

A5: ANALYSIS OF ARR AND TARIFF PETITION FOR FY 2007-08

5.1 The Commission has scrutinized the petition filed by TSL for FY 2007-08. Component-wise details of the petitioner's submission and the Commissions' analysis thereof and approvals applicable for FY 2007-08 have been discussed in this section.

Energy Sales

Petitioner's submission

5.2 The petitioner submitted that the domestic consumption in its licensed area has witnessed continuous growth in the last few years due to changing lifestyle of the consumers as well as due to increase in disposable income of different sections of the society. The industrial consumption has also increased due to the economic upswing.

5.3 The petitioner submitted details of actual number of consumers and energy sales for FY 2006-07 and projected number of consumers and energy sales for FY 2007-08. The following table summarises the category-wise actual and projected number of consumers during FY 2006-07 and FY 2007-08 respectively:

Table 8: Number of Consumers

Category	FY 2006-07 (Actual)	FY 2007-08 (Projected)
Domestic LT	16,330	17,780
Domestic HT	45	45
Commercial	5,345	5,345
High Tension I	39	39
High Tension II	9	9
High Tension III	7	7
Street Lights	1	1
Utilities	1	1
Total	21,777	23,227

5.4 The category-wise consumption estimates for the above consumers is detailed in the table given below:

Table 9: Projected Energy Sales (MUs)

Category	FY 2006-07 (Actual)	FY 2007-08 (Projected)
Domestic LT	70.22	71.62
Domestic HT	57.50	58.65
Commercial	29.84	30.43

High Tension I	16.53	16.86
High Tension II	57.16	58.30
High Tension III	846.38	864.15
Street Lights	5.55	5.72
Utilities	31.98	32.94
Total	1115.16	1138.67

Commission's analysis

- 5.5 The Commission has scrutinized the commercial information in relation to the number of consumers and category-wise units sold, as projected by TSL, for FY 2007-08 on the basis of actual number of consumers and category-wise units sold during FY 2006-07.
- 5.6 The Commission observed that during FY 2007-08, the licensee has not projected addition in number of consumers in any category except domestic category. However, the units projected to be sold to domestic category are not increased in the proportion of increase in number of domestic consumers.
- 5.7 Therefore, the Commission approves the category-wise number of consumers and projected units sales as proposed by the petitioner for all categories except domestic category during FY 2007-08. For domestic category, the Commission has computed the estimated sales on the basis of projected increase in number of consumers in this category.
- 5.8 The table given below summarises the approved number of consumers and consumption for FY 2007-08:

Table 10: Approved Number of Consumers and Sales (FY 2007-08)

Category	Consumers	Units Sold (MUs)
Domestic LT	17,780	73.34
Domestic HT	45	58.65
Commercial	5,345	30.43
High Tension I	39	16.86
High Tension II	9	58.30
High Tension III	7	864.15
Street Lights	1	5.72
Utilities	1	32.94
Total	23,227	1140.39

Distribution Losses

Petitioner's submission

- 5.9 The petitioner has estimated an overall distribution loss of 9.92% for FY 2007-08, which is same as that recorded during FY 2006-07. This includes 1% transmission losses and 10MUs losses from pilferage etc.
- 5.10 The petitioner submitted that it is proposing the same level of loss despite the increased consumption in domestic and LV side, as maintaining the same level of the losses has been made possible due to constant vigil on pilferage and encouraging consumers with un-authorized connections to become regular consumers. Also due to various technological up-gradations like ABC cables, use of electronic meters etc.
- 5.11 The petitioner also highlighted the fact that its distribution losses are very much lower than the other private utilities elsewhere in the Country whose losses are in the range of 12% to 16%.

Commission's analysis

- 5.12 While the Commission appreciates the level of distribution losses registered by the licensee, it also observes that the petitioner is not comparable with other private utilities operating in the Country because of the difference in geographical reach, consumer mix, sales mix and number of consumers served by other private utilities.
- 5.13 Therefore, the Commission feels that there is a scope for further reduction of distribution losses projected by the licensee. However, for the time being the Commission approves the figure of distribution losses projected by the petitioner and will make any adjustment, if required, as and when the actual figures for FY 2007-08 are submitted by the petitioner.

Energy Balance

Petitioner's submission

- 5.14 The petitioners' projection of energy balance for FY 2007-08 is based on the energy sales projections being grossed up by the projected distribution loss level, to arrive at the quantum of power purchase required to meet the energy sales projections. As the distribution loss level and projected energy sales are estimated as 9.92% and 1138.67 MUs respectively, the estimated quantum of energy required to be purchased at 1264 MUs.

Commission's analysis

- 5.15 The Commission's estimation of energy balance takes into consideration the approved energy sales level of 1140.39 MUs and distribution loss level of 9.92%. As a result, approved power purchase requirement is marginally increased from 1264.00 MUs, as proposed by the petitioner, to 1265.91 MUs. The following table summarises the approved energy balance:

Table 11: Approved Energy Balance for FY 2007-08

Particulars	Submitted by TSL	Approved by JSERC
Units sales (MUs)	1138.67	1140.39
Distribution losses (%)	9.92%	9.92%
Units purchase (MUs)	1264.00	1265.91

Power Purchase Cost

Petitioner's submission

- 5.16 The petitioner submitted that primarily there are two sources of power purchase TPCL and DVC. The Power Purchase Agreements (PPA) has been executed by the licensee with both these sources in September'1997 and April'2001 respectively. The capacities available to the petitioner consists of 240 MW from TPCL and 85 MVA from DVC, the latter being in the form of contract demand.
- 5.17 The petitioner projected an average power purchase cost of Rs.2.59 per unit from these sources. The petitioner further submitted that the cost projections are based on existing fuel cost and any increase in fuel cost during FY 2007-08 should be allowed to be passed through in terms of the 'Distribution Tariff Regulations, 2004'.
- 5.18 The petitioner also submitted that it would continue to optimise the power purchase cost from available sources to meet the peak requirements and minimize the cost impact during off-peak period that varies upto 15-20% within 24 hours as well as during different seasons of the year.
- 5.19 The details of energy to be procured from TPCL and DVC during FY 2007-08 and the corresponding costs are summarized in table given below:

Table 12: Projected Power Purchase Cost for FY 2007-08

Power Purchase Cost	MUs	Cost /KHz	Total Cost (Rs. Cr)
DVC			
Quantum of purchase	360		

Energy Charges		1.63	55.75
Maximum Demand Charges (Rs./kava/M)		365.00	32.75
Fuel surcharge		-	32.4
AMG Energy charges		-	2.5
Total		-	123.40
<i>Average cost of power</i>		3.43	
TPCL			
Quantum of purchase	1325		
Energy Charges		0.93	123.23
Fixed Charges		1.40	185.58
Total		-	308.81
<i>Average cost of power</i>		2.33	-
Transmission Charges	1685	0.03	5.06
TOTAL POWER PURCHASE COST			
Total Power Purchase	1685		437.26
Transferred to Steel Works	421.01		109.25
Net Power Purchase for Power Distribution	1263.99		328.00
<i>Average power purchase cost</i>		2.59	

Commission's analysis

- 5.20 The Commission has computed the quantum and rate of power purchase from TPCL on the basis of the Tariff Order on ARR of TPCL for FY 2007-08, issued in January 2010. The Commission approves the power purchase rate of DVC as submitted by the petitioner for FY 2007-08 with the condition that it will be trued-up, as and when the actual rate of power purchase from DVC is submitted by the petitioner. The quantum of power from DVC has been computed on the basis of the balance requirement from the total energy requirement approved in the earlier section, after considering the quantum of energy from TPCL.
- 5.21 Based on the above, the approved average power purchase cost is computed at Rs.2.52 per unit, as summarized in the table given below:

Table 13: Approved Power Purchase Cost for FY 2007-08

Power Purchase Cost	MUs	Cost /unit	Total Cost (Rs. Cr)
DVC			
Quantum of purchase	272.77		
Energy Charges		1.63	42.24
Maximum Demand Charges (Rs./kava/M)		365.00	24.81
Fuel surcharge		-	24.55

AMG Energy charges		-	1.89
Total		-	93.50
<i>Average cost of power</i>		3.43	
TPCL			
Quantum of purchase	1414.15		
Energy Charges		1.01	142.83
Fixed Charges		1.29	182.43
Total		-	325.25
<i>Average cost of power</i>		2.45	-
Transmission Charges	1686.92	0.03	5.06
TOTAL POWER PURCHASE COST			
Total Power Purchase	1686.92		423.81
Transferred to Steel Works	421.01		105.89
Net Power Purchase for Power Distribution	1265.91		317.92
<i>Average power purchase cost</i>		2.52	

Employee Cost

Petitioner's submission

5.22 The petitioner has projected an employee cost of Rs.7.29 Cr by escalating the actual employee cost of Rs.6.75 Cr incurred during FY 2006-07 by 8%, to represent hike in wages.

Commission's view

5.23 The Commission approves the employee cost projected by the petitioner.

Repair & Maintenance Expenses

Petitioner's submission

5.24 The petitioner has projected the repair & maintenance (R&M) expenses of Rs.18.25 Cr by escalating the actual R&M expenses incurred during FY 2006-07 by 5%, and by also claiming the proposed expenditure of Rs.2.00 Cr on for consumer metering & indexing.

Commission's view

5.25 The Commission approves the normal escalation projected by the petitioner over the actual expenditure of FY 2006-07. However, the proposed works of consumer metering & indexation being part of capital expenditure have been disallowed. Hence, the Commission approves Rs.16.25 Cr as the R&M expenses for FY 2007-08.

Administrative & General Expenses

Petitioner's submission

5.26 The petitioner has projected the Administrative & General (A&G) expenses of Rs.3.50 Cr by escalating the actual A&G expenses incurred during FY 2006-07 by 3%.

Commission's view

5.27 The Commission approves the A&G expenses projected by the petitioner.

5.28 Thus the total O&M expenses proposed and approved for FY 2007-08 is summarized as under:

Table 14: O&M Expenses for FY 2007-08 (Rs. Cr)

Particulars	Proposed by TSL	Approved by JSERC
Employee Cost	7.29	7.29
A&G expenses	3.50	3.50
R&M expenses	18.25	16.25
Total	29.04	27.04

Capital Investment Plan

Petitioner's submission

5.29 The petitioner has proposed a capital investment plan of Rs.36.00 Cr for next 3 years with the objective to strengthen the overall transmission and distribution system. The capital expenditure is proposed to be phased out in 3 years starting from FY 2007-08. The capital expenditure proposed for FY 2007-08 is Rs.15.00 Cr.

5.30 The capital investment plan proposed by the petitioner is detailed hereunder:

Table 15 Proposed Capital Investment plan for FY 2007-08 (Rs Cr)

S No.	Particulars	Capital Investment (Phasing for FY 2007-08)
1.	Installation of 15 MVA transformer at Tinsplate Area substation with 33 Kava and associated 6.6 Kava feeder	2
2.	Strengthening of HT Feeder and conversion of over head HT feeders into underground feeders in to town	1
3.	Installation of 2 nd 15 MVA transformers at town yard	1
4.	Augmentation of Power Supply in town	1
5.	Up gradation of electrics in employee accommodations	1

6.	Augmentation of Power Supply in Company housing complexes	1
7.	132 Kava line from Jojoba to Sonar	8
	Total Capital Investment Plan	15

Commission's analysis

5.31 The Commission approves the capital investment plan of Rs.15.00 Cr for FY 2007-08 as submitted by the petitioner.

CWIP & Gross Fixed Asset

Petitioner's submission

5.32 The petitioner submitted that it will be able to capitalise Rs.8.00 Cr of the CWIP during FY 2007-08. The following capitalisation schedule has been proposed by the petitioner :

Table 16: Proposed GFA for FY 2007-08 (Rs. Cr)

Asset Class	Closing GFA of FY 06	Addition during FY 07	Closing GFA of FY 07	Addition during FY 08	Closing GFA for FY 08
Land	0.30	-	0.30	0.00	0.30
Building	9.04	-	9.04	0.00	9.04
Network Assets	120.31	4.23	124.55	8.00	132.55
Total	129.65	4.23	133.89	8.00	141.89

Commission's analysis

5.33 The Commission considered the audited accounts of the petitioner for FY 2005-06 and FY 2006-07 as a basis for approving the Capital work-in-progress (CWIP) and Gross Fixed Assets (GFA) of the petitioner for FY 2007-08. Based on the audited accounts, the Commission has determined the average conversion rate of total CWIP into fixed assets during previous years. After taking into account the determined conversion rate of 81%, the asset capitalised during FY 2007-08 amounts to Rs.14.36 Cr. The table given below summarises the approved CWIP for FY 2007-08:

Table 17: Approved CWIP for FY 2007-08 (Rs. Cr)

Particulars	Amount
Opening CWIP	2.76
Capex During the Year	15.00
Total CWIP	17.76
Less. Transferred to Fixed Assets (FA)	14.36
Closing CWIP	3.40
<i>Average Conversion Rate</i>	<i>81%</i>

- 5.34 On the basis of approved CWIP as detailed above, value of approved GFA for FY 2007-08 is detailed hereunder:

Table 18: Approved GFA for FY 2007-08 (Rs. In Cr)

Particulars	Amount
Opening balance of GFA	110.76
Add: Transferred from CWIP	14.36
Closing balance of GFA	125.12

Depreciation

Petitioner's submission

- 5.35 The petitioner submitted that it has been maintaining its distribution assets under the broad classification of: land, building, plant & machinery, furniture, computer & IT and civil structure. Re-classification of these assets as per the 'Distribution Tariff Regulations, 2004' is not practically feasible at this point of time.
- 5.36 The computation of depreciation charge is based on the straight-line method (SLM) at the rates prescribed in the Companies Act, 1956. Accordingly, the depreciation charge for FY 2007-08 has been estimated to be Rs.8.03 Cr.

Commission's analysis

- 5.37 The 'Distribution Tariff Regulations, 2004' specify that depreciation shall be calculated annually as per SLM at the rates of depreciation prescribed in the schedule attached to the said Regulations in Appendix-II. Further, it is provided that capital base for the purpose of depreciation shall be the historical cost of the asset with the residual life of the asset being 10% of its approved original cost.
- 5.38 However, in view of the petitioner inability to classify its distribution assets in accordance with Appendix II of the 'Distribution Tariff Regulations, 2004', the Commission has for the time being considered the classification as proposed by the petitioner.
- 5.39 The depreciation rate is computed on the basis of the audited accounts of the petitioner for FY 2006-07 on the average GFA during FY 2006-07, which amounts to 4.49%. The calculation of depreciation rate base is detailed in the table given below:

Table 19: Calculation of Rate Base for FY 2007-08(Rs. Cr)

Particulars	Amount
GFA as on 1.4..2006	99.10
GFA as on 31.3.2007	110.76
Average GFA for FY 2006-07 (A)	104.93
Depreciation Charge for FY 2006-07 (B)	4.71
Depreciation rate base (B/A) (%)	4.49%

5.40 The Depreciation rate base of 4.49% is applied on the average GFA of Rs.114.77 Cr during FY 2007-08 to determine the depreciation charge for FY 2007-08. Consequently, the depreciation charge for FY 2007-08 amounts to Rs.5.16 Cr, which is adjusted with depreciation charge on assets funded through consumer contribution.

5.41 Accordingly, Commission approves depreciation charge of Rs.4.75 Cr for FY 2007-08, as summarised in the table given below:

Table 20 Proposed and Approved Depreciation Charges (Rs. Cr)

Items & Assets	Proposed depreciation rate	Proposed depreciation	Approved depreciation rate	Approved depreciation
Land	0.00%	0.00	0.00%	0.00
Building	6.15%	0.56	6.15%	0.37
Network Assets	5.81%	7.47	5.81%	4.93
Total Depreciation Charge		8.03		5.30
Less: Depreciation on assets created out of consumer contribution				0.54
Net Depreciation				4.75
<i>Closing Balance of GFA</i>		<i>141.89</i>		<i>125.12</i>
<i>Average GFA</i>				<i>117.94</i>
<i>Depreciation as a % of Av. GFA</i>		<i>5.66%</i>		<i>4.49%</i>

Debt and Equity Components

Petitioner's submission

5.42 The petitioner submitted that it has funded the entire capital expenditure through its own resources and thus claimed interest on loan and RoE based on the normative debt and equity.

5.43 The petitioner has considered normative equity to be equal to 30% of the gross fixed assets (GFA) at the end of FY 2007-08 and the normative debt has been considered as net fixed assets (NFA) minus normative equity at the end of FY 2007-08.

Commission's analysis

5.44 The 'Distribution Tariff Regulations, 2004' states that:

“Debt Equity ratio for the purpose of determination of tariff shall be 70:30. Where equity employed is more than 30%, the amount of equity for the purpose of tariff shall be limited to 30%. Where actual equity employed is less than 30%, the actual equity shall be considered.”

5.45 Accordingly, the Commission determined the normative debt and equity in the ratio of 70:30 of the value of GFA after adjusting the consumer contribution. Normative repayment of loan is deemed to be equal to the depreciation charge during the year. The table given below summarises the proposed and approved normative capital structure of the petitioner for FY 2007-08:

Table 21: Normative Capital Structure for FY 2007-08 (Rs. Cr)

Particulars	Proposed by TSL	Approved by JSERC
Gross Fixed Assets	149.89	125.12
Less: Accumulated Depreciation	66.70	46.46
Net Fixed Assets	83.19	78.67
<i>Sources:</i>		
Consumer Contribution	0.00	12.86
Equity	44.97	33.68
Normative Loans (net of depreciation)	38.22	32.13
Total	83.19	78.67

Interest and Other Finance Charges

Petitioner's submission

5.46 The petitioner has proposed interest and other finance charges of Rs.9.26 Cr. It has proposed a working capital of Rs.36.05 Cr for FY 2007-08 consisting of receivables of 2 months sale (excluding the HT3 consumption), average bank balance towards power procurement less the security deposit. The interest on normative working capital has been calculated by applying an interest rate of 13.5%.

5.47 The table given below summarises the break-up of the amount projected by the petitioner, as interest and finance charges:

Table 22: Proposed interest and finance charges (Rs. Cr)

Particulars	FY 2007-08
Interest on Normative Debt @ 11.5%	4.40
Interest on Working Capital @13.5%	4.87
Total	9.26

Commission's analysis

- 5.48 In accordance with the generally accepted accounting principles and the norms specified in the 'Distribution Tariff Regulations', interest on loan is computed on the average loan outstanding during the year. Accordingly, the interest on normative loan is computed on the average balance during FY 2007-08, by applying an interest rate of 11.50%, as proposed by the petitioner.
- 5.49 The normative interest amount approved by the Commission for FY 2007-08 amounts to Rs.3.42 Cr as detailed in the table given below:

Table 23: Approved interest on normative loan for FY 2007-08 (Rs. in Cr)

Particulars	Amount
Opening Balance	27.38
Deemed Addition during the year	9.51
Deemed Repayments	4.75
Closing Balance	32.13
Average balance during the Year	29.75
<i>Interest Rate</i>	<i>11.5%</i>
Interest Payment	3.42
Less: Capitalized	-
Net interest	3.42

- 5.50 In accordance with Regulation 13 of 'Distribution Tariff Regulations, 2004' the interest on working capital shall be allowed to meet the shortfall in collection over and above the target approved by the Commission.
- 5.51 However, in view of the genuine business requirement of the petitioner, the Commission is allowing the interest on the working capital base of Rs.35.64 Cr, at the prevailing sub-prime lending rate of SBI, which is 12.25% p.a. The table given below summarises the approved interest on working capital for FY 2007-08:

Table 24: Approved Interest on working capital for FY 2007-08 (Rs. Cr)

Particulars	Amount
Receivables for 2 months' sale	10.00
Average Bank Balance required for 1 month of power purchase	27.00
Sub total	37.00
Less: Security deposit	1.36
Total Working Capital	35.64
<i>Rate of interest</i>	12.25%
Interest on Working Capital	4.37

- 5.52 Regulation 13 of the 'Distribution Tariff Regulations, 2004' states that "interest on consumer security deposits shall be equivalent to the bank rate or more, as may be specified by the Commission from time to time."
- 5.53 The consumer security deposit for FY 2007-08 has been projected based on projected addition of consumers during FY 2007-08. The interest on consumer security deposit has been computed @ 5.75% p.a, being the bank rate. The Commission approves an interest on security deposit of Rs. 0.11 Cr for FY 2007-08.

Total Interest and Finance Charges

- 5.54 As per the analysis of the Commission detailed above, the approved interest and finance charges for the FY 2007-08 amounts to Rs.7.89 Cr, as summarised in the table given below:

Table 25 Approved Interest and Other Finance Charges (Rs. Cr)

Particulars	Amount
Interest on Debt	3.42
Interest on Security Deposit	0.11
Interest on Working Capital	4.37
Total	7.89

Return on Equity (RoE)

Petitioner's submission

- 5.55 The petitioner has calculated RoE on the equity base of Rs.44.97 Cr at the rate of 14%, which amounts to Rs.6.30 Cr. However, the petitioner submitted that as the distribution business has more risk than the generation and transmission business, a higher return of 16% should be allowed.

Commission's analysis

- 5.56 The Commission determined RoE on the approved equity base of Rs.31.77 Cr at the rate of 14% as specified by Regulation 20.1 of the 'Distribution Tariff Regulations, 2004'. The following table summarises the return on equity for FY 2007-08:

Table 26 Proposed and approved Return on Equity for FY 2007-08 (Rs. Cr)

Description	Proposed by TSL	Approved by JSERC
Normative Equity	44.97	33.68
Rate of return	14%	14%
RoE	6.30	4.72

Income Tax

Petitioner's submission

- 5.57 The petitioner has proposed a tax liability of Rs.4.96 Cr for the FY 2007-08, based on the proposed RoE of Rs.6.30 Cr.

Commission's analysis

- 5.58 In view of the approved RoE of Rs.4.72 Cr, the Commission approves the tax expense of Rs.3.71 Cr., as shown below:

Table 27 Proposed and approved Income Tax for FY 2007-08 (Rs. Cr)

Particulars	Submitted by TSL	Approved by JSERC
Income Tax	4.96	3.71

Non Tariff Income (NTI)

Petitioner's submission

- 5.59 The petitioner has proposed a total of Rs.4.06 Cr, as NTI from sources such as meter rent, miscellaneous charges form consumers, delayed payment surcharge, etc. during FY 2007-08.

Commission's analysis

- 5.60 The Commission has computed the NTI by increasing the miscellaneous charges in the proportion of increase in number of consumers and accordingly approves NTI of Rs.5.06 Cr., as summarised in the table given below:

Table 28 Proposed and approved NTI for FY 2007-08 (Rs. Cr)

Particulars	Submitted by TSL	Approved by JSERC
Meter Rent	0.43	0.54
Misc Charges from Consumers	3.63	4.52
DPS	0.00	0.00
Total	4.06	5.06

Revenue from Existing Tariff

Petitioner's submission

5.61 The petitioner has submitted the consumer category-wise revenue from existing tariffs for FY 2007-08, on the basis of the projected number of consumers and sales for each category of consumer. The revenues from existing tariff amounts to Rs.384.85 Cr for the FY 2007-08.

Commission's Analysis

5.62 On the basis of approved sales estimation to various categories of consumers the Commission approves the revenue from sale of power amounting to Rs.385.33 Cr., as detailed in the table given hereunder

Table 29 Approved Revenue from existing tariffs for FY 2007-08 (Rs. In Cr)

S. No.	Consumer Category	No. of Consumers	Consumption	Contract demand / Connected Load	Fixed Charge	Energy Charge	Revenue from Fixed Charge	Revenue from Energy Charge	Total Revenue
		Nos.	Million Units	kW/BHP/kVA	Rs./kW Rs./kVA, Rs./BHP, Rs./month/connection	Rs./kWh OR Rs./kVAh	Rs. Cr (yearly)	Rs. Cr (yearly)	Rs. Cr (yearly)
1	Domestic	17,780	73.34	-	-	-	0	20	20.65
2	Domestic HT	45	58.65	-	275	3	0	16	15.86
3	Commercial Supply	5,345	30.43	-	220 V - Rs. 15 / 440 V - Rs. 75	4	0	13	13.28
4	High Tension Service								
	HT-1 (100-500 kVA)	39	16.86	-	200	3	0	6	6.05

	HT-2 (500-5000 kVA)	9	58.30	-	200	3	2	19	20.58
	HT-3 (5000 kVA or more)	7	864.15	-	180	3	21	277	297.70
	Sub Total HTS	55	939.31	-	-	-	23	301	324.33
5	Street Light	1	5.72	-	-	3	-	2	1.66
6	Utilities	1	32.94	-	-	3	-	10	9.55
	Total Within State	23227	1140.38				23.70	361.63	385.33

Summary of ARR for FY 2007-08 and treatment of revenue gap

5.63 In view of the above, the ARR of the petitioner for FY 2007-08 along with the revenues at existing tariffs and revenue gap for FY 2007-08 is summarised in the table given below:

Table 30 Summary of Annual Revenue Requirement (Rs.Cr)

Particulars	Submitted by TSL	Approved by JSERC
Power Purchase Cost	328.00	317.92
O&M Expenses	29.04	27.04
Interest & Other Finance Charges	9.26	7.89
Return on Equity	6.30	4.72
Depreciation	8.03	4.75
Income tax	4.96	3.71
<i>Less: Expenses Capitalised</i>	-	-
Total Costs	385.59	366.58
<i>Less: Non-tariff income</i>	4.06	5.06
Annual Revenue Requirement	381.53	360.98
Revenue @Existing tariff	384.85	385.33
Revenue (gap)/surplus	3.32	24.35

5.64 The cumulative revenue surplus approved by the Commission for FY 2007-08 is **Rs. 24.35 Cr** as against the revenue surplus of **Rs.3.32 Cr** proposed by the petitioner. Since there is no revenue gap and since the petition has been analyzed and reviewed after the end of the tariff period, the Commission has decided not to make any revision in applicable tariff schedule.