KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM

Petition No. : OP 34/2013

In the matter of : ARR & ERC of M/s KINESCO Power and Utilities Private Limited for 2014-15

Petitioner : M/s KINESCO Power and Utilities Private Limited, Kochi

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

ORDER DATED 12/05/2014

Introduction

1. M/s KINESCO Power and Utilities Private Limited, (hereinafter called M/s.*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 18-12-2013 for the approval of ARR&ERC for 2014-15. Earlier, based on request of the licensee, the Commission had allowed time till 16-12-2013 for filing petition. Taking a lenient approach, the Commission condoned the delay in filing the petition and decided to process the ARR&ERC of the licensee for 2014-15 . The petition was admitted as OP No. 34/2013 on 7-1-2014 and subsequently, notice was issued to the petitioner and M/s KSEBL. The licensee was directed to publish the petition as per the provisions of KSERC(Conduct of Business) Regulations, 2003 for informing the stakeholders for obtaining comments/objections.

3. In the meantime, the Commission has issued a notice dated 18-12-2013 to the license under Section 19(3) of the Electricity Act 2003 for showing reason within

three months as to why action should not be taken to revoke the licence. This order is subject to the final decision on the said notice and the connected proceedings.

4. The projection of the licensee for the year 2014-15 shows an Aggregate Revenue Requirement of Rs.4257.83 lakh and an Expected Revenue of Rs. 4008.57 lakh, leaving a Revenue Gap of Rs.249.26 lakh. The summary of the petition for the approval of ARR & ERC of the licensee is given below:

ARR&ERC Projected by M/s. KPUPL for 2014-15

	2012-13 Actual	***2013-14 (Approved)***	***2014-15 (proj)***
Income	**Rs. Lakh**	**Rs. Lakh**	**Rs. Lakh**
Revenue from sale of power	2,947.56	3,322.21	3,985.52
Other income	107.48	23.00	23.05
Total Revenue	**3,055.04**	**3,345.21**	**4,008.57**
Expenditure			
Purchase of power	3,064.93	3,215.54	3,879.21
Repair and maintenance	45.23	41.81	82.99
Employee costs	83.44	39.13	57.45
A&G expenses	64.17	26.08	76.92
Depreciation	54.97	73.32	84.19
Interest & financing charges	9.57	37.77	47.37
Return on investment	61.64	10.00	62.70
Sub Total	**3,383.95**	**3,443.65**	**4,290.83**
Less interest capitalised	-	37.77	33.00
Total Expenses	**3,383.95**	**3,405.88**	**4,257.83**
Surplus /Deficit	**-328.91**	**-60.67**	**-249.26**

The Commission sought clarifications on the petition vide letter dated 8-1-2014 and the clarifications were provided by the icensee after the hearing, vide letter dated 20-2-2014.

Hearing on the matter

5. Public hearing on the petition was held on 4-02-2014 at the Conference Hall of KEPIP, KINFRA Park Office, Kakkanad. Shri. C.R. Kumar, representing M/s.KPUPL presented the ARR & ERC for 2014-15 and responded to the queries. Shri. B. Pradeep presented the comments of Kerala State Electricity Board Limited (*hereinafter referred to as KSEBL or the Board*) on the petition and submitted a written statement.

6. Shri. B, Pradeep representing M/s. KSEBL stated that though the licensee was granted distribution licence in 2009 for three areas viz., Kakkanad, Kalamassery and Palakkad, only in Kakkanad distribution network has been rolled out. That is even in 2014, the licensee has not been able to develop required infrastructure for

supplying power to its consumers. With regard to the supply in Kalamassery, the petitioner has not entered in to PPA with any generating company or licensee for supply of power. A consumer namely M/s.BEL was provided with power supply by the licensee by extending the power supply given to M/s KINFRA by the respondent. In effect M/s KINFRA has committed violation of Section 126 of Electricity Act, and the respondent has not initiated any action in this regard on the expectation that the petitioner will regularise and execute PPA. Now another consumer namely M/s. NUALS is provided power in an unauthorised manner without intimating the respondent. M/s KSEBL also stated that the revenue from such sales in the area of licence at Kalamassery and the expenditure by KINFRA as a consumer procuring power from KSEB cannot be part of the ARR&ERC filing of the petitioner. In Palakkad also, the licensee has not entered into PPA for supply of power. In this area, the licensee has not developed the required infrastructure for distribution of power. Subsequently, at the request of the consumer M/s Blaze Poly packs, supply was provided by KSEBL after observing the legal requirements based on the direction by the Commission. Further several consumers, both at HT and LT level were provided supply by the respondent by developing infrastructure by drawing 4 km HT line, 4kM LT line 1 no 250 KVA transformer, I no 150 kVA transformer and 3 nos of 100 kVA transformers. As on date the licensee has not developed the infrastructure in Palakkad. Accordingly it is submitted by M/s.KSEBL that the Commission may disallow the claim of the licensee for extension of distribution infrastructure in the area, as it will lead to wasteful expenses.

7. M/s KSEB Limited further stated that the increase in distribution loss proposed by the petitioner shall not be allowed. The Commission has already decided the distribution loss in 2013-14 and there is no reason for enhancing the already fixed loss level. The petitioner has claimed 195% hike in A&G expenses, 99% hike in R&M expenses and 47% hike in employee cost. The Section 3(1) duty is also claimed by the petitioner. The employee cost claimed is for only two employees and all other operations are outsourced. Hence, the employee cost projected is high when compared to the consumer base. Under R&M expenses, items falling under R&M expenses are being charged. The cost of repairs of DG set is claimed by the licensee, where as the same was disallowed in the case of other licensees. The O&M expense of Rs.7.14 lakh for prepaid metering system is exorbitant. The R&M expenses and employee expenses if determined based on the regulations, it would be Rs.31.55 lakh and Rs.24.89 lakh against which the licensee has claimed Rs.82.99 lakh and Rs.57.45 lakh. The licensee has claimed depreciation for the asset proposed to be commissioned in 2014-15 for which the regulatory approval

has not been obtained. The depreciation for assets created out of consumer contribution shall not be allowed to the licensee. Regarding capital expenditure programme in Palakkad, the licensee has not secured a proper PPA and the investment proposed is high. The respondent, KSEBL has already established the required infrastructure in the area. Hence the proposed capital expenditure need not be allowed in the Palakkad area for the time being and the proposed interest and financing charges may also be disallowed.

8. M/s.KSEBL further pointed out that the petitioner has not completed the formalities of execution of PPA, and hence the penal charges/carrying cost in delay in payment of power purchase cost has to be made payable by the petitioner to the respondent. The revenue realisation projected by the licensee for the year 2014-15 is erratic and is based on the 2013-14 full year revenue, where as the tariff revision was effective from 1-5-2013 only. Further, the revenue realisation from categories such as LT VIA, LTVIIA and Deemed HT have come down from the year 2012-13. The claim of RoE is not in conformity with the regulatory principles and the principles followed by the Commission in the earlier orders may be followed for this year also.

Analysis and Decision of the Commission:

9. 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.

10. Capital Expenditure: The licensee for the year 2014-15 has projected capital expenditure of Rs. 720 lakh as shown below:

Capital expenditure programme proposed by the licensee

Sl . No.	Particulars	Amount (Rs.in lakh)
1	Installation of new web-enabled pre-paid metering system with new software and hardware at Kakkanad	25.00
2	Procurement of100nos of meters at Kakkanad	60.00
3	Installation of RMUs in Kakkanad	25.00
4	Augmentation of cable network at Kakkanad	25.00
5	Purchase of transformer and 11kV panels at Kakkanad	25.00
6.	Purchase of transformers and accessories	10.00
7.	Supply/erection of 22kV system and other infrastructure at Palakad	550.00
	Total	720.00

11. Capital expenditure proposed for Kakkanad is for improving the existing distribution system and replacing defective meters. Though in the previous ARR, the licensee had proposed taking over of 110kV substation at Kalamassery, the same has not been proposed this year. Establishment of 22kV network was proposed in the last three ARRs, but no progress has been reported. The cost proposed for establishment of 22kV network has been reduced substantially in this year raising doubts on the reliability of the projected estimates. The funding for the capital expenditure for the investments at Palakkad is proposed to be met through debt funds and other investments are through internal funds.

12. 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 deliberated on the capital expenditure programme. The Commission had directed the licensee to provide proper details of capital expenditure with Cost/Benefit analysis and funding plan. The projects proposed in 2014-15 are same as that of last year, showing that the licensee was not able to undertake any of the projects proposed in the previous year. The Commission in the previous year 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 details. The major work proposed is the establishment of distribution network in Palakkad. However, the licensee has failed to provide a proper scheme of distribution network or distribution work plan based on the load requirements for the approval of the Commission. The licensee is also not in a position to source power for the Palakkad licence area. At the same time, the representatives of M/s KSEBL has reported that 11kV network has already been extended by them in the petitioners licence area, based upon the request of KINFRA and cost of the same has been met by KINFRA. In this circumstance, the Commission is not in a position to approve the proposed works in the Palakkad area. Rationale for providing 11kV RMU, 11kV panels and augmentation of 11kV cable network in Kakkanad area without taking over the assets is not explained. Commission can approve such proposals only after the distribution assets are held by the licensee.

Energy Sales :

13. As per the details furnished by the licensee, in Kakkanad, the licensee has taken over the operational control of 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 were

started from 06.02.2011 after taking over the existing 11kV system. In Palakkad, the licensee has not yet started operations, while the M/s KSEBL has drawn lines and started supplying electricity to few consumers. The consumers in Palakkad licence area likely to tbe serviced by KSEB Limited in the present circumstances.

14. The licensee has projected 66.81MU as the total sales for 2014-15, excluding the area in Palakkad. New consumer additions are expected in Kakkanad and Kalamassery. The number of consumers in Kalamassery will increase from 19 to 27 and in Kakkanad from 202 to 208. In view of the anomalies pointed out by KSEBL in providing power supply to licence area in Kalamassery, the licence has to provide a satisfactory explanation and proposal for providing power to its consumers in Kalamassery area. The expected loads in 2014-15 in different areas are given below:

Kakkanad	26174 kW
Kalamassery	562 kW
Palakkad	Nil

15. A comparison of energy sales projections of the licensee is given below:

Energy Sales Projections for 2014-15

	2012-13 (Actual) (MU)	2013-14 (Revised estimate) (MU)	2014-15 (Estimate) (MU)
HT consumers	41.95	44.50	46.98
DHT consumers	10.97	11.64	12.29
LT consumers	6.48	7.14	7.54
Total	**59.40**	**63.28**	**66.81**

16. The licensee has estimated that the sales will increase by about 6% over the revised estimate of 2013-14. Average annual increase projected from 2012-13 is also about 6%. Considering the revised projections for 2013-14, the energy sales is projected is reasonable. Accordingly, the Commission is inclined to accept the estimate of sales for the year 2014-15.

Distribution Loss and Energy Requirement

17. The distribution loss projected by the licensee for 2014-15 is 2.5%. The approved loss for 2013-14 was 1.50%. According to the licensee, the increase in loss is due to addition of 4 nos of 11kV transformers and about 10 kms of HT cables

operating at minimum load. The actual loss in 2012-13 reported by the licensee is 1.8%. The monthwise details of purchase and sales of energy in April to August 2013 also show that the distribution loss is about 1.93% to 3.21%.

18. The Commission has considered the arguments of the licensee. The licensee earlier has reported that the actual loss in 2010-11 was around 1%. The actual losses in 2011-12 is 1.49% and in 2012-13 is 1.82%, showing an increasing trend. As per the details furnished by the license, the distribution system in Kalamassery and Palakkad has not been properly established and accordingly, the loss levels may go up. However, after considering the details given by the licensee, and loss levels in similarly placed licensees, the Commission is of the view that the distribution loss for 2014-15 has to be pegged at the approved level in 2013-14 so that the licensee may take appropriate action to contain the losses at desired levels.

Approved Distribution Loss for 2013-14

Particulars	2011-12 (Actual)	2012-13 (Actual)	2013-14 (Approved)	2014-15 (proposed)	2014-15 (approved)
Sales (MU)	54.72	59.40	65.27	66.81	66.81
Distribution Loss in MU	0.83	1.08	0.99	1.67	1.02
Energy input in MU	55.55	60.48	66.26	68.48	67.83
Distribution Loss %	**1.49%**	**1.80%**	**1.50%**	**2.40%**	**1.5%**

Since the licensee has prepaid metering system the collection efficiency is 100%. Hence the AT&C loss for 2014-15 is fixed as 1.5%.

19. **Cost of Power Purchase:** The licensee has projected the cost of power purchase at Rs.3879.21 lakh, based on the existing BST. The cost of power purchase for the year 2014-15 on the basis of approved energy requirement is as shown below:

Cost of Power Purchase Projected and Approved for 2014-15

Particulars	2014-15 (projection)	2014-15 (Approved)
Energy Requirement (MU)	68.48	67.83
Maximum Demand (kVA)	14,854.00	14,854.00
Demand charge(Rs./kVA)	300	300
Demand Charge Tariff (Rs.in lakh)	534.74	534.74
Demand charges beyond contract demand (Rs.lakh)	90.00	

Energy charge (Rs./kWh)	4.75	4.75
Energy Tariff (Rs.lakh)	3,254.47	3,221.93
Total Cost of power purchase (Rs.lakh)	**3,879.21**	**3,756.67**
Average cost/kWh	5.66	5.54

As shown above, the total cost of power purchase approved for 2014-15 is Rs.3756.67 lakh.

20. **Interest & Financing Charges:** The licensee has projected an amount of Rs.47.37 lakh towards interest and financing charges. As per the details given by the licensee, investments are being proposed in the year 2014-15, which mainly include 22kV substation along with RMUs in Palakkad, which is being proposed to be financed through loan. Accordingly, the interest and financing charges of Rs.47.37 lakh is proposed for a loan amount of Rs.550 lakh at 11% rate of interest.

21. The Commission notes that though the licensee has proposed capital expenditure of Rs.720 lakh for the year 2014-15, only Rs.550 lakh for the proposed investments in Palakkad towards installation of 22kV substation and associated works were included under interest and financing charges. The balance amount of Rs.170 lakh towards the investments in Kakkanad and Kalamassery is proposed to be met from internal resources. However, the licensee has not mentioned anything about the accumulated surplus available now. It is to be mentioned that from 2012-13, the licensee has been maintaining the proposal of 22kV substation and associated works in Palakkad, but no signs are visible on the commencement of the work. In their objections, M/s. KSEBL has stated that already HT &LT lines and transformers were installed by them for supplying power to the consumers and requested not to allow further investments in Palakkad. It is also not sure that how the licensee is going to roll out its network in a different voltage level, when there is already a network as discussed earlier in para 12. The duplication of investment and corresponding financial burden cannot be encouraged. The Commission has been allowing the interest charges in the last three ARR&ERC Orders and no progress of work could be shown by the licensee. Hence, the Commission is of the view that the licensee may roll out its investments in a feasible and prudent manner and the cost thereof will be allowed after prudence check during the truing up process. Hence, interest and financing charges proposed is disallowed for the time being.

22. **Depreciation :** The licensee has projected Rs.84.19 lakh towards depreciation for the year 2014-15 as detailed below:

Depreciation Proposed for the Year 2014-15

Description of Assets	GFA as on 1-4-2014 (Rs.lakh)	Additions (Rs.lakh)	GFA as on 31-3-2015 (Rs.lakh)	Depreciation (Rs.lakh)
Substations	2,013.66	860.12	2,873.78	76.70
Metering equipment	92.34	85.00	177.34	6.33
Others	7.02	-	7.02	1.17
Total	2,113.02	945.12	3,058.14	84.19

23. The depreciation for the year 2014-15 is worked out by the licensee based on the depreciation rates as per the CERC (Terms and Conditions of Tariff) Regulations 2004. The licensee further stated that depreciation was not claimed for the assets created out of consumer contribution. At present the Commission is following the depreciation as per the CERC (Terms and Conditions of Tariff) Regulations, 2009. The depreciation notified by the CERC is conditional and linked to repayment obligation and useful life. The Commission in the previous year also allowed the depreciation as per the revised CERC norms effective from 2009 and accordingly same rates are being allowed for this year also. During the truing up process, the licensee has to provide the details including vintage of assets as per the CERC terms and conditions of tariff 2009.

24. The Commission notes that the licensee has so far not provided the opening value of GFA after the asset transfer scheme. 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 lakh. Since the Commission has not allowed any capital expenditure programme effective from 2012-13 for the purpose of estimation of depreciation, asset value as on 1-4-2012 is taken for estimation of depreciation. Accordingly, the depreciation is estimated as shown below:

Depreciation Approved for 2014-15

	GFA as on 1-4-2012	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	391.98	6.30%	24.69
Allowable depreciation			**67.12**

25. As per explanation given by the licensee, the asset transfer has not taken place as it is made conditional by the promoters and it should precede signing of PPA. The PPA with KSEBL has not been signed so far and as per the claim of the licensee, the same will be completed shortly. Thus even after three years of transfer of licence, the fact remains that M/s. KPUPL does not have any distribution asset. In the absence of distribution assets owned by M/s. KPUPL, it is not proper to allow the benefit of depreciation to M/s. KPUPL. However in view of the efforts taken by the licensee, as a temporary measure, **the Commission provisionally provides for depreciation of Rs. 67.12 lakh as shown in the table above. The licensee shall deposit the depreciation amount in the separate fund constituted for this purpose, in 12 equal instalments at a rate of Rs.5.60 lakh/month till 31-3-2015 or till the assets are duly transferred to KPUPL which ever is earlier.** The amount deposited in the said account shall not be appropriated without specific directions from the Commission. This arrangement will continue till the Commission reviews the position after the formal transfer of distribution assets to M/s. KPUPL.

26. **Employee Cost:** The projected employee cost of the licensee for 2014-15 is Rs.57.45 lakh. The approved employee cost for 2011-12 was Rs.39.13 lakh and actual booked by the licensee was Rs.46.24 lakh. The employee cost approved for 2013-14 was Rs.39.13 lakh. As per details furnished by the licensee, the projected employee cost includes the salary of CMD, five Board members, one Chief Executive, one Executive Engineer or equivalent. The licensee has explained that the employee cost for 2012-13 is high on account of addition of provisions amounting to Rs.18.04 lakh towards leave, superannuation and the benefits pertaining to earlier years and Rs.7.96 lakh on account of the change in methodology of allocation of such provisions according to the corporate policy. The Commission notes that entire maintenance operation of the licensee is outsourced and therefore employee cost charged on to the ARR should be reasonable and just. The actual employee cost booked by the erstwhile licensee for the same operations in 2008-09 was only Rs.14.8 lakh. So the Commission finds it justifiable to limit the employee cost by providing reasonable increase of 10% to cover the inflation, over the approved level in 2013-14. Accordingly, the approved employee cost for 2014-15 is Rs.43.04 lakh. The licensee should limit the employee cost to the approved amount.

27. **Repair & Maintenance Expenses:** The R&M expenditure is projected at Rs.82.99 lakh, where as the approved amount for 2013-14 was Rs.41.81 lakh. As

shown below, the same items projected in the year 2013-14 such as O&M of pre-paid metering system, replacement of RMUs, painting of yard, revamping fire-fighting system etc.., are repeated for 2014-15 also. The details of proposed R&M cost is as shown below

R&M expenses projected for 2014-15

Items	Proposed in 2013-14 (Rs.lakh)	Projected for 2014-15 (Rs.lakh)
O&M of substation and distribution at Kakkanad and Kalamassery	51.82	55.05
O&M of prepaid metering system	7.62	7.14
Replacement cost of RMU and spares	12.00	12.50
Painting of yard	1.00	2.30
Revamping fire fighting system	0.50	0.50
Repair of office equipments	0.35	0.50
Repair of DG set etc.	0.35	4.50
Transformer oil testing		0.50
Total	**73.64**	**82.99**

28. Maintenance cost of Rs. 55.05 lakh projected is for 110kV substation at Kakkand and 11kV system at Kalamassery. Maintenance cost for 110kV substation at Kalamassery has not been included as the same has not been taken over. According to the licensee, the increase in cost is due to the increase in area of operations, ageing factor and consequential increase in maintenance activities. It may be noted the R&M expenses include capital items such as replacement of RMUs. The licensee has not expanded the operations to Palakkad and the operations in Kalamassery are also at very low level. **In fact the licensee does not own any distribution assets in the licence area as the transfer of assets is not complete. However, considering the possession of assets by the licensee and the requirement of R&M on assets for maintaining supply, the Commission is inclined to provide for R&M expenses.** Accordingly, the Commission can allow R&M expenses only on the basis of the approved level of previous year. Accordingly, the Commission allows a provision of Rs.46.00 lakh, which is 10% more over the approved level in 2013-14.

29. **A&G Expenses**: The A&G expense projected by the licensee for 2014-15 is Rs.76.92 lakh which is about thrice the amount of Rs.26.08 lakh approved for 2013-14. Major expenses under this head are rents, rates and taxes Rs.3.74 lakh, insurance Rs.3.00 lakh, statutory fees Rs.7 lakh, consultancy charges Rs.0.5 lakh, other professional charge Rs.2.00 lakh, travelling expenses Rs.6 lakh,

conveyance and vehicle hire charges Rs.5.00 lakh and miscellaneous expenses Rs.2.80 lakh.

30. The A&G expense is a controllable item. The licensee has included Rs.40.90 lakh under duty as per section 3(1) of the Kerala Electricity Duty Act 1963 as part of the A&G expenses. The A&G expenses approved for the year 2013-14 excluding electricity duty was Rs.26.08 lakh. The Commission allows Rs.28.69 lakh, which is **10%** increase over the approved expenses in 2013-14.

31. **Return on Equity:** The licensee has projected Rs.62.70 lakh towards return on equity for 2014-15. The amount is arrived at by computing 14% of the 30% projected. Net Fixed Asset less consumer contribution at the beginning of the year. Since the license is continuously failing to provide the opening balance sheets after the transfer of assets, the Commission is not in a position to ascertain the ratebase for allowing returns. **So the Commission is of the view that only a provisional amount of Rs.10 lakh is to be allowed till the finalisation of asset transfer. This amount is to be deposited in the same account and in the same manner as in the case of depreciation.**

32. Aggregate Revenue Requirement : Based on the above, the ARR proposed and approved for 2014-15 is as given below:

Approved Aggregate Revenue Requirements for 2014-15

Particulars	Projected by the licensee	Approved by the Commission
	(Rs.lakh)	(Rs. lakh)
Purchase of Power	3,879.21	3,756.67
Repairs and Maintenance	82.99	46.00
Employee costs	57.45	43.04
A & G expenses	76.92	28.69
Depreciation	84.19	67.12
Interest & financing charges	47.37	-
Return on Equity	62.70	10.00
Sub total	**4,290.83**	**3,951.52**
Less Interest charges capitalised	33.00	-
Total	**4,257.83**	**3,951.52**

33. **Revenue from Sale of Power:** The licensee has projected the revenue from sale of power as Rs.3985.52 lakh as shown below:

Revenue from Sale of Power Projected for 2014-15

Particulars	*No. of Installation/ consumers*	*Energy sold MU*	*Revenue Rs.lakh*	*Average Realisation Rs / kwh*
Consumer category wise				
HT I A	5	19.10	973.99	5.10
HT I B	10	27.09	1,736.62	6.41
HT II	1	0.08	5.44	6.78
HT III B	1	0.65	17.70	2.70
HT V	1	0.05	5.02	9.40
DHT I A	1	0.16	10.18	6.35
DHT I B	42	11.47	731.67	6.38
DHT IV	3	0.66	60.56	9.16
LT IV A	13	1.75	84.73	4.84
LT IV B	117	4.54	254.98	5.61
LT VI A	1	0.08	4.68	5.83
LT VI C	10	0.05	5.68	12.15
LT VII A	27	1.03	84.25	8.19
LT VIII	3	0.09	8.98	9.60
Total	**235**	66.81	3,984.48	5.96
Recovery of electricity duty			103.60	
Gross Revenue from sale of Power			**4,088.08**	
Less Electricity duty payable			102.56	
Net Revenue from sale of power			**3,985.52**	

34. The Commission sought the billing details from the licensee for estimating the revenue. The same has been provided by the licensee. Since the estimation is reasonable, the Commission approves the estimates of revenue provided by the licensee for the year 2014-15.

35. **Non Tariff Income:** The licensee has projected Rs.23.05 lakh towards non- tariff income which consists of Rs.8 lakh towards Interest on Bank Fixed Deposit and Rs.15 lakh towards other miscellaneous receipts.

36. The licensee has not given the reason for substantial reduction in interest from deposits and other miscellaneous receipts. The cash and bank balance are projected to reduce from Rs.504.77 lakh in 2012-13 to Rs.31.83 lakh in 2014-15. The licensee has not shown the interest on deposits maintained with KSEB (Rs.63.15 lakh). The licensee is also holding Rs.48.75 lakh as security deposit from consumers. The interest on the security deposit is also not shown to be credited to the consumers account. Further, the Commission has directed the licensee to keep the depreciation in a separate fund. The interest accrued on

this account should also be available. Hence, the Commission revises the estimates of interest from bank deposits and miscellaneous receipts to the same as that of the revised estimates given by the licensee for the year 2013-14. The non-tariff income approved by the Commission is as shown below:

Non-Tariff income approved for 2014-15

	2012-13 (actuals) (Rs.lakh)	2013-14 (Revised estimates) (Rs.lakh)	2014-15 (projected) (Rs.lakh)	2014-15 (Approved) (Rs.lakh)
Interest on bank deposits	46.53	20.00	8.00	20.00
Other miscellaneous receipts from trading	35.84	25.00	15.00	25.00
Miscellaneous recoveries	25.11	0.05	0.05	0.05
Total	**107.48**	**45.05**	**23.05**	**45.05**

37. Thus the total revenue from charges of the licensee for the year 2014-15 will be as follows

Revenue from Charges for 2014-15

Particulars	Projected (Rs.in lakh)	Approved (Rs.in lakh)
Revenue from Sale of Power	3985.52	3985.52
Non – Tariff Income	23.05	45.05
Total	4008.57	4030.57

38. **Revenue surplus/gap:** Based on the above, the Commission arrives at a revenue surplus of Rs. 79.05 lakh against the revenue gap of Rs.249.26 lakh projected by the licensee as shown below:

Approved Revenue Gap for 2014-15

Particulars	Projected by the licensee (Rs.lakh)	Approved by the Commission (Rs. lakh)
Revenue from Sale of Power	3,985.52	3,985.52
Non – Tariff Income	23.05	45.05
Total	**4,008.57**	**4,030.57**
Purchase of Power	3,879.21	3,756.67
Repairs and Maintenance	82.99	46.00
Employee costs	57.45	43.04
A & G expenses	76.92	28.69
Depreciation	84.19	67.12
Interest & financing charges	47.37	-
Return on Equity	62.70	10.00

Sub total	**4,290.83**	**3,951.52**
Less Interest charges capitalised	33.00	-
Total Expenses	**4,257.83**	**3,951.52**
Surplus /Deficit	**-249.26**	**79.05**

Based on the approved ARR, the distribution cost works out to be Rs.194.85 lakh for 2014-15 compared to Rs.190.34 lakh approved for 2013-14. The per unit distribution cost works out to 29.20 paise per unit, which is comparable to 29.16 paise per unit approved in 2013-14 and 27.52 paise per unit approved for the year 2012-13.

Orders of the Commission

39. 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.3951.52 lakh and Expected Revenue of Rs.4030.57lakh, leaving a revenue surplus of Rs.79.05 lakh for the year 2014-15 as stated above. The licensee shall limit the expenses to the approved level. The existing Retail Supply Tariff (RST) and the Bulk Supply Tariff (BST) shall continue till further orders.

40. The depreciation and RoE are allowed provisionally and the said amount shall be deposited in the separate fund constituted for this purpose as directed in para 25 and 31 above.

41. The Commission has issued a notice under section 19 of the Electricity Act to the licensee for revocation of licence. This order is subject to the final decision on the said proceedings

42. Petition disposed of, ordered accordingly.

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

Approved for issue

Secretary