2006). A staffing study entrusted to PwC is expected to be completed by 7/08. The Board has recounted the steps it is taking to reduce the expenditure in its ARR petition. The prevailing industrial tariff rates are still lower than those in the neighboring states & the increase to be recovered to meet revenue gap may be allowed.

View of the Commission

For manpower reduction, refer Annexure IV pertaining to compliance with the Directives.

The Commission processes the ARR according to its notified Regulations, determines the cumulative revenue gap and accordingly revises the tariffs for various categories of consumers, to recover the same.

Objection No.3: Northern Railway

The issues pertaining to power factor rebate, HT rebate, penalty for exceeding contract demand, simultaneous metering of maximum demand, revision of contract demand, rebate for newly electrified routes/sections, change of tariff category for domestic consumers, benefit of lower slabs, payment through single bill, higher tariff as compared to tariff of central generating stations, incentive for timely payment and meter testing charges are the same as taken up by the objector during the last ARR and the views of the Commission, after due examination afresh, are the same as expressed in the Tariff Order FY 2007-08. The remaining issues are dealt with hereunder:

Issue No. 1: Tariff for Railway Traction

Railway Traction tariff should be atleast brought down to a level lower than HT industry/ other Bulk supply tariff.

Response of PSEB

The nature of traction load is different from HT bulk supply consumers. The utilization factor is low. Railway is a profit making body. If railways do not bear cross subsidy other categories will be burdened with more cross subsidy.

View of the Commission

The Railway traction tariff approved by the Commission is reasonable.

Issue No. 2: Cross subsidy

Traction tariff should be brought nearer to cost of supply. PSEB should come up with a road map for progressive reduction of cross subsidy.

Response of PSEB

The cost of supply for various categories is yet to be fixed by the Commission. Laying out a road map for progressive reduction of cross subsidy is the prerogative of the Commission.

View of the Commission

The Commission has already notified the road map for reduction in cross subsidy in its Tariff Regulations 2005 and accordingly determines the tariff so that it progressively reflects combined average unit cost of supply, in next ten years.

Issue Nos. 3: Rebate for maintenance & operation of distribution network

15% rebate may be allowed to the Railways, on energy bill towards maintenance & operation of distribution network, metering, billings etc as provided by DVB and JVVNL.

Response of PSEB

The proposal has no sound basis. It will also increase cross subsidy for other consumer categories.

View of the Commission

For the present, the Commission is inclined to agree with the response of the Board. However, it may be worthwhile for the Board to examine the rationale of concessions provided by utilities cited by the Railways.

Issue No. 4: Minimum charges for supply on rural feeders
Minimum charges should not be levied on supply points connected to rural feeders. It is difficult to consume minimum charges because of the low reliability of supply on these feeders.
Response of PSEB
Most of the supply points in rural areas are now connected to UPS feeders. They have reasonable reliability of supply. Board has to bear more T&D losses to supply to these points. Hence the plea is unjustified.
View of the Commission
The Commission agrees with the response of the Board.

Issue No. 5: New connection for domestic supply
Consumers should be allowed to take new connections under domestic supply.
Response of PSEB
The proposal has been examined and is not practically feasible.
View of the Commission
Refer Chapter 5, para 5.4.
The objector may consider opting for a single point connection under the Regulations recently notified by the Commission.

Issue No. 6: Time for replacement of defective meters, new connections/load enhancement
Minimum time should be fixed for replacement of defective meters/ release of new connections and enhancement of load etc.
Response of PSEB
Board will follow the time schedule/procedure as laid down in the Electricity Supply Code, notified by the Commission.
View of the Commission
The Electricity Supply Code prescribes the maximum limit. It should be the endeavor of the Board to perform better.

Issue No. 7: T & D losses and metering of AP Consumption
PSEB should be suitably directed to achieve T & D loss level of 15 % instead of proposed 17% by 2012; also AP consumption should be metered to reduce T & D losses.
Response of PSEB
No response.
View of the Commission
Refer Chapter 4, para 4.2.
For metering of AP consumption, refer Annexure IV pertaining to compliance with the Directives.

Issue No.8: A & G Expenses
The proposal of Rs.20 crores for FY 2008-09 for employee training seems to be optimistic when PSEB has spent only Rs.0.21 crores during first half of FY 2007-08.
Response of PSEB
No response
View of the Commission
Refer Chapter 4, para 4.11.

Issue No. 9: Sale of Energy for Railway Traction
It is anticipated to consume approximately 113.52 MUs in FY 2008-09 instead of 110 MUs estimated by PSEB.
Response of PSEB
No response.
View of the Commission
The power requirement of Railway is likely to be fully met by the Board.

Issue No.10: Revenue gap
No effective steps have been taken for handling issues like T & D losses, wage bill, unmetered power supply, O&M Cost, interest charges, other miscellaneous expenditure etc. resulting in increased revenue deficit thereby burdening the consumers with higher tariff.
Response of PSEB
No response.

View of the Commission
It is correct that the Board's expenses on account of employee cost, interest and power purchase etc. are not as per norms. However, the consumer is not burdened with higher tariff on this account as the Commission only allows normative expenses while approving the ARR.

Issue No.11: Implementation of MYT
As per Tariff Policy, the MYT regime is to be adopted from 1.4.06 and review after three years in 2009-10. The same has not been done.
Response of PSEB
No response.
View of the Commission
The Commission has decided to postpone the introduction of MYT, till unbundling of the Board.

Objection No. 4: Antarctic Industries Ltd.
Issue No. 1: HV surcharge
a) Circular no.66/2007: The surcharge of 10% on HV industries (11KV) having Contract Demand (CD) between 2500 KVA & 4000 KVA and @ 17.5% for consumers with CD beyond 4000 KVA upto 5000 KVA imposed with effect from April 2006 is unwarranted. Further, its applicability on total consumption i.e. even for consumption below 2500 KVA is unwarranted. The circular no. 66/2007 dated 28.11.07 is issued without approval of the Commission & levies this surcharge even on consumers existing prior to 6/95 & provides for recovery from consumers, arrears for the period 1.4.2004 to 31.3.06.
b) The HV Surcharge on 11KV consumers with a CD above 2500 KVA is irrational. In spite of a strong case by objectors last year to abolish it at least for consumers existing prior to 6/95, the Commission decided to continue with prevailing provision stating that the issue was sub judice in the High Court. It is to be noted that the issue is sub judice only in respect of a few consumers and relates only to the period from 1.04.2004 to 31.03.07. The objector asserts that the Commission could however take a decision for the period after that. It is requested to consider this in detail with all stakeholders and pass on appropriate order along with the tariff order.
c)The continuance of the voltage surcharge for the years 2004-05, 2005-06 and 2006-07 as provided for in circular 66 /2007 dated 28.11.2007 & the tariff orders for 2005-06 & 2006-07 was intended for that, which was prevalent up to 31.03.04. Thus it should not attract consumers existing up to 6/95(& applicants up to 3/97) who were paying their bills without surcharge upto 3/2007.
d) Circular 52/2004 provides that for consumers with CD between 2500 KVA & 4000 KVA, 10% surcharge shall be applicable only on prorata basis on recorded demand over & above 2500 KVA and not on total consumption.
Response of PSEB
a) The Commission has already rejected the plea of making the 10% / 17.5% HV surcharge applicable only to new consumers after 6/95, while hearing the petition filed by Arc furnaces consumers. The Government is also in agreement with this. So the circular 66/2007 is in order. The relief of recovering the arrears in 12 installments also was accorded to the consumers. The matter is also sub judice in the High Court.
b) The decision in this regard rests with the Commission.
c) Voltage surcharge has been levied as per the Commission's order. Circular 66/2007 is in order.
d) The circular 52/2004 has already been struck down by the Commission.
View of the Commission
Refer Chapter 5, para 5.3.

Issue No. 2: High Revenue deficit
The steep gap of Rs. 5254 crores projected in the ARR may lead to steep increase in Tariff by 50%. Especially the high power purchase cost proposed is due to suppressed projections of own generation. The directions of the Commission & Appellate Tribunal to adhere to norms are not being heeded.
Response of PSEB
The demand projections are based on methodologies approved by the Commission. The Board has not been able to make any capacity additions & has to meet the demand through power purchases. Unit III of Lehra Mohabbat has been commissioned & unit IV will come in July 08. The Board is in the process of selecting a consultant for case-I power purchases in the medium term to reduce power purchase costs.
View of the Commission
The Commission processes the ARR according to its notified Regulations, determines the cumulative revenue gap and accordingly revises the tariffs for various categories of consumers, to recover the same.

Issue No. 3: Tariff proposal for 2008-09

In the absence of projected Tariff for 2008-09, it is difficult to ascertain its extent and impact of cross subsidy on the consumers. The proposal is also silent about other tariff related issues like HV rebate / surcharges, PF surcharge, PLEC & open access charges. These issues have to be debated in the Commission's Order in this regard and the reasons for conceding to or rejecting the pleas of consumer should be made clear.

Response of PSEB

The Board has projected the gap as per PSERC Tariff regulations. The position will be clear once the Commission determines the tariff. It is the prerogative of the Commission to decide in respect of the other tariff related Issues.

View of the Commission

The Commission processes the ARR according to its notified Regulations, determines the cumulative revenue gap and accordingly revises the tariffs for various categories of consumers, to recover the same.

The Board is advised to bring out the tariff proposal or any mechanism to cover the gap, in its ARR, in future.

For HV rebate/surcharge and PF surcharge, refer Chapter 5, para 5.3 and para 5.2, respectively.

For PLEC, attention is invited to Chapter 9, para 9.9 of Tariff Order FY 2004-05**.**

For Open Access, attention is invited to PSERC Open Access Regulations amended up to date.

Objection No. 5: Steel Furnace Association of India (Punjab Chapter)

The issues pertaining to Interest on short term loans, overcapitalization of RSD cost, cross subsidy and interest on delayed payment of subsidy are the same as taken up by the objector during the last ARR and the views of the Commission, after due examination afresh, are the same as expressed in the Tariff Order FY 2007-08. The remaining issues are dealt with hereunder:

Issue No. 1: ARR for 2008-09

PSEB has not followed the principles annunciated in the Electricity Act 2003, CERC Regulations 2004, Tariff Orders of PSERC and Appellate Tribunal's orders while recasting the revenue estimates of 2006-07 and 2007-08 and in estimating ARR for 2008-09. The Board is basing its revised revenue requirement on actual balance sheet figures without excluding the portion disallowed by the Commission. Board should be directed to file a separate income and expenditure account along with balance sheet based on cost approved by the Commission from year to year to gauge the difference between the actual figures & approved expenditure. The objectors have worked out the ARR for 2006-07 and 2007-08 considering the PSERC approved norms in the tariff order for the relevant year.

The objectors have been continuously contesting ARR claims of PSEB in regard to items like interest cost, depreciation, return on investment, excess allocation in respect of RSD project, un reimbursed subsidy and gap.

Response of PSEB

For the FY 2006-07 true-up, audited balance sheet figures have been provided in the ARR petition in accordance with PSERC Tariff regulations 2005. For FY 2007-08 review and FY 08-09 projections, PSERC tariff regulations 2005 have been considered except for those items in respect which the Board has some reservations. Board will be filing a petition with the Commission for the change in tariff regulations in respect of:-

a) Basis for approving O & M expenses especially employee cost and R & M expenses
b) Transmission & Distribution losses trajectory.
c) Computation of working capital.
d) Norms for determining fuel cost.
e) In respect of apportioning cost of RSD Project, the Commission has held up the ratio of apportionment of 79.1 % & 20.9% between PSEB and irrigation department.

View of the Commission

The Board furnishes information in its ARR as per proformae laid down in the Regulations. As the ARR is to reflect the revenue requirement as perceived by the licensee, it would not be reasonable to require the Board to trim these requirements even if items of expenditure have not been allowed by the Commission in the past.

Issue No. 2: T&D losses

T&D losses for 2006-07 and 2007-08 may be retained at the level of 20.75% and 19.5% respectively. For 2008-09 T&D losses may be fixed at 18.5%.

Response of PSEB

Tariff order for 2007-08 had set a T&D loss level target of 19.5% for the year considering that the actual level of FY 2006-07 was 23.91%, this implies a reduction of 4.4% in 07-08 in one year, which was impossible to achieve. No State has achieved such a steep reduction in one year. The massive investments that were necessary to achieve such a steep reduction were impractical to be made in one year. 2007-08 is terminal year of the loss reduction trajectory laid down by the tariff order for FY 03-04. The Commission may fix the trajectory for coming years from 08-09 onwards on a realistic and achievable way. Based on an AP consumption assessment of 9537 MU (in the ARR) the PSEB expects the T&D loss level in 07-08 to be 22.7%. The trajectory for future years may be laid down by the Commission by taking this as the basis. The recommendations of the Abraham Committee may be taken into consideration while fixing the trajectory.

View of the Commission

Refer Chapter 2, para 2.3, Chapter 3, para 3.3 and Chapter 4, para 4.2.

Issue No. 3: Additional power purchase for AP consumption

As per the decision of Appellate Tribunal, any additional power purchase arising out of supplying extra power to agriculture pumpsets over the approved consumption, should be priced at a higher tariff having no element of cross subsidy in it. The subsidy on account of approved 8645 MU of power plus the unapproved agriculture consumption of 892 MU totals to an amount of Rs. 2577 crores due from the Government for 2007-08. This should be accounted for ARR accordingly.

Response of PSEB

It is the prerogative of the Commission to decide the matter.

View of the Commission

The matter of determining limits of consumption for subsidized categories and charging higher tariff for consumption thereafter has been discussed in detail in para 6.6 of the Commission's Tariff Order for the year 2007-08. The same position holds good even now. As regards quantum of AP consumption, paras 3.2.3 and 3.15 may be seen where issues of AP consumption and Government subsidy have been discussed.

Issue No. 4: Agricultural consumption

The projection of agriculture consumption for 08-09 is 10014 MU which is 16% more than the approved supply to agriculture sector. Only 5% growth was permitted for the year 07-08 over 06-07. Assuming the same rate, the agriculture consumption for 08-09 works out to only 9077 MU.

Response of PSEB

The projections for agriculture sales for 2008-09 have taken a growth rate of 5% over revised estimates of FY 2007-08.

View of the Commission

Refer Chapter 4, para 4.1.3.

Issue No. 5: PSEB's own generation

Press reports indicate higher thermal generation and hydel generation of BBMB has exceeded the target. This increased availability is to be taken into account while reviewing the generation of 2007-08 as this has its effect on the power purchase.

Response of PSEB

The thermal plant performance for 07-08 has been re-estimated as per the actual generation up to Sept. 07 and considering the revised targets for the 2nd half of 07-08. A similar re estimation is done for hydel generation for 07-08. The projections for 08-09 are as per the methodology adopted by the Commission in the past tariff orders.

View of the Commission

Refer Chapter 4, para 4.4.

Issue No. 6: Auxiliary consumption

For the GNDTP, Bathinda, the auxiliary consumption approved for 06-07 and 07-08 was 11%. The Board on the other hand claimed 11.38% and 11.63 % for these years respectively. Only 11% may be approved. Auxiliary consumption limit of 36 MU for 2006-07 & 34 MU for 2007-08 were approved for hydel generation, where as 52.07 MU and 53 MU claimed respectively in the ARR.

Response of PSEB

The Auxiliary consumption for GNDTP for 06-07 is actual. In 07-08, due to commissioning of unit II after R&M, the Auxiliary consumption was higher than approved.

In the case of hydel plants, the auxiliary consumption is high, because the systems have to be kept running even when the plant is not running due to lack of water. Other factors like GT Transformers being old, contribute to higher Auxiliary consumption. Steps like replacing old GT Transformers are under way to reduce the consumption.

View of the Commission

Refer to Chapter 2, para 2.4 and Chapter 3, para 3.5.

Issue No. 7: Employee cost

Employee cost for 2006-07 and 2007-08 should be allowed only at the approved level. This will yield savings of Rs. 196 crores for 06-07 and Rs. 401 crores for 07-08 in the ARR for the years. For 08-09 it should be retained at the level of the past year, or if at all increase is allowed it should follow the inflation rate & this will result in employee cost of Rs. 1761 crores (a saving of Rs. 464 crores)

Response of PSEB

The Board has not much control on items like Salaries, DA installments, terminal benefits, Medical Reimbursement, LTA etc. The annual increase in many items under this head does not follow inflation rate. The actual employee costs were higher than the approved costs in the past. Steps being taken to reduce & control the costs are indicated in the ARR. The Board submits that for 06-07 the actual employee cost should be allowed subject to prudence check. For 07-08 and 08-09 the salary component of employee cost should be worked out at WPI increase over 2006-07 (actual) but the terminal benefits should be allowed as projected in the ARR.

View of the Commission

Refer Chapter 2, para 2.10, Chapter 3, para 3.10 Chapter 4, para 4.9.

Issue No. 8: Interest on diversion of funds for year 06-07, 07-08 & 08-09:

While reviewing 06-07 in Tariff Order of 07-08 the Commission disapproved interest cost of Rs.389.92 crores on account of diversion of loan and an equal amount was disapproved for 07-08. Like wise amount may be disapproved in current ARR for the years 08-09.

Response of PSEB

The Hon'ble Commission has disallowed interest charges to the extent of Rs.100 crores every year since 2003-04 on the plea that Board has been utilizing capital funds for bridging the revenue gap for the period prior to 3/02. The key reasons for such diversions are:-

a) In adequate tariff increase given by the Government
b) Non-payment of AP subsidy during 1997 to 2002 amounting to Rs.1560.11 crores. The Board requests the Commission not to make any such reduction of interest charges on account of diversion, which was the result of factors beyond their control. This will enable the Board to meet its investment plan and to avoid mismatch between actual and approved costs.

View of the Commission

Refer Chapter 4, para 4.13.7.

Issue No. 9: Interest on working capital 2006-07, 07-08 & 08-09

The working capital projections are very high partially due to high employee cost, A& G and R & M expenses and different methodology adopted by the Board for determining working capital.

Response of PSEB

The Board has to meet the expenses on account of fuel cost, employee cost, A&G, R&M, power purchase etc on actual basis. Any disallowance on these costs, forces the Board to resort to short term loans from market.

View of the Commission

Refer Chapter 2, para 2.14, Chapter 3, para 3.14.5 and Chapter 4, para 4.13.3.

Issue No. 10: R&M Expenses

R&M Expenses for 06-07 & 07-08 are to be kept at the approved level for the year (retained at Rs. 254.53 crores & Rs. 271.35 crores respectively). For 08-09 R&M expenses may be increased by 6% (i.e. increase in WPI) (i.e. to Rs. 286 crores).

Response of PSEB

R&M Expenses are essential to keep the system in healthy condition. Increase in R&M is necessitated because:

1. Except GHTP Lehra Mohabbat, the power plants are old & to get a high PLF, higher R&M expenses are needed.
2. The proposed reduction of 2.91% in T&D loss from 2006-07 to 2008-09, requires significant R&M efforts.
3. Relieving over loaded distribution transformers need installation of additional transformers.
4. Taking meters out of consumer premises.

View of the Commission

Refer Chapter 2, para 2.11, Chapter 3, para 3.11 and Chapter 4, para 4.10.

Issue No. 11: A&G expenses

A&G expenses for 06-07 & 07-08 should be retained at the approved level & not the actual / RE respectively. A&G expenses for 2008-09 includes Rs. 33 crores employee training expenses (Rs. 20 crores training expenses plus Rs. 8 crores additional expenses plus Rs. 5 crores capital expenses). Rs. 8 crores additional Administration expenses are unwarranted. Rs. 5 crores is to be approved as capital expenses.

Response of PSEB

A&G expenses for 06-07 shown in ARR are actuals as per balance sheet for 06-07. As regards training expenses projected for 08-09, only Rs. 20 crores is taken on this account. Rs. 5 crores capital expenditure is included on capital costs of construction of PSEB, MDI. Rs. 8 crores is included in employee cost projection. Further, tariff policy also specifies that expenditure on training may be considered for tariff computation.

View of the Commission

Refer Chapter 2, para 2.12, Chapter 3, para 3.12 and Chapter 4, para 4.11.

Objection No. 6: Cycle Trade Union (Regd.)

Issue No. 1: ARR for 2008-09

The summary of ARR, total revenue at existing tariff and revenue gap etc are false, unbelievable and are not based on documentary evidence. It is requested not to raise the tariffs.

Response of PSEB

The petition is based on sound documentary evidence attached to the petition. The decision whether to increase/ decrease tariff lies with the Commission.

View of the Commission

The objection is of general nature.

The Commission processes the ARR according to its notified Regulations, determines the cumulative revenue gap and accordingly revises the tariffs for various categories of consumers, to recover the same.

Objection No.7: Mawana Sugars Limited (formerly known as Siel Chemical Complex)

The issues pertaining to implementation of directives of the Appellate Tribunal for Electricity and the Commission, HT rebate, power factor surcharge/incentive, cross subsidy, purchase of power from outside the state, peak load exemption charges, employee cost, sample metering of AP consumption, RSD project cost allocation, investment plan, default in carrying forward Rs.760 crores payable by Government, AP subsidy, diversion of funds and interest on loans relatable to irrigation department are the same as taken up by the objector during the last ARR and the views of the Commission, after due examination afresh, are the same as expressed in the Tariff Order FY 2007-08. The remaining issues are dealt with hereunder:

Issue No. 1: Increase in Tariff

The industry is engaged in a highly power intensive manufacturing activity and as such any increase in price of electricity adversely affects the viability. The Board has not given any specific tariff rates. The Commission is requested, not resort to any further increase in tariffs.

Response of PSEB

The Board has not given any specific tariff proposal as the Commission may arrive at the gap based on its own norms and determine the tariff.

View of the Commission

The Commission processes the ARR according to its notified Regulations, determines the cumulative revenue gap and accordingly revises the tariffs for various categories of consumers, to recover the same.

Issue No. 2: Failure to achieve efficiency parameters

The Board failed to achieve efficiency parameters of operations like employee productivity linked with T&D losses, high auxiliary consumption, station heat rate, low PLF at Bathinda etc.

Response of PSEB

The replies to all these issues are given under Objection no. 11 in detail.

View of the Commission

The Commission processes the ARR according to its notified regulations and most costs are allowed only on normative basis.

Issue No. 3: Purchase of power at high cost

The Board is purchasing power at high cost.

Response of PSEB

The Board purchases high cost power as a last resort to meet the demand.

View of the Commission

Views of the Commission in respect of Objection No. 2, Issue No. 2 may be referred to.

Issue No. 4: Open access charges
The open access charges fixed by the Commission are on a very high side.
Response of PSEB
The Commission has already brought the open access charges to a reasonable level in the Tariff Order for 2007-08.
View of the Commission
Attention is invited to the PSERC (Open Access) (1^{st}Amendment) Regulations, 2007, whereby the cross subsidy surcharge, transmission / wheeling charges and operation charges have been substantially reduced. Further, relief has also been given in the computation of T&D losses.

Issue No. 5: MMC
In tariff order 07-08, the Commission has already introduced the concept of maximum demand while doing away with load surcharge for LS consumers. Other charges like monthly minimum and service connection also need to be linked with sanctioned contract demand.
Response of PSEB
MMC charges are already being levied based on sanctioned contract demand for LS consumers. For service connection charges the issue is under study in the Commission and it is under Commission's jurisdiction to decide and fix these charges.
View of the Commission
MMC are levied on contract demand basis. The issue regarding service connection charges is under consideration of the Commission.

Issue No. 6: Working capital loan
Despite Commission's instructions, CERC norms for working capital funds have been provided in the ARR petition to take care of 2 months needs instead of one month. It is stated by the Board that it has borrowed heavily for working capital funds due to delay in payment of subsidy by the State Government and inadequacy of working capital approved by the Commission. This requires in depth scrutiny by the Commission.
Response of PSEB
The Board has no control over delay in release of subsidy by the Government and the Commission is requested to consider the submission of the consumer.
View of the Commission
Refer Chapter 4, para 4.13.3.

Issue No. 7: Energy availability during 2008-09
It is observed that the generation projections from thermal and hydro are less and energy requirement has increased. All figures have to be explained / reconciled.
Response of PSEB
The figures of energy requirement and availability as projected in ARR petition for 2008-09 are based on actual data up to September 2007.
View of the Commission
Refer Chapter 4, para 4.4.

Issue No. 8: Improving Tubewell efficiency
As per the study conducted by PAU, the tubewells are operating in the state at low efficiency of 25-27% against desirable level of 60% or so. It is worthwhile investing to improve the efficiency of tubewells.
Response of PSEB
The Board is contacting World Bank and other agencies to fund about Rs.1500 crores to replace all the pumpsets.
View of the Commission
Given the rising trend in AP consumption, there is even a greater urgency in improving tubewell efficiency. The Commission would impress upon the Board the desirability of speedy implementation of any scheme for enhancement of the performance of the tubewells.

Issue No. 9: Non tariff income
Non tariff income for 2008-09 has been shown as Rs. 342 crores against Rs.434.6 crores during 2007-08. It is less by Rs. 90 crores where as it should have increased.
Response of PSEB
It is explained in Section A19 of ARR petition for 2008-09.

View of the Commission
The Commission has estimated non-tariff income in 2008-09 as Rs.412.00 crores, after including Rs.70.00 crores on account of late payment surcharge. It has been clarified by the Board that the non-tariff income of Rs.434.60 crores in 07-08 included one time penalty realization of Rs.65.00 crores from BHEL on account on violation of contractual obligations.

Issue No. 10: Prior period expenses
No details of the prior period expenses are given, which may include expenses disallowed by the Commission in previous orders. It is pleaded that prior period expenses should not be allowed to be part of ARR.
Response of PSEB
Complete details of prior period expenses are available in the Annual Accounts of the Board. These expenses are incurred by the Board for power supply only.
View of the Commission
Prior period expenses are allowed by the Commission only after thorough scrutiny to ensure that these do not relate to heads of accounts which have been previously disallowed by the Commission.

Objection No.8: Punjab Alkalies & Chemicals Ltd.
The issues pertaining to RSD project cost, cross subsidy, cost of supply, interest on loans, power purchases, impact of high agriculture consumption, T&D Losses, employee cost and PLEC are the same as taken up by the objector in the last ARR and the views of the Commission, after due examination afresh, are the same as expressed in the Tariff Order FY 2007-08. The remaining issues are dealt with hereunder:

Issue No. 1: Delay in filing ARR
The filing of the ARR is delayed for 2008-09 as it was in 2007-08. These delays cause delay and untimely revision of tariff affecting the commercial organizations, through the annualization process.
Response of PSEB
Before filing the ARR/tariff petition, the Board has to get the clearance / nod from the state govt. which is the de-jure owner of the assets & liabilities of the Board and also exercises pervasive powers over the Board. The clearance from Govt. was delayed due to its pre-occupation with other important matters. The Board will try to ensure that ARR for 09-10 is filed by 30.11.2008.
View of the Commission
The Board has been repeatedly impressed upon to file the ARR as per the Commission's Regulations but it has been delayed for one reason or another. It is true that such delays have not, in the past, been allowed to adversely affect the revenues due to the Board but such a view need not invariably be taken.

Issue No. 2: Norms / Performance standards
The Board has not adhered to the norms / performance standards laid by the Commission in respect of items of ARR. The projections for six months of 07-08 are based on blanket extrapolation without relation to the factor of efficiency / inefficiency.
Response of PSEB
For true up of 06-07, audited actual figures of balance sheet were taken, in accordance with PSERC regulations. For FY 07-08 (RE) & 08-09 projections, PSERC regulations have been broadly followed except for items on which Board has certain reservations (e.g. expenses, T&D loss trajectory, working capital computation, fuel cost determination).
View of the Commission
The Commission applies well considered norms for various parameters concerning the ARR. It is always the endeavour of the Commission, not to burden the consumer, where performance standards fail to meet the norms.

Issue No. 3: Appellate Tribunal - directions
The Appellate Tribunal in its judgment dated 26.5.2006, directed that certain relief be passed on to consumers in items like cross subsidy, allocation of costs of RSD, interest cost on Govt. loans etc. The Board moved the Supreme Court in an appeal No. 4570 of 2006. But it is mandatory for the Commission to comply with the decisions of the Appellate Tribunal till the decision of the Supreme Court is announced. They are not adequately dealt in the Tariff Order for 07-08 or the ARR for 08-09.
Response of PSEB
The Commission has examined these issues in the order dated 13.09.2007.
View of the Commission
Attention is invited to Commission's Order dated 13.9.07.

Issue No. 4: Revised Tariff
The PSEB has not proposed revised tariff though increased revenue requirement of Rs. 5254.47 crores was proposed in ARR for 08-09.
Response of PSEB
It is the prerogative of the Commission to set the tariffs, taking into account the revenue gap projected in the ARR. It is the experience that there had been a wide difference in the gap projected by the PSEB in its ARR petition and that approved by the commission. So it is better that the commission fixes the tariff as per the gap determined by it.
View of the Commission
As a new trajectory for T&D loss had to be set in 2008-09, there is some justification in the plea of the Board that the exact gap could not be foreseen and, as such, it is difficult to propose the manner in which the same requires to be filled up. The Commission will take steps to ensure that there is no such uncertainty in the future.

Issue No. 5: Agricultural Consumption
The increase in AP consumption in 2006-07 & 2007-08 vis-à-vis approved norms of PSERC is not justified.
Response of PSEB
The assessment is based on sample metering at the rate of 5 %(more than the 2% directed by the Commission). AMR system is being planned to eliminate human errors for taking readings of the sample meters.
View of the Commission
Refer Chapter 2, para 2.2.3 and Chapter 3, para 3.2.3.

Issue No. 5 (a): Actual consumption of 2007-08 was calculated on the basis of 6 months sample metering along with normative growth rate taken for 6 months. This is incorrect.

Response of PSEB
The projections for 07-08 based on actuals through sample meters for the 1st six months. For the next six months, it is based on 5 % growth rate (as approved in tariff order for 07-08) over the corresponding period in 06-07.
View of the Commission
Refer Chapter 3, para 3.2.3.

Issue No.5 (b): The Commission should freeze limit of consumption of categories who are cross subsidized & utility should be directed to recover consumption exceeding that at the normal tariff & not subsidized tariff from the consumers.
Response of PSEB
This is not practicable. However it is the prerogative of the Commission to decide on the matter.
View of the Commission
Attention is invited to Chapter 6, para 6.6 of Tariff Order FY 2007-08.

Issue No. 6: Interest Cost
Interest cost of Rs.1394.94 crores is projected for 2008-09 as against Rs 693.75 crores approved by the Commission for 2006-07 which is more than 100% increase. The estimate for 07-08 is also high at Rs.1087.32 crores.
Response of PSEB
Comparing the projected interest cost with that approved for previous years is not correct. The interest cost for 06-07 was Rs.884.30 crores. The revised estimate of interest for 07-08 is Rs.1334.82 crores & the projected interest cost for 08-09 is higher because of increase in interest.
View of the Commission
Refer Chapter 3, para 3.14, Chapter 4, para 4.13.

Issue No. 7: Transit loss of coal
Transit loss of Coal should be limited to 0.8 % as per CERC norm.
Response of PSEB
Certain amount of transit loss of coal is inevitable due to transportation of coal in open wagons resulting in evaporation/windage, seepage. The loss increases with distance of transport. In view of the disadvantageous position of the PSEB in this regard, CERC norms should not be applicable.
View of the Commission
Attention is invited to Chapter 4, para 4.7 of Tariff Order FY 2006-07.
Also refer Chapter 2, para 2.7, Chapter 3, para 3.8 and Chapter 4, para 4.7.

Issue No. 8: Power Factor incentive

P.F incentive should be rationalized & equal to all i.e at 0.25 % for every 1 % increase of power factor beyond 90%. It is not justified to discriminate between General Industrial Consumers & PIU's. The General Industrial Consumers are allowed incentive with base P.F. as 0.9 while PIU are allowed with base P.F as 0.95.

Response of PSEB

The inherent power factor of PIUs is about 0.93 to 0.94 and it is not justified to give them incentive starting from 0.9 P.F. Moreover, the loss to the system due to power factor lower than 0.9 is much more than the benefit of power factor above 0.95.

View of the Commission

Refer Chapter 5, para 5.2.

Issue No.9: Two part tariff

If not for all, atleast for continuous process Industries like PACL, single part tariff should continue. Single part tariff with MMC serves the purpose of a two part tariff.

Response of PSEB

The Commission does not seem to be inclined to introduce two part tariff atleast for 2008-09. The point raised could be examined for ARR 2009-10.

View of the Commission

Refer Chapter 5, para 5.1.

Issue No. 10: KVAH tariff

The PSEB contention is that KVAH tariff is best considered after the introduction of the two part tariff. This is not understandable. There is no relationship between two part tariff & KVAH tariff.

Response of PSEB

Board is not averse to the introduction of KVAH tariff but should not be put to any loss on this account.

View of the Commission

Refer Chapter 5, para 5.2.

Issue No. 11: Delay in commissioning of Lehra Mohabbat Stage -II

The delay in completion of Stage-II of Lehra Mohabbat has cost the PSEB dear, by way of loss of subsidy & interest concession from PFC, project cost escalation & loss of generation. Consumers should not be burdened on account of this.

Response of PSEB

The delayed commissioning is due to uncontrollable factors. EPC contractors were not able to commission the units as per schedule.

View of the Commission

It is unexceptionable that the burden of interest on unjustified escalation in project cost should not be passed on to the consumer. However, the Commission would need to institute, in a phased manner, a mechanism for appraisal of important schemes being implemented by the Board and thereafter take a view on the level of interest that can be allowed.

Issue No.12: Discount for prompt payment

PIU Consumers like PACL should be given bulk quantity discount on the electricity tariff levied on LS consumers. PACL pays bills regularly. So they should be given incentive / concession.

Response of PSEB

Payment of bill for electricity, even in bulk is the responsibility of the consumer. No incentive is called for.

View of the Commission

Board's view is reasonable.

Objection no. 9: Mandi Gobindgarh Induction Furnace Association (Regd.)

The issues pertaining to cross subsidy, cost of supply, metering of AP Consumers, and payment of subsidy by govt. are the same as taken up by the objector during the last ARR and the views of the Commission, after due examination afresh, are the same as expressed in the Tariff Order FY 2007-08. The remaining issues are dealt with hereunder:

Issue No. 1: Two part tariff

Board is trying to introduce a two part tariff since 2004-05 without any basis. The existing tariff covers all sorts of fixed and variable charges.

Response of PSEB
Board has conducted a study for introducing two part tariff for supply to Railway Traction consumers for the year 07-08. The detailed proposal for introducing two part tariff at prevailing rates was submitted to the Hon'ble Commission. The Commission has to take a final decision on this.
View of the Commission
Refer Chapter 5, para 5.1.

Issue No. 2: T&D Losses & Agriculture consumption
The T&D loss projection of 21% for 08-09 and the agriculture consumption estimate of 1872.36 kwh /KW of connected load are reasonable. The T&D loss reduction of 2% over the previous year is reasonable & may be allowed.

Response of PSEB
Board is according very high priority for reduction of T& D losses, a road map with an investment of Rs.5000 crores spread over five years has been drawn.
The agriculture consumption is worked out based on actual measurements on sample meters ending Sept 07. The figure for 08-09 are projections taking a 5% increase over 07-08 figure and may be approved by the Commission.
View of the Commission
Refer Chapter 4, paras 4.2 and 4.1.3.

Issue No. 3: Energy balance
The growth of energy demand is projected at 11% while generation increase is only 2% leading to heavy dependence on power purchase. There is need for capacity addition to match demand or to curtail demand to meet generation or long term power purchase contracts are to be entered into at reasonable rate.
Response of PSEB
The growth of various categories of consumers cannot be controlled or stopped. In case of short fall the Board has to purchase power from traders at high cost as a last resort. Such purchases are kept to the minimum.
View of the Commission
As per the filings of the Board in respect of capacity additions, from time to time, the Board has been taking steps to enhance generation & to augment its capacity in the long run.

Issue No. 4: Power purchase
During kharif period in 07-08 the Board made power purchases to meet the needs of AP consumers. Instead, they should make purchases to reduce or eliminate power cuts and supply of uninterrupted power to industrial consumers. This will reduce average costs of power purchase & also help industrial growth.
Response of PSEB
The Board is in the process of selection of a consultant for conducting case-I bidding process for power purchase for the medium term. PPAs will be signed with lowest bidders.
View of the Commission
Refer Chapter 4, para 4.8.

Issue No.5: Interest cost
The trend of increase in interest cost per annum is required to be contained.
Response of the Board
PSEB requests the Commission to take a just view on the same.
View of the Commission
Refer Chapter 2, para 2.14, Chapter 3, para 3.14 and Chapter 4, para 4.13.

Issue No. 6: Aggregate Revenue Requirement
The continuing short fall in revenue is a matter of concern for the large supply consumers who have been paying tariffs higher than the cost of supply. They also face the scheduled and un-scheduled long power cuts. Government may be called upon to pay all the dues to the Board.
Response of PSEB
The continuing gap in the revenue is primarily the result of various disallowances being made by the Commission over the years & this is affecting the sustainability of the Board. Recovery/reduction of defaulting amount from various departments of the government is being monitored at the highest level and efforts are being made to reduce/recover the defaulting amount.

View of the Commission
The Commission processes the ARR according to its notified Regulations. The Board should make sincere efforts to reduce all wastages, losses & costs, besides taking up vigorously with Government to liquidate the arrears.

Objection no. 10: All India Steel Re-Rollers Association
The issues raised are identical to those raised in Objection no.9.

Objection No.11 &21: PSEB Engineers' Association
Issue No. 1: Delay in Filing ARR Petition
The loss of revenue due to delay in filing of ARR petition by due date needs to be recovered from the authority responsible for delay. Documents in respect of the causes for delay and those relating to the approval of the petition before filing may be made public and put on website. A commitment that there will be no such delays in further filings be stipulated in the Tariff Order.
Response of PSEB
Before filing the ARR/ Tariff petition it has to get the clearance/ nod from the State Govt. which is the 'de-jure' owner of the assets and liabilities of the Board and also exercises pervasive powers over the Board. The clearance from the State Govt. was delayed due to its pre-occupation with other important matters.
View of the Commission
The Commission takes a view on such like issues and processes the ARR in accordance with its notified regulations.

Issue No. 2: Subsidy to be paid by Government
(i) Agricultural subsidy to be paid by Government is to be provided for in the State Budget. The Commission needs to limit the subsidy to such provision only. The Commission may order GOP to first clear the arrears of subsidy of Rs.424 crores. Further, Rs.1394 crores is outstanding for 07-08.
(ii) In ARR a sum of Rs.289.92 crores is shown as excess interest payment by Board to Government besides another such payment of Rs.198.04 crores. This amount of Rs.487.96 crores is to be paid by Government to PSEB or adjusted against E.D for 08-09, the Commission may direct the Government accordingly.
(iii) Subsidy payment is to be paid only in cash in advance. The Commission should obtain an undertaking from Government in this regard.
Response of PSEB
(i) Subsidy amount shown in table 55 of ARR was the payable subsidy for FY2007-08 as per the projection made in the ARR. The figure of Rs 424 crores is not for the year FY07-08. It is the balance subsidy payable for the previous years ending FY06-07 and this may be read as Rs. 422 crores instead of Rs.424 crores.
(ii) It is the prerogative of Hon'ble Commission to decide the matter.
(iii) The manner in which the subsidy is to be paid by the Governmet to the Board is to be decided by the Hon'ble Commission.
View of the Commission
Refer Chapter 2, para 2.16 & Chapter3, para 3.15.

Issue No. 3: Energy data
The actual energy data for 9 months 2007-08 should have been taken in the petition (filed in 01/08) rather than data for 6 months.
Response of PSEB
ARR petition 08-09 is based on actual data upto Sep 07. However it is further submitted that the entire data as per the prescribed formats for the period of Apr 07 – Jan 08 has already been supplied to the Hon'ble Commission.
View of the Commission
The Board has furnished the actual energy data upto January, 2008 in its subsequent filings to the ARR petition.

Issue No.4: Energy Consumption
In view of abnormal increase in energy consumption in 2007-08, 3 year CAGR may not be valid. It is better to (1) adopt actuals of 07-08, (2) Work out category wise increase over 06-07.

Response of PSEB

CAGR method is used to even out any abnormal change in consumption and reflects the best possible estimate for energy sales projections. This method is in consistency with the approach followed by the Commission in its past Tariff Orders for estimating/ approving Metered Energy sales.

View of the Commission

The Commission agrees with the comments of the Board. Actual energy sales for the whole of 2007-08 were not available with the Commission. Accordingly, these have been estimated in a manner consistent with the approach of the Commission in the past. Increase of consumption in 2007-08 will also be taken into account as the CAGR worked out will be applied on estimated energy sales in that year. Also refer to chapter 4, para 4.1 for details.

Issue No. 5: Energy Estimate

Even if 6 months actual and 6 months estimate procedure is adopted the % increase (06-07 to 07-08) is required to be applied on 07-08 consumption to estimate energy for 08-09.

Response of PSEB

As already stated the Board has applied three year CAGR method for projection of figures for FY08-09 which is in line with the practice followed by the Hon'ble Commission and which is quite reasonable also. However Board submits that the logic advanced by the Association is based on sound reasoning and the Commission may take a view.

View of the Commission

Same as for issue no.4 above.

Issue No. 6: Agricultural Consumption

The procedure for assessment of agricultural consumption for 08-09 is too conservative. The % increase in 07-08 over 06-07 is to be applied over 07-08 for arriving at 08-09 consumption.

Response of PSEB

The projection of AP consumption for FY08-09 has been done by assuming an increase of 5% over 07-08 figures as was done by the Commission while working out the AP consumption for FY07-08 in tariff order FY07-08. The Commission may however take a view on the submission made

View of the Commission

Refer Chapter 4, para 4.1.3.

Issue No. 7: AMR of Sample Meters

AMR of sample meters is not cost effective. The details of cost benefit analysis may be provided. The Electricity Act, 2003 mandates 100% metering.

Response of PSEB

The very purpose of AMR scheme of sample meters is to ensure accurate estimation of AP consumption and to avoid errors on account of human intervention. Regarding 100% metering of AP consumers the issue stands already deliberated between Board and Commission wherein it has been brought out that providing meters to all AP consumers is an onerous task and there is strong opposition from AP consumers against installation of meters. It is felt estimation of AP consumption based on sample metering with AMR is a better and economical method.

View of the Commission

The Commission has reiterated its directive regarding 100% metering of AP connections. The Board is expected, in the normal course, to go into the cost benefit of any scheme before the same is implemented.

Issue No. 8: Impact of VDS

The impact of VDS is shown as 408.2 MU. But this is not added to the figure of 10014 MU for 08-09.

Response of PSEB

VDS is a voluntary disclosure scheme. Hence, the increase in consumption on account of VDS cannot be projected for FY08-09 However for FY07-08 the impact of VDS stands accounted for in the revised estimate of AP consumption.

View of the Commission

Refer Chapter 4, para 4.1.3.

Issue No. 9: T&D losses

The Board is proposing to reduce losses to 17% by 2011-12 from 22.7% in 07-08 and the investment proposed as Rs. 5000 crores over 5 years it does not provide a clear picture of how these investments will yield the benefit.

(i & ii) It is needed to study details of feeder wise losses so that prioritization on the basis of percentage losses can be arrived at.

(iii) Reduction in losses from 8699 MU (22.7%) to 8234 MU (21%) i.e. 465 MU in 08-09 only, which amounts to Rs. 154 crores @ Rs. 3.32 P / Unit. The pay back is insufficient for an investment of Rs.1000 crores.

(a) There is a discrepancy in the number of AP consumers.

(b) Providing LT shunt capacitors is a priority and a period of spanning 5 years for this is not in order. This should be completed in a few months.

(c) Consumers should be made responsible to install LT capacitors.

(d) On the pattern of APERC, the Commission may order only AP connections with LT capacitor be provided Subsidized power.

Response of PSEB

The Board has drawn a detailed road map for T&D loss reduction and various activities which will be undertaken under this roadmap have been elaborated. The roadmap includes schemes for HVDS for agriculture connections, LT less system for general service connections, shifting of meters to outside the premises.

i&ii. Regarding feeder wise losses, it is submitted that circle wise and division wise T&D losses are already been worked out and audited. The Board is planning to introduce remote metering system for measuring the consumption of all 11KV feeders and thereafter would start measuring/ auditing feeder wise losses.

iii. If the Board is able to achieve 8234MU (21%) loss target in FY08-09 from 22.7% in FY07-08, then it will amount to a saving of 862MUs and not 465MUs as worked out by the objector, which is valued at Rs.286crores (@ of Rs.3.32 per unit) and thus translates to a payback period of 3 to 4 years which is in order.

a. 9.3 lacs AP consumers were projected in the T&D loss reduction roadmap prepared during the year FY06-07 whereas the figure of 10.34 lacs AP consumers shown in the ARR is the projection for FY08-09.

b. Providing LT shunt capacitors to all AP consumers is a big task which requires time and capital. Hence a 5 year plan has been drawn to install the same.

c. It is already obligatory on the part of an AP consumer to install and maintain an LT shunt capacitor of requisite capacity; however the consumers are not showing any interest in maintaining and replacing the capacitor in case it is faulty. The scheme for proper installation and maintenance of LT shunt capacitors will only be workable on BOO basis.

d. The suggestion is good but it is practically difficult to be implemented.

View of the Commission

Keeping in view the Board's inability to achieve the T&D loss targets set by the Commission in the previous orders, the Commission has retained the T&D losses at 19.5% for FY 08-09. During the year, the Commission will determine the further loss trajectory after assessing the overall strategy of the Board.

Issue No.10: Grid Stability-Installation of Capacitors

There is an imminent need to attend to low voltage and grid voltage instability and it is needed to ensure (a) Compulsory installation of shunt capacitors on AP tubewell by 01/06/08. (b) Introduction of P.F. surcharge for all NRS consumers above 50 KW (c) Increase the limit of PF from 0.9 to 0.95 for LS consumers.

Response of PSEB

All AP feeders except 3 phase / 4 wire or kandi area feeders have been segregated and the problem of running 3-phase motors on 2 phase supply has been minimized.

a. Already replied in Para- 9 above.

b. It is a prerogative of the Commission to decide on the matter. It is felt that NRS consumers above 50 KW should be covered under p.f. surcharge clause. They should be given six months time to bring their p.f. to 0.9 & after six months from the date of notice, the p.f. surcharge as applicable to industrial consumers should be applied.

c. The average PF of LS consumers based on total KWH and KVAH consumption for the current year ending Feb 08 is more than 0.95. So the Commission can take a view on the suggestion made.

View of the Commission

(a) The "Conditions of Supply" of the Board are under consideration of the Commission, where the issue of installing shunt capacitors on AP consumers will be suitably addressed.

(b)&(c) Refer Chapter 5, para 5.2.

Issue No. 11: Electronic Meters

Electronic meters particularly in DS and NRS connections have been found to be not tamper proof. Gujarat has decided to reintroduce electro magnetic meters.

Response of PSEB

Every effort is being made in the procurement of good quality electronic meters which are not susceptible to any kind of tampering. However the Board will get the feedback from Gujarat and get it examined.

View of the Commission

It is an operational issue upon which the Board has to take suitable action. The Central Electricity Authority in compliance of Section 55 of the Electricity Act, 2003 has already prescribed the regulations for installation of meters, which the Board is obliged to follow.

Issue No. 12: Theft Control

Controlling of theft is most effective way of de-loading feeders.

Response of PSEB

It is already doing extensive checking to detect theft of energy through its Operation (DS) and Enforcement wings.

View of the Commission

Every effort should be made to curb theft of energy.

Issue No. 13: Aerial Bunched Cable Installation

The Board may provide area wise deployment of 1435 KM of Aerial Bunched cables proposed.

Response of PSEB

The Board submits that once the details of the scheme are finalized the objector can get the required information from the Board.

View of the Commission

This is an operational issue on which the Board has to take a view.

Issue No. 14: Theft cases

a) The Board should provide details of theft cases, with details like FIRs registered, convictions obtained, revenue realized etc. for FY 06-07& 07-08.

b) Under Electricity Act 2003, SERC has statutory power to advise the State Government in regard to control of theft like
  - Setting up of dedicated police stations.
  - Compulsory registration of FIRs.
  - Registration of FIRs through e-filing system.

Response of PSEB

a) Only assessed revenue against theft detection can be given and the same has been given in the ARR as the consumer has the option to go to Appellate authority, Courts etc. The actual realizations takes a long time and the actual realization cannot be co-related to the corresponding year based on present accounting system.

b) The special courts and special police stations for handling FIR's in respect of theft of energy are yet to be constituted. Difficulty is being experienced in registration of FIR's. The information asked for is not available.

It is the prerogative of the Commission to decide on the matter.

View of the Commission

The Commission will examine and consider suitably advising the Government.

Issue No. 15: Energy Requirement projection for 2008-09

The growth figures of 06-07 to 07-08 are not relevant for ARR of 08-09. Whereas growth in FY 08 09 with respect to 07-08 should be considered.

Response of PSEB

The Board submits that no wrong or misleading information given by the Board. The Board has projected the sales figures for FY07-08 and FY08-09 as per the methodology followed by the Commission in its past tariff orders. Showing growth figures for FY08 is just a matter of presentation. Growth figures for FY09 can be calculated by anybody and everybody

View of the Commission
Same as in respect of issue no. 4.

Issue No. 16: Energy Availability Status
The Lehra Mohabbat stage II is delayed; Unit 3 is highly unstable mainly due to defects in construction works. The fuel oil cost due to repeated restart of Unit-3 during February and March,08 should be recovered from BHEL and not the consumer. Commissioning of Unit-4 is also not expected before Dec 08.
Response of PSEB
The revised commissioning schedule and expected generation of Lehra Mohabbat stage II is being supplied to the Hon'ble Commission separately.
View of the Commission
In case of any contractual violation, the Board is required to take suitable action.

Issue No. 17: Generation at Lehra Mohabbat Stage -II
Against 2800 MU estimated from Lehra Mohabbat stage II units for 2008-09, the generation may not be more than 1694 MU.
Response of PSEB
The projection of generation figures for FY 07-08 and FY 08-09 in the ARR petition have been based on the actual generation figures till Sept 07.It is further submitted that the actual generation figures for FY07-08 till Feb 08 have been supplied to the Commission as a part of reply to the clarifications. Further, the Board submits that the generation figure for FY08-09 would be further revised in FY09-10 Tariff petition and trued up subsequently in the Tariff petition of FY10-11.
View of the Commission
The Commission has considered the revised generation figures in respect of GHTP Units III & IV as supplied by the Board in its letter dated May 09, 2008. Any shortfall/excess in generation will be reflected in the next year's ARR.

Issue No. 18: Hydro Generation
Taking 3 years average for assessing Hydel generation is not in order. It is to be assessed on the basis of prevailing reservoir levels and dependable inflows.

Response of PSEB
The Board has projected the hydel generation figures for FY07-08 and FY08-09 are as per the methodology followed by the Commission in its past tariff orders. It is further submitted that the actual hydel generation figures for FY08 (till Feb 08) have already been supplied to the Hon'ble Commission. However, the Commission may take a view on the submission made.
View of the Commission
Information on all factors affecting reservoir levels and river flows is not available at the time of either filing or approving the ARR. In the event, it has been considered prudent to apply the widely accepted and time tested methodology of estimating hydel generation. In any case, actual hydel generation is subsequently taken into account at the time of review/true-up.

Issue No. 19: Power from Eastern Region
The allocation from Eastern region needs to be corrected and keeping in view the allocation of Power of Tala Project by GOI.
Response of PSEB
The projections of revised estimate figures for FY07-08 and FY08-09 are based on actual data till Sep 07. It is further submitted that the Hon'ble commission has been supplied with actual data pertaining to power purchase till Feb 08 as a part of reply to the clarifications.
View of the Commission
The Commission has taken the power purchase figures as projected by the Board in the ARR. However, any shortfall/excess in generation will be reflected in the next year's ARR.

Issue No. 20: Purchase of Power from Central Generating Stations
Commissioning of Mejia will reduce supplies from Farakka, Kahalgaon-I by same quantity (30MW). Delay in commissioning of RAPS 5 & 6 are also to be taken into consideration for purchase projections.
Response of PSEB
The Board submits that the projections of revised estimate figures for FY07-08 and FY08-09 are based on actual data till Sept. 07. It is further submitted that the Hon'ble commission has been supplied with actual data pertaining to power purchase till Feb 08 as a part of clarification. It may be noted that the actuals for

FY07-08 would be presented for true-up in the following year ARR petition along with the revised estimate figures for FY08-09 which will capture any variations in power purchase figures in the period in between

View of the Commission

Same as issue no. 19 above.

Issue No. 21: Energy Balance

Energy balance estimation should take into account factors like

(a) Increased trend of metered energy and tube well consumption.

(b) Reduction in thermal generation

(c) Reduction in hydro generation

(d) Reduction in RAPP / NAPP, Farakka / Kahalgaon, Mejia, estimation of UI.

The estimate of net power purchase has been understated as there would be reduction in availability & increase in demand.

Response of PSEB

The projections of (Energy availability/ requirement, generation, power purchase) revised estimate figures for FY07-08 and FY08-09 are based on actual data till sep 07. It is further submitted that the Hon'ble commission has been supplied with actual data pertaining to (Energy availability/ requirement, generation, power purchase) till Feb 08 as a part of clarification. It may be noted that the actuals for FY07-08 would be presented for true-up in the following year ARR petition along with the revised estimate figures for FY08-09 which will take into account all these factors.

View of the Commission

Refer Chapter 3, para 3.7 and Chapter 4, para 4.6.

Issue No. 22: Fuel Costs

The fuel cost depends on station heat rate and calorific value of coal.

The CEA report of 12/04 "Technical standards on operation norms for coal / lignite fired stations" should be the basis for evaluation with suitable modifications. The following line of action is suggested.

(a) For 2007-08 & 2008-09 & earlier period actual fuel cost may be allowed.

(b) PSEB should be directed to conduct energy audit and efficiency test of Ropar & Lehra stage I units.

(c) Based on the above PSEB should give an action plan over 3-5 years. The approach of other SERC is to be studied in this regard for guidance.

Response of PSEB

The Board has claimed SHR of units 1 & 2 of GGSSTP Ropar as 2666.67kcal/kwh on the plea that the units are more than 22 years old. CEA report cited by the Association gives the recommended SHR of GGSSTP Ropar unit 4, 5, 6 as 2627 kcal/kwh. So CEA recommendations clearly support PSEB contention for higher SHR for unit 1 & 2 of GGSSTP. Similarly, HERC has allowed SHR of 2786kcal/kwh for unit 5 of Panipat TPS which is 210 MW for 06-07. This may kindly be considered and kept in view by the Commission while working out the fuel cost. Views of PSEB engineers' association may also be considered by the Hon'ble Commission. However the Board is in the process of finalization of petition to be filed with PSERC, for amendment in the norms for determining the fuel cost

View of the Commission

In this regard, refer Chapter 4, para 4.7.2, where the issue has been discussed in detail.

Issue No. 23: Coal Supplies from Coal India ltd.

The Coal India ltd. is over charging the Board by declaring higher grade and supplying lower grade coal. To check the same joint sampling is necessary. It is necessary to adopt UHV as criteria in place of GCV in regard to SHR; West Bengal has adopted the same. It is necessary to take the following steps.

(a) Testing and calibration of PSEB labs.

(b) Joint sampling and testing at power plant.

(c) Online testing of GCV of coal as fired.

Response of PSEB

The Board submits that the fuel cost has been rightly worked out based on NCV. PSEB has been pleading with the Hon'ble Commission in the past also that Net calorific value is what matters for actual generation. MPERC, as pointed out by the Association, has accepted the basis for determining the Fuel cost based on NCV. West Bengal SERC has gone a step further and is determining the fuel cost on the basis of UHV of coal. PSEB strongly submits that it should be allowed fuel cost based on NCV for FY07-08 and FY08-09 and for 06-07 actual fuel cost should be allowed. It is submitted that GCV should not form basis of fuel cost until and unless station heat rate are re-determined correspondingly and are fixed afresh

View of the Commission

Refer Chapter 4, para 4.7.3.

Issue No. 24: Power Purchase cost - Liquid fuel generation and UI drawals

Liquid fuel generation from NTPC gas stations & UI charges need specific attention of the Commission. It is necessary to decide whether to schedule the high cost generation / UI under conditions of severe shortage or to cap the upper limit at say Rs. 6/Unit. Whether to allow such high cost power, to maintain 8 hours of supply to agricultural are some points to be considered. In case Government does not give advance subsidy whether to curtail the hours of supply to 4 or 6 hrs for agricultural consumers.

Response of PSEB

i) MOP has given directive to SEB's in the meeting taken by Secretary, Power (GOI) and chairperson CEA that all the states should schedule the liquid power under extreme conditions of power shortage so as to save the system. As such, PSEB has no option.

ii) PSEB submits that when the frequency is low, power cut is imposed to the maximum extent possible to control the load. It is only when further power cut is not possible that UI is drawn at 49 Hz.

iii) Eight hours supply to farmers during paddy season cannot be denied as it would adversely affect the crop yield. It is further submitted that Punjab is a major contributor to the food stocks of the country and there is no justification for reducing the number of hours of supply to AP sector during paddy to save UI drawl.

View of the Commission

Refer Chapter 4, para 4.8.5 (e) regarding traded/UI power.

Issue No. 25: Variable Charges

The variable charges of NTPC are on the increase. The variable charges for 08-09 are required to be about 5% higher than average value for 07-08.

Response of PSEB

The Power Purchase projections for FY08-09 are based on actual bills till Sep 07. However the actual power purchase bills till Feb 08 have also been supplied to the Commission as a part of reply to the clarifications.

View of the Commission

The Commission has no option but to go by the Board's projections. However, increases in the variable charges of NTPC etc. can be taken care of through FCA petitions.

Issue No. 26: Analysis of Traded Power & UI

The UI could be in the range of 1500 MU for 08-09 judging from past experience. UI & traded power may be of the order of 3365 MU in 08-09.

Response of PSEB

UI for FY08-09 was not considered in the ARR as it is not practical to project these figures. However, since now the actual data for FY07-08 (upto Feb 08) is available, the same may be taken up by the Hon'ble Commission for FY07-08 and FY08-09 also in Tariff Order for FY08-09.

View of the Commission

The Commission has estimated the balance requirement (traded power which may include UI also) at 898 MU after considering the availability of power from Board's own generation, central generating stations and banking etc. Also, refer Chapter 4, para 4.8.

Issue No.27: Implementation of New Pay Scales

Impact of implementing new pay scales needs to be assessed by PSEB & disclosed.

Response of PSEB

Though 5th Punjab Pay Commission stand constituted but it has not so far submitted any report. It is only after the report is submitted by the State Pay Commission that PSEB shall form a committee to finalize the scales and would assess the impact of pay revision. It is too early to give any such information

View of the Commission

This is not an issue at this stage.

Issue No.28: Interest and finance charges

A) Interest projection of Rs. 450 crores at about 10% rate implies short term borrowing of Rs. 4500 crores in 2008-09. Circumstances that lead Board to make high borrowings may be indicated.

B) Short term borrowings to meet power purchases at high rates of about Rs. 7/ unit tend to pile up the loans and recovery from tariff is only about Rs. 2 to 3 /Unit.

C) Following details for FY07-08 may be furnished

- (a) Details of short term loans and utilization of the loans
- (b) Month wise repayments and interest payment in 07-08
- (c) Anticipated repayment and interest month wise in 08-09.

(d) Commission may deliberate whether high cost purchases to supply low yielding services is justified.

(e) Commission may allow interest on belated payment of subsidy by GOP if the payment is through cash and not adjusted.

(f) The details of interest on GOP loan to PSEB for the year 07-08 & 08-09 indicate that the PSEB has not agreed to the GOP to adjust the loan against subsidy payable.

Response of PSEB

a&b) Needful explanation stands already given in the ARR

c) The query will be replied separately by PSEB

d) It is a prerogative of the Commission to decide the matter

e) PSEB agrees with the views and the Commission may kindly take a note.

f) The matter regarding recall of loan was referred back by PSEB to the GOP. The reply has been received wherein the GOP has reiterated its decision to recall the loan. The matter is however yet to be reviewed by the Board and decision taken.

View of the Commission

Refer Chapter 3, para 3.14 chapter 4, para 4.13.

Issue No.29: Non Tariff Income-Theft Detection Revenue

Out of a theft detection of Rs.152.45 crores, the realization was just Rs.17.9 crores in 06-07.Reasons for such a low realization be disclosed.

Response of PSEB

The amount indicated is assessed amount and the realization is spread over 2006-07 and subsequent years as well as the consumer has the option to go to Appellate authority, courts etc In this context it is pertinent to note that even if the amount realized may be less than the penalty levied but still extensive checking as depicted in the table 11 of ARR acts a deterrent and go a long way in reducing theft.

View of the Commission

The Commission has noted the response of the Board. The issue of optimum realization of the assessed amount will be separately examined by the Commission.

Issue No. 30: Capital Expenditure-Thermal projects

There is no provision for any thermal power plant during 2008-09. Dependence on private parties for projects like Nabha / Dhuri & Talwandi Sabo is risky. Capacity augmentation is the only alternative to avoid high cost power purchases. The Commission may advise the GoP on the issue.

Response of PSEB

The Commission may kindly consider the submission made and may take a view.

View of the Commission

While considering the proposals of the Licensee for capacity additions, the Commission is guided by the provisions of the Electricity Act, 2003 and the National Tariff Policy.

Issue No. 31: Subsidy from Government (Non payment of subsidy for the period 1997- 2002)

Balance subsidy payable is shown as Rs. 424 crores in 07-08. This does not include the Rs. 1560.11 crores due for the period 1997-2002, and amount of interest is also to be decided.

Response of PSEB

This issue has been addressed by the Hon'ble Commission in its order dated 13.09.07 passed in compliance of Appellate Tribunal order date 26.05.2006.

View of the Commission

Attention is invited to Commission's order dated 13.9.07.

Issue No. 32: Repayment of Government Loans

In case of Tariff Order 08-09 it is necessary to obtain a commitment from GOP not to recall any part of the out standing loan from PSEB in view of financial problems faced by PSEB.

Response of PSEB

The Board has referred back the matter regarding recall of loan taking shelter of section 77(a) of the Electricity supply Act 1948 but the GOP has not agreed to PSEB's view and has reiterated its decision to recall the loan.

View of the Commission

The issue is between the Government and the Board.

Issue No. 33: Vacancy position of employees

The vacancies position in respect of employees is not furnished.

Response of PSEB
These details asked for are irrelevant for determination of ARR figures.
View of the Commission
The Commission agrees with the response of the Board.

Objections 12: Induction Furnace Association of North India (Regd.)
The issues pertaining to cost of supply, HT rebate, power factor Surcharge/incentive are the same as taken up by the objector during the last ARR and the views of the Commission, after due examination afresh, are the same as expressed in the Tariff Order FY 2007-08. Further, the issues regarding Increase in Tariff, Failure to achieve efficiency parameters, Purchase of power at high cost, Open access charges, Working capital loan, Energy availability during 2008-09, Improving Tube well efficiency, Non tariff income, and Prior period expenses have been dealt with in Objection No.7 at issue nos. 1 to 4 and 6 to 10 respectively. The remaining issues are dealt with hereunder:

Issue No. 1: Financial health of PSEB
The main reasons for poor financial health of PSEB are (i) Supply of free power to agricultural pumpsets (ii) Heavy borrowings under "working capital loan" etc.
Response of PSEB
Free supply of power is being given as approved by the Commission. Heavy short term borrowings became necessary due to non payment of subsidy by the Government in time which is beyond Board's control.
View of the Commission
The Commission has already laid down the time table for payment of subsidy by the Government. The Board will be entitled to interest in the event of delay in effecting such payment.

Issue No. 2: Failure in implementation of the directives of the Commission and Appellate Tribunal
The Board has not implemented the directions of the Commission and Appellate Tribunal on (a) complete metering by 31/03/2007 (b) category wise & voltage wise cost of supply (c) Financial restructuring (d) study of bulk supply tariff on scientific basis (e) steps taken to reduce T&D losses (f) cleaning up Board's balance sheet (g) Re-appropriation of RSD project cost.
Response of PSEB
(a) Dealt in ARR for 2008-09 under "Compliance of Directives".
(b) Cost of service study carried out by Board is not accepted by the Commission. Study is proposed to be conducted again.
(c) Financial restructuring is to be done by the State Government.
(d) Information required for determination of bulk supply Tariff is submitted to the Commission.
(e) Initiatives taken to reduce T&D losses are dealt in Tariff Petition for 2008-09.
(f) Cleaning up of balance sheet is to be done by the State Government.
(g) PSERC has decided the apportionment of RSD project cost.
View of the Commission
a) Refer Annexure IV pertaining to compliance with the Directives.
b) The matter has been taken up with the Board for undertaking the study.
c)&f) Action has to be taken by the Government.
d) Refer Chapter 5, para 5.4.
e) Refer Chapter 4, para 4.2.
g) Attention is invited to Commission's order dated 13.9.07.

Issue No. 3: Purchase of power from outside state
Purchase of power from external sources in quantity and amount is increasing every year. Besides unscheduled purchase of power is being done during paddy season at high cost and it should not be loaded to industrial consumers.
Response of PSEB
The increase in power purchase is due to increasing demand by 8 to 10% year by year during the last few years and no additional generation has come up in the state and the gap is to be made up by purchase from out side. Unscheduled purchase is made to meet the gap of entire state not only AP demand.
View of the Commission
Refer Chapter 4, para 4.8.

Issue No. 4: Peak load exemption charges
The peak load exemption charges being charged are very high and these are applicable to continuous process industries also which have to utilize power round the clock. In addition Board has issued a circular

dated 07/11/07 regarding levy of peak load exemption charges and imposition of weekly off day restrictions without authority from the Commission. These are causing hardship to industry.

Response of PSEB

PSEB has levied the charges because the Board is not able to meet peak demand during peak hours and PSEB has to purchase power at high cost during this period. PLEC charges are levied so that consumers may manage their demand judiciously avoiding peak hours. Power regulation circular is issued with the approval of the Board under intimation to the Commission.

View of the Commission

Attention is invited to Chapter 9, para 9.9 of Tariff Order FY 2004-05.

Issue No. 5: AP Consumption

The AP consumption was pegged at 7115 MU during 2006-07 and suddenly increased to 8233 MU and is retained at 8235 MU. Similarly during 2007-08 it is approved at 8645 MU, but increased to 9537 MU and estimated at 10014 MU during 2008-09. The increase from 5% to 16% is not in line with the number of additional pumpsets released.

Response of PSEB

The increase in AP consumption is due to decrease in rainfall, VDS, use of submersible pumps etc. as discussed in Tariff Petition for 2008-09.

View of the Commission

Refer Chapter 2, para 2.2.3, Chapter 3, para 3.2.3 and Chapter 4, para 4.1.3.

Issue No.6: RSD project Cost

The objector has drawn reference to the Order of Appellate Tribunal dated 26/05/2006 on the subject and stated that the allocation to PSEB as per Commission's decision requires review and to be re-determined as it causes heavy burden on the Board. This has to be done in definite time frame.

Response of PSEB

The issue regarding allocation of costs of RSD project between the Board & Irrigation department has been re-examined by the Commission in compliance of Appellate Tribunal Order as recommended by Chatha Committee set up by the Government and is in order.

View of the Commission

The Commission has, in its order of 13.09.2007, taken a well considered decision in this regard.

Issue No. 7: Investment Plan

Appellate Tribunal stated in its order that resources raised through depreciation fund, consumer contribution, ROI / ROE are to be solely deployed for capital formation. It is not clear whether the Board has taken these for investment during 2007-08 & 2008-09 to avoid heavy borrowings for capital works. The benefits of these investments have also to be quantified.

Response of PSEB

The resources raised through depreciation amount, consumer deposit and consumer contribution, ROI / ROE are not adequate to meet capital expenditure.

The project wise benefit on investment is in the process of working out and will be replied separately.

View of the Commission

The Commission while approving the investment plan of the Board and borrowing requirement does take into account consumers' contribution. Similarly, depreciation amount is considered available for repayment of outstanding loans for capital works. Interest cost on borrowing for capital works is allowed after keeping in view accruals from internal resources. The Board is also advised to submit project wise benefit from investments as stated in the reply.

Issue No. 8: Default of carrying forward of Rs. 760 crores from FY 2006-07

While carrying out review exercise last year of the tariff order FY 2006-07, it is observed that an amount of Rs. 760 crores payable by the Goverment, would be carried forward and accounted for during 2007-08. But while working out ARR for that year it appears to have been left out. The Commission must take care of this while issuing tariff order.

Response of PSEB

The carry forward amount mentioned is accounted for in the tariff order.

View of the Commission

Refer Chapter 3, para 3.14 and Chapter 4, para 4.13.

Issue No. 9: AP Subsidy for FY 2007-08

While working out tariff structure for 2008-09, AP rates need to be increased and cross subsidy level is reduced to cross subsidizing consumers.

Response of PSEB

The actual subsidy will always be equal to the actual revenue supposed to get collected based on the rates approved by the Commission.

View of the Commission

Refer Chapter 4, para 4.1.3.

Issue No. 10: Diversion of funds and interest cost

The Appellate Tribunal has given direction to the Commission to workout the extent of interest which can be allowed as a pass through. The Commission dealt this in truing up exercise for the year 2006-07, but not given effect from 2005-06 onwards. In the true up exercise actual diversion should have been arrived and interest disallowed.

Response of PSEB

The issues raised have been addressed by the Commission in its order dated 13/09/2007 in compliance with the direction of the Appellate Tribunal, the interest worked out on diverted funds has not been passed on to consumers.

View of the Commission

Attention is invited to the Commission's order dated 13.09.2007.

Issue No. 11: Interest element on loans relatable to irrigation department

The interest on the revised cost allocation and Government loan, between PSEB & Irrigation department on RSD project has to be worked and additional interest charged to the Board earlier has to be reduced to the extent of Rs.91 crores.

Response of PSEB

The issue raised has been addressed by the Commission in its Tariff Order for FY 2007-08 in the true up for 2006-07.

View of the Commission

The issue has been addressed in Commission's order dated 13.09.2007.

Issue No. 12: Specific objections

Employee cost, R&M expenses, A&G charges are being allowed on the basis of increase in WPI for the year. These expenses have to be increased at 4% per annum as per CERC norms, which is lower than WPI. 70% WPI and 30% CPI is suggested as appropriate.

Response of PSEB

Board does not agree with the view of consumer.

View of the Commission

The Commission allows these expenses as per its Tariff Regulations.

Objection No.13: Apex Chamber of Commerce & Industry (Punjab)

The issues raised are identical to those raised in Objection no.12.

Objection No.14: M/s Bhawani Industries Ltd., M/s Oasis Enterprises (P) Ltd., M/s Vimal Alloys (P) Ltd., M/s Bhawani Castings (P) Ltd.

The issues pertaining to HT rebate and power factor incentive are the same as taken up by the objector during the last ARR and the views of the Commission, after due examination afresh, are the same as expressed in the Tariff Order FY 2007-08. Further, the issues regarding Increase in Tariff, failure to achieve efficiency parameters, purchase of power at high cost and Open access charges have been dealt with in Objection No.7 at issue nos. 1 to 4. The issues pertaining to financial health of PSEB, failure to implement directives of the Appellate Tribunal & the Commission have been dealt with in Objection No.12 as issue No.1 and 2.

Objection No.15: Beas Hospital

Issue No 1. Request for Single Point Tariff

Seeking parity with other Government organisations / Hospitals the concept of single point supply at Domestic Tariff is also extended to this cent- percent charitable hospital. The hospital colony comprises of 660 Nos. residential quarters besides borewells and bio gas plant & staff welfare centre and these consume 20% of total hospital consumption.

Response of PSEB

The Board submits that in case of electricity supplied to Hospital around 80 % of the electrical consumption is within the Hospital for different activities(medical, canteen and others – for which some fees is charged) and around 20 % of the total electricity consumption is by the Hospital colony. It is further submitted that the tariff category for the consumer is dependent upon the load-mix of the consumer and a specialized category of tariff cannot be designed on an individual basis.

View of the Commission

As of now, most hospitals including Government hospitals are levied NRS tariff. The consumer may consider opting for a single point connection under the Regulations recently notified by the Commission.

Objection No. 16 & 17: Er. S.K Seth

Issue No.1: Extra levy for private hospitals

PSEB is levying 25% extra tariff to privately managed commercial heart care, MRI,CT seen centres including big super specialty hospitals, for providing supply on essential service pattern. This levy charged as per circular 3/2000 is not applicable to Govt./Charitable hospitals.

1) This levy is discriminatory & harsh.

2) This levy doesn't find specific mention in any tariff orders or the ESR of the PSEB.

This needs to be revised as the same was never deliberated upon or objections called for. This category is already paying a high tariff than average cost/unit & is made to subsidise other categories & is discriminatory. PR circulars are for power regulation and should not affect tariff.

Response of PSEB

This levy on commercial hospitals etc. is justified in view of the commercial nature of there operations in contrast to Govt. / charitable hospitals.

1. PSEB submits that the 25% extra tariff is charges as per the PR circular No. 3/2000 to ensure uninterrupted power supply on the pattern of essential services for such units as the privately managed commercial hospitals. It is submitted that such hospitals are getting the facility of uninterrupted power supply through hot lines which contribute to their profit margin. So the extra tariff being charged is justified.

2&3. The Power Regulations (PR) Circular mentioned above was issued prior to the establishment of PSERC & as such it doesn't appear in their Tariff Orders.

4. Replied in Para 1 above. PR circulars are primarily issued for power regulation only. But prior to 2002-03, the related commercial aspects of power regulations were also being looked after by CE / SO&C & accordingly, commercial aspects were also covered in the PR circulars.

View of the Commission

The issue will be separately examined by the Commission.

Issue No. 2: MMC

In the present situation where PSEB is buying power at the rates as heavy as Rs.7.5 per unit, Board can save energy in case it waives MMC from the power producers who are also consumers of Board. This is because it would tend to reduce generation, but consume units amounting to MMC from the Board. So the Commission may waive MMC, but may recover the difference between the cost of LS tariff and that of NRSE units.

Response of PSEB

The Board incurs fixed cost to set up and maintain the system and MMC is levied to recover the same. MMC is levied when the consumers do not consume electricity beyond the extent of the monthly minimum consumption as per the load and category of these consumers. It is submitted that the power producers also have connected load for auxiliary consumption corresponding to their load of auxiliary equipments which in case of plant not running, draw start up power from the PSEB network and this power can be drawn by the producer at any given point of time. MW demand to that extent has to be kept earmarked for such power producer by the Board. Hence it is essential to charge MMC from the power producers as long as they are having power connections from the Board.

View of the Commission

The issue will be separately examined by the Commission.

Objection No. 18: Satguru Pratap Singh Apollo Hospitals

Issue No. 1: Levy of 25% surcharge

A 25% surcharge is being levied by PSEB on 11KV NRS consumers who are availing essential service facility as per PR circular 3/2000. This charge is being levied on existing private managed commercial heart care, MRIs, CT scan units which cater to accident, emergency cases.

This circular meant for only small hospitals as the minimum-qualifying load is 100 KW only. The objector has 2MW state of the art Hospital catering to local as well as foreign patients.

This 1998 KW load is supplied through an independent 11 KV feeder erected at own cost. The hospital was granted essential service facility based on their application in 8/06, but was being levied this surcharge of 25% without assigning any reason.

There was no mention of the same in any of the tariff orders & the same not there in any of the tariff orders & the Boards own electricity supply regulations (ESR) 2005 is silent in this regard. They were not aware of the heavy & crippling surcharge at the time of getting permission for the essential supply facility. A study of the circular reveals that it is mainly meant for small hospitals.

Response of PSEB

i) These Privately Managed Hospitals charge market prevalent fees, room rent and other charges from the patients. A privately managed hospital has to run diesel generator at the time of power cut. The cost of generation with DG Set is around Rs. 10/- per units.

ii) For providing continuous supply to such hospitals, PSEB is charging only 25% extra which comes to around Rs. 1/- per unit only and the total tariff for power is still quite less than the cost of generation with diesel set.

PR Circular 3/2000 is applicable to all the hospitals having load of 100 KW and above and there is no special treatment to the super speciality hospitals and Satguru Pratap Singh Apollo Hospital is one of the consumers who opted for the same.

These hospitals cannot be equated with industry which has to face competition from the national as well as international market and employs a large work force in the State. Moreover, the industry is already subsidizing the other sectors of consumers.

The privately managed hospitals are being run on commercial lines where as Charitable & Government hospitals are being run on subsidies/Charities. The charges of such hospitals recovered from patients are very low. As such the exemption is quite justified.

The super speciality hospitals do not have any competition in the area and the patient has no choice but to take treatment from such hospitals without caring for the charges of the institution. It is fully justified that such hospitals should share the cost of power with PSEB for which these 25% extra charges are being levied.

View of the Commission

The issue will be separately examined by the Commission.

Objection No. 19: Punjab Cotton Factories & Ginner's Association (Regd.)

The issues pertaining to separate connection for light load and payment of energy bills through post dated cheques are the same as taken up by the objector during the last ARR and the views of the Commission, after due examination afresh, are the same as expressed in the Tariff Order FY 2007-08. The remaining issues are dealt with hereunder:

Issue No.1: Change of Name - procedure

The procedure to change the name of the running industrial & domestic consumers (in cases of change of ownership etc.) should be simple and allowed with minimum fee. There should be no objection from the Board for this. The PSEB may be advised to come up with simplified procedure.

Response of PSEB

The change of ownership is allowed as per procedure given in clause 38 of the Electricity Supply Regulations of PSEB subject to submission of relevant documents as a proof of change of ownership. Any consumer can give the option for change of ownership after submission of requisite documents. The time period within which transfer of ownership and change of name for all categories of consumers shall be allowed, has also been defined in clause11 of Electricity Supply Code 2007.

View of the Commission

The time frame for effecting change of name has been prescribed in the Electricity Supply Code already notified by the Commission. Any further scope for simplification of procedure will be separately examined.

Issue No.2: Penalty for peak load violation

Peak Load Penalty due to difference in time recording should be removed.

Response of PSEB

To address this problem of time difference in Real Time Clock of meters and Indian standard time, the peak load violation penalty charges which are levied are half of the normal charges during Ist and last half an hour of the PLR period. The consumer can however avoid penalty by observing peak load restrictions for the prescribed period as per Real Time Clock of the meter.

View of the Commission
The Board may look into the feasibility of better aligning the time clock of meters with Indian Standard Time.

Objection No. 20: CRPF
The Sarai khas group centre has bulk supply HT connection. One of the functions of the group center is house keeping & providing accommodation for families of personnel attached to the group centre. The personnel are deployed in North East & Jammu & Kashmir. The group centre also provides essential logistic and administrative support to the personnel which come under 'domestic' category. Electricity is not being used for any commercial purpose here. As the supply connection is HT bulk supply, the families staying in the group center are forced to pay very high rates compared to the domestic supply rates though the use is only for domestic purpose. The PSEB expressed its inability to change the tariff, on the plea that only one connection is to be allowed in one premises. It is required to allow domestic tariff for the families staying in the group centre we are prepared to make necessary additional arrangements to the existing network for facilitating this.
Response of PSEB
As per Board's regulations only one connection is allowed in one premise. The consumer, being of bulk supply category, can not be charged Domestic tariff.
View of the Commission
The objector may consider opting for a single point connection under the Regulations recently notified by the Commission.

Objection No. 22: M/s Vimal Alloys Pvt. Ltd.
Issue No. 1: PLEC
The consumer has an induction furnace unit with sanctioned load of 6880 KW/7818 KVA at 66KV. There are three-furnace transformers. As per ESR, an induction furnace is allowed to run a load of 5% of their sanctioned load or 50 KW per furnace whichever is lower during peak load hours, without paying any additional charges. As per the ESR the objector is eligible to use 150 KW at peak load without additional charges. As per ESR 168.1.2.1, in the case of general industrial units (this includes industries with one induction furnace only) are allowed to use up to 50 KW during peak load hours without having to pay any peak load exemption charges beyond which PLEC are applicable extra. If the furnace unit has more than one furnace this clause will not apply to them. They have to take recourse to ESR 168.1.2.2.
This clause states that, peak load exemption above 100 KW can be granted to large supply consumer to the extent of their sanction load, on their willingness to pay additional charges as stipulated. This clause does not stipulate that the eligible exemption calculated at 50 KW per furnace stands denied to the consumer.
The objector is availing 400 KW PLEC by taking permission from PSEB, The benefit of minimum eligible exemption is not allowed over and above this 400 KW.
It is represented that the ESR 168.1.2.2 be changed so that PLEC above 100 KW be granted as desired, but without denying the benefits of eligible minimum exemption on the basis of more than one induction furnace.
Response of PSEB
ESR 168 is to be read with the PR Circulars issued by PR&C Directorate on the subject from time to time. Induction furnace units and General Industry are governed by different regulations as far as the normal loads allowed during Peak Load Hours without payment of charges are concerned. The ESR 168.1.2.2 states in the last lines that the charges for availing peak load exemption will be over and above their normal energy bill. PR Circular No. 11/98 also states the same**.** As per existing instructions contained in ESR as well as provided in PR Circulars, the rates for the peak load of 100 KW take care of eligible exemption, where as for peak load exemption of more than 100 KW the eligible exemption does not come into the picture and the charges are to be levied on the total load for which peak load exemption is sought by the consumer.
View of the Commission
The issue will be separately examined by the Commission.

Objection No. 23&24: S.S.Jaspal
Issue No.1: The objection is actually a press note intimating that a writ petition has been filed in the Punjab & Haryana High Court against Punjab Government, PSEB and PSERC to stop hike in electricity tariff till they take the following remedial measures.
(1) Reduce 35 % T & D loss
(2) Remove unauthorized 'KUNDI' connections.
(3) Recover arrears of electricity from Government departments without exception.
(4) Stop subsidy to farmers and others (Government may reimburse the bill or give such concessions to farmers and others). The Hon'ble High Court has issued Notice of motion to the respondents to submit reply on 11th July 2008.

Response of PSEB
The PSEB is in process to file the detailed reply to the writ petition (No.2873/2008) with the Hon'ble High Court on the prescribed date.
View of the Commission
Tariff fixation is undertaken by PSERC as mandated by Section 62 of the Electricity Act, 2003.

Issue No.2: The poor financial condition of the PSEB cannot be mended unless the policies of the Board and Government are changed. The Government departments & Other Boards are biggest defaulters in payment of Power bills. They owe Rs.4628 millions to PSEB. Government has not paid subsidy of more than Rs.2500 crores on the agricultural consumption. There are 35 % transmission losses. There is no check on Kundi connections & unauthorized connections. Power cuts and hike in rates are no solutions to this problem. The Government should take positive action and tackle the problems. The Board should increase its generation & income. There should not be free electricity to any section without any exception (religious places, former employees of the Board, BPL etc). There should be metered supply to every consumer without any discrimination. Incase of any concession like subsidy is to be given to any body, the consumer should pay the bill & the amount of concession may be reimbursed in the same way as medical bill of employees. Supply of electricity is a profit making business. The solution does not lie in power cuts which cause loss to the Board. The solution lies in 24 Hours of Supply and to make every consumer pay the Power Bill. More generation, more income.
Response of PSEB
The dues of PSEB in respect of Punjab Government and other Government departments are to the tune of Rs.66.45 crores ending 8/2007 not Rs.462.08 crores as mentioned by the objector. The efforts are going on to recover the dues. The Government has paid the entire amount of subsidy due for FY 2007-08.

The estimated T&D Losses for FY 2008-09 are 22.7% & not 35% as mentioned in the objection.

To check theft, KUNDI and un-authorized connections the extensive checking are conducted by the distribution wing as well as enforcement wing of the PSEB. Further the State Govt. is in process to of establishing special Courts to exclusively deal the cases related to theft of electricity. PSEB is taking all steps to add generation capacity.

The Government should pay the subsidy due in advance to the PSEB as per the regulations of the PSERC. However, PSEB cannot comment on the issues raised as these come under the Government purview.

The power cuts are imposed to address the gap between demand and supply. Power cuts are unavoidable as PSEB does not have the availability of power to meet unrestricted demand of the State.
View of the Commission
As far as practicable, the Commission finalizes the ARR on the basis of normative performance and costs. To that extent, the consumer is insulated from excess costs that might accrue on account of less than optimal performance of the Board. Many suggestions given by objectors, to the extent they are practical, are to be considered by the Board in the course of its normal operations. Some areas where the Board has no control have been referred to in its comments above.

Objection No.25: Power Grid Corporation of India Ltd.
Northern Regional Load Despatch Centre (NRLDC) is an apex body under section 28(1) of the Electricity Act 2003 in respect of integrated grid operation of the Northern Regional electricity grid. Thus these submissions are made from the perspective of the security and reliability of the integrated system.

1. It is well known that rate of growth of electricity especially during paddy season is very high in Punjab. Apart from high growth in electricity consumption during 2007 paddy season (15-20% growth vis-à-vis figures of the corresponding period of 2006), the reactive power drawals of Punjab has been increasing year after year.
2. Reactive Power charge bills of the Punjab from regional pool have a rising trend while that of most of the other states in Northern Region are opposite. These heavy reactive drawals lead to low voltages and pose serious threat to the system reliability. The disturbance in Punjab during last paddy season on 10th June 2007 due to voltage collapse is an example of the bad effects of these low voltages. Voltages in Punjab were low during entire paddy season.
3. The overloading of the system is also an issue and during last paddy season on 4th August, 2007, there was a disturbance in Punjab system on that account. Overloading, low voltages forms a vicious circle in which one causes other.
4. Therefore, with the present network, drawal of power beyond 3500-4000 MW from Northern Regional grid by Punjab may not be possible.
5. Thus following actions are necessary for controlling the situation:

a. Network Augmentation:
    i. 220KV Mohali-Nalagarh D/C
    ii. 220 KV evacuation system from GHTPS-II so that there is no problem evacuating full power from GNDTP, GHTP-I & GHTP-II.
b. Installation of shunt capacitors as per the requirement worked out by the Operation Coordination Committee (OCC) of the NRPC and ensuring that existing capacitors are in working condition. This is necessary in order to improve voltage profile throughout the Punjab system.
c. Under Voltage Load Shedding Schemes (UVLS) for shedding highly reactive loads at voltage below 190 KV at 220 KV busses in a staggered manner and spread across entire state to avert any voltage collapse.
d. System Protection Schemes (SPS) that sense overloading of the network (such as overloads on 400/220 KV transformers at Moga, Malerkotla, Patiala, Jalandhar, Amritsar and Ludhiana) and trip bulk loads to avoid cascading.
e. Keeping under frequency relays (flat as well df/dt) under operation as per the quantum finalized by the NRPC.
f. Expediting the commissioning/smooth functioning of the units at GHTP stage-II.
g. Close monitoring of the voltages and network loadings and empowering SLDC personnel for taking fast corrective actions.

This is submitted for kind consideration of the Hon'ble Commission as these would go a long way in addressing system security &reliability.

View of the Commission

The response of the Board has been forwarded to the objector. If any issue warrants action by the Commission, the same will be separately looked into.

26: Government of Punjab

The observations of the Government on the ARR are summarized below, alongwith the view of the Commission:

1: Interest of stakeholders

PSERC should adopt measures and principles, which are realistic and in line with trends in rest of the country. These norms should aim to safeguard interests of all stakeholders, including electricity consumers, PSEB and the Government.

View of the Commission

The Commission has applied the norms as per its Tariff Regulations. The interests of all the stakeholders have been kept in view in determination of ARR and passing of the Tariff Order for the year 2008-09.

2: Increase in cost of inputs

The Commission should duly acknowledge increase in cost of inputs including increase in fuel cost in generation of electricity in keeping with the increase in general price level.

View of the Commission

The cost of the inputs including fuel cost in generation has been allowed as per the provisions of the Tariff Regulations.

3: Employee cost

The Commission allowed full employees cost to PSEB, considering it a legitimate cost of supply of electricity in the year 2003-04. Although PSEB has a very high number of employees, it has not added any new work force, except recruitment of 263 Assistant Engineers for its projects. The employees cost allowed during 2003-04 refers to a particular number of employees in different cadres and it is felt that PSERC should allow actual cost of these employees, including retiral benefits of those retired in 2003-04 and subsequent years as a committed liability of PSEB instead of allowing any notional cost as done in previous year 2007-08.

View of the Commission

Refer Chapter 2, para 2.10, Chapter 3, para 3.10 and Chapter 4, para 4.9.

4: Diversion of capital funds

In its Tariff Order FY 2007-08, the Commission has directed that PSEB should not pay interest of Rs.289.92 crores in 2006-07 and 2007-08 on Government loan on account of diversion of capital funds for revenue purpose by PSEB. As a result, PSEB has stated in its ARR that it would be paying only Rs.85.99 crores as interest on Government loans in 2007-08 and also in 2008-09 against a total interest payable of Rs.375.91 crores per year. PSEB has also proposed to adjust the excess payment already made on this account to the Government. This Order of the Commission is neither fair nor proper. As a result, the Government has filed an appeal in the Appellate Tribunal and the matter is likely to be taken up in July, 2008. In view of this matter being sub-judice in an appeal, the Commission should allow the interest payable by PSEB as it used to be prior to its Order of 2007-08 till the matter is finally settled at competent judicial level.

View of the Commission

Since there is no stay, the Commission has in accordance with its order 13.09.2007 disallowed interest of Rs.209.32 crores to the State Government on account of diversion of capital funds for revenue purposes.

5: Agriculture consumption

The Commission had approved AP consumption of 7000 MUs in its Order of 2005-06. In ARR for 2008-09 PSEB has projected AP consumption as 10014 MU, showing an increase nearly 45%. Such an increase is neither justified nor proper or logical. It is reiterated that AP consumption is based on subjective assessment as there is no scientific way being followed by PSEB to make this assessment. The assessed consumption is based on 50000 meters of which nearly 25% are not functioning. Nearly 95% agricultural connections are not metered. Further, there has been no substantial increase in number of tubewells, nor the area under cultivation has gone up in Punjab. The agriculture production is nearly stagnant and diversification of cropping pattern does not seem to be picking up. On the other hand, supply of surface water has been sufficient, leaving no significant reason for increase in agricultural electricity consumption. The Commission has already allowed AP consumption at 8645 MU in its Tariff Order of 2007-08 against 7000 MU in 2005-06. We feel that AP consumption should be frozen at 8645 MU and PSEB should be directed to install meters at all distribution transformers serving the AP consumers to get a more reliable assessment of AP consumption. A time frame for such an action by PSEB should also be prescribed.

View of the Commission

Refer Chapter 2, para 2.2.3, Chapter 3, para 3.2.3 and Chapter 4, para 4.1.2.

6: T&D losses

As in the case of AP consumption, assessment of T&D losses has also remained a problem. The primary reason for this is that a major component of the energy pumped into system i.e. agricultural consumption is not metered. Thus, the assessment of T&D losses substantially depends on AP consumption assessed by the Commission. If the assessment of AP consumption, which is invariably subjective and adhoc, goes up, the T&D losses come down and vice-versa. In the year 2002-03, the Commission had approved PSEB's T&D losses as 25.52%. Thereafter, the Commission asked the PSEB to reduce the losses to 19.5% in the year 2007-08. But these targets have not been achieved. The Government of India has asked PSEB to reduce its losses to 15% by the year 2012. PSEB should work out a more realistic programme to reduce its losses to achieve the target of 15% by 2012. They should propose technical and non-technical measures, including capital investment required therefore and give a firm time schedule to achieve this. The programme of capital investment should be realistic and based on committed resources instead of un-realistic plans and untied funds.

View of the Commission

Refer Chapter 4, para 4.2.

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Annexure-III

Minutes of the Meeting of the State Advisory Committee of the Punjab State Electricity Regulatory Commission held on May 7, 2008

The Meeting of the State Advisory Committee was held in the office of the Commission at Chandigarh on May 7, 2008. The following were present: -

1.	Shri Jai Singh Gill, Chairman, PSERC, Chandigarh.	Ex-Officio Chairman
2.	Mrs. Baljit Bains, Member, PSERC, Chandigarh.	Ex-Officio Member
3.	Shri Satpal Singh Pall, Member, PSERC, Chandigarh.	Ex-Officio Member
4.	Shri Amrit Lal Garg, Addl. Secretary (Power), on behalf of Secretary, Department of Power, Government of Punjab, Chandigarh.	Member
5.	Shri H.S. Brar, Member/Distribution, PSEB, Patiala.	Member
6.	Shri Y.P. Mehra, Ex-Tech Member PSEB, 12, Ram Bagh Colony, Behind GPO, Patiala.	Member
7.	Shri G.S. Kalkat, Former Vice-Chancellor, PAU, 706, Sector 11-B, Chandigarh.	Member
8.	Shri Amarjit Goyal, PHDCCI, Punjab Committee, PHD House, Sector 31-A, Chandigarh.	Member
9.	Addl. Director, Factories, on behalf of Labour Commissioner, Deptt. of Labour, Government of Punjab, Chandigarh.	Member
10.	Sh. T.P.Singh & Sh.Ashish on behalf of Chief Electrical Engineer, Northern Railway, Baroda House, New Delhi-110001.	Member

11.	Shri Amrik Singh, Chief Engineer/Operation (South), PSEB, Patiala.	Member
12.	Dr. A.K. Jain, Professor, Deptt. of Soil and Water Engg., Punjab Agriculture University, Ludhiana.	Member
13.	Prof. R.S. Ghuman, Professor, Deptt. of Economics, Punjabi University, Patiala.	Member
14.	Shri Bhagwan Bansal, Punjab Cotton Factory & Ginners Association Shop-109, New Grain Market, Mukatsar.	Member
15.	Shri Raghbir Singh, President, Jalandhar Potato Growers Association, 767, Swaranjit Singh Market, Mota Singh Nagar, Jalandhar.	Member
16.	Shri Gurmit Singh Palahi, Secretary, National Rural Development Society, VPO Palahi, Teh. Phagwara, Distt. Kapurthala.	Member
17.	Mrs. Namita Sekhon, Secretary, PSERC, Chandigarh.	Secretary

1. The Chairman welcomed the Members to the meeting of the State Advisory Committee and thanked everyone present for having spared time to attend the meeting. The Chairman requested the Members for their valuable views specifically on the following items, as these would have a bearing on the tariff to be decided by the Commission for the current year.

   - ARR of the Board filed for the year 2008-09. (Agenda item)
   - Limiting of AP subsidized consumption as per orders of Hon'ble APTEL. (Agenda item)
   - T&D loss trajectory.
   - Power purchase and its cost.

2. Shri Amarjit Goyal pointed out that after the constitution of the Commission, there has been a lot of improvement in the working of the Board and that the industry too

wanted the Board to be healthy, financially sound and efficient to ensure better and sustained service to the industry. Specific points raised by him were as under:

i. Board's T&D losses are on the higher side due to theft of electricity taking place at various levels which need to be controlled by the Board and that the power being provided for AP pump sets, which is unmetered and supplied free of cost should not be allowed to be used for other purposes. For this purpose, all the AP consumers should be metered.
ii. The State Government should pay subsidy to the Board, for free supply to AP consumers and other categories of consumers, in time and in cash so that Board may not face any financial problem in running its day to day affairs.
iii. The rate of Power Purchase over and above sanctioned by the Commission should be paid by the State Government, since this additional power is being purchased for use by AP category which is being subsidized by the State Government.
iv. Capitalization of RSD cost need to be re-examined.
v. Cross subsidy needs to be reduced at a faster rate, and the salary and wages expenditure of the Board also need to be reduced.

3. Shri Kalkat was of the view that the electricity for tubewells should not be totally free. Some fixed charges must be recovered from the farmers and the balance may be subsidized by the State Government. Charging a fixed sum for AP consumption becomes all the more necessary to get compensation in agriculture produce factored at the time of determination of cost by Agriculture Price Commission.

   Shri Kalkat was of the view that cross-subsidization should be left to the State Government. He opined that amount of subsidy for free electricity should be the same for each AP consumer irrespective of capacity of tubewell and that there should not be any wastage of power.

   Shri Kalkat further pointed out that in the month of April and May instead of 3-4 hours a day supply, the supply should be made available for 10 hours twice a week for cultivation of vegetables and fodder to better the crop output.

4. Shri Mehra raised the following issues:
   (i) Investment Plan for T&D proposed by the Board should be allowed. However, cost benefit analysis needs to be carried out.
   (ii) For the efficiency improvement of AP tubewells some pilot project study needs to be taken up and thereafter action may be taken on the basis of results of pilot project.

(iii) The subsidy needs to be released by the Government of Punjab in cash and in time.

(iv) Investible funds such as consumer contribution, depreciation and ROE should appear in the Investment Plan.

(v) The AP consumption has increased almost two times in the last three years. It needs to be checked and properly assessed.

(vi) The ARR and Tariff determination exercise may be carried out in the mid of the year when audited accounts of the previous year are available.

(vii) Metered AP consumption should be charged on slab system basis i.e. beyond a prescribed consumption, normal tariff should be applicable. For unmetered connections, the rating of motor may be fixed upto which the consumption may be subsidized. The rates must also be differentiated keeping in view the dark, grey and white areas of the State.

(viii) The tariff rates for AP tubewells should be enhanced thereby reducing cross subsidy in AP.

(ix) Bulk SupplyTariff needs to be reviewed on the basis of predominantly domestic and predominantly commercial loads.

(x) Decision on issues like KVAH Tariff, Two Part Tariff, HV rebate etc. which are being delayed need to be expedited.

(xi) Complaint Handling Mechanism needs to be relooked.

(xii) All Commercial Circulars issued by the Board need to be screened/audited by the Commission.

(xiii) Working Capital loan of the Board is too high and needs reduction.

(xiv) The power factor surcharge and incentive for LS consumers should be equal.

(xv) The reasons for reduction of Thermal generation at GNDTP and GHTP during 08-09 (estimates) as compared to actuals need to be examined.

(xvi) Funds for release of tubewell connections should be paid by the State Government. PSEB is also subsidizing release of AP connections.

(xvii) Consumers need to be educated/informed about the salient features of Supply Code half yearly.

(xviii) Directions of APTEL with regard to voltage-wise/category-wise cost of supply study have not been implemented even after a period of two years. These need to be expedited.

(xix) Heavy power purchases are made by the Board during Paddy season. Rate of power purchase should be capped. Industry is paying PLEC for using energy during evening peak load hours, similarly AP consumers should also pay additional charges during paddy period.

(xx) No blanket order of approval for other charges should be there as here-to-fore.

(xxi) Captive/Co-Generators do not have any incentive to improve its efficiency.

(xxii) RSD cost is a burden on the Board and needs to be re-looked.

(xxiii) Metering should be completed on all consumers.

5. Shri Ghuman pointed out the following:

i. About 60% of the population of the State live in villages and supply to these villages is given at odd time and also not of good quality hence these people should not be asked to pay at par with urban people. Power supply should be uniform for urban and rural people.

ii. The Sales/Demand projections should not be on 'CAGR' basis but should be based on 'Trend Growth' method.

iii. Theft in each category needs to be identified and indicated in the ARR. Similarly, power consumed in urban areas and rural areas should be shown separately.

iv. Sample meters should be installed on all sizes/ratings of motors to capture AP consumption more accurately. Reasons for increase in AP consumption are not explainable as for the last five years the land under irrigation is decreasing substantially. The actual T&D loss is much more and the figures are being manipulated by showing T&D loss towards AP consumption.

v. Transmission and Distribution losses should be calculated separately. The officer in charge of the area should be made responsible for reduction of loss in distribution system. It was also pointed out that T&D losses are more in Punjab than in TN, AP which needs to be examined.

v. There should not be any free supply of electricity, specially to big farmers. Instead, this money should be used for development of villages and also stressed upon the need for 100% metering of AP consumers and thereafter a limit of consumption may be fixed up to which subsidized tariff should be charged.

Shri Ghuman was of the view that physical targets should be fixed instead of financial targets.

6. Shri A.K. Jain pointed out that the water level in Punjab is going down by 60-70 cm/year. He stressed the need for water pricing for AP as well as industrial sector.

As regarding limiting of AP consumption, there was a need for 100% metering and thereafter slab system needs to be adopted on per unit basis or on per HP basis. Metering should first be done in central districts like Jalandhar, Mukatsar, Ludhiana, Patiala and Kapurthala etc. where exploitation of ground water is very high.

Regarding increase in consumption of electricity inspite of reduction in irrigated area, it was due to water level going down and higher capacity motors installed resulting in higher consumption.

There is need for improvement of the efficiency of pumpsets which is 30-45%. Farmers must be guided for selecting the proper pump sets as also power factor needs to be improved.

7. i. Shri T.P. Singh of Northern Railway stressed the need for getting the category wise/voltage wise study conducted without any further delay and tariff should be linked to it as had been done in Delhi.

   ii. The targets set by the Commission have not been adhered to by the Board as in the case of T&D losses which have improved in other States. He was of the view that benefit of reduction in T&D losses should be passed on to the consumers, as has been done in AP.

   iii. HV rebate should be given to Railways also like all other categories and stressed for providing high p.f. rebate at par with p.f. surcharge rates and incentive should be allowed for p.f. above 0.9 in case of R.T.

   iv. There was a need for 100% metering. The rate for unmetered supply may be fixed higher so that the consumers opt for metered supply. Electricity supply to AP pump sets should be given during off peak hours.

8. i. Shri Bhagwan Bansal suggested that the Board should release three phase L.T. connections to seasonal industries during off season period in addition to normal connections at H.T. which would save the transformer losses.

   ii. There is a need to simplify the procedure for change in name of the connection.

   iii. Shri Bansal also pleaded for acceptance of post dated cheques for payment of bills by the Board and that PLEC should either be removed or reduced.

   iv. Penalty on account of violation of peak load hours due to different timings in the watches and meters of the Board needs to be reduced.

9. Shri Raghbir Singh was of the view that meters on distribution transformers should be provided for recording AP consumption. He pointed out that the quality of supply is not regular and also has low voltage problems. Regular supply should be given to Agriculture for which the farmers are ready to pay.

10. Shri Gurmit Singh Palahi pointed out that the quality of supply needs improvement and the complaints are required to be attended promptly.

Mr. Palahi further pointed out that the availing of AP connection even under OYT is a very cumbersome procedure and needs to be simplified.

On the issue of Urban Pattern Supply, Shri Palahi intimated that there is hardly any supply available in the rural area and does not have any pattern either.

11. Member/Distribution, PSEB informed that the Board has started giving 3 phase supply to rural areas for 11 hours, where there is need especially in sunflower, cotton growing areas of the State. He assured the Members of the Committee for improved and quality supply of power.

12. While summing up the meeting, the Chairman informed the Members that the issue of short payment of subsidy by the Government is under consideration of the Commission and the same will be suitably addressed. In addition, various points/issues raised in the APTEL Order have been attended to in a separate order of the Commission of which some aspects have been challenged before APTEL.

Regarding Investment Plan of the Board, the Chairman informed that the Commission approves the Investment Plan after assessing the ability of the Board to absorb the proposed amount.

Regarding HV Rebate and BS Tariff, the Chairman informed that the issues are under consideration of the Commission and are likely to be addressed in the Tariff Order for 2008-09 or shortly thereafter.

The meeting ended with a note of thanks to the Chair.

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Annexure -IV

COMPLIANCE WITH DIRECTIVES ISSUED IN CHAPTERS 4 & 5 AND ANNEXURE-III OF TARIFF ORDER FY 2007-08

An overview of the Directives issued to the Board in the Tariff Order of FY 2007-08 and status of their implementation is summarized below:

Sr. No.	Issues	Directive in Tariff Order FY 2007-08	PSEB's reply	PSERC's comments
1.	**Energy Audit and T&D Loss Reduction.**	**Background** The Board was directed to furnish the actual audit reports and employee productivity scheme wherein incentives/disincentives were linked to the loss reduction trajectory for officers and staff. Also the Board was directed for making employees accountable for T&D targets and to reduce the T&D losses as in some circles the losses are more than 35%. The Board was to provide a well thought out Zone-wise T&D loss reduction trajectory based on segregation of technical and commercial losses in order to reset the loss trajectory, a persistent demand of PSEB. **Directive** i) The Board was directed to take up online monitoring system wherein disincentives/incentives are linked to the performance of the employees to highlight the efficacy of the online monitoring system. ii) Segregate the technical losses from commercial losses.	It is pertinent to mention here that the tendering process with respect to hiring services of consultants for implementation of various IT applications in PSEB has been completed and consequently M/s Pricewater-house Coopers (PwC) have been given a letter of intent for hiring their services for a 5 years term. The consultant shall be responsible for giving a comprehensive IT Road Map and ensure a multi stage IT implementation. The various stages being - submission of basic study report, detailed request for proposal, bid evaluation, vendor selection and programme management support uptill the successful implementation of various activities like creation of IT infrastructure (Hardware, Software and Net Working), ERP implementation in the entire Board and implementation of specific engineering solutions like energy audit, meter data management (AMR and RMR), load forecasting, CIS and CRM etc. The consultants have given acceptance of the LOI. The detailed work-order is being issued very shortly and the detailed work on the project is likely to commence very soon. PSEB has issued guidelines for carrying out segregation of AT & C Losses. Each zone has been asked to select 5 feeders of different categories viz. purely	The Commission notes that the Board has engaged Consultants for a period of 5 years for comprehensive IT roadmap and multi-stage IT implement-ation which would include various activities like creat-ion of IT infra-structure (Hardware, Software and Net working), ERP imp-lementation in the entire Board and implementation of specific engineering solutions like energy audit, meter data management (AMR and RMR), load forecasting, CIS and CRM etc. The Commission trusts that the objective of linking incentives/ disincentives to the performance of employees would be suitably built into the monitoring system being devised. The Commission would also be happy to be apprised of the annual targets in the implementation of the computerization scheme. The issue of T&D loss reduction has been discussed in

			AP, UPS, Industrial, mixed urban etc. Work of feeder metering has been completed. 9445 No. Distribution Transformers (DT) have been provided with electronic energy meters. 10.42 lacs single phase & 1.845 lacs 3-pahse electro-mechanical meters have been replaced with electronic meters. A programme of installing energy meters in MCB's and pillar boxes is in progress, where more than 7 Lacs units would be installed, to curb theft of energy and the work is in progress. The data of most of the feeders selected from all the five zones is being received but it will take another 2 to 3 months to sanitize the data and remove the teething problems.	detail in para 4.2. As no further T&D loss trajectory has yet been fixed, the Commission will separately take up this matter with the Board and based on their overall strategy in this regard, draw up the milestones for the next phase of loss reduction. In doing so, the implementation of preliminary steps such as the base line data survey, segregation of technical and commercial losses as well as energy audit will also be taken into account.
2.	**Agricult-ure Consum-ption**	**Background** The Board was directed to implement the suggestions contained in the report submitted by Punjab Agriculture University (PAU) and furnish the compliance to the Commission. The Board was also to ensure that the sample meters are read regularly and correctly and copy of these reports were required to be forwarded to the Commission on quarterly basis. The Board was also to correlate the results of energy audit of 11 KV feeders exclusively feeding AP consumers with the results of sample meters. The Board was to get the accuracy of all sample meters checked and take remedial action to get the same replaced or recalibrated wherever required. **Directive** i) Submit compliance report with regard to suggestions of PAU. ii) Take up online system on pilot basis for energy audit of 11 KV AP Feeders to highlight the efficacy of the	The Board submits that as suggested by PAU, the following initiatives have been taken: (i) AP factor is regularly calculated on monthly basis on the basis of consumption/load data supplied by Operations and CE/Planning. (ii) HT/LT losses of the five no. Pilot 11KV feeders in all the five distribution zones are being calculated on monthly basis. (iii) The sample size has already been increased from 3200 nos. to more than 53000 nos. (iv) The sample meters are equally distributed and are located scientifically and truly represent the population. (v) Each feeder has been divided in 5 equal segments along the length of the feeder and 20% of sample meters have been installed within each segment to take care of variability in energy norm, if any, due to variations in soil type, cropping pattern, water table etc.	While the Board has, by and large, implemented the methodology of computing AP consumption based on the findings of the PAU Report, the shortcomings in this respect have been highlighted in para 3.2.3 of this Order. The correctives required for a more accurate estimation of AP consumption will emerge from the independent study proposed to be undertaken.

		proposed system. iii) Making the sample more representative of the proportion of submersible to conventional mono-block pumps. iv) More accurately capturing agro-climatic and hydrological factors and other local variations possibly on the lines suggested by PAU. v) Providing an adequate number of sample meters in each division and ensuring that the number of faulty/non-functional meters does not exceed a prescribed norm. vi) Effecting monthly reporting of consumption to the Commission by the Board.	(vi) PSEB has formulated the proposal to replace all the 10 Lacs inefficient Agriculture Pumps with Efficient Pumps with the financial help of World Bank or other agencies or under CDM, as approximately Rs.1500 crores are required to implement this project. Moreover BIS and BEE have not yet endorsed the efficient pumps and their manufacturers. As per the reply given against Sr. No.1 the status is in the midst of tenders in the RMR based energy audit project. Also PSEB is pursuing the remote meter reading project of all 11 KV and above feeders for the entire State of Punjab in right earnest. As regards the RMR based energy audit specifically for AP feeders, a presentation has been given by different vendors for the use of GSM technology for the purpose and the matter is being pursued by the Distribution Wing of Board.	
3.	**Improve-ment in Quality of Service.**	**Background** The Board was directed to submit the status of schemes for improving the quality of service to its consumers. The Board was further directed to submit an action plan for gradual reduction of disparity in quality of power supply amongst consumers of different categories especially rural and urban consumers along with ARR for the year 2006-07, which was not complied with. The Commission had directed the Board to draw Reliability Index (RI) roadmap for all cities and towns up to the district headquarters as well as for rural areas. RI of supply of power to consumers should also be indicated by the PSEB on its website. **Directive** i) The Board was to take steps to minimize the disparity between the rural	Every effort is being made to minimize disparity in the power cuts between the rural and urban consumers. Rural domestic consumers (UPS 3W/4W) are now getting far better supply as compared to the previous year as evident from enclosed comparison of power cuts in respect of rural domestic consumers for the years 2006-07 and 2007-08 along with other categories. A copy of statement showing comparison of power cuts in respect of rural domestic consumers along with other categories for the years 2006-07 & 2007-08 is enclosed in Annexure 5 of Volume-II of ARR/Tariff Petition for FY 2008-09. Reliability Index for feeders at district headquarters and feeders in cities having population of more than one lakh has been monitored on daily and monthly basis. However, for the remaining	The Commission notes that with the implementation of the UPS scheme in rural areas, it is now possible to treat rural and urban areas on the same footing while considering the question of imposing cuts etc. This aspect needs to be considered by the Board. The Commission also observes that it is not necessary to link the placing of reliability indices on its website with the larger issue of implementation of the IT system. The Commission, accordingly, reiterates that the reliability indices be placed on the Board's website

		and urban consumers with regards to power cuts. ii) The Board was to put up the RI on its website.	11KV feeders, the reliability index has been monitored at circle level. Board is in the process of putting RI on the website through IT system. Also a link has been provided to the SO & C Organization on the PSEB website.	without any further delay.
4.	**Two Part Tariff.**	**Background** The Board was directed to prepare a detailed and well considered proposal for introduction of Two Part Tariff based on actual billing data, actual load, and revenue implications for Large Supply and Railway Traction categories. The proposal of the Board should have considered the objections of the consumers which were raised during the hearing of the Tariff Order of FY 2006-07. **Directive** The Commission had reiterated that the Board should by 31st October, 2007 submit a proposal which addresses the observations made by the Commission in its earlier Tariff Orders.	PSEB had conducted a study for introducing Two Part Tariff for Large Supply and Railway Traction consumers' categories for the year 2007-08. The detailed proposal for introducing Two Part Tariff at the prevailing rates was submitted to the Hon'ble Commission. The Commission is requested to analyze the same and give its suggestions/observations for final approval.	The data has been received and the issue has been dealt with in Chapter-5.
5.	**KVAH Tariff.**	**Background** The Commission in its Tariff Order for FY 2005-06 had directed the Board to carry out a study on the practicability of introducing KVAH tariff for Large Supply, Medium Supply and Railway Traction consumers. **Directive** The Commission had reiterated that the Board should examine all matters relevant to the introduction of KVAH tariff and submit its proposals alongwith the next ARR.	The Board had submitted to the Commission in the previous ARR for FY 2007-08, that the KVAH tariff should be considered only after successful implementation of Two Part Tariff for RT and LS categories. The Two Part Tariff should be implemented first so that the consumers are not subjected to inconvenience in understanding the tariff structure.	The Board has submitted relevant data, alongwith its views as to the merits/demerits of KWh/KVAH based tariff without any analysis of the practicability of introducing KVAH tariff and its implications for different categories of consumers. The issue is further discussed in Chapter 5.

6.	**Bulk Supply Tariff.**	**Background** The Board was to carry out an assessment of consumption of electricity for domestic, industrial, commercial and street lighting purposes separately which may cover all the bulk supply consumers or may take a representative sample to achieve satisfactory overall results. A report in this regard was to be submitted by end of September, 2006. **Directive** The Commission had reiterated its earlier directive that the Board should submit a comprehensive proposal by 1st October, 2007.	A sample study has been done by separation of consumption of electricity for domestic, commercial, industrial and street lighting. The methodology and the worksheet have already been submitted with the ARR/Tariff Petition for FY 2007-08. The Commission is requested to analyze the same and suggest any observation /modifications for final approval.	The requisite information received and issue has been dealt in Chapter-5.
7.	**Metering Plan.**	**Background** The Board was to prepare revised metering plan and take requisite action to provide correct meters on all consumers to meet the requirement of Section 55 of Electricity Act, 2003. The Commission had granted extension up to March, 2007. **Directive** The Commission had allowed the Board an extension till 31st March 2007 to complete the activity but the Board was unable to carry out the task completely. The Board was therefore, again directed to comply with the requirements of section 55 of the Act.	All consumers except AP have been provided meters. As on 30.9.2007, 53433 nos. meters including 35994 nos. electronic meters have been installed for estimation of AP consumption. Moreover, PSEB has filed SLP in Supreme Court of India on 5.8.2006 against this issue; the decision on this issue is still awaited. The reply has already been submitted to PSERC vide letter no.2064 dated 19.2.2007.	The Commission notes the lack of any substantial progress regarding metering of AP connections and reiterates the need to effect 100% metering of AP connections.

8.	**Employee Cost.**	**Background** The Board was to carry out the professional work-studies to assess the manpower requirement. Energy audit was to be implemented to effect accountability and assess productivity. Board was directed to submit a proposal which would include energy audit to effect accountability and assess productivity, take into account the recommendation of the Public Expenditure Reforms Commission, Punjab Public Sector Disinvestment Commission, and the Expert Group on Power Sector Reforms along with the next year of FY 2007-08. During Tariff Order 2004-05, the Commission had suggested a group of six performance indicators, which could be used by the Board for devising a formula for determining staff costs each year incorporating improving levels of efficiency.	M/s PricewaterhouseCoopers Pvt. Ltd. has been awarded the staffing study for PSEB and the work has been started by the firm. The entire process of study and report submission will be completed by first half of 2008.	The continuing high Employee Cost of the Board is a matter of grave concern. The Commission notes, however, that a study has been commissioned in this respect and trusts that the Board will, in the shortest time frame possible, draw up a road map to bring down these costs to normative levels.
9.	**Fixed Assets Register.**	**Background** The Board was to confirm completion/maintenance of Fixed Assets Registers/cards involving Rs.80.94 crores belonging to 5 divisions and ensure that these are updated regularly. The Board was to furnish status report along with ARR for the year 2007-08 **Directive** The Board was directed to furnish a copy of the same.	Copy is enclosed as Annexure 21 of Vol. II of ARR/Tariff Petition for FY 2008-09 for kind information of the Commission.	The Board is advised to ensure regular updating of Fixed Assets Registers/Cards.
10.	**Receiv-ables**	**Background** In the Tariff Order for the year 2006-07, the Commission had observed that over 55% of the outstanding amount is more than one year old and special efforts need to be made for recovery of old arrears. The State Government needs also to be impressed upon to provide adequate contingency in the budgets of departments in arrears, which will not only cater to the requirement of	As per observations of the Commission on the outstanding dues from Punjab Govt. Deptts, another DO letter from Chairman/PSEB has been sent to Chief Secretary, Govt. of Punjab vide no.2447/48 dated 22.10.2007 for providing Budget allocation/funds to the concerned Deptts. to clear outstanding dues of the electricity bills (copy enclosed). Apart form the above, statement showing age wise defaulting amount (un-audited) for the	There does not appear to be any progress in the reduction of receivables with total outstandings as on 31.3.2007 having actually increased when compared with the corresponding figure for the previous year and the increasing trend continuing in 2007-08. Arrears of

		current electricity bills but ensure liquidation of outstanding as well. The Commission also noted that the largest single item of arrears is amount involved in court or DSC cases. These two categories need to be shown separately and high priority accorded to an early decision and recovery of amounts pending in the DSCs.	period ending 30.9.2007 is enclosed as Annexure 19 in Vol. II of ARR/Tariff Revision Petition for FY 2008-09.	Govt. Departments and amounts pending in the DSCs have also similarly increased. Clearly, the Board needs to put in strenuous efforts to ensure that arrears are substantially reduced.
11.	**Management Information System (MIS).**	**Background** The Board was to improve its Management Information System to give consistent data with greater details and explain basis for all the projections indicating sources of data and the method of estimating projected values and also submit report on implementation of computerization plan. The Commission had observed that there is no report on implementation of computerization plan of the Board or utilization of APDRP funds. **Directive** i) Submit a status report on measures taken by the Board to address the issue while filing the ARR and Tariff Petition for the year 2008-09. ii) Provide a report on the utilization of APDRP funds. iii) Indicate the time frame for implementation of the complete MIS system.	Against total sanctioned scheme amount of Rs.715.57 crore for 26 nos. APDRP schemes, Rs.387.21 crore have been utilized up to August 2007. Against a provision of Rs.64.31 crore for IT related jobs under APDRP, Rs.6.62 crore have only been utilized so far. In line with the decision of the Board for pursuing the phase wise implementation of IT in PSEB, different activities are being carried out by the relevant quarters: i) Human Resources Information System (HRIS): Under the Human Resources Information System (HRIS) Project, M/s Ernst & Young Limited, New Delhi were awarded contract for study and preparation of computerized employees' database of PSEB. Under the project, service book data of the various employees was sought to be captured from across the state which was later to be digitized for eventual use in the application software being developed namely the personnel information system and payroll, GPF, Loan, Leave & Pension accounting systems. The project of employees' database is nearing completion. ii) Spot Billing of Residential (DS) & Non residential (NRS) Consumers: 12 Nos. spot billing machines have been procured for the	The Commission notes that only about 10% of the funds of IT related schemes have been utilized upto August 2007. The Commission trusts that the Board would have ensured optimum utilization of all funds available under APDRP Scheme at the end of the financial year. The Commission presumes that the implementation of different IT applications in the Board for which consultants have been appointed would include an IT enabled MIS system as well. The Board is advised to indicate the time frames for putting such an MIS in place.

			purpose and a data linkup with RCC is being worked out. It is pertinent to mention that the tendering process with respect to hiring services of consultants for implementation of various IT applications in PSEB has been completed and consequently M/s PricewaterhouseCoopers (PwC) have been given a letter of intent for hiring their services for a 5 years term. The consultants shall be responsible for giving a comprehensive IT Road map and ensure a multi-stage IT implementation. The various stages being submission of basic study report, detailed request for proposal, bid evaluation, vendor selection and programme management support uptill the successful implementation of various activites like creation of IT infrastructure (Hardware, Software and Net Working), ERP implementation in the entire Board and implementation of specific engineering solutions like energy audit, meter data management (AMR and RMR), load forecasting, CIS and CRM etc. The consultants have given acceptance of the LOI and the detailed work order is being issued very shortly. The detailed work on the project is likely to commence very soon.	
12.	**Energy Conserva-tion.**	**Background** The Board was to take adequate steps so that benefits of energy conservation are known to all categories of consumers and encourage them to adopt various energy conservation measures and avoid wasteful use of energy. The Board was also directed to take effective steps for installation of shunt capacitors by all industrial, railway traction and tubewell consumers to improve power factor of the system and thereby reduce T&D losses. The Board was to submit time bound action plan in respect of tubewell	Capacitor installation plan is enclosed as Annexure 23 in Vol.II of ARR/Tariff Petition for FY 2008-09. PSEB has formulated comprehensive and time bound plan for implementation of Efficient Lighting Program across Punjab. The following models have been submitted by PSEB for consideration and approval by the Full Board: 1. DOMESTIC AND AP CONSUEMRS**:** i) The existing incandescent lamps for domestic and AP	The Commission notes the measures proposed to be undertaken by the Board to incentivise energy conservation. The Board is advised to report on the progress achieved in the implementation of these measures at the time of filing next ARR. The capacitor installation programme enclosed with the

		consumers & to install line capacitors and capacitor banks in the grid sub-stations for improving voltage profile. The status report detailing at least circle wise capacitor installation plans based on technical study of load flow and PF analysis duly supported with financial estimates alongwith action plan was to be furnished with the ARR for the year 2007-08. **Directive** i) Submit status report regarding various measures taken to incentivise energy conservation by it and its consumers. ii) Submit a report detailing at least circle-wise capacitor installation plans duly supported with financial estimates.	house holds shall be replaced with CFLs under 'BLY' launched by BEE, Ministry of Power, Govt. of India. ii) The inefficient fluorescent tubes/conventional tubes of domestic consumers will be replaced with energy efficient tube lights with electronic chokes under DSM in 2nd phase separately. iii) It has been made mandatory for tubewell consumers to replace incandescent lamps provided in the tubewell kothas with CFL by 31.1.2008 failing which connections will be disconnected. iv) A detailed plan to replace existing incandescent lamps with CFLs and existing 40 Watt florescent tubes with magnetic chokes of domestic consumers with energy efficient 36 Watt florescent tubes with electronic chokes across Punjab has been prepared by PSEB which is likely to save 1550 million units per annum and bring a peak load reduction of 650 MW. 2. COMMERCIAL AND INDUSTRIAL CONSUMERS: As far as replacement of existing fixtures of commercial and industrial consumers is concerned, the same may be made mandatory and got implemented by order to be issued by CE/Commercial. It has also been already suggested that some incentive be allowed to such consumers to attract them for implementation of the order. 3. PSEB IN-HOUSE: PSEB has decided to procure efficient lighting system for in-house PSEB requirements by Energy Conservation Directorate by inviting limited tenders from 6 nos. of manufacturers enlisted by BEE, Ministry of Power, Govt. of India, as per the specifications approved by	ARR depicts a substantial MVAR capacity yet to be added. Moreover, the total installed capacity has been intimated to be upto 31.3.2007 whereas the total planned capacity addition is depicted only upto 31.3.2006, which needs to be updated. Information on Circle-wise capacitor installation plan has yet to be received and the Commission reiterates that it be submitted at the earliest.

			PSEB committee on Efficient Lighting Program. As per the decision, the NIT has been floated for invitation/submission of quotations from all the 6 nos. manufacturers. 4. AGRICULTURE PUMPS: PSEB has formulated the proposal to replace all the 10 lacs inefficient agriculture pumps with efficient pumps with the financial help of World Bank or other agencies or under CDM as approximately Rs.1500 crores funds are required to implement this project. Moreover, BIS and BEE have not still endorsed efficient pumps and their manufacturers. 5. BUILDING ENERGY AWARENESS OF CONSERVATION: PSEB has taken various measures to encourage all categories of consumers to adopt various conservation measures and avoid wasteful use of energy. Board has set a target of organizing 20 nos. Functions to be celebrated on 14 December every year in different zones under the supervision of Director, Energy Conservation and provided stalls in 5 nos. Kisan Melas organized by Punjab Agricultural University Ludhiana in different cities of Punjab to encourage energy Conservation for the agriculture consumer every year. Besides, energy conservation slogans in Punjabi & English, advertisement publications, announcements on Radio & TV have also been designed for the year 2007-08.	

It is noted that compliance on the whole has been slightly better than the previous year. The Commission intends to further interact with the Board for still better compliance of the directives.

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Annexure-V

Apportionment of Cost among various functions as per Board's Audited Accounts for the year 2006-07

(Rs. crores)

Sr. No.	Particulars	Hydel	Thermal	Total Generation	Transmission	Distribution	Total	Common Assets / Expenses
A – ASSETS								
	Direct	5,774.80	2,917.99	8,692.79	1,898.62	4,685.45	15,276.86	
	Apportioned	51.69	26.12	77.81	16.99	41.94	136.74	**136.74**
	Total (Amount)	**5,826.49**	**2,944.11**	**8,770.60**	**1,915.61**	**4,727.39**	**15,413.60**	
	Total (%)	**37.80%**	**19.10%**	**56.90%**	**12.43%**	**30.67%**	**100.00%**	
B – EXPENSES								
1	**Power Purchase Cost - Amount**	0.00	0.00	0.00	0.00	4327.01	4,327.01	
	Power Purchase Cost - %	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**100.00%**	**100.00%**	
2	Fuel Consumption	0.00	2353.09	2,353.09	0.00	0.00	2,353.09	
	Other Fuel Related Cost	0.00	14.30	14.30	0.00	0.00	14.30	
	Sub Total	**0.00**	**2367.39**	**2367.39**	**0.00**	**0.00**	**2367.39**	
	Add: Fuel Related Losses	0.00	64.30	64.30	0.00	0.00	64.30	
	Total	**0.00**	**2431.69**	**2431.69**	**0.00**	**0.00**	**2431.69**	
	Total (%)	**0.00%**	**100.00%**	**100.00%**	**0.00%**	**0.00%**	**100.00%**	
3	**Repair & Maintenance**							
	Direct	62.54	82.88	145.42	37.76	64.02	247.20	
	Apportioned	10.06	13.34	23.40	6.08	10.30	39.78	**39.78**
	Less Capitalisation	0.63	0.84	1.47	0.38	0.65	2.50	**2.50**
	Total (Amount)	**71.97**	**95.38**	**167.35**	**43.45**	**73.67**	**284.48**	
	Total (%)	**25.30%**	**33.53%**	**58.83%**	**15.28%**	**25.90%**	**100.00%**	
4	**Employee Cost**							
	Direct	72.18	189.81	261.99	123.02	1062.73	1,447.74	
	Apportioned	20.78	54.66	75.44	35.42	306.02	416.88	**416.88**
	Less Capitalisation	5.64	14.83	20.48	9.61	83.06	113.15	**113.15**
	Total (Amount)	**87.32**	**229.63**	**316.95**	**148.83**	**1285.69**	**1751.47**	
	Total (%)	**4.99%**	**13.11%**	**18.10%**	**8.50%**	**73.41%**	**100.00%**	
5	**Administration & General Expenses**							
	Direct	3.36	6.41	9.77	11.43	35.83	57.03	
	Apportioned	1.29	2.47	3.77	4.41	13.81	21.98	**21.98**
	Less Capitalisation	1.17	2.23	3.40	3.97	12.45	19.82	**19.82**
	Total (Amount)	**3.49**	**6.65**	**10.14**	**11.86**	**37.19**	**59.19**	
	Total (%)	**5.89%**	**11.24%**	**17.13%**	**20.04%**	**62.83%**	**100.00%**	
6	**Depreciation & Related Debits (net)**							
	Direct	131.22	140.64	271.86	86.32	235.42	593.60	
	Apportioned	2.52	2.70	5.22	1.66	4.52	11.39	**11.39**
	Less Capitalisation	0.27	0.29	0.55	0.18	0.48	1.21	**1.21**
	Total (Amount)	**133.47**	**143.05**	**276.52**	**87.80**	**239.46**	**603.78**	
	Total (%)	**22.11%**	**23.69%**	**45.80%**	**14.54%**	**39.66%**	**100.00%**	
7	**Interest & Finance Charges**							
	Direct	523.50	117.53	641.03	137.97	275.45	1,054.45	
	Apportioned	1.71	0.38	2.10	0.45	0.90	3.45	**3.45**
	Less Capitalisation	86.19	19.35	105.54	22.72	45.35	173.61	**173.61**
	Total (Amount)	**439.02**	**98.56**	**537.58**	**115.71**	**231.00**	**884.29**	
	Total (%)	**49.65%**	**11.15%**	**60.79%**	**13.08%**	**26.12%**	**100.00%**	

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Annexure-VI

Proportion of Plant-wise cost of Generation for 2006-07 as provided by the Board in its letter No.2234/CC/DTR-12/Vol.V dated 13.5.08

(Units in MKWH)

(Rs. in Lacs)

Sr. No.	Particulars	HYDEL RSD	HYDEL Mukerian Hydel	HYDEL UBDC	HYDEL UHL	HYDEL Anandpur Sahib	HYDEL Micro Hydel	HYDEL L. Bank/ R Bank	HYDEL Beas & Extn	HYDEL Total	THERMAL GGSSTP	THERMAL GNDTP	THERMAL GHTP	THERMAL Total	Total
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11=(3 to 10)**	**12**	**13**	**14**	**15=(12 to 14)**	**16=(11+15)**
1	MKWH generated during the year	1679.47	1170.74	384.61	495.67	666.09	7.96	2422.54	1400.91	**8227.99**	9770.34	2221.13	3443.17	**15434.64**	**23662.63**
2	MKWH use in auxiliaries	7.22	26.37	5.84	7.78	4.37	0.00	0.00	0.00	**51.58**	818.35	255.05	302.94	**1376.34**	**1427.92**
3	**MKWH sent out**	**1672.25**	**1144.37**	**378.77**	**487.89**	**661.72**	**7.96**	**2422.54**	**1400.91**	**8176.41**	**8951.99**	**1966.08**	**3140.23**	**14058.30**	**22234.71**
4	Total depreciated capital cost of generating assets in use at the beginning of the year including share of G.E.	393376.56	21639.45	5048.22	1993.02	11919.11	784.73	1252.71	11562.68	**447576.48**	57406.30	97.56	72010.90	**129514.76**	**577091.24**
5	Total capital expenditure on generation assets brought in use during the year with date of commissioning including share of G.E.	-10.99	334.64	17.37	823.51	51.13	-4.20	0.00	-47.11	**1164.35**	18753.71	34.61	466.64	**19254.96**	**20419.31**

Proportion of Plant-wise cost of Generation for 2006-07 as provided by the Board in its letter No.2234/CC/DTR-12/Vol.V dated 13.5.08

6	**COST OF GENERATION**														
i)	Fuel									**0.00**	154425.62	38970.00	49773.74	**243169.36**	**243169.36**
ii)	Oil water & stores							0.70	65.55	**66.25**	1174.39	328.41	114.33	**1617.13**	**1683.38**
iii)	Salaries & wages including contribution made for pension Provident Superannuation of Officer/servants and Fringe Benefit Tax	910.37	1699.52	1490.32	786.99	1278.12	0.19	1403.36	731.94	**8300.81**	11714.54	8533.67	3238.74	**23486.95**	**31787.76**
iv)	Operating, Mtc. Repairs & Renewals	59.40	176.62	153.58	111.60	198.71	87.07	1556.47	3844.10	**6187.55**	4197.61	1213.75	1315.92	**6727.28**	**12914.83**
v)	Rents Rates Taxes & Insurance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**	0.00	0.00	0.00	**0.00**	**0.00**
vi)	Proportionate of Genral Admn. Charges attributable to generation	62.65	52.18	57.62	28.83	31.37	0.05	88.37	69.69	**390.76**	452.67	161.18	254.36	**868.21**	**1258.97**
vii)	Any other expenses (to be specified Depriciation) including share of G.E.	11014.16	889.86	216.09	131.87	362.89	19.25	55.01	464.82	**13153.95**	3900.75	446.56	9731.33	**14078.64**	**27232.59**
viii)	Intt. On Dep.cost of Gen. in each categaory indicate the average	40015.38	2201.23	513.52	202.74	1212.45	79.83	127.43	1176.19	**45528.77**	5839.53	9.92	7325.15	**13174.60**	**58703.37**
	Total cost of Generation	**52061.96**	**5019.41**	**2431.13**	**1262.03**	**3083.54**	**186.39**	**3231.34**	**6352.29**	**73628.09**	**181705.11**	**49663.49**	**71753.57**	**303122.17**	**376750.26**
	Cost of Generation per KWH in paisa	**311.33**	**43.86**	**64.18**	**25.87**	**46.60**	**234.16**	**13.34**	**45.34**	**90.05**	**202.98**	**252.60**	**228.50**	**215.62**	**169.44**

Annexure-VII

PLANT-WISE PROPORTION OF GENERATION COST FOR THE YEAR 2006-07 (AS PER ANNEXURE VI)

Sr. No.	Particulars	HYDEL									THERMAL			
		RSD	Mukerian Hydel	UBDC	Shanan	Anandpur Sahib	Micro Hydel	L. Bank R. Bank	Beas & Extn.	Total Hydro	GGSSTP Ropar	GNDTP Bathinda	GHTP Lehra Mohabbat	Total Thermal
1	2	3	4	5	6	7	8	9	10	11=(3 to 10)	12	13	14	15=(12+13 +14)
1	MKWH generated during the year	20.41%	14.23%	4.67%	6.02%	8.10%	0.10%	29.44%	17.03%	100.00%	63.30%	14.39%	22.31%	**100.00%**
2	MKWH use in auxiliaries	14.00%	51.12%	11.32%	15.08%	8.47%	0.00%	0.00%	0.00%	99.99%	59.46%	18.53%	22.01%	**100.00%**
3	**MKWH sent out**	**20.46%**	**14.00%**	**4.63%**	**5.97%**	**8.09%**	**0.10%**	**29.63%**	**17.13%**	**100.01%**	**63.68%**	**13.99%**	**22.34%**	**100.01%**
4	**Net Fixed Assets**	87.89%	4.83%	1.13%	0.45%	2.66%	0.18%	0.28%	2.58%	**100.00%**	44.32%	0.08%	55.60%	**100.00%**
5	**Capital Expenditure during the year**	-0.94%	28.74%	1.49%	70.73%	4.39%	-0.36%	0.00%	-4.05%	100.00%	97.40%	0.18%	2.42%	**100.00%**
6	**COST OF GENERATION**													
i)	**Fuel Cost**										63.52%	16.03%	20.47%	**100.02%**
ii)	**Oil water & stores**							1.06%	98.94%	100.00%	72.61%	20.31%	7.07%	**99.99%**
iii)	**Employee Cost**	10.97%	20.47%	17.95%	9.48%	15.40%	0.00%	16.91%	8.82%	100.00%	49.88%	36.33%	13.79%	**100.00%**
iv)	**R & M Expenses**	0.96%	2.85%	2.48%	1.80%	3.21%	1.41%	25.15%	62.13%	99.99%	62.41%	18.04%	19.56%	**100.01%**
v)	**Admn. General charges**	16.03%	13.35%	14.75%	7.38%	8.03%	0.01%	22.61%	17.83%	100.00%	52.14%	18.56%	29.30%	100.00%
vi)	**Other Expenses including Depriciation**	83.75%	6.76%	1.64%	1.00%	2.76%	0.15%	0.42%	3.53%	100.01%	27.71%	3.17%	69.12%	**100.00%**
vii)	**Interest on Dep. Cost of Generation**	87.89%	4.83%	1.13%	0.45%	2.66%	0.18%	0.28%	2.58%	100.00%	44.32%	0.08%	55.60%	**100.00%**
	Total cost of Generation	**70.72%**	**6.82%**	**3.30%**	**1.71%**	**4.19%**	**0.25%**	**4.39%**	**8.63%**	**100.01%**	**59.94%**	**16.38%**	**23.67%**	**99.99%**

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Annexure-VIII

Plant-wise Revenue Requirements for the YR 2008-09 (on the basis of Annexure VII)

Sr. No.	Item of expense	Proposed by the Board	Hydel*	RSD	Mukerian	UBDC	Shanan	Anandpur Sahib	Micro Hydel	L. Bank & R. Bank	Beas & Extn.	Thermal*	GGSSTP, Ropar	GNDTP, Bhatinda	GHTP Lehra Mohabbat	Basis of Apportionment (from Annexure VII)
1	**2**	**3**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**
1	Cost of fuel	**2922**	**-**									**2,742.62**	1,742.11	439.64	561.41	Fuel Cost
2	Employee cost	**1973**	**88.73**	9.74	18.16	15.93	8.41	13.66	-	15.00	7.83	**233.11**	116.28	84.69	32.15	Employee Cost
3	R&M expenses	**296**	**81.77**	0.79	2.33	2.03	1.47	2.62	1.15	20.56	50.80	**108.37**	67.63	19.55	21.20	R & M Expenses
4	A&G expenses	**87**	**4.67**	0.76	0.63	0.69	0.34	0.38	-	1.06	0.83	**8.91**	4.65	1.65	2.61	Rent, Rates, Taxes and Insurance
5	Depreciation	**697**	**173.20**	152.21	8.37	1.96	0.78	4.61	0.31	0.48	4.47	**185.57**	82.25	0.15	103.18	Net Fixed Assets
6	Interest charges	**1335**	**431.77**	378.89	20.73	6.04	1.25	11.53	0.73	1.25	11.36	**96.96**	34.23	0.39	62.36	Interest on Depreciated Cost of Generation
7	Return on Equity	**413**	**155.91**	137.03	7.53	1.76	0.70	4.15	0.28	0.44	4.02	**78.78**	34.92	0.06	43.80	Net Fixed Assets
8	Total Revenue Requirement	**11493**	**936.04**	679.42	57.75	28.41	12.95	36.95	2.47	38.79	79.31	**3,454.32**	2,082.07	546.13	826.71	
9	Add: Consolidated Gap for 2007-08	**360**	**60.12**	43.65	3.71	1.82	0.83	2.37	0.16	2.49	5.09	**221.87**	133.73	35.08	53.10	In proportion to Total Revenue Requirement
10	Gross revenue requirement (8+9)	**9460**	**996.16**	723.07	61.46	30.23	13.78	39.32	2.63	41.28	84.40	**3,676.19**	2,215.80	581.21	879.81	
												933.57	473.69	141.57	318.40	

Note: Figures in column No.3 and 12 are taken from Table 6.1.

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