

**KERALA STATE ELECTRICITY REGULATORY COMMISSION**

Thiruvananthapuram

**Petition No.TP-10 of 2005**

**ARR&ERC OF COCHIN PORT TRUST FOR FY 2005-06**

June 28, 2005

Present : Shri.M.K.G.Pillai, Chairman  
Shri.C.Balakrishnan, Member

Cochin Port Trust  
Cochin-682 003  
Petitioner

**ORDER**

The Kerala State Electricity Regulatory Commission having scrutinized the Petition on ARR&ERC for 2005-06 filed by Cochin Port Trust *vide* their letter No.D2/ARR&ERC/2005-E dated 15.03.2005 and considered the comments of the KSEB on the petition, heard the views of the petitioner and KSEB in the Commission's proceedings on 14<sup>th</sup> June 2005 and having considered other documents and materials on record passes the following order in exercise of the powers vested in it under the Electricity Act, 2003 in this behalf.

C.Balakrishnan  
Member

M.K.G.Pillai  
Chairman

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Chairman

Authenticated copy for issue

Secretary

**KERALA STATE ELECTRICITY REGULATORY COMMISSION**

**THIRUVANANTHAPURAM**

**Order on Petition No.TP-10 of 2005**

**ARR&ERC OF COCHIN PORT TRUST FOR FY 2005-06**

**1. Background**

Cochin Port Trust is a deemed distribution Licensee under the proviso of Section 14 of Electricity Act 2003, in accordance with the distribution licence issued to Cochin Port Trust by H.H. the Maharaja of erstwhile Cochin State for distribution of electricity in the Cochin Port Trust Area and nearby premises.

Presently, Cochin Port Trust (CPT) receives power through two 11 kV feeders from the Kerala State Electricity Board (KSEB) to meet its own power requirements and to supply to the consumers within Cochin Port Trust area.

Cochin Port Trust has 1324 Consumers comprising of 15 HT consumers, 441 LT Consumers and 868 domestic LT consumers during the FY 2005-06.

The details regarding the power purchase from KSEB, self generation from captive DG sets, energy sales and self consumption is tabulated below:

Description	FY 2004-05		FY 2005-06	
	MU	% to Total input	MU	% to Total input
Purchase from KSEB	27.42	99.38	28.64	99.34
Self Generation	0.17	0.62	0.19	0.66
<b>Total input</b>	<b>27.59</b>	<b>100.00</b>	<b>28.83</b>	<b>100.00</b>
Sales				
HT Consumers	11.44	41.46	15.45	53.59
LT Consumers (Non-Domestic)	5.99	21.71	6.29	21.82
Domestic Consumers	1.06	3.84	1.11	3.85
<b>Total Sales</b>	<b>18.49</b>	<b>67.02</b>	<b>22.85</b>	<b>79.26</b>
Self Consumption	7.47	27.08	4.3	14.92
Street Lighting	0.89	3.23	0.88	3.05
<b>T&amp;D Loss</b>	<b>0.74</b>	<b>2.68</b>	<b>0.80</b>	<b>2.77</b>

## 2. ARR&ERC for the year 2005-06

The ARR&ERC for the FY 2005-06 filed by Cochin Port Trust projected a revenue requirement of Rs.1578.06 Lakhs and income of Rs. 1463.97 Lakhs and deficit of Rs. 114.09 lakhs, as per details given below: -

(Rs.lakhs)			
Sl.No	Particulars	2004-05	2005-06
1	Power Purchase Cost	780.42	823.40
2	Interest and Finance charges	133.64	240.79
3	Depreciation	62.12	112.13
4	Employee cost	178.60	187.53
5	Repair & Maintenance Cost	84.98	89.44
6	Administration&General Expenses	93.89	98.59
7	Other Expenses	--	--
8	Gross Expenses (total 1 to 7)	1333.65	1551.88
9	Less Expenses capitalized	-	-
10	Less Interest capitalised	-	-
11	<b>Revenue Return @ 3% of NFA</b>	<b>27.77</b>	<b>26.18</b>
12	<b>Aggregate Revenue Requirement</b>	<b>1361.42</b>	<b>1578.06</b>
13	Revenue from Tariff	1386.45	1457.86
14	Non tariff Income	6.08	6.11
15	<b>Total Revenue</b>	<b>1392.53</b>	<b>1463.97</b>
16	<b>Surplus/Deficit</b>	<b>31.11</b>	<b>-114.09</b>

The Commission sought the comments of the KSEB on the ARR&ERC for FY 2005-06 filed by Cochin Port Trust. The KSEB *vide* letter No.KSEB/TRAC/T/SERC/ERC/CochinPortTrust/430 dated 7.5.05 submitted the following comments.

1. Cochin Port Trust has not submitted the details of self consumption.
2. The depreciation rates adopted do not seem to be appropriate.
3. Loans availed from Government has to be swapped to reduce the cost of power distribution.
4. AT&C Loss for 2004-05 seems to be high.

The Commission directed Cochin Port Trust to furnish a copy of the ARR&ERC to each of its consumers, which was complied with by Cochin Port Trust. However, no stakeholders have responded to the ARR&ERC.

The Commission, *vide* letter dated 5.5.2005, sought clarifications on the basis and methods of apportionment of expenses, asset classification, cash flow statements and figures given in various formats in the ARR. Cochin Port Trust *vide* letter dated 18.5.05 has furnished the clarifications and the representatives of Cochin Port Trust furnished the following clarifications in the meeting held with Commission's officials on 19.5.05 at the Commission's office.

- i. No separate record is maintained for current assets and liabilities for distribution business, at present.
- ii. The increase in Net Fixed Asset from Rs. 934 Lakhs in 2004-05 to Rs. 1893 Lakhs in 2005-06 shown in the ARR is on account of the estimated plan expenditure of Rs. 965.5 Lakhs in 2005-06, which is intended mainly for the proposed 110 k V Substation. The same amount is shown as additional borrowing from Govt. of India in the balance sheet.
- iii. The expenses cover the interest on the loan amount for the estimated plan expenditure of Rs. 1020.5 lakhs in FY 2005-06 for the 110 k V substation project, which is not yet commenced.
- iv. The interest on securities will be paid to consumers at the end of 2004-05; therefore, the same is not treated as liability and not shown in the balance sheet.
- v. The average interest rate on loan charged by Govt. of India on CPT is 10.5%, which is presently hiked to 11%.
- vi. The captive power generated is fed to the main distribution system and 30% of captive generation is accounted towards self consumption.

- vii. Financial restructuring proposal of Cochin Port Trust, which includes proposal for repayment of loan and interest, is still pending with the Ministry of Shipping (Ports Wing).

CPT also furnished the details regarding apportionment of expenses related to distribution business.

Based on the directions of the Commission on the above issues, CPT submitted the revised ARR&ERC *vide* letter No. D2/ARR&ERC/2005-E dated 27.5.05 with a projected revenue requirement of Rs. 1452.22 Lakhs and income of Rs. 1488.39 Lakhs showing a surplus of Rs. 36.17 Lakhs for FY 2005-06.

. (Rs.lakhs)

SI.No	Particulars	2003-04	2004-05	2005-06
1	Power Purchase Cost	745.36	807.81	848.68
2	Interest and Finance charges	132.68	133.22	134.28
3	Depreciation	58.86	59.04	59.04
4	Employee cost	169.44	180.58	188.00
5	Repair & Maintenance Cost	80.22	83.62	87.87
6	Administration&General Expenses	88.05	91.70	96.29
7	Other Expenses		--	--
8	Gross Expenses (total 1 to 7)	1274.61	1355.97	1414.16
9	Less Expenses capitalized	-	-	-
10	Less Interest capitalized	-	-	-
11	<b>Revenue Return @ 3% of NFA</b>	<b>37.91</b>	<b>38.06</b>	<b>38.06</b>
12	<b>Aggregate Revenue Requirement</b>	<b>1312.52</b>	<b>1394.03</b>	<b>1452.22</b>
13	Revenue from Tariff	1331.79	1373.12	1481.78
14	Non tariff Income	6.55	6.58	6.61
15	<b>Total Revenue</b>	<b>1338.34</b>	<b>1379.70</b>	<b>1488.39</b>
16	<b>Surplus/Deficit</b>	<b>25.82</b>	<b>-14.33</b>	<b>36.17</b>

### 3. Proceedings of the Commission

The Commission held proceedings on 14<sup>th</sup> June 14, 2005 at Commission's Office at Thiruvananthapuram for hearing Cochin Port Trust, Kerala State Electricity Board and consumers availing supply from them, on the petition for ARR&ERC for 2005-06 filed by Cochin Port Trust. Only Cochin Port Trust and KSEB attended the proceedings.

The following conclusions were drawn during the proceedings:

- a. Depreciation on the assets added during a given year is allowed only in subsequent years. On the basis of this, the depreciation proposed in the ARR shall be reworked.

- b. CPT had proposed revenue return at the rate of 3% on net fixed assets at the beginning of the year. The return is normally allowed on the equity portion of the capital. CPT stated that it has no equity in the distribution business and as such CPT is not in a position to account for equity in its distribution business. Therefore, the provision for ROE shall not be passed in the ARR.
- c. CPT confirmed that the T&D Losses, which is less than 3%, shown in the filing is based on the actual metered data. The following reasons are attributed to the low loss in the distribution system
- HT consumers accounts for more than 60% of the total energy consumption.
  - There is no transformer at the supply intake point, as the supply is availed and metered at 11k V
  - Low LT consumption
- d. The provisions for depreciation shall be as per CERC norms.

Accordingly, the ARR&ERC for Cochin Port Trust for the FY 2005-06 stands revised as per details below:

<b>Sl.No</b>	<b>Particulars</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>
1	Power Purchase Cost	745.36	807.81	848.68
2	Interest and Finance charges	132.68	133.22	134.28
3	Depreciation	30.92	60.40	42.55
4	Employee cost	169.44	180.58	188.00
5	Repair & Maintenance Cost	80.22	83.62	87.87
6	Administration&General Expenses	88.05	91.70	96.29
7	Other Expenses		--	--
8	Gross Expenses (total 1 to 7)	1246.67	1357.33	1397.67
9	Less Expenses capitalized	-	-	-
10	Less Interest capitalized	-	-	-
11	<b>Revenue Return @ 3% of NFA</b>	<b>37.91</b>	<b>38.06</b>	<b>---</b>
12	<b>Aggregate Revenue Requirement</b>	<b>1284.58</b>	<b>1395.39</b>	<b>1397.67</b>
13	Revenue from Tariff	1331.79	1373.12	1481.78
14	Non tariff Income	6.55	6.58	6.61
15	<b>Total Revenue</b>	<b>1338.34</b>	<b>1379.70</b>	<b>1488.39</b>
16	<b>Surplus/Deficit</b>	<b>53.76</b>	<b>-15.69</b>	<b>90.72</b>

#### **4. Commission's Order on ARR&ERC for 2005-06**

Commission hereby approves an Aggregate Revenue Requirement of Rs.1397.67 Lakhs and total expected Revenue from Charges of Rs.1488.39 Lakhs leaving a surplus of Rs.90.72 Lakhs for the FY 2005-06.

The Commission approves the continuance of the existing tariffs and other charges by Cochin Port Trust till further orders.

#### **5. Commission's Directives**

1. CPT shall submit the DPR including project schedule for the proposed 110 k V Substation project for Commission's approval.
2. As CPT maintained that the existing distribution licence is not traceable, which was originally issued by H.H. the Maharaja of erstwhile Cochin State, the complete details regarding the existing distribution business, attaching all supporting documentation shall be submitted for regularizing the existing Licence.
3. CPT shall claw back the surplus generated and depreciation availed from the Licensee's business to the distribution business, in order to reduce the loan amount, and in turn minimize the interest burden in the subsequent ARRs.
4. On finalization of the accounts for the FY 2004-05, CPT shall submit the actual audited accounts for the electricity distribution business for the FY 2004-05 along with following details:
  - i. Actual monthly TOD meter recording of kWh, kVAh, kVARh, maximum demand, average PF and LF for normal, peak and off-peak period and similar recorded meter reading for self consumption and for energy sold to consumers, category wise and voltage wise.



- ii. Monthly cyclic billing and collection data in respect of all categories of consumers.
  - iii. Payments to the KSEB along with billing details.
  - iv. actual distribution loss based on the metered figures.
- 5. The draft power purchase agreement initialed by KSEB and CPT shall be submitted for Commission's approval.

