KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM

PRESENT: Sri. T.M.Manoharan, Chairman
Sri.P.Parameswaran, Member
Sri.Mathew George, Member

15th May, 2013

Petition No. OP 9/2013

In the matter of
ARR & ERC of M/s KINESCO Power and Utilities Private Limited for 2013-14

M/s KINESCO Power and Utilities Private Limited

------Petitioner

ORDER

Background

1. M/s KINESCO Power and Utilities Private Limited, (hereinafter called *KPUPL or the Licensee*) is a joint venture Company established on 17.09.2008, under the Companies Act, 1956, for the distribution of electricity in the Industrial Parks of KINFRA at Kakkanad, Kalamassery and Palakkad. The licence for distribution of power was transferred to M/s KPUPL from M/s.KINFRA Export Promotion Industrial Parks Limited (KEPIP), a deemed distribution licensee, as per the first proviso of Section 14 of Electricity Act 2003.

2. M/s KPUPL filed the petition on 2-1-2013 for the approval of ARR&ERC for 2013-14. The petition ought to have been submitted on or before 30.11.2012. The Commission had also issued a circular dated 15-10-2012 to remind all the Licensees to file the ARR&ERC petition for the year 2013-14 before 01.12.2011. However, the Licensee neither filed the petition on time nor sought extension of time. The Commission in its letter dated 19-12-2012, directed the Licensee to submit the ARR &ERC petition within seven days. Finally the petition was filed on 2-1-2013. Taking a lenient approach, the Commission condoned the delay in

filing the petition and decided to proceed with the approval of ARR&ERC of the Licensee for 2013-14. The Licensee is hereby instructed to avoid such lethargic attitude on statutory obligations in future.

3. The petition for the approval of ARR & ERC for the year 2013-14 filed by the Licensee was admitted as OP No.9 of 2013. The projection for the FY 2013-14 shows an Aggregate Revenue Requirement of Rs.3578.43 lakhs and an Expected Revenue from Charges of Rs.3345.09 lakhs, leaving a Revenue Gap of Rs.233.34 lakhs. The revenue gap will further increase to Rs. 310.99 lakhs if the projected return **on equity** at the rate of 14% (Rs.77.64 lakhs) is included. The summary of the petition for the approval of ARR & ERC of the Licensee is given below:

ARR&ERC Projected by KPUPL for 2013-14

Particulars	Provisional (2010-11)	Provisional (2011-12)	Approved (2012-13)	Projection (2013-14)
	(Rs.lakhs)	(Rs.lakhs)	(Rs.lakhs)	(Rs.lakhs)
Revenue				
Revenue from Sale of Power	1,846.48	2,208.63	2,667.54	3,322.09
Non – Tariff Income	13.16	58.97	19.06	23.00
Total Revenue	**1,859.65**	**2,267.60**	**2,686.60**	**3,345.09**
Expenses				
Purchase of Power	1,579.92	1,818.89	2,516.04	3,283.52
Repair & Maintenance	29.01	40.34	53.74	73.64
Employee costs	39.13	46.24	39.13	46.24
A & G Expenses	23.33	57.49	28.17	75.79
Depreciation	51.84	50.96	55.30	99.24
Interest & financing charges	12.74			61.97
Other Debits (Lease payments)	(2.06)			
Less interest Capitalised	-			(61.97)
Total Expenses	**1,733.91**	**2,013.92**	**2,692.38**	**3,578.43**
Income Tax	49.00	83.42		
Revenue Return	55.85		10.00	77.64
Total Expenditure	**1,825.60**	**2,097.34**	**2,702.38**	**3656.07**
Surplus/(Deficit)	**34.05**	**170.26**	**(15.78)**	**(310.99)**

The Commission sought clarifications on the petition vide letter dated 21-1-2013 and the clarifications were provided by the Licensee after the hearing, vide letter dated 8-2-2013.

Hearing on the matter

4. Public hearing on the petition was held on 12-02-2012 at the Conference Hall of KEPIP, KINFRA Park Office, Kakkanad. Shri. C.R. Kumar, representing M/s.KPUPL presented the ARR & ERC for 2013-14 and responded to the queries. Shri. B. Pradeep presented the comments of Kerala State Electricity Board (*hereinafter referred to as KSEB or the Board*) on the petition and submitted a written statement.

5. The Board stated that the revenue estimation of the Licensee is not in tune with the tariff revision approved by the Commission. The revenue projected by the Licensee is less than the tariff revision approved. The increase in A&G expenses sought by the Licensee is 169% over the approved level. Similarly, the increases sought in depreciation (79%), and in O&M expenses (37%) are also high. Though the Commission has allowed distribution loss of 0.5%, the Licensee has sought higher distribution loss. Considering the small licence area, the employee cost proposed is also high. Regarding capital expenditure, the Board had opined that the cost of 22kV substation at Palakkad given by the Licensee is exorbitantly high. Further, for catering 1MVA load such huge investments are not required. The Licensee has sought Rs.1.35 crore for taking over 1.5 acre of land in from KINFRA another partner in the distribution business. The Licensee has so far not given the details of asset transfer scheme. Hence, such transactions are to be allowed only after prudence check. The revenue gap projected by the Licensee may be bridged through revenue surplus held by the Licensee.

Analysis and Decision of the Commission:

6. The Commission considered the petition filed by the Licensee, views and opinion of the consumers and the Board, and the replies thereon furnished by the Licensee. Each item of the petition is discussed below.

7. **Capital Expenditure**: The Licensee for the year 2013-14 has projected capital expenditure of Rs.832.74 lakhs as shown below:

Capital Expenditure Proposed by the Licensee

Kakkanad	Rs. 20 lakhs	Installation of new web enabled system for pre-paid metering system
	Rs.50 lakhs	For 100 nos of energy meters for new consumers
	Rs.25 lakhs	Purchase of ring main units KEPIP Phase II

	Rs.31 lakhs	Purchase of cables for new areas, augmentation of cable network
	Rs. 135 lakhs	The cost of land comprising 1.5 acres on which the electrical assets of Kakkanad area are situated is proposed to be capitalised during the year
Total	Rs.261 lakhs	
Kalamassery	Rs.20 Lakhs	For creating LT network using transformers and feeder pillars
Palakkad	Rs.686.74 lakhs	A new 22kV substation with RMUs.
Total	**Rs.967.75 lakhs**	

8. The Licensee in the petition has proposed capital expenditure for Rs.832.74 lakh for the ensuing year, but the total expenses as per the petition works out to Rs.967.75 lakh. The work at Palakkad is proposed as a deposit work on turnkey basis by NTPC Electric Supply Company Limited (NESCL). It is expected that the work will be completed by December 2013. The source of funds for the capital expenditure proposed was internal funds and loan. Rs.686.74 lakh for the construction of a 22 kV substation at Palakkad, is through loan and the balance amount from internal resources.

9. The capital expenditure proposed is almost same as that proposed in the previous year. The Commission in its order dated 22-6-2012 on the ARR&ERC for 2012-13, has also deliberated on the capital expenditure programme. The Commission had directed to provide proper details of capital expenditure with Cost/Benefit analysis and funding plan. The same has not been furnished yet. The projects proposed, in the previous year also, are almost same ie., substation at Palakkad, capital works at Kakkanad, and also takeover of 110kV substation at Kalamassery. However, no progress was reported on the works proposed in the previous year. The Commission in the previous year also did not approve the capital expenditure programme due to insufficient details provided by the Licensee. In the present petition also, the proposal for capital expenditure contains only statement of the proposed work, without sufficient materials. The Commission is of the view that the approval of major works can be done after detailed evaluation of the projects with proper technical and financial scrutiny, for which the Licensee has to provide the details in a time bound manner. Till then the Commission is not in a position to approve the capital expenditure proposed by the Licensee. During the hearing, the Licensee has stated that the proposed works at Palakkad shall be entrusted to M/s NESCL as Engineering, Procurement and Construction Contractor. In this context, the Commission does not have enough materials to decide the prudency of such investments and the method of execution of the project. So also the Licensee has to furnish the cost benefit analysis and justification for rolling out a huge underground distribution system to meet the load of 500 KVA at Palakkad park. The Commission can approve such

schemes after prudence check and convincing the sourcing of the power on a long term basis.

Energy Sales :

10. The Licensee has projected 65.27MU as the total sales for 2013-14, which is lower than the approved sales for 2012-13 (67.71MU). The license has estimated new consumer additions in Kalamassery and Palakkad area. The expected loads in 2013-14 in different areas are given below:

Kakkanad	12437.5 kVA
Kalamassery	250 kVA
Palakkad	250 kVA

11. In Kakkanad, the Licensee has taken over electrical assets and the distribution infrastructure from the erstwhile licensee, M/s KEPIP, and commenced operations for distribution of electricity from 01.02.2010. In Kalamassery, operations started from 06.02.2011 after taking over the existing 11kV system. In Palakkad, operations are not yet started and only a temporary overhead system has been erected. As per the plan of the Licensee, a new 22kV substation along with the related underground distribution network is proposed and would be completed by December 2013. A comparison of energy sales projections of the Licensee is given below:

Energy Sales Projections for 2013-14

Category	2011-12 (Actual) MU	2012-13 (Approved) MU	2012-13 (Revised estimate) MU	2013-14 (Projection) MU
HT Consumers	40.12	50.03	43.34	48.11
DHT consumers	9.32	11.50	10.35	11.49
LT consumers	5.28	6.18	4.22	5.68
Total	54.72	67.71	58.81	65.27

12. The Licensee has reported that the higher projection in the energy sales is due to the expected increase in the number of consumers in the existing as well as in new areas. The actual number of consumers in 2010-11 was 171 which is projected to grow to 194 in 2012-13. In 2013-14, the total number of consumers will be about 262. The Commission notes that in 2012-13, the load growth projected by the Licensee was not materialised and the revised energy projections were much lower than the approved levels. Though this being the case, the Commission is inclined to accept the assessment of the Licensee regarding

expansion of operations, hence admits the sales projections of the Licensee as such for the year 2013-14.

Distribution Loss and Energy Requirement

13. The distribution loss projected by the Licensee for 2013-14 is 2%. The approved loss for 2012-13 was 0.50%. The Licensee has strongly argued that loss levels approved by the Commission for the previous year is very low, which cannot be achieved. The Commission has approved such figure based on the figures given by the predecessor licensee. The Licensee has furnished the monthwise details of purchase and sales of energy to show that average distribution loss for 2011-12 was 1.49% and for 2012-13 is about 1.52%. As per the technical specifications also the loss aggregate upto 1.95%.

14. The Commission has considered the arguments of the Licensee. The Licensee in its letter dated 26.04.2012, stated that the actual loss reported for 2010-11 was 1%. As per the petition, the distribution loss for 2011-12 was 1.49%. After considering the details given by the Licensee, and loss levels in similarly placed licensees, the Commission inclined to allow the distribution loss for 2013-14 at the same level at 1.5%.

Approved Distribution Loss for 2013-14

Particulars	2010-11 (Provisional)	2011-12 (Actual)	2012-13 Approved	2013-14 Projections	2013-14 Approved
Sales (MU)	46.29	54.72	67.71	65.27	65.27
Distribution Loss in MU	0.42	0.83	0.34	1.33	0.99
Energy input in MU	46.71	55.55	68.05	66.60	66.26
Distribution Loss %	**0.90%**	**1.49%**	**0.50%**	**2.00%**	**1.50%**

Since the Licensee has prepaid metering system the collection efficiency is 100%. Hence the AT&C loss for 2013-14 is fixed as 1.5%.

15. **Cost of Power Purchase:** The Licensee has projected the cost of power purchase as Rs.3283.52 lakhs, based on the revised BST with effect from 1-7-2012. The cost of power purchase for the FY 2013-14 on the basis of approved energy requirement is as shown below:

Cost of Power Purchase Projected and Approved for 2013-14

Particulars	2013-14 (projection)	2013-14 (Approved)
Energy Requirement (MU)	66.60	66.26
Maximum Demand (kVA)	12,937.50	12,937.50
Demand charge(Rs./kVA)	300.00	300.00
Demand Charge Tariff (Rs.in lakhs)	465.75	465.75
Demand charges beyond contract demand (Rs.lakhs)	54.00	
Energy charge (Rs./kWh)	4.15	4.15
Energy Tariff (Rs.lakhs)	2,763.77	2,749.79
Total Cost of power purchase (Rs.lakhs)	**3,283.52**	**3,215.54**
Average cost/kWh	4.93	4.85

As shown above, the total cost of power purchase approved for 2013-14 is Rs.3215.54 lakhs.

16. **Interest & Financing Charges:** The Licensee has projected an amount of Rs.61.97 lakhs towards interest and financing charges. As per the details given by the Licensee, substantial investments are being proposed in the year 2013-14, which mainly include 22kV substation along with RMUs in Palakkad, which is being proposed to be financed through loan. Accordingly, the interest rate for Rs.686.74 lakhs is proposed towards interest and financing charges.

17. The Commission notes that the Licensee though proposed capital expenditure of Rs.967.75 lakhs for the year 2013-14, only the proposed investments in Palakkad towards installation of 22kV substation and associated works were included under interest and financing charges. Funding details of other works proposed are neither available in the petition nor in the clarifications provided. The Licensee has stated that the works towards 22kV substation will commence in 2012-13 and will be completed by the end of 2013-14. The Commission also notes that the Licensee has not furnished the opening balance sheet after the taking over of licence from KEPIP. It was reported that only the physical assets are taken over and ownership is still with KEPIP.

18. Hence, it is clear that the Licensee does not yet have clear plan for the capital investment. However, considering the interests of the consumers in the new areas, the Commission is inclined to consider the expansion plan of the Licensee subject to the observations made earlier. Exact amount of the capital expenditure

to be allowed will be determined after prudence check. Accordingly, for the average loan for the year (Rs. 343.47 lakhs) interest and financing charges @ 11% are allowed which amounts to Rs.37.77 lakhs.

19. **Depreciation :** The Licensee has projected Rs.99.24 lakhs towards depreciation for the year 2013-14 as detailed below:

Depreciation Proposed for the Year 2013-14

Description of Assets	GFA as on 1-4-2013 (Rs.lakhs)	Additions (Rs.lakhs)	GFA as on 31-3-2014 (Rs.lakhs)	Depreciation (Rs.lakhs)
Land & Rights	-	135.00	135.00	
Substations**	2,200.28	842.75	3,043.02	91.15
Metering equipment	97.90	70.00	167.90	6.92
Others	6.99	-	6.99	1.16
	2,305.17	1,047.75	3,352.91	**99.24**

20. The Licensee has estimated the depreciation as per the rate prescribed in the KSERC (MYT) Regulation, 2006. The Licensee further stated that depreciation was not claimed for the assts created out of consumer contribution. At present the Commission is following the depreciation as per the CERC (Terms and Conditions of Tariff) Regulations, 2009. However, the depreciation notified by the CERC is conditional and linked to repayment obligation and useful life. Accordingly, the Commission allows the depreciation as per the revised CERC norms. The Licensee has to maintain the accounts in line with revised CERC norms. During the truing up process, the Licensee has to provide the details as per the norm and in case the details are not available, the Commission would be constrained to resort to the norms issued by CERC in 2004.

21. The Commission, in the order dated 22-6-2012 on the ARR&ERC for 2012-13, of the Licensee, had noted that the opening value of GFA after the transfer scheme was not provided by the Licensee so far. However, for the purpose of estimating the depreciation, the Commission has provisionally adopted the closing value of GFA as per the details given by the Licensee, subject to the finalisation of transfer scheme. As per the estimates of the Licensee, the GFA as on the close of 2011-12 was Rs.1723.83 lakhs. The Commission has not allowed any capital expenditure programme for the year 2012-13. Hence for the purpose of estimating depreciation, opening balance of GFA is taken as Rs.1723.83 lakhs. Accordingly, the depreciation is estimated as shown below:

Depreciation Approved for 2013-14

	GFA as on 31-3-2013	Rate of depreciation	Depreciation for 2013-14
Substations	1,645.80	5.28%	86.90
Metering equipment	71.53	6.30%	4.51
Others	6.50	6.30%	0.41
Total	**1,723.83**		**91.81**
Less consumer contribution	293.63	6.30%	18.50
Allowable depreciation			**73.32**

As per records the distribution assets are still owned by M/s. KEPIP, who was the original distribution licensee. It is informed by M/s. KPUPL that the distribution assets have not yet been transferred to it on the ground that power purchase agreement (PPA) has not been signed between KSEB and KPUPL. Whatever may be the reason for the delay in transferring the distribution assets, the fact remains that M/s. KPUPL do not have any distribution asset. The Commission had approved the PPA jointly initialled and submitted by KSEB and KPUPL with direction to enter into PPA. So far no information has been submitted to the Commission as to whether or not the PPA has been formally executed. The Commission expresses its deep concern and displeasure over the lapses on the part of M/s. KSEB and M/s. KPUPL in this regard. In the absence of distribution assets owned by M/s. KPUPL the Commission is not in a position to make available the benefit of depreciation to M/s. KPUPL. However in view of the proceedings pending before the Commission with regard to fixing of bulk supply tariff applicable to M/s. KPUPL, the Commission provisionally provides for depreciation for Rs. 73.32 lakh as shown in the table above. The licensee shall constitute a separate account for parking the depreciation fund till the assets are formally transferred to the licensee. The licensee shall deposit Rs. 6 lakh every month in the said account. The amount deposited in the said account shall not be appropriated without specific instructions from the Commission. This arrangement will continue till the Commission reviews the position after execution of PPA and after the formal transfer of distribution assets to M/s. KPUPL.

22. **Employee Cost:** The projected employee cost of the Licensee for 2013-14 is Rs.46.24 lakhs. The approved employee cost for 2011-12 was Rs.39.13 lakhs and actual booked by the Licensee was Rs.46.24 lakhs. The Licensee has not projected any increase in employee cost for 2013-14. As per details furnished by the Licensee, the projected employee cost includes the salary of CMD, six Board

members, one Chief Executive, one Executive Engineer or equivalent. The Licensee has explained that the employees are on deputation from NTPC and hence the employee cost is comparatively higher. The Commission notes that entire R&M operation of the Licensee is outsourced and hence such high level of employee costs is not justified. The Commission has already pointed out the issue in the order dated 3-1-2012 on the ARR&ERC for 2011-12, and the same stand was taken in the order on the ARR & ERC for 2012-13. The actual employee cost booked by the erstwhile licensee for the same operations in 2008-09 was only Rs.14.8 lakhs. So the Commission finds it reasonable to limit the employee cost to the approved level in 2012-13 for 2013-14 also. Accordingly, the approved employee cost is Rs.39.13 lakhs. The Licensee should limit the employee cost to the approved amount.

23. **Repair & Maintenance Expenses:** The R&M expenditure projected by the Licensee for 2013-14 is Rs.73.64 lakhs which is 37% more than the approved expenditure of 2013-14. The Licensee has given item wise details of the proposed expenditure as shown below:

Items	Rs. lakhs
O&M expenses for the substation and distribution system at Kakkanad & Kalamassery	51.82
O&M expenses for prepaid metering system, GSM network etc	7.62
Replacement cost of RMS and spares	12.00
Painting Yard	1.00
Revamping of fire fighting system	0.50
Repair of office equipments	0.35
overhauling DG set	0.35
Total	73.64

24. The Licensee has clarified that the whole expenditure is outsourced and the outsourcing has been done through open and transparent tendering procedures. The Licensee has also stated that the increase in projection is on account of the increased area of operation and consequential increase in maintenance activities. As per the details given, the Licensee has included replacement of RMUs as part of R&M expenditure. Further, maintenance of substation in Kalamassery also included in the R&M expenditure. The 110KV substation of the Licensee at Kalamassery park is not yet energised at 110KV, since110KV licensee are yet to be constructed. R&M expenditure cannot be provided for a substation not energised yet. The Commission has not approved the take over of Kalamasery

substation. The Licensee has not provided the separation of R&M costs for Kalamassery and Kakkanad. Considering all these, the Commission can allow R&M expenses on the basis of 2011-12 level only. Accordingly, the Commission allows a provision of Rs.41.81 lakhs, which is 10% compounded increase over the actual in 2011-12.

25. **A&G Expenses**: The A&G expenses projected by the Licensee for 2013-14 is Rs.75.79 lakhs which is 169% higher than the amount of Rs.28.17 lakhs approved for 2012-13. Major expenses under this head are rents, rates and taxes Rs.3.75 lakhs, insurance Rs.3.00 lakhs, statutory fees Rs.7 lakhs, consultancy charges Rs.0.5lakh, other professional charge Rs.2.00 lakhs, travelling expenses Rs.6 lakhs, conveyance and vehicle hire charges Rs.5.00 lakhs and miscellaneous expenses Rs.2.80 lakhs.

26. The A&G expenses is a controllable item. The Licensee has included duty under section 3(1) of the Kerala Electricity Duty Act 1963 as part of the A&G expenses. The A&G expenses for the year 2011-12 **excluding** electricity duty was Rs.21.55 lakhs. The Commission allows Rs.26.08 lakhs, which is **10% compounded** increase over the actual in 2011-12.

27. **Return on Equity:** The Licensee has projected Rs.77.64 lakhs towards return on equity for 2013-14. The amount is arrived at by computing 14% of the 30% projected Net Fixed Asset at the beginning of the year. The Commission has already addressed the issue in the orders on ARR&ERC for 2011-12. The Licensee has not complied with the direction of the Commission to produce within one month the transfer deed and other related documents for transfer of licence and assets including the Opening Balance sheet. So the Commission is of the view that only a provisional amount of Rs.10 lakhs is to be allowed till the finalisation of transfer.

28. Aggregate Revenue Requirement : Based on the above, the ARR proposed and approved for 2013-14 is as given below:

Approved Aggregate Revenue Requirements for 2013-14

Particulars	Projected by the Licensee	Approved by the Commission
	(Rs.lakhs)	(Rs. lakhs)
Purchase of Power	3,283.52	3,215.54
Repairs and Maintenance	73.64	41.81

Employee costs	46.24	39.13
A & G expenses	75.79	26.08
Depreciation	99.24	73.32
Interest & financing charges	61.97	37.77
Sub total	**3,640.40**	**3,433.65**
Less Interest charges capitalised	*61.97*	37.77
Total	**3,578.43**	**3,395.88**
Return on Equity	77.64	10.00
Total expenses	**3,656.07**	**3,405.88**

29. **Revenue from Sale of Power:** The Licensee has projected the revenue from sale of power as Rs.3322.09 lakhs as shown below:

Revenue from Sale of Power Projected for 2013-14

Particulars	*No. of Installation/ consumers*	*Energy sold MU*	*Revenue Rs.lakhs*	*Average Realisation Rs / kwh*
(i) HT I	18	47.96	2,366.53	4.93
(ii) HT II	1	0.15	7.84	5.37
(iii) HT IV	1	0.00	0.03	6.12
(iv) DHT I	45	11.23	621.70	5.54
(v) DHT IV	3	0.26	25.35	9.71
(vi) LT IV	137	5.22	255.99	4.90
(vii) LT VI C	14	0.26	22.75	8.71
(viii) LT VII A	43	0.20	21.00	10.73
Total			**3,321.19**	
Recovery of electricity duty			89.56	
Total		-	**3,410.75**	-
Less Electricity duty payable			88.67	
Net Revenue from sale of power			**3,322.09**	

30. The Commission sought the billing details from the Licensee for estimating the revenue. Based on the details furnished by the Licensee, the Commission has estimated the revenue from sale of power as follows:

Approved Revenue from Tariff for 2013-14

Consumer categories	No. of consumers	Connected load/Billing Demand (KW/kVA)	Energy sales (Lakh units)	Fixed charges/ Demand charges	Energy charges	Total Fixed charges Rs.lakhs	Total Energy charges Rs.lakhs	Total Charges Rs.lakhs
HT-I	18	11120	479.60	300	4.10	400.32	1,966.36	2,366.68
HT-II	1	38	1.50	350	4.25	1.60	6.38	7.97
HTIV	1	10	0.00	400	5.50	0.48	0.02	0.50

DHT I	45	4017	112.30	300	4.25	144.61	477.28	621.89
DHT IV	3	175	2.60	400	6.50	8.40	16.90	25.30
LT IV	137	4734	52.20	60	4.25	34.08	221.85	255.93
LT VIC	14	206	2.60	180	7.00	4.45	18.20	22.65
LT VIIA	43	465	2.00	120	7.30	6.70	14.60	21.30
Total	262	20765	652.80			600.64	2,721.58	3,322.21

31. **Non Tariff Income:** The Licensee has projected Rs.23 lakhs towards non- tariff income which consists of Rs.8 lakhs towards Interest on Bank Fixed Deposit, Rs.15 towards other miscellaneous receipts The Commission approves the projection made by the Licensee.

32. Thus the total revenue from charges of the Licensee for the year 2013-14 will be as follows

Revenue from Charges for the year 2013-14

Particulars	Projected (Rs.in lakhs)	Approved (Rs.in lakhs)
Revenue from Sale of Power	3322.09	3322.21
Non – Tariff Income	23.00	23.00
Total	3345.09	3345.21

33. **Revenue surplus/gap:** Based on the above, the Commission arrives at a revenue gap of Rs.60.67 lakhs against the gap of Rs.310.98 lakhs projected by the Licensee as shown below:

Approved Revenue Gap for 2013-14

Particulars	Projected by the Licensee	Approved by the Commission
	(Rs.lakhs)	(Rs. lakhs)
Revenue from Sale of Power	3,322.09	3,322.21
Non – Tariff Income	23.00	23.00
Total Revenue	**3,345.09**	**3,345.21**
Expenses		
Purchase of Power	3,283.52	3,215.54
Repairs and Maintenance	73.64	41.81
Employee costs	46.24	39.13
A & G expenses	75.79	26.08
Depreciation	99.24	73.32
Interest & financing charges	61.97	37.77

Sub total	**3,640.40**	**3,433.65**
Less Interest charges capitalised	*61.97*	37.77
Total	**3,578.43**	**3,395.88**
Return on Equity	77.64	10.00
Aggregate Revenue Requirements	**3,656.07**	**3,405.88**
Surplus/(Deficit)	**(310.98)**	**(60.67)**

Based on the approved ARR, the distribution cost works out to be Rs.190.34 lakhs, which is 29.16 paise per unit, compared to the approved distribution cost of 27.52 paise per unit for the year 2012-13.

Orders of the Commission

34. After considering the petition for the approval of ARR&ERC of M/s KPUPL, the clarifications thereon, comments of the consumers & KSEB and the explanation thereon submitted by the M/s KPUPL, the Commission approves the ARR of Rs.3405.88 lakhs and Expected Revenue of Rs.3345.21 lakhs, leaving a revenue gap of Rs.60.67 lakhs for the year 2013-14 as stated above. The Licensee shall limit the expenses to the approved level. The Retail Supply Tariff (RST) applicable with effect from 1.07.2012 shall continue till 30.04.2013. With effect from 01.05.2013, the tariff as ordered by the Commission in its order dated 30.04.2013 shall be applicable. Orders on the Bulk Supply Tariff applicable with effect from 01.05.2013 will be issued separately.

Sd/-	Sd/-	Sd/-
P. Parameswaran	**Mathew George**	**T.M. Manoharan**
Member	**Member**	**Chairman**

Approved for issue

Secretary