KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM

Petition No.	:	OP 11/2014
In the matter of	:	ARR & ERC of M/s Technopark, Thiruvananthapuram for 2014-15
Petitioner	:	M/s Technopark, Thiruvananthapuram

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

ORDER DATED 28-08-2014

ORDER

1. M/s Technopark, Thiruvananthapuram, is a deemed distribution licensee for distribution of electricity in the Technopark campus. The licence for distribution was originally given by Government of Kerala as per government order No. G.O.(P) No.19/99/PD dated 12-7-1999. The Technopark has now four phases : phase I, which is the existing park (150 Acres). Phase II (86 acres) is leased out to M/s.Infosys and M/s.UST Global. Phase III extending over 93 acres of land, also a SEZ, is adjacent to phase I. Phase IV is the Technocity (450 acres). Technopark, Kollam (44 acres) is also part of its expansion.

2. M/s Technopark filed the petition for approval of ARR & ERC for the year 2014-15, on 04.02.2014. As there were defects in the petition, the licensee was given notice for curing the defects and also for providing clarifications on the petition vide letter dated 6-3-2014, by giving time till 21-3-2014. However, the licensee could not submit the clarifications and cure the defects in the petition even after lapse of considerable time. Hence, the Commission, issued a notice dated 15-5-2014 under Section 142 of the Electricity Act, 2003 to the licensee to show cause why action shall not be initiated for non-compliance of the directions.

3. In the mean time, the licensee provided the required details for curing the defects in the petition vide letter dated 15-5-2014. In reply to the notice dated 15-5-2014 issued under Section 142 of the Act dated, the licensee vide its letter dated 28-5-2014 submitted the compliance of directives and reason for delay in furnishing the reply. After examining the details and explanations submitted by the licensee, the Commission decided to condone the delay in filing the petition and to withdraw the proceedings under Section 142. On scrutiny of the details furnished by the licensee, it was noticed that there are certain discrepancies in the filing especially on depreciation and estimation of revenue return in the initial petition and subsequent clarifications. For the purpose of the petition, the details furnished by the licensee vide letter dated 15-5-2014 are considered as part of the petition. Accordingly, the petition for approval of ARR&ERC for 2014-15 of the licensee was admitted as OP No.11/2014. The summary of the petition is given below:

Table 1

Summary of the ARR &ERC projected by Technopark for the year 2014-15

Category	2012-13 Actual (Rs. lakhs)	2013-14 Approved (Rs. lakhs)	2014-15 Projection (Rs. lakhs)
Cost of power purchase	3,088.73	4,172.03	4,364.72
Interest & finance charges	68.76	61.81	147.73
Depreciation	104.25	124.40	174.92
Employee Cost	18.74	17.27	18.99
R & M Expenses	124.63	196.70	199.14
A & G Expenses	66.09	58.04	64.00
Return on investment	10.00	10.00	461.87
Total expenditure	**3,481.20**	**4,640.25**	**5,431.37**
Revenue			
Revenue from tariffs	3,390.42	4,523.61	4,170.86
Non-tariff income	43.58	20.40	43.00
Total revenue	**3,434.00**	**4,544.01**	**4,213.86**
Revenue surplus/(gap)	**-47.20**	**-96.24**	**-1,217.51**

4. The revenue gap projected for 2014-15 is Rs.1217.51 lakh including return on equity of Rs.461.87 lakh. The approved revenue gap for the year 2013-14 was Rs.96.24 lakhs and the actual revenue gap for 2012-13 as per the accounts of the licensee was Rs.47.20 lakh.

Hearing on the petition

5. Hearing on the petition was held on 24.07.2014 at the Park Centre, Technopark campus. Representing M/s Technopark, Shri.Einstein.E.V Assistant Manager, Technopark, presented the petition of the licensee and Smt. I.Jayasindhu and Smt. Subbalakshmi consultants to Technopark provided clarifications on the petition. Shri. Manoj, contractor for O&M operations pointed out that Technopark have total transformer capacity of 38MVA and it is very difficult to reduce the distribution loss below 4% as the core losses itself be around 3%. Shri. Sajith C.R, representative of Infosys Ltd stated that no incentive is at present available for their captive solar unit. Representatives from IIITM-K, Shri Jayesh.J and Assistant Manager UST Global also participated.

6. The comments/objections of Kerala State Electricity Board Limited were presented by Shri. Sharma, Dy. Chief Engineer. According to KSEBL, there is a mismatch in the data provided by Technopark. KSEBL pointed out that the AT&C loss projected is more than the previous year's approved level. The depreciation may be allowed only for the assets utilized from the beginning of the year and the assets created out of grants and consumer contribution may not be considered for depreciation. According to the KSEBL, the projected R&M expenses is 255% higher than the trued up amount for 2010-11 and such an increase is exorbitant. Hence, KSEBL suggested that O&M expenses shall be allowed based on the inflation indexing. KSEBL also commented on the expenses towards security and consultancy charges.

7. M/s.KSEBL also commented on the revenue projections of M/s Technopark and stated that the comparison of approved and projected revenue is not submitted by the licensee as directed by the Commission. KSEBL also pointed out inconsistencies in the revenue estimates of M/s Technopark especially in LT IV category. Regarding interest on loans, KSEBL is of the view that interest for projects which are not approved by the Commission should not be allowed in the ARR.

Further, prudence check on the new investment at Technopark Kollam and Technocity needs to be conducted. In the case of RoE, KSEBL stated that only provisional RoE may be allowed as has been done in the previous years.

Analysis and decision of the Commission

8. The Commission after considering the materials filed by the licensee, the comments of the KSEBL as well as of other stakeholders and the clarifications provided by the licensee, has approved the ARR&ERC of the licensee as detailed in the following paragraphs.

Energy Sales:

9. The projected sales of the licensee for 2014-15 is 68.53 MU as against the approved sales of 61.14 MU for 2013-14.The licensee claimed that significant load additions are expected due to the completion of IT campus. New consumers are expected in Tejaswini building, Leela Infopark building, Amstor building, Bhavani building and TCS SEZ. Companies such as M/s.UST Global and M/s Infosys are expecting to expand the operations. The details of sales projections given by the licensee are as shown below:

Table 2
Energy Sales projected for 2014-15

Category	No. of Consumers	Energy sales (lakh units)
HT-I (Industrial)	16	228.22
HT - II (Non Industrial)	1	1.52
HT - IV (Commercial)	1	7.91
LT IVA (Industrial - Non TOD)	6	2.38
LT IVB Industrial IT & ITES < 20kW	52	10.69
LT IVB IT & ITES >= 20kW	198	401.78
LT - VI (B) Non-Domestic (1-Ph & 3-Ph)	4	1.19
LT VI C Non-Domestic (1-Ph & 3-Ph)	37	3.98
LT VII (A) Commercial (1-Ph)	66	1.64
LT VII (A) Commercial (3-Ph)	58	17.89
LT VII (B) Commercial	16	0.16
LT VIII General (3-ph)	1	0.07
Self Consumption	3	4.75
Street Lighting	15	3.17
Total	**474**	**685.36**

The above estimation is inclusive of all the phases in the licence area. The Commission sought the phasewise details of energy projections and the details given by the licensee are as shown below:

Table 3
Phasewise energy sales projections for 2014-15

Phase	2013-14 Actuals (upto Feb)		2014-15 (projected)	
	No. of consumers	Energy Sales (MU)	No. of consumers	Energy Sales (MU)
Technopark Phase -I	426	470.2	420	606.4
Technopark Phase II & IIII	26	50.4	39	66.2
Technopark Kollam	2	0.30	15	12.7
Technocity	0		0	
	454	520.9	474	685.3

10. As shown above, the consumption in areas other than Phase I is slowly picking up. Majority of the consumers and sales are in the LT category. Considering the actuals for 2013-14 and expected addition of consumers, the Commission is of the view that the projections of the licensee for 2014-15 are reasonable and accordingly the projections for 2014-15 are approved for the purpose of approval of ARR&ERC.

Distribution Loss and Energy Requirement:

11. Total purchase of energy projected by the licensee for 2014-15 is 71.40 MU and the projected distribution loss is 2.87 MU ie.4.01% of energy input. The approved distribution loss for 2013-14 was 3.8% only. According to the licensee as the operations expand, the losses are bound to increase. At present, licensee has five power transformers and over 60 distribution transformers. Transformer loss is high due to the higher ratio of transformer capacity to load. Losses in UG cables and LT cables, though low, are also to be considered. The licensee has also taken measures for reducing the distribution loss. All the electromagnetic meters were replaced with electronic energy meters for accurate measurement of energy consumption. Stringent periodical maintenance activities are being followed.

12. The Commission has considered the arguments of the licensee. As per the projections of the licensee, the loss level is higher compared to the previous year. As new areas are being brought into service, the losses may tend to increase, as the

optimum level of loading may be achieved gradually as and when consumer strength increases. The Commission further notes that the approved loss is lower but the approved sales were higher in 2013-14 compared to 2014-15. The licensee has taken steps for controlling the distribution loss. Hence, the Commission is of the view that level of losses approved in the previous year may be made applicable to 2014-15 without any change. Accordingly the distribution loss and energy requirement for the year 2014-15 are approved as shown below:

Table 4

Approved Distribution Loss and Energy Requirement

Description	2012-13 Approved	2013-14 Approved	2014-15 Projected	2014-15 Approved
Energy Sales (MU)	70.32	78.64	68.53	68.53
Power Purchase (MU)	73.25	81.75	71.40	71.24
Distribution loss (MU	2.93	3.11	2.87	2.71
Distribution Loss %	4.0%	3.8%	4.0%	3.8%

Cost of Power Purchase:

13. The Licensee has projected Rs.4364.72 lakh as the cost of power purchase for 2014-15. The estimates are based on the tariff effective from 1-5-2013. The Commission also sought the phase wise details of energy purchase and cost of power and the details furnished by the licensee are as shown below:

Table - 5

Phase wise cost of Purchase of Power Projected by Technopark

	2013-14				2014-15			
	Phase -1	Phase II&III	Kollam	Total	Phase -1	Phase II&III	Kollam	Total
Total Maximum Demand(KVA)	16800	4500	3750	25050	16800	4500	3750	25050
Rate (Rs./KVA)	300.00	300.00	300.00		300.00	300.00	300.00	
Demand charges(Rs.lakh)	604.80	162.00	135.00	901.80	604.80	162.00	135.00	901.80
Excess Demand charges, if any,								
Total Demand charges	604.80	162.00	135.00	901.80	604.80	162.00	135.00	901.80
Energy purchase (Lakh units)	654.77	138.72	24.07	817.56	631.90	68.88	13.23	714.01
Rate (Rs./kWh)	4.00	4.00	4.00		4.85	4.85	4.85	
Total energy charges (Rs. lakh)	2,619.08	554.88	96.28	3,270.24	3,064.72	334.07	64.17	3,462.92
Other charges								
Total charges (D C + EC)(Rs lakh)	3,223.88	716.88	231.28	4,172.04	3,669.52	496.07	199.17	4,364.72

14. The major share of purchase of energy is for phase – I, which is projected to increase in 2014-15. However, the purchase of energy for phase II and phase III are projected to decrease in 2014-15. Based on the approved energy sales and distribution loss, power purchase cost at the existing BST approved by the Commission is as shown below:

Table 6

Projected and Approved Cost of Power Purchase for 2014-15

	Projected	Approved
Total Maximum Demand(KVA)	25050	25050
Rate (Rs./KVA)	300	300
Demand charges (Rs.lakh)	901.8	901.8
Excess Demand charges, if any,	Nil	Nil
Total Demand charges	901.8	901.8
Energy purchase (Lakh units)	714.01	712.4
Rate (Rs./kWh)	4.85	4.85
Total energy charges (Rs. lakh)	3462.92	3455.14
Other charges	Nil	Nil
Total charges(D C + EC)(Rs lakh)	**4364.72**	**4356.94**

15. The Commission approves the cost of power purchase as Rs.4356.94 lakhs based on the existing BST. The Commission has already revised the retail supply tariff applicable to all the licensees in the State with effect from 16-8-2014. Accordingly, the BST will also be revised with effect from 16-8-2014.

Interest and Financing charges:

16. The Licensee has projected Rs.147.73 lakh towards interest and financing charges for 2014-15 as shown below:

Table 7

Interest and Financing Charges projected for 2014-15

	Particulars	2013-14 (Approved)	2014-15 (Projected)
		(Rs.lakhs)	(Rs.lakhs)
1	Interest on loan for Bhavani and Gayatri building from Central Bank	3.26	1.45
2	Interest on loan for Thejaswini buildings from Canara Bank	20.15	17.27
3	Interest for loan on construction of substation in phase III from Indian Bank		33.93

4	Interest for loan on construction of substation in Kollam from NABARD		53.80
5	Interest on consumers Security Deposit	38.40	41.28
	Total	61.81	**147.73**

17. Interest and financing charges claimed by the licensee as per item (1) and (2) is the interest on capital expenditure for the electrical installations of the buildings in phase I. Item No. (3) is the interest on loan for the construction of a substation in phase III. Item No.(4) is the interest for the loan on the construction of substation in Kollam. The Commission has sought the funding details of interest charges proposed by the licensee. The Commission has been allowing interest for the first two items in the previous ARRs. According to the licensee, Rs.33.93 lakh is for the interest on the loan availed from South Indian Bank for the construction of Phase II and Phase III substation. Out of the total cost of Rs.10.45 crore, Rs.8.64 crore is met from loan from South Indian Bank and balance funds are employed by the Technopark. The item no.4 is towards the interest on loan from NABARD under RIDF scheme for the construction of substation and electrification of Kollam Park. Out of the total amount of Rs.23.08 crore, Rs18.92 crore was met from NABARD and the balance was met by Technopark. The substation is expected to commence operations in 2014-15. The licensee has also furnished the phase wise asset details and the funding details. The details are given below:

Table 8

Details of source for creation of assets

Phase – I	Gross Value (Rs.crore)		Rs. Crore
Transmission lines	7.21	Loan from Central Bank	2.36
Civil works	1.89	Loan from Canara Bank	3.70
Substations	8.78	Grant	5.31
11kV works	0.83	Internal funds	7.62
LT lines, Service connections	0.24		
Metering equipments	0.03		
Electrical installation	0.01		
Total	**18.99**	**Total**	**18.99**
Phase – II			
Substations	10.45	Loan from South Indian Bank	8.64
Kollam			
Transmission lines	18.30	Loan from NABARD	18.91
Substations	4.79	Internal funds	5.97
Total	**33.53**		**33.53**
Grand Total	**52.51**		**52.51**

18. The information given by the licensee as shown above shows the loans availed for construction of substations and other distribution assets. However, the interest charges proposed by the licensee ie., Rs.33.93 lakh and 55.8 lakhs are not consistent with the loans taken from different sources. The difference may be due to the capitalization, but the licensee has not clarified the difference.

19. In the previous ARR petitions, the licensee had mentioned about the capital investments especially on the substations. Though the Commission has directed them to provide the complete details of capital investments and its funding programme for approval, the same were not sumitted. Now the licensee has proposed to include the interest charges for two substations viz., at Technopark Kollam and Phase II. Though the Commission has not formally approved the capital investment, for the purpose of ARR, the interest charges proposed is approved provisionally. However, the final approval will be subject to the approval of the capital expenditure. It is also to be noted that approving the capital expenditure after capitalization is not proper and against the regulatory principles. The licensee has to propose the capital expenditure along with funding plan before the commencement of work and approval has to be obtained before the commencement of work in a time bound manner. Thus the Commission allows provisionally the interest and finance charges of Rs.147.73 crores for the year 2014-15 as proposed by the Licensee.

Depreciation:

20. The licensee has proposed Rs.174.92 lakhs towards depreciation for 2014-15 as given below

Table 9

Depreciation proposed for 2014-15

Description of Asset	Depreciation Approved for 2012-13	Depreciation approved for 2013-14	GFA in the beginning of the year	Depreciation for 2014-15	Rate of depreciation
	(Rs.lakhs)	(Rs.lakhs)	(Rs.lakhs)	(Rs.lakhs)	(%)
Civil Works	3.40	6.12	188.95	6.12	3.24%
Transmission Lines	25.97	38.08	1,020.95	53.91	5.28%
Substations	69.79	102.36	2,064.02	108.98	5.28%

11 KV works	3.00	4.40	83.28	4.40	5.28%
LT lines Service Connections etc.	0.88	1.29	24.41	1.29	5.28%
Metering equipment	0.09	0.16	2.53	0.13	5.14%
Others - Electrical Installation	0.03	0.05	1.67	0.09	5.39%
Total	**103.16**	**152.46**	**3,385.81**	**174.92**	5.17%
(Less) Grants and Consumer contribution		28.06			
Depreciation allowable		**124.40**			

21. The licensee has taken GFA at the beginning of the financial year 2014-15 for the purpose of calculating depreciation. The GFA estimated at the beginning of the year 2014-15 includes asset additions of Rs.36.27 lakhs under substations in 2012-13 and Rs.359.01 lakhs under transmission lines in 2013-14. However, it is not properly stated as to which are the items where the GFA has been increased. It is also not reported whether the assets are put into operation. It is not proper to capitalise the works before they are made completely operational and as a policy, depreciation can be allowed only when the assets are put into operation. As has been pointed out, the licensee has not obtained approval for the capital investments from the Commission. So the Commission cannot grant the claims of asset additions claimed for 2012-13 and 2013-14 for the purpose of depreciation. This can be considered at the time of truing up, provided the required details are furnished. The Commission has been allowing depreciation as per the CERC norms as revised in 2009. The same principle has been followed in this case also. However, the licensee has to maintain the accounts in line with the requirements under the CERC norms. In the truing up process, the licensee has to show that the accounts are maintained to reflect the depreciation as per the revised CERC norms. In absence of the compliance of this condition, depreciation as per the CERC norms applicable for the period 2004-09 shall only be allowed during the truing up. The allowable depreciation for 2014-15 is estimated as follows :

Table 10

Estimate of Depreciation for 2014-15

Description of Assets	GFA at the beginning of the year 2012-13	Rate of depreciation	Depreciation Amount
	Rs.lakhs	%	(Rs.lakhs)
Civil works	188.95	3.24	6.12
Transmission Lines	661.94	5.28	34.95

Substations	2,027.75	5.28	107.07
11 KV works	83.28	5.28	4.40
LT Lines, Service Connections etc.	24.41	5.28	1.29
Metering equipment	2.53	6.30	0.16
Others - Electrical Installations	1.70	5.28	0.09
Total	**2,990.56**		**154.07**

22. The admissible depreciation for 2014-15 is Rs.154.07 lakh only. As per the due diligence carried out by the Commission on the accounts of M/s. Technopark in the year 2007-08, it was seen that a total of Rs.531.45 lakhs is comprised of Government grants and consumer contribution for which depreciation is not allowable. Accordingly, depreciation approved for 2014-15, after deducting the depreciation on assets created out of consumer contribution and grants, is Rs.126.01 lakhs as shown below:

Table 11

Depreciation Approved for 2014-15

Description of Assets	GFA	Rate of depreciation	Depreciation Amount
	Rs.lakhs	%	(Rs.lakhs)
Total GFA	2,990.56		154.07
(Less) Grants and Consumer contribution	531.45	5.28%	28.06
Depreciation allowable			**126.01**

Employee cost:

23. The licensee has projected Rs.18.99 lakh towards employee cost. The employee cost approved for 2013-14 was Rs.17.24 lakh. The projected employee cost for 2014-15 is 10% higher than the approved employee cost for 2013-14.

24. The Commission has examined the projections of the licensee. The salary component is Rs.14.00 lakh and staff welfare expenses is Rs. 4.99 lakhs. The apportionment of salary for the staff given by the licensee is as shown below:

Table 12

Apportionment of employee expenses

Category	No. of employees	% of allocation
General Manager Technical	1	50%

Chief Finance Officer	1	20%
Sr. Executive – Finance	2	20%
Electrical Engineer	3	100%
Electrical consultant	1	0%
Contract staff	66	0%
Total	74	

25. As per the above table, the cost of electrical consultant is booked under capital costs and contract staffs are booked under R&M expenses. The Commission has been following a policy that the O&M expenses are controllable item and the increase in expenses should cover the inflation only. The average rate of inflation indexed on WPI:CPI is 8.66% for 2013-14. Hence, the same level of increase to cover inflation is allowed for employee costs. Thus, the employee costs approved for the year 2014-15 is Rs.18.73 lakhs.

Repair and Maintenance Expenses:

26. The R&M expenses projected for the year 2014-15 is Rs.199.14 lakh as against Rs. Rs.196.70 lakhs approved for 2013-14. The approved R&M expense for 2012-13 was Rs.129.78 lakh. The projected expense is only marginally higher than the approved expenses for 2013-14. The licensee has expanded the operations in Phase III as well as to Kollam. Out of the projected amount, Rs.199.14 lakh, Rs.198.64 lakh is for the repairs of transmission lines, substations, and distribution network and the balance (Rs.0.5 lakh) is for the repairs and maintenance of other buildings. The Commission has sought the phase wise details of R&M expenses and the licensee vide letter dated 18-3-2014 has given the details as shown below:

Table 13

Phase wise details of R&M expenses for 2014-15

Phases	2013-14	2014-15		
	Approved	Upto August, 2014	Sept to March 2015	Total
	Rs.in lakh	Rs.in lakh	Rs.in lakh	Rs.in lakh
Technopark phase I	120.00	51.45	56.59	108.04
Technopark , Kollam(IT Building)	7.20	-	9.00	9.00
Technopark, Kollam (110 KV S/s)	29.58	13.50	14.85	28.35
Technopark phase III(110 KV S/s)	27.12	12.81	14.10	26.91

Technopark Phase III(IT Building)	12.50	12.00	12.00	24.00
Technocity	-			-
Buildings	0.30			0.50
Sub total	**196.70**	**89.76**	**106.54**	**196.80**

27. In the details furnished vide letter dated 18-3-2014, the licensee has revised the R&M expenses for 2014-15 as Rs.196.80 lakhs from Rs.199.14 lakhs. Based on the details furnished by the licensee, the Commission approves the revised R&M estimate of the licensee ie., Rs.196.80 lakhs for 2014-15.

A&G Expenses:

28. The A&G expense projected by the licensee is Rs.64.00 lakh which is about 10% higher than the approved A&G expenses for 2013-14. The A & G expenses approved over the previous years are as given below:

Table 14

A&G Expenses Approved over the Years

Year	R&M Costs Rs.in lakhs	Remarks
2007-08	39.17	Trued up
2008-09	37.55	Trued up
2009-10	29.76	Trued up
2010-11	55.96	Approved
2011-12	47.98	Approved
2012-13	52.77	Approved
2013-14	58.04	Approved
2014-15	64.00	Projected

29. The major items of A&G expenses include security charges (Rs. 7.99lakhs) insurance charges (Rs.3.03 lakh) electricity charges (Rs.26.28 lakhs) consultancy charges (Rs.3.63 lakhs) other administrative charges (Rs.7.69 lakhs) and conveyance and hire charges of vehicle (Rs.7.08 lakhs). In the letter dated 18-3-2014, the licensee has stated that the projections are made considering 10% increase to account for inflation. As has been mentioned in the previous years, A&G expense is a controllable item and the licensees have to take earnest efforts to control it. Hence, the Commission is inclined to allow the A&G expenses to cover inflation on the approved level in 2013-14. The inflation rate based on the weighted average of CPI and WPI, for 2013-14 is 8.66%. Thus the A&G expenses approved

for 2014-15 is Rs.63.06 lakhs. The licensee has to limit the expenses at the approved level.

Return on Equity:

30. The Licensee has projected Rs.461.87 lakhs as Return on equity for the year 2014-15. The estimation on return on equity given by the Licensee is as follows:

Table 15

Estimation of Return on Equity by the Licensee for 2014-15

14 % Return on the capital funds of Rs.765.10. lakh	107.11
Return at bank PLR13% on Debt (Capital base less amount considered as equity i.e. Rs.2927.58 lakh)	380.58
Return at bank PLR 10.25% on working capital (Rs.793.00 lakh)	81.28
Total	461.87

31. It is apparent from the estimation that the licensee has included all the investments proposed in different phases for estimating the return. As mentioned in the previous year, the issue of determining the reasonable rate base for allowing return is under the examination of the Commission. Till a decision is taken on the issue the Commission allows a provisional return on equity of Rs.10 lakh for 2014-15.

Aggregate Revenue Requirements for 2014-15:

32. Based on the above deliberations, the Aggregate Revenue Requirements proposed and approved for 2014-15 are as given below:

Table 16

Approved ARR for 2014-15

Category	2014-15 Projection (Rs. lakhs)	2014-15 Approved (Rs. lakhs)
Cost of power purchase	4,364.72	4,356.94
Interest & finance charges	147.73	147.73
Depreciation	174.92	126.01
Employee Cost	18.99	18.73

R & M Expenses	199.14	196.80
A & G Expenses	64.00	63.06
Return on investment	461.86	10.00
Total expenditure	**5,431.36**	**4,919.27**

Revenue from Tariffs:

33. The revenue from sale of power at the existing tariff projected by the licensee is as shown below:

Table 17

Estimate of Revenue from sale of power for 2014-15

Category	No. of Consumers	Energy Sales	Amount	Average realisation
		(lakh units)	(Rs.lakh)	(Rs./kWh)
HT consumers	18	237.35	1,501.74	6.32
LT consumers	438	439.78	2,630.93	5.98
Self Consumption	3	4.75	25.64	5.4
Public lighting	15	3.16	9.55	3.02
Sub Total	474	685.36	4,167.86	6.08
Delayed payment charges			3.00	
Total revenue from charges			**4,170.86**	

34. The average realisation from HT consumers is Rs.6.32/unit and that from LT consumers is 5.98/unit. The average realisation from these LT categories is higher than that of the previous year. The average realisation from self-consumption and public lighting is calculated as Rs.5.40 /unit and Rs.3.02/unit respectively. The licensee has also projected Rs.3.00 lakhs towards penalty for delayed payment. Thus the total revenue from charges is estimated as Rs.4170.86 lakhs

35. The Commission has scrutinized the revenue estimation of the licensee. The split up details given by the licensee vide letter dated 18-3-2014 is also not consistent with the petition. The revenue estimates as per the letter dated 18-3-2014 is lower than the projections given in the petition. KSEBL has also commented on the revenue projections of the licensee as being conservative. The Commission notes that the average realization from self consumption is only Rs.5.40 per unit, whereas the same for the year 2013-14 is Rs.11.27 per unit. In the case of other categories,

the average realization is higher than that of 2013-14. The average realization for self consumption cannot be such a lower figure. In the absence of better estimates, for estimating the revenue from self consumption, average realization for the previous year ie., Rs.11.27 is taken. Accordingly, the revenue for the year 2014-15 is re-estimated as Rs.4198.75 lakhs.

Non tariff income:

36. The licensee has projected a non tariff income of Rs.43.00 lakh for 2014-15.The estimates of non tariff income are shown below.

Table 18

Estimate of Non-tariff income for 2014-15

	2013-14 Approved (Rs lakh)	2013-14 Revised (Rs lakh)	2014-15 Projected (Rs lakh)
Interest on security deposits with KSEB	19.40	8.50	10.50
Interest on bank fixed deposits	0.30	33.72	31.50
Interest on banks	0.20	4.25	0.50
Misc. recoveries	0.50	0.50	0.50
Total	20.00	46.97	43.00

37. In 2013-14, the Commission has approved the estimate of the non-tariff income (Rs. 20.00 lakhs) given by the licensee without any change. It can be seen that the estimate of the non-tariff income has been substantially underestimated in 2013-14. As per the revised filing of the licensee, the estimate of non-tariff income for the year 2013-14 has been shown as Rs.46.97 lakhs. The Commission views such misrepresentation very seriously. There is no reason why the non-tariff income should reduce from the level of 2013-14. Hence, the Commission is of the view that non-tariff income can be at the same level as that of the revised estimate of the licensee for the year 2013-14. Hence for the purpose of ARR&ERC, non-tariff income is taken as Rs.46.97 lakh for the year 2014-15.

Total revenue from charges:

38. The total revenue for the year 2014-15 is as shown below:

Table 19

Total revenue projected for 2014-15

	Projected by the Licensee	Approved by the Commission
	Rs. lakh	Rs. lakh
Revenue from the sale of power	4,170.86	4,198.75
Non-tariff income	43.00	46.97
Total	4,213.86	4,245.72

Summary of ARR&ERC and Revenue Gap:

39. Revenue gap projected by the licensee for 2014-15 is Rs.1217.50 lakhs. Based on the materials provided by the licensee and explanation/clarification given at the time of hearing, the Commission arrives at a Revenue Gap of Rs.673.55 lakhs as shown below

Table 20

Approved ARR & ERC for 2014-15

Category	2014-15	
	Projection	Approved
	(Rs. lakhs)	(Rs. lakhs)
Cost of power purchase	4,364.72	4,356.94
Interest & finance charges	147.73	147.73
Depreciation	174.92	126.01
Employee Cost	18.99	18.73
R & M Expenses	199.14	196.80
A & G Expenses	64.00	63.06
Return on investment	461.87	10.00
Total expenditure	**5,431.37**	**4,919.27**
Revenue		
Revenue from tariffs	4,170.86	4,198.75
Non-tariff income	43	46.97
Total revenue	**4,213.86**	**4,245.72**
Revenue surplus/(gap)	**-1,217.51**	**-673.55**

Compliance of Directives

40. The Commission has issued directions in the ARR&ERC orders for 2013-14 with time limit for compliance and report. However, the licensee has not submitted the progress of compliance as directed by the Commission. However, in reply to the notice issued under Section 142, the licensee has reported the following compliance.

a. Regarding the direction to have long term power procurement plan to meet the demand on account of the expansion of the park, the licensee has reported that it had studied the option of power procurement from sources other than KSEBL. Due to technical and commercial constraints, they could not proceed further. Regarding the purchase from KSEB, it was informed that in order to avail additional power from KSEBL, the incoming feeder from 220kV substation Pothencode to 110kV substation Kazhakkuttom (feeding power to Technopark Phase I, II, & III), needs to be strengthened. Estimate was submitted by KSEBL for lying 110kV UG cable, the same is placed before the project implementation board for approval. The licensee apologized for not reporting the progress to the Commission as per the directions.

   The Commission is of the view that the licensee has failed to comply with the directives and timelines provided in the order. The licensee could not produce any documents in support of its efforts for securing alternate power procurement plan. The licensee has mixed up the issue of adequate connectivity and power procurement from alternate sources. The connectivity and adequate transmission capacity is to be ensured whatever the source of supply- whether KSEBL or any other sources. Regarding securing connectivity and expansion of capacity, the licensee has to approach the STU of KSEBL, which is entrusted with the task of ensuring adequate infrastructure for bulk transfer of power. While ensuring expansion of capacity of lines, the licensee should ensure that cost of such reinforcements/additional capacity shall not be a burden to the existing consumers or to KSEBL. **Accordingly, the licensee has to approach the Commission with technical feasibility reports, alternate options, proper cost estimates and its impact on the consumers BST, for obtaining the approval of the Commission. This has to be**

done in a time bound manner and the report on the same shall be submitted on or before 1st November, 2014.

b. In compliance of direction to replace all electromechanical meters, the licensee has reported that all the electromechanical meters have been replaced with electronic energy meters, but failed to report the progress on time. According to the licensee, the direction has been complied with.

   The Commission notes the progress of the compliance. Once a direction is issued with time limit, the licensee is duty bound to report the compliance in a time bound manner. **The licensee is directed to submit on or before 01-10-2014, the details of three months energy sales to the consumers before and after the replacement of meters. A soft copy shall also be submitted along with change in consumption.**

c. The licensee was directed to furnish the capital investment details for each phase separately including cost / benefit analysis. The licensee has furnished a status report on the capital investment plan, however, the information furnished are not complete and proper evaluation on the impact on ARR could not be estimated. Hence, the Commission would consider the matter separately. The licensee is directed provide the required information as directed, complete the process before the filing of next ARR.

d. The Commission has directed to furnish the details of assets created out of contribution and grants. The licensee has reported that there no addition to assets in 2011-12 and 2012-13 using contribution and grants. The Commission sought the details on the assets created out of grants and contributions, as the depreciation on such asset cannot be admitted to the licensee. The Commission has earmarked the grants and contribution after a due diligence study in the year 2007. However, status of asset additions and source of funding of such assets, after this date is to be examined in detail to arrive at such estimates. The same may be taken up along with approval of capital investment plan of the licensee.

Orders of the commission

41. After analysis of the ARR&ERC petition and the clarifications thereon submitted by the licensee, the Commission provisionally approves the ARR of Rs.4919.27 lakhs and estimated revenue of Rs.4245.72 lakhs, leaving a revenue gap of Rs.673.55 lakhs for the year 2014-15 as stated above. The average cost of power is estimated to be Rs.7.18/unit and distribution cost is estimated at Rs.0.82/unit. The licensee shall take effective steps to limit the expenses to the approved level. The Retail Supply Tariff as approved by the Commission in the order dated 14-8-2014 will be applicable to the consumers of the licensee also with effect from 16-8-2014 till 31-03-2015. Orders on BST applicable with effect from 16-8-2014 will be issued separately.

42. Petition disposed of. Ordered accordingly.

Sd/-
Mathew George
Member

Sd/-
T.M.Manoharan
Chairman

Approved for Issue

Secretary