Before the
MAHARASHTRA ELECTRICITY REGULATORY COMMISSION
World Trade Centre, Centre No.1, 13th Floor, Cuffe Parade, Mumbai – 400 005
Tel No. 22163964 / 22163965 / Fax 22163976
Email: mercindia@mercindia.org.in
Website: www.mercindia.org.in

Case No. 50 of 2005

IN THE MATTER OF
Determination of Annual Revenue Requirement (ARR)
for FY 2006-07 of
Brihan-Mumbai Electric Supply & Transport Undertaking (BEST)

Dr. Pramod Deo, Chairman
Shri A. Velayutham, Member
Shri S. B. Kulkarni, Member

Date of Order: January 18, 2007

O R D E R

The Maharashtra Electricity Regulatory Commission (MERC), in exercise of the powers vested in it under Section 61 and Section 62 of the Electricity Act, 2003 (EA 2003) and all other powers enabling it in this behalf, and after taking into consideration submissions made by Brihan-Mumbai Electric Supply & Transport Undertaking (BEST), objections and issues raised during the Public Hearing, responses received from BEST and material placed on record, hereby passes this Operative Order determining BEST's Aggregate Revenue Requirement for financial year ("FY") 2006-07 .

I. BACKGROUND

The Brihan-Mumbai Electric Supply & Transport Undertaking (BEST) submitted its application for approval of Annual Revenue Requirement for FY 2006-07 vide its letter dated 13th February 2006. The Commission observed certain data gaps in the BEST ARR Petition for FY 2006-07. Pursuant thereto the Commission's consultants requested BEST to submit additional data including the Tariff Proposal for FY 2006-07 (based on the Tariff Structure given in the MERC Tariff Order dated 9th March 2006 for BEST for FY 2004-05 and FY 2005-06) and the data for truing up for FY 2005-06.

Subsequently, BEST preferred an appeal before the Appellate Tribunal for Electricity (ATE) at New Delhi (Appeal No. 61 of April 2006), challenging the operative order and detailed order passed by the Commission in Case No. 4 of 2004 for determination of ARR and Tariff for BEST for FY 2004-05 and FY 2005-06. In the said appeal, the Hon'ble ATE was pleased to pass its Judgement dated 18th August 2006. Consequently, as a result of Hon'ble ATE's Judgement dated 18th August 2006 and directions issued there under, the ARR for FY 2004-05 and FY 2005-06 and Tariff for FY 2005-06 for BEST underwent a change and was re-determined under the Commission's Supplementary Order dated 26th September 2006.

Subsequently, BEST sought a review of the said Supplementary Order dated 26th September 2006. The Review Petition was filed (Case No. 32 of 2006) invoking the jurisdiction of the Commission under Section 94(1) (f) of the Electricity Act, 2003 read with regulation 85 of MERC (Conduct of Business Regulations) 2004. The Case No. 32 of 2006 was disposed of by the Commission's Order dated 8th November 2006.

In the meanwhile, in response to the request placed by the Commission's Consultants for submission of additional data, BEST submitted additional information and tariff proposal for FY 2006-07 vide their letter dated 31st October 2006.

A Technical Validation Session was held on 8th November 2006, in the presence of Consumer Representatives (authorised on a standing basis under Section 94(3) of the EA 2003), in respect of BEST's ARR Petition for FY 2006-07 dated 13th February 2006 and additional information and Tariff Proposal dated 31st October 2006.

During the Technical Validation Session, a number of data gaps were observed in the said filings of BEST and the need for submission of additional data requirements. The Commission, therefore, directed BEST to submit an updated combined ARR and Tariff Petition for FY 2006-07 in line with the principles set out in the Commission's Order dated 8th November 2006 in Case No. 32 of 2006. BEST was also directed to submit audited accounting statements for FY 2005-06 and for FY 2006-07.

Subsequently, on 29th November 2006, the Commission received updated ARR and Tariff Petition from BEST with audited accounts for FY 2005-06 and for first six months of FY 2006-07. On review of the same, additional data requirements were identified and BEST was directed to submit the same.

The updated ARR and Tariff Petition of BEST for FY 2006-07 was admitted on 8th December 2006 after scrutiny of the same and receipt of additional information from BEST. Thereafter, as required under Section 64(2) of EA 2003 public were informed by BEST of the said ARR and Tariff Petition vide Public Notice in Newspapers (Times of India, Mid Day, Indian Express, Maharashtra Times, Saamna, Loksatta and Sakal) which appeared from 9th December 2006 to 12th December 2006. The salient features of the said Petition were provided in the Public Notice along with the summary of ARR and revenues of BEST at existing tariffs.

As directed by the Commission, BEST, through the said Public Notice, invited comments and/or suggestions from the public on the above Petition. Suggestions /comments were invited to be sent to the Secretary, Maharashtra Electricity Regulatory Commission, by 22nd December, 2006, along with proof of service on the General Manager, BEST Undertaking. It was stated in the said Notice that BEST may reply to the sender by 28th December 2006, and rejoinders to BEST's reply may be addressed by BEST at the Public Hearing scheduled to be held on 29th December 2006 at

11.00 Hrs at Vista Hall, 30th Floor, World Trade Centre, Centre No. 1, Cuffe Parade, Colaba, Mumbai 400 005.

The Public Hearing was accordingly held on the said date, time and at the venue notified in the Public Notice.

1. <u>The Issue of withdrawal of Petition for ARR and Tariff for FY 2006-07 by BEST</u>

At the outset the Chairman, MERC informed that the Commission had received a letter Ref No. DO/GM/DGMES/74429/2006 dated 26th December 2006 from the General Manager – BEST. It was stated in the said letter as under:

> *"Due to the constraints of time, the BEST Committee could not be informed in advance the above petition and Tariff proposal before sending it to the Commission for its approval. The BEST Committee is of the opinion that the ARR petition and tariff proposal submitted to the Commission shall be withdrawn as it has not been approved by BEST Committee.*
>
> *Accordingly, we hereby request the Commission to grant us the permission to withdraw the ARR petition and tariff proposal 2006-07 submitted vide our letter dated 29th November 2006 and allow us to resubmit the ARR petition & Tariff proposal for F.Y. 2006-07."*

The Chairman therefore directed that the Commission would first invite and hear the views on this issue and then turn to the main issue of the Public Hearing.

1.1 Shri. Kirit Somaiya, Ex-Member of Parliament, Bharatiya Janata Party then submitted that BEST as an entity was fully owned and controlled by the Mumbai Municipal Corporation and the BEST Committee was empowered to take policy decision on behalf of the BEST and the same were to be executed and implemented by BEST. He further submitted that the BEST Committee, subsequently, had given a categorical instruction to BEST to initiate appropriate steps for withdrawing the said ARR and Tariff Proposal, therefore the Commission should consider postponing the present hearing.

1.2 Shri. Rakshapal Abrol of Bombay Small Scale Industries Association submitted that the Comprehensive ARR Petition for FY 2006-07 was defective since it had been submitted by BEST under Section 29 of the repealed ERC Act 1998.

He also submitted that since the Regulations with respect to the license conditions for deemed licensees were not issued yet, the Commission should not entertain the comprehensive ARR and Tariff Petition of BEST for FY 2006-07. He also submitted that since BEST had not made out any case under Section 62 (4) of the EA 2003, the Commission may not allow any change of tariff subsequent to its Order dated 26th September 2006 in Case No. 4 o 2004 (Determination of ARR and Tariff for BEST for FY 2004-05 and 2005-06).

1.3 Shri. Pravin Cheda submitted that issues concerning ARR and Tariff are common and the dispensation of ARR could not be undertaken severally from the dispensation of Tariff. He further submitted that the Administration of BEST had no authority to file any ARR or Tariff Proposal without the prior approval of the BEST Committee; therefore the Commission should allow BEST to withdraw its petition.

1.4 Dr. Ashok Pendse of Mumbai Grahak Panchayat, submitted during the Public Hearing that in the case of BEST, there seemed to be a conflict of interest between the BEST Committee and the administration of BEST. It was submitted that the issue concerning which authority is entitled to submit an ARR or tariff proposal, for approval of the Commission, was an internal matter which could not be sought to be resolved before the Commission. Dr. Pendse submitted that notwithstanding the internal conflict between BEST Administration and BEST Committee or who was the appropriate applicant before the Commission or who should have accorded sanction for filing of the ARR and Tariff Petition for FY 2006-07, it was required of the Commission to ensure that consumers' interest was not jeopardised while at the same time ensure that BEST was able to recover the cost of electricity in a reasonable manner.

1.5 Shri. Yogesh Sagar, Member of the BEST Committee submitted during the Public Hearing that BEST was not a company and it was governed under the Mumbai Municipal Corporation Act 1888. He submitted that the Commission should consider that BEST has no authority under the said enactment to submit any ARR or Tariff Proposal without the same being approved by the BEST Committee. Therefore the Commission should not consider adjudicating on the ARR and Tariff Petition for FY 2006-07 filed by BEST on 30th November 2006.

<u>Commission's Ruling</u>

On the issue raised by Shri. Rakshapal Abrol, that the comprehensive ARR Petition for FY 2006-07 was defective since it had been submitted by BEST under Section 29 of the repealed ERC Act 1998, the Commission ruled during the hearing that it was a well settled practice that when a petitioner filed a petition before the proper forum but mentioned/quoted an incorrect provision of law for the same to be entertained, the petition may not be rejected on the sole count of the petitioner's citing an incorrect provision of law.

The Commission observed that, notwithstanding the general or specific conditions that may be specified for BEST (Municipal Corporation) in terms of the proviso to Section 16 of EA 2003, BEST (Municipal Corporation) was (after one year from the date of commencement of the EA 2003) subject to the provisions of EA 2003 in respect of its electricity business as was provided in the first proviso to Section 14 of EA 2003. Therefore, the issue that had been raised by Shri. Rakshapal Abrol was not relevant for the purpose of considering the ARR and Tariff petition filed by BEST as BEST's electricity supply business was governed by EA 2003 and the rules and regulations made there-under which included the MERC (Terms and Conditions of Tariff) Regulations, 2005.

On the issue of withdrawal of Petition for ARR and Tariff Petition by BEST, the Commission ruled that the ARR and Tariff for the year was a time-bound exercise and the consumers may not be made to suffer on account of licensee's failure to file its ARR and Tariff Petition for the year. The ARR and Tariff Petition was to be submitted by the Licensee for every year. If the Licensee did not submit the ARR and Tariff Petition in time then the ARR and Tariff determination process could not be kept in abeyance. Even if the Licensee delayed submission of the ARR the Commission had to discharge its function of determination of ARR and Tariff in a time-bound manner. Therefore there was no question of withdrawal of petition submitted by BEST vide its Letter dated 29th November 2006.

As regards the authority to submit ARR and Tariff Petition, the Commission ruled that as long as the petition received from BEST was under affidavit and was notarised; the Commission, does not need to look into the point as to which authority was authorised to submit the ARR and Tariff Proposal on behalf of the Licensee.

As regards the issue of de-linking the ARR and Tariff, the Commission made it clear that it did not wish to de-link the determination of ARR and Tariff. The Commission also ruled that with the determination of ARR for FY 2006-07 the revised Tariff would be made applicable only for two months of February 2007 and March 2007 and the gap in ARR and revenue for the year could not be recovered in just these two months.

The EA 2003 required the Commission to safeguard consumers' interest while determining tariffs. Section 62(4) of EA 2003 stipulated that "*No tariff or part of any tariff may ordinarily be amended more frequently than once in any financial year, except in respect of any changes expressly permitted under the terms of any fuel surcharge formula as may be specified*".

Further, under Section 61(f) of EA 2003, it was mandatory for the Commission to be guided by multi-year tariff ("MYT") principles while determining tariff and specifying the terms and conditions for determination of tariff. Accordingly, the MYT framework was to be made applicable in Maharashtra with effect from April 2007 and the determination of Multi-Year Tariff of BEST could not be postponed. The Commission therefore ruled that it would determine the ARR for FY 2006-07 and subject to prudence check, allow any excess/ gap in the ARR along with carrying cost for the two months of February 2007 and March 2007 at the rate of 6% p.a. (same interest rate as that approved by the ATE for interest on internal funds in its Judgement in Case No. 61 of 2006 dated 18th August 2006), at the time of truing up for FY 2006-07. The Commission also observed that BEST's tariff that had been implemented and existing with effect from 1st October 2006 as per the Supplementary Order dated 26th September 2006 for BEST ARR for FY 2005-06 (Case no. 4 of 2004), continues to be in force till March 2007.

With the above observations and views, the Commission then ruled that the Public Hearing proceedings as notified may proceed.

The submissions of the objectors in writing and at the time of the Public Hearing on the issues related to the Annual Revenue Requirement (ARR) of BEST for FY 2006-07 and replies of BEST are given below.

Subsequently, the analysis and ruling of the Commission on Truing Up for FY 2005-06 and on the Petition of BEST for ARR and Tariff for FY 2006-07 is presented in this Order.

OBJECTIONS RAISED/ RECEIVED AND BEST'S RESPONSE

Objections raised/ received

1. Shri. Kirit Somaiya objected to the steep hike in power purchase cost for FY 2006-07 at Rs. 1,687 Crores for 4269 MU as against Rs. 1,122 Crores for 4155 MU for FY 2005-06 as submitted by BEST in its Petition.

   He submitted that the Transmission Charges of Rs. 102 Crores and Stand by Charges of Rs. 121 Crores have been added in the ARR in 2006-07. He submitted that this was illogical, illegal and unreasonable. He further submitted that the Commission should consider approving such new heads of costs/ charges only giving considerable weight to the responses of consumer representatives.

   He further submitted that the break-up of other expenses included sharp rise in administration and rental expenses in FY 2006-07 vis-à-vis last year, In 2005-06 it was Rs. 90 Crores, which has been projected as Rs. 158 Crores for 2006-07. According to Shri Kirit Somaiya, this was illogical and should not be allowed.

   He also submitted that the sharp increase in Repairs and Maintenance (R & M) expenses from Rs. 6 Crores to Rs. 44 Crores was again illogical, impractical and should not be allowed.

2. Dr. Ashok Pendse of Mumbai Grahak Panchayat (MGP) objected that the power purchase cost of Rs. 1687 Crores was a very high percentage of almost 78% of the Annual Revenue Requirement (ARR) of Rs. 2045 Crores for FY 2006-07 as proposed by BEST. During the Public Hearing, Dr. Ashok Pendse submitted that Multi Year Tariff necessitated demand forecast, therefore it was necessary for BEST to look for other sources of power, so that the power purchase rate and hence the power purchase cost came down over a period of time and also the demand for additional power was met and load shedding was not required in Mumbai. He submitted that the Ultra Mega Power Plants like Sasan and Mundra proposed rate per unit at Rs. 1.20 and Rs. 2.27, respectively.

   He submitted that the Capital Expenditure proposed by BEST for FY 2006-07 was not in line with the earlier trend. The Capital Expenditure in the year FY 2004-05 and FY 2005-06 was Rs. 69.64 Crores and Rs. 63.78 Crores, respectively, while BEST had proposed a Capital Expenditure of Rs. 171.06 Crores in 2006-07. He also pointed out that the money spent in the first 6 months of FY 2006-07 was Rs. 37.19 Crores and that expected to be spent in the 12 months of FY 2006-07 was Rs. 171.06 Crores, which was dis-proportionate.

   He further submitted that BEST Electric Supply Division, in its ARR Petition had proposed to give Rs. 26.45 Crore in FY 2006-07 to the Bus Division. The mute question in this case was that whether one could pay rent to oneself? He mentioned that for all these years rent was not paid. If rent was to be paid then in that case there had to be an agreement and also the rent receipt towards the same. He further submitted that it would be necessary to show for the transport division that the premises were owned by them for which they were claiming rent. He therefore submitted that the rent issue is untenable and hence should be rejected outright.

He also submitted that as against a revenue requirement of about Rs. 2000 Crores for FY 2006-07, BEST had outstandings of Rs. 221 Crores. Importantly, once again out of these outstandings Rs. 75 Crores of outstandings belonged to just two parties, viz. the State Government and Hospitals. Dr. Pendse referred to the response of BEST that on humanitarian grounds the electric supply to the hospitals was not disconnected. He further submitted that in view of this, it was necessary to take note of a judgement from the Aurangabad bench of the High Court in respect of MSEB, wherein the court had categorically stated that no such discrimination should be made.

He submitted that the law should be upheld irrespective of the status of consumers. He further submitted that if BEST wished, it would be prudent to show humanitarian ground for other consumers also. There were not enough efforts towards recovery of dues from the government. He objected that all the efforts in respect of disconnection were directed only towards the ordinary residential and commercial consumers.

He objected that BEST had proposed for recovery of gap in expenses and revenue for FY 2004-05, FY 2005-06 and FY 2006-07, which as per BEST cumulatively amounted to Rs. 704.89 Crores and needed to be recovered through revised Tariff. He submitted that in the earlier years it was necessary for BEST to come before the Commission, however, BEST failed to do so and therefore failed to recover the expenditure. He submitted that BEST preferred an appeal against MERC's Order in totality rather than implement and go for appeal on certain counts. He submitted that the Commission had already written to BEST that it would be at their own cost and not at the cost of the consumers. Dr. Pendse suggested that truing up should be totally disallowed or alternatively BEST should be allowed to recover this expenditure over a period of 5 years. Hence there would not be any tariff shock.

3. Shri. Pravin Cheda submitted that BEST should not be allowed to recover standby charges and transmission charges through ARR.

He objected to the high increase proposed by BEST in the Administration and General Expenses. He submitted that the proposed rent expenses must be disallowed.

He further submitted that BEST should justify its proposal for the approval of Rs. 171.06 crores towards capital investment in FY 2006-07, which accounted for a rise of about 50% of the amount of capital investment approved for the last 5 Financial Years. He suggested that the Commission should further direct BEST to justify all items of approved expenditure with actual expenditure incurred with respect to installation of meters. He suggested that BEST should purchase only that number of meters in one financial year, for which installation was possible within the said financial year. If BEST did not have requisite man-power to install all the meters that it purchases in one financial year then it should be restrained from purchasing as many meters as it chose to. He submitted that the Commission should ensure that BEST actually needed amounts proposed towards computerization of its services, as proposed and that there was a need to sustain its proposal to avail motor vehicles in order to upgrade services.

4. Shri. Yogesh Sagar member of the BEST Committee submitted that the Commission should give attention to the Capital Expenditure proposed by BEST as to whether it is going to incur the capital expenditure in the same year as proposed by it?

He also submitted that when cross subsidy is not allowed from electricity division to the transport division, then the rent expenses be allowed to be charged by the transport division to the electricity division.

5. Shri. A,R, Bapat had objected to non-extraction of relevant extracts from the MERC Orders in the body of the ARR of BEST in the details of power purchase cost proposed by BEST in its Petition, to guide the consumer, who was not conversant with the Order references as given by BEST. Shri. A.R. Bapat objected that TPC's Bills would be inclusive of standby charges and enquired if the Standby Charges were separately charged then what would be the reduction in the TPC's rate and bill? Shri Bapat also requested clarification to reconcile the figures in the Form -2 of the ARR Petition of BEST. He enquired that the energy charges of Rs. 1000 Crore corresponded to what amount of energy in units (MU). He submitted that the supply of energy from other sources (668 MUs), was charged to BEST by TPC (D) at Rs. 4.41 /kWh, which appeared to be too high and needed to be scrutinised/ pruned as far as possible and the transmission charges included in this needed to be removed.

He submitted that Table on Distribution Loss on page 5, item 1 of the ARR Petition was intriguing as it showed that the energy units sold as higher than energy units purchased. This needed an explanation.

He referred to the Report on Loss Estimation submitted as a part of the Letter of the GM dated 1st November 2006. This was provided in Annexure D (Efforts for reduction of commercial losses) of the ARR Petition of BEST for FY 2006-07 dated 29th November 2006. He submitted that Technical loss in feeder mentioned under point 3.1.6 was stated as 0.87%, which contrasted with the Technical loss in feeder mentioned under point 3.1.4 stated at 0.28%. He wanted to know the reason for this and enquired whether there was a technical loss in the meter also?

He further submitted that as per BEST, its distribution network showed a Gross Distribution Loss of 12.5% and Technical Losses were 7.5%, which indicated a gap of 5%. He enquired as to what were the Distribution Loss levels in the BEST Network for last 20 years?

<u>Response of BEST</u>

In response to the objection of Dr. Kirit Somaiya, on the steep hike in the power purchase cost, BEST submitted that it had a Power Purchase Agreement (PPA) with TPC that helped in meeting all its requirements in its licensed area of distribution. It has stated that TPC was billing BEST as per the earlier Tariff Order of the Commission issued in the year 2004. However, subsequent to the tariff order issued by the Hon'ble Commission dated 3rd October 2006, TPC had started billing based on the directives specified in this tariff order. BEST had submitted that, the Commission vide its Order on ARR for FY 2006-07 of TPC-G and TPC-D had incorporated the fixed charges, energy charges, rebate due to usage of hydro peaking tariff, charges payable to TPC –D for supply of power from sources other than the existing TPC-G plants for energy to be purchased over and above the energy to be allocated for BEST and Stand-by charges payable to MSEDCL.

Apart from this, as per the Commission's Order on determination of Transmission Tariff for Intra-state Transmission System (InSTS) for FY 2006-07 dated 29th September 2006, annual transmission charges were payable by BEST. Also, the Renewable Energy Purchase Obligation had been increased to 3% of the input energy as per the Commission's Order dated 16th August 2006 on Long Term Development of Renewable Energy Sources and associated Regulatory (RPS) Framework. BEST submitted that the detailed break-up of the power purchase expenses was given in the Chapter 3 of the ARR Petition.

The Commission enquired during the Public Hearing, if BEST was initiating any low cost power procurement? Shri Puranik, DGM Electric Supply replied that BEST was considering of floating a tender for short term and long term procurement of low cost power in terms of its power purchase plan and the same was in process. BEST further submitted that going forward, it would adopt a holistic power purchase plan for meeting its energy and peak demand requirements. The Undertaking has entered into a PPA Agreement with M/s. TPC and is envisaging a separate plan for short to medium term, long term and also for procurement under RPO through a competitive bidding route as per the guidelines of Ministry of Power, Government of India. BEST submitted that it was in the process of appointing a consultant to carry out the study on procurement strategy bid process management.

BEST submitted that the contention of Shri. A.R. Bapat that if the stand by charges were separately charged then the TPC's rate and bills would be reduced, was not substantiated by any data, hence they were not able to respond to this contention. BEST submitted that TPC's previous and current bills were based on the Commission's Order on the ARR for TPC and the energy charges amounting to Rs. 1000 Crore were only for the supply of 3684 MU by TPC-G. BEST also later submitted written clarification to Shri A.R. Bapat's queries on reconciliation of figures in the Form 2 of the ARR Petition. BEST also submitted that the supply from other sources was to be arranged by TPC-D at average landed prices of Rs. 4.41 /kWh as indicated in the Tariff Order of TPC-D and this price included transmission charges for this energy.

BEST responded to the query on the Standby charges and Transmission Charges that the expenses related to Standby Charges were claimed as per the Order of the Commission on ARR and Tariff for TPC-G and TPC-D dated 3rd October 2006 and the expenses related to Transmission charges were as per the Order of the Commission on determination of Transmission Tariff for Intra-state Transmission System (InSTS) for FY 2006-07, respectively.

The BEST's explanation regarding the Standby Charges and Transmission Charges does not bring out the factual position and these are not additional charges to BEST consumers as brought out in paragraph 15 of the Order.

On the issue raised by Shri. A. R. Bapat on the discrepancy in the table on the Distribution Loss on the page 5 of the ARR Petition, BEST submitted that the units purchased and units sold (values) were interchanged inadvertently and the same had been corrected as given below. It was a typographical error and the error was regretted and the revised table was as given below:

Particulars	F.Y. 2005-06 (actual)
Units Purchased (MUs)	4155.53
Units sold (MUs)	3614.69
Distribution losses (MUs)	540.84
Distribution loss (%)	13.02 %

On the issue of contrasting loss levels in the technical loss in the feeders (as raised by Shri. A.R. Bapat), BEST submitted that the meters installed were static meters and as such technical loss in these meters was minimal. Regarding difference in the feeder % losses mentioned by Shri. A.R. Bapat, BEST submitted that this could be attributed to the length of feeders and the cable sizes of those particular feeders.

BEST provided the distribution loss levels in its network for the last 20 years as given in the table below:

Table: Trend in Distribution loss levels in BEST Network

Year	Distribution Loss %
1986-87	10.59
1987-88	10.81
1988-89	9.59
1989-90	9.96
1990-91	10.91
1991-92	11.57
1992-93	11.62
1993-94	11.85
1994-95	12.3
1995-96	12.99
1996-97	12.77
1997-98	11.35
1998-99	12.57
1999-00	8.54
2000-01	10.40
2001-02	11.19
2002-03	12.24
2003-04	12.76
2004-05	10.78
2005-06	13.02

Source: Reply of BEST to Objections raised by Shri A.R.Bapat

Shri Puranik, DGM Electric Supply for BEST in his presentation on the ARR Proposal, during the Public Hearing presented a break-up of the Capital Expenditure and brought out the factors that accounted for the rise in capital expenditure. In the subsequent written reply to the objection of Shri Pravin Cheda, BEST submitted that the Capital Expenditure of Rs.171.06 crores was approved by BEST Committee.

To justify the cap-ex amount under the head "computerisation", Shri. Punanik submitted that BEST was initiating a digitisation project and had purchased about 800 maps of underground cable network. Similarly, the cap-ex amount under the head "motor vehicles" was justified as BEST was procuring about 6 aerial lifts for giving temporary overhead supply to consumers and for maintenance of street lanterns in the night time, when transport was not available. Further, test vans for detection of underground cable faults were also considered under this expenditure.

Subsequently BEST replied to the objection raised by Shri. Ashok Pendse on the disproportionate capital expenditure proposed by BEST for FY 2006-07. BEST stated that normally capital jobs were not carried out during the months from June to August. This being the rainy season, the emphasis was on restoring supply and repairs of cable faults. Due to this reason, the amount of capital expenditure spent for earlier half of a financial year was relatively less. The Fair Season period i.e. from September to March, it was during this period that majority of the capital schemes / jobs were undertaken and therefore there was an increase in capital expenditure during these months.

BEST submitted that the capital expenditure up to September 2006 was incurred the extent of Rs. 37.19 crores. In addition to this in the month of October and November the Undertaking had incurred the capital expenditure amount of Rs. 9.83 crores and Rs. 8.14 crores, respectively, making it to a total of about Rs. 55 crores for eight months which compared favourably with capital expenditures of previous years.

In addition considering the trend for last two months, for remaining 4 months i.e. from December 2006 to March, 2007, Rs. 36 crores approximately could be booked against the capital expenditure for FY 2006-07 in view of strengthening of infrastructure.

BEST submitted that it had already received GIS Switchgear amount to Rs. 7 crores and 100 MVA Power Transformer (2 Nos.) amounting to Rs. 8.55 crores for Senapati Bapat Marg, Receiving Station. However, the said expenditure would be booked after Installation, Testing and Commissioning only which was expected to be before 31st March, 2007.

BEST further submitted that from the above it could be inferred that the Undertaking was likely to meet its targeted capital expenditure for FY 2006-07 to a fair degree.

On the issue of increased Administration and General expenses, and the issue of Rent, BEST informed that the projected figure for Administration & General expenses including Rent expenses (proposed) was Rs. 158.32 crores for F.Y. 2006-07 wherein Rent of Rs. 26.45 crores was included for those premises where Supply Dept. was occupying the space in the Bus Depots / Bus Stations. The details of the same were already given in Appendix – 1 of ARR 2006-07 Petition dated 29th November, 2006. In BEST there was a system for charging expenses for Energy charges for Bus Division i.e. energy utilised in the various Bus Depots of Mumbai City limit was charged as expenses to the Bus Division and corresponding income was shown under the Supply Division. Similarly cost of Bus token of staff member of Supply Division was charged to Supply Division as expenses and to that extent income to Bus Division. Taking into account this aspect, Management had decided to charge rentals for those premises where Supply Department was occupying the space in the Bus Depot/Bus Station premises from F.Y. 2006-07.

BEST submitted that in addition to the above, the Undertaking had reviewed the issue of allocation of General Administration expenditure. Due to change in working condition, it had become necessary to change the norms of expenditure of General Administration to Supply and Bus Division on the basis of actual proposed expenses identified to the divisions separately instead of allocating such expenditure on the basis of average number of staff worked for the said Division. Due to this, the percentage of allocation of expenditure in General Administration had been increased from 27% to 57% and thus additional expenditure of Rs. 26.76 crores was charged to the Supply Division. As such the sharp rise in Other Expenses was only because of above two reasons.

On the issue of increased Repairs and Maintenance Expenses, BEST responded that the Repairs and Maintenance Expenses included various heads such as repairs to buildings, re-instatement charges, etc. BEST submitted the details/ tabulation of R & M Expenses as on the page 19 and 20 of the ARR and Tariff Petition for FY 06-07, dated 29th November 2006.

BEST submitted that it would like to highlight that MCGM had issued revised levies towards Re -instatement / cable laying charges for electrical cabling on BEST and other utilities in Mumbai area. The new policy to this effect was applicable from March 14, 2005 and this had resulted in increased R&M expenses when compared to F.Y. 2005-06. It could be inferred from the table under reference that Rs. 15.38 crores was the amount of Reinstatement charges pertaining to works undertaken in F.Y. 2005-06. If this amount would have been adjusted in F.Y. 2005-06 then the R&M expenses of F.Y. 2005-06 would have been Rs. 21.76 crores instead of Rs. 6.38 Crores and R&M expense for F.Y. 2006-07 would have reduced to Rs. 28.89 crores from Rs. 44.27 Crores.

On the issue of increased levels of Outstanding Payments BEST submitted that it was faced with various procedural hurdles while recovering outstanding amounts from the consumers as listed in the table given below. In many of the cases, the Delayed Payment (DP) charges were over 50% to 60%. BEST had not adopted strict measures on humanitarian grounds.

Table: Break up of the Outstanding / Arrears of BEST

Category	Arrears amount (in Rs. Crores)
State Govt./ MCGM	46.0
Hospitals	29.0
Court Cases	13.5
Disputed Cases	2.0
Other Cases	130.0
Total	**220.5**

Source: Presentation made by BEST during the public hearing

BEST submitted that on an analysis of such cases, BEST would be introducing an “amnesty scheme” from the month of February 2007 wherein, consumers who could settle energy charges in one payment/ stroke would not be required to pay the DP charges that had accumulated after the year 2000.

BEST further submitted that certain hospitals having consumption from levy of general tax under Section 143 of the MMC Act were being charged at a subsidised tariff of 'SN'. Since the exemption was withdrawn, BEST started charging them at `H' tariff rate. Some of the hospitals had preferred suits against BEST, wherein an order for charging the said hospital-consumers 50% at 'H' tariff and 50% at 'SN' tariff had been passed. While taking into consideration other legal disputes that were pending, and an amount of Rs.13.5 Crores was expected to be recovered. Further, there were other legal disputes where BEST was negotiating for amicable settlement and a recovery of Rs. 2 crores was expected.

During the Public Hearing BEST agreed to provide to the Commission, the details of number of pending cases and amount pending against the same and efforts taken towards recovery of pending amounts. BEST submitted that it had achieved recovery of Rs. 80.57 Crores from April 2006 to November 2006 on disconnection and re-connection in 20607 numbers of cases.

On the issue of 'Truing Up' for the earlier years, BEST submitted that the Commission had allowed interest on internal fund at a rate of 6% on assets used in the business and also on Government Assistance, other deposit and other funds (i.e. GEF and Staff Benefit Fund). The same was accordingly worked out and shown in the Form No. 8.1. Since BEST Undertaking was not considering interest on Internal Fund on Government Assistance, other deposits and other funds, the amount worked out for truing up was different from the said working. BEST submitted that the amounts covered under truing up for FY 2004-05 and FY 2005-06 were actual revenue gaps arising out of MERC's Supplementary Order on ARR 2004-05 and FY 2005-06 dated 26th September, 2006.

BEST further submitted that regarding a revenue gap of Rs. 648.98 crores for FY 2006-07, it would like to state that the major increase in the expenditure was in respect of Bulk Power Purchase expenditure, Transmission charges, Standby charges and Renewal Purchase Obligation etc. as given in the Form No. 1 in the ARR Petition of FY 2006-07.

COMMISSION'S ANALYSIS AND DECISION ON TRUING UP OF FY 2004-05 AND FY 2005-06 AND BEST'S PETITION FOR FY 2006-07

1. TRUING UP OF FY 2004-05 AND FY 2005-06

The Commission concurs with the objection raised during the public hearing against allowing the truing up of FY 2004-05, as BEST should have come before the Commission in the appropriate years. The Commission had directed BEST to implement the Tariff as notified through the Order dated 9th March 2006 for ARR and Tariff for FY 2004-05 and FY 2005-06 (Case No. 4 of 2004) w.e.f. 1st March 2006. BEST had also failed to implement the Tariff Order and the Commission vide letter dated 31st July 2006 had written to BEST that any consequences and cost thereof due to non-implementation of the Tariff Order will be at BEST's risk and no retrospective recovery of tariff shall be done.

The truing up of revenue gap as proposed by BEST for FY 2005-06 and approved by MERC is given in the table below:

TRUING UP OF FY 2005-06

(in Rs. Crores)

Particulars	BEST Petition*	Audited Accounts of FY 2005-06	Amount considered for truing up of FY 2005-06
Power Purchase Cost	1122.29	1122.29	**1124.77
Employee Expenses	151.04	99.50	99.50
Administration & General Expenses	90.27	90.27	90.27
Repairs & Maintenance	6.38	6.38	6.38
Depreciation	38.69	39.04	38.69
Provision for Bad debts		0.02	0.02
Interest on Loans	5.29	5.29	5.29
Interest on Consumer Security Deposits	11.70	12.96	11.70
Interest on Internal Funds	* 62.47	51.10	62.47
Total Revenue Requirement	**1488.15**	**1426.85**	**1439.09**
Less Non-Tariff Income	**70.30**	**70.30**	**70.30**
Annual Revenue Requirement	**1417.85**	**1356.55**	**1368.79**
Revenue from existing Tariff	**1447.70**	**1447.70**	**1447.70**
Revenue surplus / (gap)	**29.85**	**91.15**	**78.91**

** Note: Interest on Internal Funds figure as in BEST's petition also includes (a) Interest on other deposits (b) interest on Other Funds (GEF, BEST Staff) and (c) interest on government grants at 6% in line with the ATE Judgement dated 18th August 2006 in Case No. 61 0f 2006 and Commission's Order dated 8th November 2006 in Case No. 32 of 2006 in respect of Review Petition of BEST*

*** Includes RPO obligation of Rs. 10.65 crores as per the RPO Order in Case No. 1 of 2004 dated 3rd September 2006*

2. TARIFF INCOME

REVENUE FOR FY 2005-06

In its ARR and Tariff Petition for FY 2006-07, BEST has submitted the data on actual sales for FY 2005-06. The revenue from tariff proposed by BEST and approved by the Commission for the FY 2005-06 is given in the table below:

Table: Tariff Revenue for FY 2005-06

Particulars	Proposed by BEST	Approved by MERC
Sales (in MU)	3614.69	3614.69
Sales (in Rs. Crores)	1447.70	1447.70

REVENUE FOR FY 2006-07

The revenue from tariff proposed by BEST and approved by the Commission for the FY 2006-07 is given the table below:

Table: Tariff Revenue for FY 2006-07

Particulars	Proposed by BEST	Approved by MERC
Sales (in MU)	3741.89	3725.03
Sales (in Rs. Crores)	1395.89	1468.90
BEST Proposal reference	Addl. Info. re. Letter dtd. 31/10/06, Proposal dated 29.11.06	29.11.06 and Addl. Data submitted dated 21st December 2006

The Commission has computed the tariff revenue for FY 2006-07 in the following manner:

Particulars	**Units (in MU)**	**Amount (in Rs. Crores)**	**Applicable Tariff**
Revenue from April'06 to September'06 based on actual sales figures	1922.41	801.36	As per the Tariff set out in the MERC Order for determination of ARR and Tariff for BEST dated 9th March 2006 in Case No. 4 of 2004.
Revenue from October'06 to March'07 based on projected sales for the period	1802.61	667.54	As per the Tariff set out for BEST in the MERC Order dated 26th September 2006 (in case No. 4 of 2004)
Total	3725.03	1468.90	

3. DISTRIBUTION LOSS

The distribution loss proposed by BEST and approved by the Commission is given in the table below:

Table: Distribution loss for FY 2005-06 and FY 2006-07

Particulars	F.Y. 2005-06 (Actual/Audited)	Considered for truing up for FY 2005-06 as per MERC Tariff Order dated 9th March 2006 (Case No. 4 of 2004)	BEST proposal for F.Y. 2006-07	Approved by MERC for FY 2006-07
Distribution loss	13.02%	12.4%	12.4%	11.5%

For the FY 2005-06, BEST has proposed distribution loss of 13.02%. The Commission allowed 12.4% as distribution loss for the FY 2005-06 as approved in the detailed order dated 9th March 2006 in Case No. 4 of 2004 and the Order dated 8th November 2006 in the matter of Review Petition submitted by BEST (Case No. 32 of 2006).

The Commission had directed BEST to submit a report on the bifurcation of distribution loss into technical and commercial loss and the same was submitted by BEST. The Commission reviewed the report on the bifurcation of technical loss and commercial loss and expresses concern over the high commercial loss as the technical losses amounted to 7.5% as per the report and remaining proportion of over 5% were commercial losses. The Commission notes that BEST had been achieving distribution loss levels in the range of 10% to 12% as per the data given by BEST (in response to queries raised by Shri. A. R. Bapat) for distribution loss levels for the past 20 years.

The Commission is not satisfied with the explanation offered by BEST to reduce its commercial loss.

Therefore, for the FY 2006-07, the Commission feels that there should be an improvement over the loss levels prescribed by it for FY 2005-06 and therefore allows a distribution loss of 11.5% as against the BEST claim of 12.4%. The Commission directs BEST that more efforts should be taken for reduction of distribution losses, with intense focus on reduction of commercial losses.

For future years the Commission intends to set out a road map with specific target for progressive reduction of distribution loss while considering the Multi Year Tariff (MYT) to be made applicable for FY 2007-08, FY 2008-09 and FY 2009-10.

Despite the Commission's direction in the last detailed Order dated 9th March 2006 in Case No. 4 of 2004 BEST is yet to prepare a long term plan for customer indexing and distribution transformer-wise energy accounting and audit to measure and monitor the losses. There has been a lapse on the part of BEST management in this respect. If BEST does not comply with the directives expeditiously, the Commission may be forced to take appropriate actions as provided in the EA 2003.

4. ENERGY INPUT REQUIREMENT AND COST

With effect from 1st October 2006 TPC has started billing BEST for its power purchase based on the directives specified in the tariff order issued by the Hon'ble Commission dated 3rd October 2006 which is given below:

Table: Power purchase cost on annual basis as per TPC Tariff Order dated 3.10.06

(in Rs. Crores)

S.no.	Particulars	Amount
1	Fixed Charges payable to TPC-G	162.59
2	Energy Charges payable to TPC-G for 3684 MUs	1000.00
3	(less) Rebate on account of Hydro peaking tariff to be received from TPC-G	(42.64)
4	Power purchase expenses related to supply from TPC-D for additional 668 MUs	294.58
	TOTAL (1+2-3+4)	**1414.53**
5	Renewable purchase Specifications (RPS) (as claimed by BEST)	48.78
	Grand Total	**1463.61**

The above cost is based on the estimated purchase of 4352 MU out of which 3684 MU has been shown from TPC-G from its own generation and the balance as required including RPS obligation sourced from TPC-D. The cost of power supplied by TPC-D is at Rs. 4.41 per kWh as per the Tariff Order for TPC dated 3rd October 2006. The increase in energy charges as procured and supplied by TPC-D is on account of increase in coal, fuel and other input costs as brought out in TPC Order dated 3rd October 2006.

The power purchase units and cost proposed by BEST and approved by MERC is given in the tables below:

Table: Power Purchase cost for FY 2005-06 and FY 2006-07

Particulars	F.Y. 2005-06 (Actual/Audited)	Considered for truing up for FY 2005-06	BEST proposal for F.Y. 2006-07	Approved by MERC for FY 2006-07
Units Sold (MUs)	3,614.69	3614.69	3741.89	3,725.03
Dist. Loss (MUs)	540.84	511.67	527.39	484.04
Units Purchased (MUs)	4,155.53	4126.36	4269.29	4209.07
Power Purchase Cost (in Rs. Crores) (including RPO / RPS)	1122.29	1124.77	1414.53	1310.36
Average Cost per unit	Rs. 2.70	Rs. 2.73	Rs. 3.31	Rs. 3.11

The actual power purchase for the FY 2005-06 was 4155.53 MU with distribution loss at 13.02% (actual) resulting in a total cost of Rs. 1122.29 crores. The total power purchase allowed by the Commission is 4126.36 MU costing Rs. 1124.77 crores. The power cost allowed by the Commission is based on the distribution loss allowed at 12.4% as against the actual claim of 13.02%.

The Commission has considered actual sale units for the FY 2005-06 to determine the total purchase (in units). The average cost per unit of power purchased for the FY 2005-06 is Rs. 2.73.

For the FY 2006-07 the total energy at TPC (ex-bus) including transmission losses estimated by BEST is 4352 MU resulting in a total cost of Rs. 1414.53 crores. The total power purchase (in units) as proposed by BEST is based on distribution loss at 12.4%. The power cost allowed by the Commission is based on actual power cost for the first 8 months and estimates for the balance 4 months after considering the Commission's TPC ARR & Tariff Order for FY 2006-07 dated 3rd October 2006. The total units and cost approved by the Commission is 4209.07 MU resulting in a total cost of Rs. 1310.36 crores with distribution loss allowed at 11.5% as against the claim of 12.4%. The average cost per unit of purchase for the FY 2006-07 is estimated at Rs. 3.11. The power cost (excluding stand-by and transmission charges) account for 73% of Aggregate Revenue Requirement for the FY 2006-07. In order to reduce the power purchase cost BEST should initiate action in a time bound manner in order to get competitive power purchase rates and not be complacent with the existing arrangement.

The EA 2003 recognises the importance of Renewable/ green power and has accordingly mandated under Section 86(e) of the EA Act 2003, every distribution company must purchase from renewable sources of energy. This Renewable/ Green power purchase obligation has made applicable not only for the distribution licensees but also for captive power plants in the State.

The consumers of electricity in Mumbai like those in the rest of the State should also support the cause for green power and hence the energy purchase obligation from green power sources such as wind energy, bio-mass and solar power sources. Accordingly the Commission has directed that BEST has to purchase power from Renewable Energy sources also. The Commission's Order (Case 1 of 2004) in the matter of Determination of Renewable Purchase Obligation (RPO) for Distribution Licensees in Maharashtra has laid down the RPO of distribution licensees in the State and the same has been considered in the power cost in the FY 2005-06 as proposed by BEST.

The Commission has computed the Renewable Purchase Specification for BEST for the FY 2006-07 in accordance with its Order dated 16th August 2006 on Long Term Development of Renewable Energy Sources and associated Regulatory (RPS) Framework.

It is to be noted that as such the impact of the power purchase from renewable/ green sources on the tariff is minimal at about 2.9 paise per unit in 2005-06 and 2.6 paise per unit in 2006-07, The table below shows the Renewable Energy Obligation / Specification for BEST for FY 2005-06 and FY 2006-07:

Table: Renewable Energy Obligation/ Specification for BEST for FY 2005-06 and FY 2006-07

Particulars	Total RPO/RPS (in MU)	Cost (in Rs. Crores)	Total sales (in units)	Impact on tariff (paise per unit)
Provision for Purchases from Non conventional sources (RPO) for F.Y 2005-06 at 2.05% of input energy at Rs. 3.23 per kWh	84.59	10.65	3614.69	2.9
Provision for Purchases from Non conventional sources (RPS) for F.Y 2006-07 at 3% of input energy into the system at Rs. 3.30 per kWh	126.27	9.76	3725.03	2.6
Total		**20.41**		

5. EMPLOYEE EXPENSES

EMPLOYEE EXPENSES FOR FY 2005-06

The Commission has considered employee expenses of Rs. 99.50 crores for truing up for the FY 2005-06 based on the comparison of approved expenses in last Order of the Commission on ARR & Tariff for BEST for FY 2004-05 and FY 2005-06 in case No. 32 of 2006, dated 8th November 2006, actual audited expenses and past trends.

EMPLOYEE EXPENSES FOR FY 2006-07

The break up of employee expenses projected by BEST for the FY 2006-07 is given in the table below:

Table: Break up of the Employee Expenses proposed by BEST for FY 2006-07

(in Rs. Crores)

Particulars	Proposed by BEST
Basic Salary	38.76
Dearness Allowance (DA)	34.63
House Rent Allowance	7.06
Conveyance Allowance	0.31
Leave Travel Allowance	1.20
Earned Leave Encashment	1.52
Overtime Payment	3.49
Bonus/Ex-Gratia Payments	4.49
Interim relief and balance PRC	9.35
Provident Fund Contribution	10.72
Gratuity Payment	3.67
Cost of bus token/passes	2.10
Employee Expenses	**117.30**

Pay Revision Committee (PRC) Impact for the FY 2005-06 and FY 2006-07

These expenses are the arrears of pay due to the employees of the division. In order to give effect to the recommendations of the pay revision committee, BEST has proposed the impact of the PRC recommendations for the period from FY 2001-02 till FY 2005-06 of Rs. 79.30 crores. Out of the total pay revision of Rs. 79.30 crores an amount of Rs. 36.26 crores has been actually paid till FY 2004-05.

The details of total pay revision impact are given in the table below:

Table: Break up of PRC impact as submitted by BEST

(in Rs. Crores)

Particulars	Electricity Supply
Interim Relief paid prior to 2004-05	27.09
Interim Relief paid in 2004-05	9.17
Interim Relief paid in 2005-06	9.17
Interim Relief to be paid (BE 2006-07)	9.35
Balance to be paid in the future	24.52
Total	**79.30**

The total PRC impact of Rs. 9.17 crores actually paid in FY 2005-06 has been allowed for truing up purpose and therefore no further amount is allowed for FY 2005-06.

The total PRC impact of Rs. 9.35 crores as claimed by BEST for the FY 2006-07 has been allowed by the Commission after considering the actual payment made till September'06 and past trends. The balance amount payable amounting to Rs. 24.52 crores shall be allowed in the year in which it is actually paid.

The Commission has not considered item wise break up expenses but only as a whole. However the Commission has analysed the break up for any unusual increase.

The total employee expenses proposed by BEST and approved by Commission is given in the table below:

Table: Employee Expenses for FY 2005-06 and FY 2006-07

(in Rs. Crores)

Particulars	F.Y. 2005-06 (Actual/Audited)	Considered for truing up for FY 2005-06	BEST proposal for F.Y. 2006-07	Approved by MERC for FY 2006-07
Employee expenses	99.50	99.50	117.30	114.62

The Commission has allowed Rs. 114.62 crores for the FY 2006-07 as against the claim of Rs. 117.30 crores. The difference of Rs. 2.68 crores pertaining to PRC impact actually paid in the FY 2005-06 has been allowed as a part of truing up process for the FY 2005-06 and thus the same has been disallowed in the FY 2006-07.

6. ADMINISTRATION AND GENERAL EXPENSES

Administration and General expenses includes various expenses such as rent and rates, insurance, transport expense, contingency reserve fund, lease rent of meters, service charges, share of General Administration expenses, other general expenses etc. The Administration and General expenses proposed by BEST and approved by the Commission is given in the table below:

Table: Administration and General Expenses for FY 2005-06 and FY 2006-07

(in Rs. Crores)

Particulars	F.Y. 2005-06 (Actual/Audited)	Considered for truing up for FY 2005-06	BEST proposal for F.Y. 2006-07	Approved by MERC for FY 2006-07
Administration And General Expenses	90.27	90.27	131.87	82.00

The Commission has considered the total expenses of Rs. 90.27 crores for truing up of the FY 2005-06 after considering the past trends, actual audited expenses and on prudence check. The Commission has not considered item wise break up expenses but only as a whole. However the Commission has analysed the break up of expenses for any unusual increase.

The total expenses as proposed by BEST for the FY 2006-07 are given in the table below:

Table: Administration and General Expenses proposed by BEST for FY 2006-07

(in Rs. Crores)

Particulars	FY 2006-07
Rent Rates & Taxes	3.30
Insurance	0.07
Telephone & Postage, etc.	1.67
Legal charges & Audit fee	0.20
Electricity charges	4.25
Security arrangements	4.44
Printing & Stationery	0.42
Advertisements	0.13
Vehicle Running Expenses Truck / Delivery Van	0.23
Property Insurance Fund	5.30
Contingency Reserve Fund	5.30
Lease Rent of Meters	0.81
Service Charge on Gas Insulated Switches	0.88
Others	38.54
Share of General Administration Expenses	66.33
Total A&G Expenses	**131.87**

The break up of "others" amounting to Rs. 38.54 crores, which forms a part of A&G expenses is given in the table below:

Table: Break up of "Others" for FY 2006-07

(in Rs. Crores)

Particulars	FY 2006-07
Clothing	0.26
Hire & servicing of office equipment, etc	0.40
Contingencies	0.02
Accident compensation to staff	0.01
Materials (including for buses)	0.07
Stock adjustment	0.06
Dead stock	0.18
Receiving and distribution S/S	2.31
Mains & aerial mains	5.89
Street lighting	2.20
Meter installations	1.60
Meter testing	0.24
Consumer advisory services	0.08
Rebate on advance payment	0.16
Miscellaneous and general expenses	5.47
Inspection and License fees	1.00
Motor vehicle and third party insurance fund	0.01
Free issue of petrol to officers	0.55
Provision for obsolescence of stores	0.03
Power factor discount	18.00
TOTAL	**38.54**

BEST has submitted in its ARR Petition that the share of general administration expenses proposed by BEST is higher in the FY 2006-07 due to the change in the method of allocation of General Administration expenses except for activities relating to time keeping and security & vigilance. The allocation was previously done on the basis of number of employees till FY 2005-06. The general administration expenses have been allocated by BEST on actual basis for FY 2006-07. The issue of sudden increase in the Administration and General expenses when compared to the previous year was also raised during the public hearing. The Commission observes that the method of allocation of share of General Administration expenses has not been approved by the Commission and as per regulation 17.2 (a) and (b), of the MERC (Distribution Licence Conditions) Regulations 2004, the licensees i.e. BEST is required to adopt a fair and transparent cost allocation statement of joint and common costs between the licensed business and other businesses and the same are separately identifiable in the books of accounts of BEST. The Commission has therefore considered the past trends and actual expenses in allowing the share go General Administration expenses.

The Commission has not considered the individual items of Administration and General expenses for the purpose determining the amount to be allowed for the purpose of ARR. However on an analysis of the break up of 'others' expenses the Commission identified that the power factor discount amounting to Rs. 18 crores has been included by BEST in the ARR under this head. The Commission observes that no such power factor discount is notified in the Tariff determined by the Commission either in the detailed order for ARR & Tariff for BEST for FY 2004-05 and FY 2005-06 (Case No. 4 of 2004) dated 9th March 2006 or Supplementary Order dated 26th September 2006 in Case No. 4 of 2004. Therefore the Commission disallows this item of expense in computation of ARR.

The amount allowed by Commission and the basis on which the amount is allowed is given in the table below:

Table: Administration & General Expenses for FY 2006-07

(in Rs. Crores)

Particulars	BEST proposed	Approved by MERC	Basis of Allocation
Share of General Administration expenses	66.33	34.46	Based on past trends
Balance portion	65.54	47.54	Based on past trend and actual incurred till September' 06. Power factor discount has been disallowed in computation of ARR
Total	**131.87**	**82.00**	

In respect of balance portion of Administration and General Expenses of Rs. 65.54 crores for FY 2006-07, the Commission is of the opinion that the expenses are in line with the past trends and accordingly approves the same.

7. REPAIRS AND MAINTENANCE (R&M) EXPENSES

The repairs and maintenance expenses proposed by BEST and approved by the Commission is given in the table below:

Table: Repairs and Maintenance Expenses for FY 2005-06 and FY 2006-07

(in Rs. Crores)

Particulars	F.Y. 2005-06 (Actual/Audited)	Considered for truing up for FY 2005-06	BEST proposal for F.Y. 2006-07	Approved by MERC for FY 2006-07
Repairs and Maintenance expenses	6.38	6.38	44.27	20.00
Gross Fixed Assets (GFA)	1023	1023	1085	1085
% of R&M to GFA	0.62%	0.62%	4.08%	1.84%

The actual R&M for the FY 2005-06 amounted to Rs. 6.38 crores. The Commission has allowed Rs. 6.38 crores for truing up after considering the past trends and the actual expenses incurred.

For the FY 2006-07 the R&M proposed by BEST is Rs. 44.27 crores. The increase in R&M expenses for FY 2006-07 is due to re-instatement charges payable to MCGM towards re-instatement / cable laying charges for electrical cabling as submitted by BEST in its petition dated 29th November 2006. During the public hearing, the sharp increase in R&M expenses was pointed out as Repairs and Maintenance expenses are required to be incurred to ensure effective and efficient working of assets and systems of the division but in a reasonable manner

The Commission has therefore gone into the details of expenditure incurred and approved Rs. 20 crores based on actual expenses incurred till November '06 and estimates for the balance period on the basis of liabilities entered into & rest likely to be incurred past trend.

8. CAPITAL EXPENDITURE

The Capital expenditure does not form a part of ARR. The total expenditure is recovered over a period of years in the form of depreciation and interest on internal funds. The capital expenditure for the FY 2005-06 has been allowed at Rs. 63.78 crores by the Commission based on the comparison of past trends, actual audited amounts and as approved by the Commission in the Tariff Order dated 8th November '06 in case No.32 of 2006.

The break up of capital expenditure as proposed by BEST for the FY 2006-07 is given in the table below:

Table: Break up of Capital Expenditure proposed by BEST for the FY 2006-07

(in Rs. Crores)

Sectoral Outlay	2006-07
Extension to existing 22kv substations. New 22kv/ 33kv up gradations.	33.86
110kv substations at Senapati Bapat Marg	24.98
6.6kv/ 11kv substations, extensions and alterations to existing substations and sites for new substations	29.51
Laying of High Voltage and Low Voltage cables, service cables and street lighting cables	33.50
Meters	7.97
Purchase of Street Lighting Lamps	1.71
Electronic meters and Test Benches	21.13
Remote control of receiving substations communication network, additions and extensions, installation and commissioning of ripple control	4.91
Computerisation	7.43
Generating Station	0.15
Furniture and office equipment, Tools & Equipments, etc.	1.67
Civil Engineering Works	0.84
Motor Vehicles	2.58
Sub Total	**170.24**
Share of General Administration	0.82
Grand Total	**171.06**

BEST has proposed a capital expenditure of Rs. 171.06 crores for the FY 2006-07, which is very high in comparison to that in the previous years. (average for 6 previous years is Rs. 66 crores). The Commission has recomputed the capital expenditure as proposed by BEST on the basis of actual capitalisation till September '06 and additional information for the months of October'06 and November'06 and estimates for the balance period. During the public hearing, there were queries regarding the capital expenditure relating to the projections as proposed by BEST and the possibility of incurring such huge capital expenditure during the year considering the fact that only Rs. 37.19 crores was capitalized in the first half of the FY 2006-07.

BEST has further stated that it undertakes a significant part of its capital expenditure in the concluding part of its financial year, specifically in the month of March. The first nine months of the financial year comprise only 3 months of fair season whereas in the balance 3 months, the maximum work of excavation for cable laying and allied works of substation transformer installation is undertaken and as such the second portion of capital expenditure is incurred in this time period. Therefore, a complete picture of capital expenditure for the year 2006-07 shall be clear after the end of the year.

The actual capital expenditure by BEST till September '06 is given below:

Table: Actual Capital Expenditure incurred by BEST for FY 2006-07 till September'06

(in Rs. Crores)

Description	Expenditure upto September '06
Extension to existing Receiving Station S/S 6.6 KV/11 KV	7.73
New Receiving S/S	0.36
6.6 KV/11 KV Dist. S/S & Extension & Altercation to Existing S/S	17.78
110 KV Receiving S/S	0.01
Computerization	3.10
Cable & Mains (HV / LV)	2.06
Service Mains	0.18
Street Lighting Cables	0.20
Meters	2.32
Purchase of Street Lighting Lamps	0.14
Electronic Meters	2.49
Misc. (M.V. Total Equip, Furniture & Equipment)	0.83
TOTAL	**37.19**

As per the additional information provided by BEST the actual capital expenditure incurred in the month of October'06 and November'06 amounted to Rs. 18 crores. It has also paid for 2 transformers costing Rs. 15 crores, which is yet to be recorded in the books of accounts. BEST has therefore incurred a capital expenditure of Rs. 71 crores from April'06 to November'06. Considering the above information, the Commission has approved a capital expenditure of Rs. 90 crores for the FY 2006-07. In accordance with Regulation 72, BEST has submitted details of capital expenditure incurred in excess of Rs. 10 crores requiring Commission's approval. The Commission is examining the same and has provisionally approved Rs. 90 crores for FY 2006-07.The Commission has not considered item-wise break up expenses but only as a whole. However the Commission has analysed the break up for any unusual increase.

The capital expenditure proposed by BEST and approved by the Commission is given in the table below:

Table: Capital Expenditure for FY 2005-06 and 2006-07

(in Rs. Crores)

Particulars	F.Y. 2005-06 (Actual/Audited)	Considered for truing up for FY 2005-06	BEST proposal for F.Y. 2006-07	Approved by MERC for FY 2006-07
Capital expenditure	63.78	63.78	171.06	90.00

9. DEPRECIATION

BEST has been providing for depreciation on straight-line basis on the fixed assets. The depreciation is based on the original cost, estimated life and residual life. Most of the rates for depreciation are as per the MERC (Terms and Conditions of Tariff) Regulations, 2005.

BEST has been making a provision for additional depreciation in the revenue account in order to meet the shortfall to some extent in replacement cost of assets. The amount in respect of additional depreciation is credited to a 'Special Depreciation Fund'. BEST provides for additional depreciation at a rate of 50% of the depreciation for the year. But the Commission has disallowed the additional depreciation claim of BEST. Also the ATE vide its judgement dated 18/8/06 in Case No.61 of 2006 has disallowed additional depreciation to be a part of ARR.

The table below summarises the depreciation proposed by BEST and approved by the Commission:

Table: Depreciation for FY 2005-06 and FY 2006-07

(in Rs. Crores)

Particulars	F.Y. 2005-06 (Actual/Audited)	Considered for truing up for FY 2005-06	BEST proposal for F.Y. 2006-07	Approved by MERC for FY 2006-07
Depreciation	39.04	38.69	44.68	41.44

The depreciation allowed by the Commission in truing up for the FY 2005-06 is Rs. 38.69 crores based on in its Review Order of the Commission on ARR & Tariff for FY 2004-05 and FY 2005-06 dated 8th November 2006 as against the actual of Rs. 39.04 crores. The Commission has not considered the additional depreciation charge for truing up process.

BEST has proposed a depreciation of Rs. 44.68 crores with the expected capitalisation for the FY 2006-07 at Rs. 171.06 crores. The Commission has allowed depreciation to the extent of Rs. 41.08 crores based on past trends and actual capitalisation for the year 2006-07 till November'06 and estimates for the balance period.

10. INTEREST ON LOANS

The loans are borrowed by BEST primarily to fund the capital expenditure. BEST has taken public loans, MMRDA loans for the Mega-city Project, DPDC loan and APDRP Loan. The interest on loan proposed by BEST and approved by the Commission is given in the table below:

Table: Interest on Loans and related charges

(in Rs. Crores)

Particulars	F.Y. 2005-06 (Actual/Audited)	Considered for truing up for FY 2005-06	BEST proposal for F.Y. 2006-07	Approved by MERC for FY 2006-07
Interest on Loans	5.29	5.29	6.01	6.01
Bank commission	0.0014	0.0014	0.0014	0.0014
Total Interest	5.29	5.29	6.01	6.01

BEST has proposed Rs. 5.29 crores as interest on loans for the FY 2005-06. The Commission has allowed interest of Rs. 5.29 crores for the FY 2005-06 for truing up as it is based on actuals and is also lower than approved by Commission for FY 2005-06 in its detailed order in Case No. 4 of 2004 dated 9th March 2006. BEST has projected interest on loans in FY 2006-07 at Rs 6.01 Cr. However, this has been computed on the average loan balance outstanding during the FY 2006-07. The Commission has allowed interest for the FY 2006-07 on the basis of actual interest paid till September 2006 and estimates for the balance period as well as comparison with the past trends.

11. INTEREST ON INTERNAL FUNDS

BEST Undertaking is not governed by the Companies Act, 1956 and does not have equity in the traditional sense. The funding is mainly done through internal resources of the Corporation with the approval of the BEST Committee and Mumbai Municipal Corporation, as per Section 460 II of the Mumbai Municipal Corporation Act, 1888. In accordance with the Appellate Tribunal Judgement in Case No. 61 of 2006, the Commission has allowed interest on internal funds @ 6%, in lieu of Return on Equity. The interest on internal funds proposed by BEST and allowed by the Commission is given in the table below:

Table: Interest on Internal Funds for BEST for FY 2005-06 and FY 2006-07

(in Rs. Crores)

Particulars	F.Y. 2005-06 (Actual/Audited)	Considered for truing up for FY 2005-06	BEST proposal for F.Y. 2006-07	Approved by MERC for FY 2006-07
Interest on internal funds	51.10	*62.47	51.96	*51.96

** Note: Interest on Internal Funds figure as in BEST's petition also includes (a) Interest on other deposits (b) interest on Other Funds (GEF, BEST Staff) and (c) interest on government grants at 6% in line with the ATE Judgement dated 18th August 2006 in Case No. 61 0f 2006 and Commission's Order dated 8th November 2006 in Case No. 32 of 2006 in respect of Review Petition of BEST*

For the FY 2005-06 and FY 2006-07 the interest allowed by the Commission is based on the following calculation:

Table: Interest on Internal Funds for FY 2005-06 and FY 2006-07

(in Rs. Crores)

Particulars	Considered for truing up for F.Y. 2005-06	Approved for F.Y. 2006-07 by MERC
Assets:		
Net Fixed Assets	703.65	726.24
Other Assets	804.28	632.83
Sub Total (A)	**1,507.93**	**1,359.07**
Less:		
Amount Invested outside the business	3.96	3.62
Long Term Loans		
(i) Mega City	15.66	10.80
(ii) Public Loans	4.60	4.60
(iii) DPDC	2.71	2.55
(iv) APDRP	27.10	37.99
Liabilities		
Deposits	286.79	299.05
Current Liabilities	217.82	165.74
BEST Staff Benefit Fund	1.82	1.95
GEF	173.22	189.29
Govt Assistance	45.63	56.52
Sub Total (B)	**779.31**	**772.11**
Total Assets Used (A) - (B)	**728.62**	**586.96**
(add back)		
(i)Government Assistance / Grants	45.63	56.52
(iii) Other deposits	91.87	31.30
(iv) Other funds (GEF, BEST staff)	175.04	191.24
Total Assets Used / Internal Funds including Government Assistance	**1041.16**	**866.02**
TOTAL INTEREST ON FUNDS (at 6%)	**62.47**	**51.96**

12. INTEREST ON SECURITY DEPOSIT

As per Section 11 of the MERC (Electricity Supply Code and Other Conditions of Supply) Regulations, 2005, the Security Deposit payable by consumers shall be equivalent of the average of 3 months' of billing or of the billing cycle period, whichever is lesser. The Commission has allowed interest equivalent to the bank rate of RBI (currently at 6%) as per Regulation 11.11 of the MERC (Electricity Supply Code and Conditions of Supply) Regulations 2005. The interest on consumer security deposits proposed by BEST and approved by the Commission for FY 2005-06 and FY 2006-07 is given in the table below:

(in Rs. Crores)

Particulars	F.Y. 2005-06 (Actual/Audited)	Considered for truing up for FY 2005-06	BEST proposal for F.Y. 2006-07	Approved by MERC for FY 2006-07
Interest on the above	12.96	11.70	11.70	11.70

The actual interest on security deposits for the FY 2005-06 as per submission of BEST is Rs. 12.96 crores. The Commission allowed interest to the extent of Rs. 11.70 crores on the basis of data provided by BEST. For the FY 2006-07 the Commission allows the interest as proposed by BEST as it is in accordance with the MERC (Electricity Supply Code and Other Conditions of Supply) Regulations, 2005. However, BEST shall strictly observe the provisions under the MERC (Electric Supply Code and Conditions of Supply) Regulations 2005, in respect of Consumer Security Deposit.

13. BAD DEBTS

The BEST Electric Supply Division has not written off any debt as bad in FY 2004-05. The bad debt proposed to be written off and approved by the Commission is given in the table below:

Table: Bad Debts to be written off for FY 2005-06 and FY 2006-07

(in Rs. Crores)

Particulars	F.Y. 2005-06 (Actual/ Audited)	Considered for truing up for FY 2005-06	BEST proposal for F.Y. 2006-07	Approved by MERC for FY 2006-07
Bad debts Written off	0.02	0.02	6.19	0.04
Total revenue	1447.70	1442.13	1395.89	1468.90
% of bad debts to revenue	0.001%	0.001%	0.44%	0.002%

The bad debts proposed to be written off by BEST for the FY 2005-06 is Rs. 0.02 crores. The Commission has allowed the same for the purpose of truing up as the amount under consideration is very small. The bad debts proposed to be written off by BEST for the year 2006-07 are Rs. 6.19 crores. The Commission has allowed bad debts to the tune of Rs. 0.04 crores considering the past trends. The Commission also directs BEST that a detailed item-wise analysis regarding the possibility of recovering its outstandings and bad debts, a cost benefit analysis of recovering the sum in each case and justification etc. shall be made before writing off the receivable as bad debt.

14. RENT

From the FY 2006-07, the Transport division of BEST has proposed to charge rent to the Supply division in respect of premises occupied by Supply branch in the Bus Depots and Bus Stations and for using the assets at these places.

The rent proposed by BEST for the FY 2006-07 is Rs. 26.45 crores. The transport division and the electric supply division of BEST not being independent legal entities, the claim of BEST that the electric supply division would need to pay rent for using the space in the bus depots, etc., cannot be sustained. These two units (transport and electric supply) are part of one legal entity – viz., the Municipal Corporation. However, expenses that are incurred by BEST with respect to the maintenance of these premises may be apportioned on a reasonable basis between (subject to prudence check by the Commission) the transport division and electric supply division of BEST, in proportion to the space used/occupied by them, respectively. Hence, the Commission has rejected the rent as claimed by BEST in respect of the premises occupied by the electricity division in the bus depots and bus stations.

15. STAND-BY AND TRANSMISSION CHARGES

The objections raised during the public hearing on this issue have not been clarified by BEST properly and merely quoted MERC Order dated 3rd October 2006 in the TPC Case. The Commission therefore clarifies that this is neither a new charge nor an additional charge imposed. Hitherto the Stand-By charges of Rs. 396 crores payable by all Mumbai consumers (i.e. consumers of TPC, REL and BEST) were being paid by TPC and the same were included while calculating their tariff for supply of power to retail as well as bulk consumers like REL & BEST. Thus all Mumbai consumers were bearing this charge. These are payable to MSEDCL as MSEDCL is providing standby support to meet the requirement of Mumbai system through its contracted capacity even at the cost of shedding the load in its area of supply.

However, in order to bring in more transparency and clarity regarding these and other charges of TPC passed on to Mumbai consumers, the Commission in its Order dated 3rd October 2006 has separated the three different functions of TPC in to TPC-G, TPC-D, TPC-T in line with the EA 2003 and has shown the stand by charges payable by TPC-D, REL-D, BEST separately. The total stand-by charges of Rs. 396 crores per annum payable by distribution companies (i.e.) REL, TPC and BEST were earlier incurred by TPC and were in turn charged by TPC to consumers as well as other utilities procuring energy from it including BEST. As such these charges are neither new nor additional to BEST Undertaking. Now, the stand-by charges is payable directly to MSEDCL.

The EA Act 2003 envisages the segregation of generation, transmission and distribution functions and the cost associated with it for each group of consumers in order to bring in more transparency. Accordingly, the Commission has also issued Order dated 29th September 2006 in Case No. 31 of 2006 for segregation and determination of Transmission Tariff for the Intra-State Transmission System which brings out the share of cost to be borne by Mumbai consumers (i.e.) REL, TPC and BEST. The transmission charges were hitherto embedded in the bulk supply tariff being charged by TPC to BEST. These are now separately shown. Thus this is not a new additional item for BEST consumers.

In order to create more transparency and accountability the expenses are shown separately. Now, Transmission charges are payable to State Transmission Utility (STU). The total cost of Standby and Transmission charges payable by BEST from 1st October 2006 is given below:

Table: Stand-by and Transmission charges w.e.f. 1st October 2006

Particulars	Stand-by charges	Transmission Charges
Total charges payable (in Rs. Crores)	396.00	1598.11
Proportionate charges of BEST (in Rs. Crores)	121.50	102.33

The total stand-by charges proposed by BEST and approved by the Commission for the FY 2006-07 is given in the table below:

Table: Stand-by and Transmission charges for the FY 2006-07

(in Rs. Crores)

Particulars	**Proposed by BEST**	**Approved by MERC**
Stand-by Charges	121.50	60.75
Transmission Charges	102.33	51.17

The Stand-by and Transmission charges as proposed by BEST for the FY 2006-07 are Rs. 121.50 crores and Rs. 102.33 crores respectively. However the TPC Order and the Order on "Determination of Transmission Tariff for Intra-state Transmission System for FY 2006-07 came into effect from 1st October 2006.The Commission after considering the date on which the Order came into effect and the actual payment made for the month of October'06 and November'06 (as per bills of TPC and MSEDCL for these months) approves Rs. 60.75 crores as stand-by charges and Rs. 51.17 crores for transmission charges, respectively.

16. NON-TARIFF INCOME

The non-tariff income as proposed by BEST and approved by the Commission is given in the table below:

Table: Non-Tariff Income for FY 2005-06 and FY 2006-07

(in Rs. Crores)

Particulars	F.Y. 2005-06 (Actual/Audited)	Considered for truing up for FY 2005-06	BEST proposal for F.Y. 2006-07	Approved by MERC for FY 2006-07
Non-tariff income	70.30	70.30	82.70	82.70

The Commission has considered non-tariff income for truing up for the FY 2005-06 at Rs. 70.30 crores based on comparison of the past trends and actuals.

The break up of non-tariff income for the FY 2006-07 is given in the table below:

Table: Break up of the non-tariff income for FY 2006-07

(in Rs. Crores)

Particulars	2006-07
Customer Charges/ Contract Charges	17.00
Sale & Repair of Lamps and Apparatus	0.02
Sales Service - Meter Hire	1.40
Sales Service - Electricity Duty Collection Charges	0.05
Sales Service - Other Receipts	38.00
MISC (Rent of Bldgs, Advertisement Receipts)	22.17
Share of Receipt of General Administration	4.06
Total	**82.70**

The Commission has approved the non-tariff income of Rs. 82.70 crores for FY 2006-07 as the income projected is in line with the trends.

17. ARR FOR FY 2006-07

In respect of FY 2006-07, BEST has proposed an annual revenue requirement of Rs. 2044.86 crores and a revenue gap of Rs. 648.97 crores. Against this the Commission has allowed a revenue requirement of Rs. 1667.35 crores and a revenue gap of Rs. 198.45 crores. The total revenue gap as proposed by BEST for FY 2006-07 and approved by the Commission is given in the table below:

Table: Revenue Gap for FY 2006-07

(in Rs. Crores)

Particulars	FY 2006-07	
	Proposed by BEST	Approved by MERC
Expected Revenue	1395.89	1468.90
Aggregate Revenue Requirement	2044.86	1667.35
Revenue surplus / (gap)	(648.97)	(198.45)

Table: Annual Revenue Requirement for FY 2006-07

(In Rs. Crores)

Particulars	**BEST Proposal**	**MERC Approval**
Power Purchase Cost	1463.31	*1310.36
Employee Expenses	117.30	114.62
Administration & General Expenses	131.87	82.00
Repairs & Maintenance	44.27	20.00
Depreciation	44.68	41.44
Bad debts	6.19	0.04
Interest on Loans	6.01	6.01
Rent	26.45	-
Interest on Consumer Security Deposits	11.70	11.70
Interest on Internal Funds	51.96	51.96
Stand-by charges	121.50	60.75
Transmission charges	102.33	51.17
Total Revenue Requirement	**2127.56**	**1750.05**
Less Non-Tariff Income	**82.70**	**82.70**
Annual Revenue Requirement	**2044.86**	**1667.35**
Revenue from existing Tariff	**1395.89**	**1468.90**
Revenue surplus / (gap)	**(648.97)**	**(198.45)**

** Includes RPS obligation of Rs. 9.76 crores as per the Order on Long Term Development of Renewable Energy Sources and associated Regulatory (RPS) Framework dated 16th August 2006*

NET REVENUE GAP

Particulars	Amount (in Rs. Crores)
Revenue surplus / (gap) for FY 2005-06	78.91
Revenue surplus / (gap) for FY 2006-07	(198.45)
Net Revenue surplus / (gap)	(119.54)

The net revenue gap for FY 2006-07 after adjusting the revenue surplus of FY 2005-06 of Rs. 78.91 crores amounts to Rs. 119.54 crores. The net gap of Rs. 119.54 crores for the FY 2006-07 will be considered for truing up under MYT along with interest at 6% (RBI Bank rate) for 2 months of February'06 and March'06.

TARIFF SCHEDULE

The ARR & Tariff Petition for FY 2006-07 was submitted by BEST on 13.02.06. While BEST had gone for an appeal against the detailed Order passed by the Commission in Case No. 4 of 2004, the Commission had observed certain data gaps in the BEST ARR Petition for FY 2006-07. The Commission issued a supplementary Order on 26th September 2006 in order to comply with the ATE Judgement dated 18th August 2006. BEST sought a review of the said Supplementary Order dated 26th September 2006, which was disposed by the Commission on 8th November 2006. Meanwhile, the request of additional information by the Commission's consultants was provided by BEST on 31st October 2006. Additional information was requested from BEST on account of data gaps being identified in the technical validation and the comprehensive ARR & Tariff proposal for FY 2006-07 was given by BEST on 29th November 2006. The public hearing was held on 29th December 2006. The revised tariff schedule, if implemented, would be effective only for 2 months and thus the period left to recover the revenue gap, if any, is only 2 months.

Considering the fact that there are only 2 months left and that it is not practically feasible to recover the gap by modifying the Tariff Schedule at this stage. The Tariff as approved in the Commission's Supplementary Order in Case No. 4 of 2004, dated 26th September 2006 is in force till 31st March 2007 as provided in this Order (Appendix 3).

DIRECTIVE

The Commission keeping in view the provisions of the MoP Order dated 9th June 2005 on Electricity (Removal of Difficulties) (Eighth) Order 2005, rules that HT Bulk Supply Tariff for HTP-5 Category (Defence Bulk supply Consumption) will be applicable only to the Group Housing Societies (Housing Colonies) under Defence. Accordingly, the prevailing HT Bulk supply Tariff for HTP-5 category will be valid only till 31st March 2007.

From 1st April 2007, the Commission intends to make applicable HTP-5 category of BEST only for the defence bulk supply for residential (Group Housing Societies) consumption and not for downstream commercial or industrial consumption.

The Consumers belonging to HTP-3 (High Tension Power Commercial – 3) requiring a single point supply for the purpose of downstream consumption by separately identifiable entities will have to either operate through a franchisee route or such entities will have to take individual connections under relevant category by 31st March 2007.

Sd/-	Sd/-	Sd/-
(S. B. Kulkarni)	(A. Velayutham)	(Dr. Pramod Deo)
Member	Member	Chairman, MERC

(Smt. Malini Shankar)
Secretary, MERC

APPENDIX 1

List of persons who attended the Technical Validation Session held on 8th November 2006

S.No.	Name of the Person	Designation	Institution
1.	Shri Uttam Khobragade	GM	BEST
2.	Shri S. A. Puranik	Dy. GM	BEST
3.	Shri A. V. Kane	AGM	BEST
4.	Shri V. K. Phadke	CAO & FA	BEST
5.	Shri S.B. Dhole	Dy. CAO	BEST
6.	Shri Anil V. Kale	Manager	CRISIL
7.	Shri Manish Aggarwal	Head	CRISIL
8.	Shri Shrikant Thorat	Sr. Mgr.	A.F. Ferguson & Co.
9.	Shri Venkatesh K.	Consultant	A.F. Ferguson & Co.
10.	Smt Ashwini Kher	Manager	A.F. Ferguson & Co.
11.	Shri S.R. Khedkar	Div. Engr.	BEST
12.	Shri C.H. Shinde	Dy. Chief Engineer	BEST
13.	Shri S.M. Sakpal	Supdt. GM	BEST
14.	Shri M.Z.M.A. Sayed	Chief Engr.	BEST
15.	Shri S.S. Jadhav	Div. Eng	BEST
16.	Shri R.S. Mujumdar	SOES	BEST
17.	Shri D.S. Kulkarni	DIA	BEST
18.	Shri S.N. Pawar	Asst. Engr.	BEST

APPENDIX 2
List of persons who attended the Public Hearing on 29th December 2006

S. No.	Name of the Person	Designation	Institution/ Firm
1	Shri Uttam Khobragade	GM	BEST
2	Consumer Representative		Mumbai Grahak Panchayat
3	Shri Rakshpal Abrol	President	BSSIA
4	Dr. Kirit Somaiya	Ex-MP	BJP
5.	Shri Sandeep N. Ohri		C-123/124, Shreyas Indl. Estate
6.	Shri Navin Shetty		51/A, Sidhpura Indl. Estate
7.	Shri J.E. Sarmalkar		MTNL
8.	Shri D.V.Sawant		MTNL
9.	Shri Venkatesh Seshadri		
10.	Shri Anirudh Das		I.C.Legal
11.	Shri C.H.Shinde		
12.	Shri Pravin Cheda	Member, Committee	BEST Committee
13.	Shri Yogesh Sagar	Member, Committee	BEST Committee
14.	Shri N.V.Bhandari		
15.	Shri R.M.Pradhan		
16.	Shri B.K.Chavan		BEST
17.	Shri A.G.Patil		BEST
18.	Shri P.M.Shinde		
19.	Shri S.S.Joshi		
20.	Shri U.P.Chaudhari		
21.	Shri N.Chandra Sekharan		
22.	Shri S.N.Pawar		BEST
23.	Shri S.K.Kanse		
24.	Shri Rakesh Tumane		MTNL
25.	Shri A.K.Takkar		MTNL
26.	Shri K.N. Rajagopal	SCS	BEST
27.	Shri M.Z.M.A Sayed		
28.	Shri S.K.Viramani		
29.	Shri Sanjay Deshpande		Aaj Tak
30.	Shri Sanjay Nair		
31.	Shri Ajit Adsule		
32.	Shri A.S.Pambehi		
33.	Shri S.N.Jahagirdar		
34.	Shri A. V. Kane	AGM-ES	BEST
35.	Shri G. M. Bhagat	Supt. MERC	BEST
36.	Shri Anil.V.Kale	Manager	CRISIL
37.	Shri S.A. Puranik	CE	BEST
38.	Mrs. R.S. Mujumdar		BEST
39.	Shri S. B. Dhole	Dy. CA & FA	BEST
40	Shri S.B. Thorat	Sr. Manager	A. F. Ferguson & Co.
41	Shri Venkatesh.K	Consultant	A. F. Ferguson & Co.
43	Smt Ashwini Kher	Manager	A. F. Ferguson & Co.
44	Shri R.A. Shetty		BEST
45	Shri R.D. Pawar		BEST

APPENDIX 3

Summary of Revised LT and HT Tariff for Electricity Supply Business of BEST as notified in the Supplementary Order of the Commission in case No. 4 of 2004 dated 26th September 2006

Consumer Category and Consumption Slab (Units in kWh Slabs)	Fixed/ Demand Charge (Rs/connection/month OR Rs/kVA/month)		Energy Rate (Paise/kWh)	RkVAh Rate (Paise/ RkVAh)
	Single phase	Three phase		
BPL (Below Poverty Line Residential)				
0-30	Rs 3 per connection per month		40	-
LF-1 (Residential)				
0-100	Rs 10 per connection per month	Rs 100 per connection per month	75	-
101-300	Rs 10 per connection per month	Rs 100 per connection per month	200	-
>300 (only balance units)	Rs 50 per connection per month	Rs 100 per connection per month	360	-
LF-2 (Non-residential cum Commercial)				
0-300	Rs 150 per connection per month		350	
301-1000	Rs 150 per connection per month		500	
>1000	Rs 150 per connection per month		590	
RkVAh charges applicable for consumers above 3000 units per months consumption				
PF <0.92				270
0.92 ≤ PF < 0.95				180
0.95 ≤ PF≤ 0.97				120
PF >0.97				0
LTC-1 (LT Power Commercial - 1)				
All units	Rs. 300 per kVA per month		390	
PF <0.92				270
0.92 ≤ PF < 0.95				180
0.95 ≤ PF≤ 0.97				120
PF >0.97				0

Consumer Category and Consumption Slab (Units in kWh Slabs)	**Fixed/ Demand Charge (Rs/connection/month OR Rs/kVA/month)**		**Energy Rate (Paise/kWh)**	**RkVAh Rate (Paise/ RkVAh)**
	Single phase	**Three phase**		
C(D) (Advertisements and Hoardings)	Rs 200 per connection per month		1100	-
LTP -1 (LT Power Industrial -1)				
0-300	Rs 300 per connection per month		270	
301-1000	Rs 300 per connection per month		340	
>1000	Rs 300 per connection per month		510	
RkVAh charges applicable for consumers above 3000 units per months consumption				
PF <0.92				270
0.92 ≤ PF < 0.95				180
0.95 ≤ PF≤ 0.97				120
PF >0.97				0
LTP-2 (LT Power Industrial - 2)				
All units	Rs. 300 per kVA per month		330	
PF <0.92				270
0.92 ≤ PF < 0.95				180
0.95 ≤ PF≤ 0.97				120
PF >0.97				0
SL (Street Lights)	Rs. 300 per kVA per month		320	-
E (Elec. Crematoriums)	Rs 100 per connection per month		160	-
T (Temporary)	Rs 250 per connection per occasion of supply		850	-
TS (R) (Temporary Supply for Public Religious Functions)	Rs 200 per connection per occasion of supply		170	-
HTP-1 (HT Power -1 Schools, Charitable/ Public Trusts)				
All units	Rs. 300 per kVA per month		180	

Consumer Category and Consumption Slab (Units in kWh Slabs)	Fixed/ Demand Charge (Rs/connection/month OR Rs/kVA/month)		Energy Rate (Paise/kWh)	RkVAh Rate (Paise/ RkVAh)
	Single phase	**Three phase**		
PF <0.92				270
0.92 ≤ PF < 0.95				180
0.95 ≤ PF≤ 0.97				120
PF >0.97				0
HTP-2 (HT Power Commercial -2)				
All units	Rs. 300 per kVA per month		350	
PF <0.92				270
0.92 ≤ PF < 0.95				180
0.95 ≤ PF≤ 0.97				120
PF >0.97				0
HTP-3 (HT Power Commercial -3)##				
All units	Rs. 300 per kVA per month		330	
PF <0.92				270
0.92 ≤ PF < 0.95				180
0.95 ≤ PF≤ 0.97				120
PF >0.97				0
HTP-4 (HT Power Industrial -4)				
All units	Rs. 300 per kVA per month		225	
PF <0.92				270
0.92 ≤ PF < 0.95				180
0.95 ≤ PF≤ 0.97				120
PF >0.97				0
HTP-5 (HT Power Defence Bulk Supply -5)#				
All units	Rs. 100 per kVA per month		200	
PF <0.92				270
0.92 ≤ PF < 0.95				180
0.95 ≤ PF≤ 0.97				120
PF >0.97				0

Notes:

1. Fuel Adjustment Cost (FAC) will be applicable to all consumers and will be charged over the above tariffs, on the basis of the FAC formula prescribed by the Commission, and computed on a monthly basis.

2. Additional fixed charges of Rs. 100 per 10 kW or part thereof above sanctioned load of 10kW shall be payable by consumers in LF-1 category.
3. In case of LF-2 (Non-residential cum Commercial) consumers and Temporary (T) connection consumers, additional fixed charge of Rs. 150 per 10 kW load or part thereof above 10 kW sanctioned load shall be payable.
4. Billing Demand: The Monthly Billing Demand, where applicable, for LT/ HT consumers will be the higher of the following:
    a. Actual established demand recorded in the month during the period of 0800 hours to 2400 hours;
    b. 75% of the highest billing demand or Contract Demand, whichever is lower, during the preceding eleven months;
    c. 50% of the Contract Demand as defined in the Supply Code.

    ("Contract Demand" means demand in kilowatt (kW) / kilovolt ampere (kVA), mutually agreed between BEST and the consumer as entered into in the agreement or agreed through other written communication).
5. Payment of Bills: Bills will be rendered monthly from 1st April 2007. The due date for the payment of a bill/s shall be mentioned on the bill and such due date shall be not less than twenty-one (21) days from the bill date, in accordance with the provisions of MERC (Electricity Supply Code and Other Conditions of Supply).
6. Prompt Payment Discount at the rate of 1% of the energy bill (excluding fixed/demand charges, FAC, Electricity Duty) for the HT and LT Industrial and Commercial categories, provided the payment of the bill is received by BEST within 7 (seven) days from the date of issue of the energy bill or within 5 (five) days from date of receipt of the energy bill, whichever is later.
7. Delayed Payment Charges: If the payment of the energy bill is not made within the time limit, as specified in Point 5 above, a one-time Delayed Payment Charge of 2% of the amount of monthly Electricity bill (excluding statutory levies) will be payable by the consumer.
8. The Rate of Interest chargeable on arrears will be as given below:

S. No.	Delay in Months (Span of months)	Interest rate per annum (%)
1	Payment after due date up to 3 months (0-3)	12%
2	Payment made after 3 months and before 6 months (3-6)	15%
3	Payment made after 6 months	18%

The interest will be payable from the second month after the due date of payment, on the amount of bill plus the one-time delayed payment charges.

9. Security Deposit: The Security Deposit payable by consumers shall be equal to the average of 3 months' of billing or of the billing cycle period, whichever is lesser. For determining the average billing for this purpose, the average of the billing to the consumer for the last 12 months or, in cases where supply has been provided for a shorter period, the average of the billing for such shorter period, shall be considered.
10. The Tax on Sale of Electricity and Electricity Duty will be charged as applicable to a consumer category as per the Government notification from time to time and shown separately in the consumer's bill. However, the rate and the reference number of the Government Resolution/ Order vide which it is made effective, shall be stated in the bill. A copy of the said Resolution/ Order shall be made available on the BEST website.

11. Residential LF-1 Tariff shall be applicable for Residential premises used by professionals like Lawyers, Doctors, Professional Engineers, Chartered Accountants, etc. in furtherance of their professional activity in their residences (but shall not include Nursing Homes and any Surgical Wards).

The Commission keeping in view the provisions of the MoP Order dated 9^{th} June 2005 on Electricity (Removal of Difficulties) (Eighth) Order 2005, rules that HT Bulk Supply Tariff for HTP-5 Category (Defence Bulk supply Consumption) will be applicable only to the Group Housing Societies (Housing Colonies) under Defence. Accordingly, the prevailing HT Bulk supply Tariff for HTP-5 category will be valid only till 31^{st} March 2007.

The Consumers belonging to HTP-3 (High Tension Power Commercial – 3) requiring a single point supply for the purpose of downstream consumption by separately identifiable entities will have to either operate through a franchisee route or such entitied will have to take individual connections under relevant category by 31^{st} March 2007.