

**KERALA STATE ELECTRICITY REGULATORY COMMISSION  
THIRUVANANTHAPURAM**

**Present: Shri. K.Vikraman Nair, Member  
Shri. S. Venugopal, Member**

**OP No 24/ 2015**

**Petition in the matter of Truing up accounts of Cochin Port Trust for 2012-13**

**Order Dated 16.12.2015**

**Background**

1. M/s Cochin Port Trust (herein after referred to as CPT or licensee) filed truing up petition for 2012-13 on 09.12.2014. This truing up of accounts is examined based on the ARR & ERC approved by the Commission for 2012-13 as per the order dated April 9, 2012 of the Commission in OP No. 5/2012.
2. As per the petition for truing up, the revenue gap for the year 2012-13 is shown as Rs.867.66 lakh as against approved revenue surplus of Rs.280.55 lakh. A comparison of approved amounts as per ARR&ERC for the year 2012-13 and the actual amount claimed is given below.

**Table -1  
CPT – Summary of Truing up of accounts for 2012-13**

					Rs lakh
No	Form	Particulars	Approved in ARR	Actuals claimed	Increase/ Decrease
1	F	Power Purchase Cost	1375.68	1933.82	558.14
2	O	Interest and Finance charges	0	389.52	389.52
3	N	Depreciation	121.18	141.54	20.36
4	K	Employee cost	275.13	633.63	358.50
5	J	Repairs & maintenance cost	5.00	12.52	7.52
6	M	Admn & General expenses	34.17	51.78	17.61
7	I	Other expenses	10.00	46.12	36.12
8		Gross expenses (total 1 to 7)	1821.16	3208.93	1317.64
9		Less Expenses capitalised		0	
10		Less Interest capitalised			
11	E	Revenue Return @ 3% of NFA		0	
12		<b>Aggregate Revenue Requirement</b>	1821.16	3208.93	1317.64
13	B	Revenue from Tariff	2093.01	2295.15	
14	B	Non Tariff income	8.70	46.12	
15		<b>Expected Revenue from charges</b>	2101.71	2341.27	239.56
16		<b>Surplus(+)/Deficit(-)</b>	280.55	-867.66	

## Hearing on the petition.

3. The hearing on the petition was held on 27-07-2015 at Cochin Port Trust campus. Sri. Paul Antony, Chairman of Cochin Port Trust was present. Sri Aji Kurien represented Cochin Port Trust and Sri B.Pradeep represented KSEB Ltd in the hearing. The important comments made by KSEB Ltd. in the hearing and also vide letter No KSEB/TRAC/CPT-Truing Up 2012-13/R1/2018 dated 24-07-2015 are given below.

- a) *"Commission vide letter dated 13-08-2013 in OP No 17 of 2013 (True up order for the year 2011-12 of CPT) had directed the petitioner to submit truing up petition along with separate audit certificate. The present petition is filed without complying with above directive.*
- b) *The petitioner had projected an income of Rs 2341.27 Lakh and expenditure of Rs 3919.49 Lakh leaving a revenue gap of Rs 778.22 lakh . The petitioner has not provided any reasons for the huge revenue gap nor had substantiated the huge increase in expenditure when compared with the approved level.*
- c) *The petitioner had claimed interest on loan from Government amounting to Rs 319.39 lakh. Commission may disallow the same as done in the previous year (2011-12 ). Since the licensee is not repaying the loan or its interest to the Government, as noted by the Commission in the True Up order for the year 2011-12 of CPT.*

*Also , it is seen that the petitioner booked Rs 46.12 lakhs towards interest on security deposit as a separate item of expenditure, instead of including the same in the head ' interest and finance charges'. Further , the above claim seems excess over the actual expenditure incurred. Interest on security deposit disbursed to consumers is only Rs 10.88 lakh.*

- d) *The Licensee is holding an accumulated surplus of Rs 2480.76 lakh over and above statutory return , from the year 2004-05 to 2011-12 as recognized by the Hon. Commission. However the licensee has availed loan from Government to the tune of Rs 167.34 lakh in the year 2012-13. At the same time the Government loan is never repaid even while depreciation is claimed for the assets created out of loan. Moreover licensee is claiming interest for the whole accumulated loan which should have exhausted had the licensee repaid the loan out of claimed depreciation amount. This result in double depreciation burdening of consumers, by way of claiming depreciation and then claiming interest on entire loan.*
- e) *The petitioner had claimed Rs 633.33 lakh in respect of employee cost for the year 2012-13. It may be noted that Hon. Commission had approved only Rs 275.13 lakh against projection of Rs 423.55 lakh while approving the ARR and ERC for the year 2012-13. The present claim is 130% higher than the approved level. It may be noted that previous years trued up value was only*

238.21 lakh . It is submitted that the licensee has not segregated the accounts of staff as directed by the Commission. The petitioner may be directed to revise employee cost in accordance with directives of the Hon Commission in the true up order dated 16-05-2011. The number of employees provided by the licensee to cater around 1407 consumers resulting into one employee taking care of just 13 consumers. It is seen that the licensee has not properly apportioned the technical and non-technical staff of Cochin Port Trust between Port Trust activities and its electricity Distribution business. Commission may consider the approach followed while truing up accounts of the licensee for the previous years

- f) Licensee has projected Rs 23.31 lakh for the year 2011-12, towards security arrangements, which is about 45% of the total 'Administration and General ' expenses. Hon Commission may look into the reasonableness of such expense in relation to electricity distribution business of the licensee and only allow a reasonable expenses.
- g) Hon Commission has revised tariff with effect from 01-07-2012. However the per unit realization as per data provided by the petitioner does not reflect the impact of tariff revision except for HT category.
- h) The licensee has not provided the details of self consumption. Hon Commission may call for details regarding the booking of self consumption in appropriate tariff before approving the expected revenue from charges of licensee”

### **Analysis and decision of the Commission**

4. The Commission in its order in petition OP No 17/2013 dated 13-08-2013 on truing up of accounts of M/s CPT for the year 2011-12 had given direction to separate the accounts and to conduct auditing of accounts preferably by CAG. It was also directed that the truing up petition shall be filed along with separate audit certificate. But CPT did not comply with the direction. In the absence of Audit Report on the distribution business, the truing up process will be incomplete. The licensee has provided clarifications on the points raised by the Commission in the letter No FD/Costing/Truing-up 2012-13/clarifications/2015 dated 03-08-2015. It is once again directed that the licensee shall maintain separate set of books and registers for "distribution of electricity" so as to capture the details of this segment viz the assets, liabilities, income and expenditure separately and to provide the information required as per the relevant Regulations issued by the Commission and get them audited by a professional Chartered Accountant.

## Sale of energy

5. Actual energy sales reported by M/s CPT for 2012-13 is as follows.

**Table 2**  
**CPT – Details of sales of energy for 2012-13**

Consumer Category	No of Consumers	Sales (Lakh Units)
HT Consumers	21	190.1
LT-I Domestic	711	12.97
LT-II Colonies	4	3.4
LT III Industry	2	0.02
LT IV (a)	2	0.16
LT IV ( b)	5	0.39
LT IV (c )	17	0.53
LT VI (A)	14	0.81
LT VI (B)	62	2.43
LT VI (B) (G)	14	2.11
LT VI(C )	21	3.05
LT VI (C )(G)	27	0.54
LT VII A Single	250	2.78
LT VII A Three	254	60.33
LT VII C	3	00.10
Total	1407	279.70
Self consumption		45.56
		325.26

6. The energy sales approved by the Commission vide the orders on ARR &ERC for the year 2012-13 are as given below

**Table – 3**  
**CPT – Details of sale of energy approved by the Commission for 2012-13**

Consumer Category	No of Consumers	Sales (Lakh Units)
HT Consumers	18	213.76
LT-I Domestic	735	19.26
LT-II Colonies	4	3.44
LT III Industry	2	0.02
LT IV (a) Swimming Pool	2	0.16
LT IV ( b) Seamans Hostel	3	1.55
LT IV (c )Educational Institutions	9	0.89
LT V Commercial TP	246	60.03
LT V Commercial SP	234	3.18
Self consumption		30.66
Total		333.30

7. The licensee has accounted self consumption as part of sales. From the self consumption of 45.99 Lakh units, self-generation of 42340 units was deducted to arrive the net self consumption 45.56 Lakh units . The licensee has provided the list of connections, consumption during 2012-13 and tariff category in which consumers are billed under the self consumption category. The Commission approves the energy sales as provided in the truing up petition for the year 2012-13.

### Distribution loss

8. Based on the energy sales and total energy purchased, distribution loss for the licensee for 2012-13 is as follows

**Table – 4**

#### **CPT – Details of sale of energy and purchase of energy for 2012-13**

Particulars	2010-11	2011-12	2012-13	2012-13
	Trued up	Trued up	Approved in ARR	Actual claimed
Energy Sales (Lakh Units)	308.08	334.40	333.31	325.26
Energy Purchase (Lakh Units)	317.88	342.50	341.00	330.81
Distribution Loss (lakh Units)	9.80	8.10	7.69	5.55
Distribution Loss (%)	3.08 %	2.36%	2.25%	1.68%

9. As shown above the actual distribution loss for the year 2012-13 is lower than the distribution loss approved by the Commission for the year 2012-13.

### Cost of Power Purchase

10. The approved cost of power purchase and the actual cost of power purchase as claimed by the licensee for the year 2012-13 are given below

**Table 5**

#### **CPT – Approved and claimed cost of power purchase for 2012-13**

Approved in ARR		Actuals claimed	
Lakh Units	Rs lakh	Lakh Units	Rs lakh
343.32	1320.48	330.81	1933.81

11. The split up details of the power purchase as claimed by the licensee are given below

**Table – 6**  
**CPT - Details of cost of power purchase for the year 2012-13**

Particulars	Wellington Island	Vallarpadam	Total
Total Billed kVA	70898	30592	101490
Rate (Rs/kW)	245	270	
Total Fixed charges (Rs lakh)	228.31	90.24	318.55
Energy Purchased (Lakh Units)	265.26	65.54	330.81
Rate (Rs/kW)			
Total energy charges (Rs lakh)	1247.46	317.66	1565.12
Fuel Surcharge (Rs lakh)	38.8	11.49	50.29
Incentive payment			0.14
Total Power Purchase Cost (Rs lakh)	1514.57	419.24	1933.81

12. The cost of power purchase has increased from the approved cost of Rs.1375.68 lakh to Rs.1933.81 lakh. Cochin Port Trust has stated that increase in power purchase cost is due to revision of BST applicable to CPT. The Demand charge applicable to CPT has increased from Rs 245/ kVA / Month to Rs 350/ kVA/ Month and energy charge from Rs.3.16/Unit to Rs 5.30 / Unit. Taking into consideration, the fact that the actual distribution loss is lower than the approved levels the Commission and that KSEB Ltd has not raised any objection in respect of the amounts claimed towards the cost of power purchase, the Commission approves the actual cost of power purchase incurred for the year 2012-13 in the process of truing up.

#### **Interest and finance charges.**

13. The value of the total gross fixed assets (GFA) is taken as the loan and the licensee has claimed interest on the loan advanced by the Government of India. The interest on the loan claimed by the licensee for 2012-13 is Rs.389.52 lakh. It has been stated by the licensee that the loans from Government was Rs.3528.65 lakhs in the beginning of the year which was increased by an amount of Rs.167.34 lakhs in the year 2012-13. Thus the total amount of loan on which interest @ 10.5% is claimed comes to Rs. 3695.99 lakh.
14. According to the licensee, value of fixed assets attached to the licensing business is the loan amount, since they do not have any equity. The cost

incurred for creation of assets was met from Government of India loan. However it has been mentioned by the Commission that no interest on the above mentioned loan is being paid by the licensee. Hence Commission still holds the view that since interest is not paid by CPT to Government of India, it is not proper to approve a notional expenditure in the truing up process. Hence the interest charges claimed cannot be allowed.

### **Repair and maintenance expenses.**

15. The repair and maintenance expenses approved and actual for the year 2012-13 is as shown below

**Table – 7**  
**CPT – Details of R&M expenses for 2012-13**  
Rs lakh

<b>Approved in ARR</b>	<b>Actuals claimed</b>
5	12.52

16. It is pointed out by CPT that the increase in cost is due to increased O&M cost of powerhouse equipments. ie for consumables and stores and repair cost of 11 kV and associated works. Out of the total expenses of Rs 12.52 lakh, Rs 11.92 lakh was booked under consumption of stores. The increase in the R&M expenses for the year 2012-13 over the approved level is nearly 150% and that of previous year's actual figures is 66% higher. The Commission had allowed the actuals of the previous year while truing up the accounts of 2011-12 which was Rs.7.52 lakhs. Taking into consideration an inflation rate of around 6%, the Commission approves an amount of Rs.8 lakhs for the year 2012-13. The licensee should take appropriate measures to control the R&M expenses within the approved figures and if there is a major repair to be scheduled which is unavoidable, then the same may be properly explained and proof may also be submitted in future.

### **Employee Cost**

17. The details of the approved employee cost as per ARR and the actual employee cost claimed for the period 2009-10 to 2012-13 are as follows.

**Table – 8**

**CPT – Details of employee cost approved and claimed**

Rs lakh

Year	Approved in ARR	Actuals claimed	Percentage increase
2009-10	158.87	202.05	28.80
2010-11	170.45	238.21	39.75
2011-12	250.13	432.90	73.07
2012-13	275.13	633.63	130.30

18. The licensee has claimed Rs.633.63 lakh as employee cost whereas approved employee cost was only Rs.275.13 lakh. The employee cost for 2012-13 is higher by Rs.358.5 lakh over the approved cost. The actual employee cost for 2011-12 was Rs.432.90 lakh only. Comparing the actual figures with the that of the previous years, it is seen that the expenditure has increased by 47%, which is totally unacceptable in regulatory process. The Commission has also observed that however the number of employees (details as given in the year 2011-12) has decreased from 151 to 105 numbers during 2012-13. In spite of a nearly one third decrease in the number of employees, the costs have gone up by 47% - which warrants an audit of this factor.
19. The licensee has stated that upward revision of employees wages with effect from 2010 and DA increase in every quarter are the reasons for this increase. They further stated that they have included BP, DA and HRA components only while computing expenditure against employee cost. The licensee has stated that they have not inducted any fresh man power nor done any replacement against retired vacancy. The licensee has not given any satisfactory explanation for the increase in employee cost and the Commission comes to the conclusion that the employee cost is not properly segregated between the licensed business and other business. Commission cannot allow such increase in employee cost and hence limit the employee cost at the approved level for 2012-13 ARR. Accordingly the employee cost allowed for truing up is as given below.

**Table – 9**

**CPT - Employee costs allowed for truing up for 2012-13**

(Rs lakh)

Approved in ARR	Actuals claimed	Trued up
275.13	633.63	275.13



## Depreciation

20. Details of depreciation claimed by licensee for 2012-13 are as follows.

**Table – 10**  
**CPT – Details of depreciation for 2012-13**

(Rs lakh)

Particulars	GFA at the beginning of the year	Depreciation claimed	Trued up
Generating plant and Machinery	597.35	35.5	0.00
Substations	3025.31	107.21	107.21
11 kV works	324.5	11.68	11.68
LT Lines service connections	33.3	1.2	1.2
Metering Equipments	5.67	0.34	0.34
Miscellaneous equipments	94.07	8.95	0.5
Others	45.8	0.82	0.25
Total	4126	165.7	121.18

21. The major reason for the difference in depreciation is due to the inclusion of depreciation of generating plant & machinery in the above figures. Since the generation of power is for the self-consumption of CPT, depreciation for generating plant cannot be allowed. The licensee has not got the approval of the Commission for the Capital Expenditure Plan for the period. Since the new assets created during 2012-13 was without the prior approval of the investment plan from the Commission, depreciation for new assets created during 2012-13 is also not allowed. Hence the total depreciation allowed is the approved depreciation of Rs.121.18 lakh. The licensee may give details of the major items of assets included in miscellaneous equipments for the Commission's information.

## Administrative and General expenses.

22. The details of A&G expenses approved in ARR and actuals claimed by the licensee are given below.

**Table – 11**  
**CPT – Details of A&G expenses for 2012-13**

(Rs lakh)

Approved in ARR	Actuals claimed
34.17	51.78

23. The Commission at the time of approving the ARR had agreed with the figures forecast given by the licensee and had approved the same. As per details given by licensee the A&G expenses include the expenses for security arrangements (Rs 23.31 lakh), electricity charges (Rs.9.21 lakhs), consultancy charges (Rs.5 lakh), and legal charges (Rs.3 lakh). CPT defends the security charges on the plea that it is mandatory and, security rules pertaining to the International Ship Port facility Security (ISPS) code is applicable to CPT since CPT is an ISPS compliant Port. The increase in A&G expense as stated by the licensee is due to the payment of consultancy fees to M/s KITCO for preparing DPR on the proposal for augmenting power supply distribution system at Vallarpadam area and expenditure on legal charges remitted to Hon APTEL for filing appeal against the decision of BST hike.
24. A closer analysis of the approved and actual figures shows that the major deviations are noticed in Rent, Security and consultancy charges. The reason for the wide variation in Rent is not explained properly. If the Commission wants to make an informed decision with regard to the security expenses, the details of deployment of security personnel exclusively for the electrical installation and relevant Government Orders have to be submitted. The Commission approves the higher consultancy charges and approves the difference in that expenses and thus the A&G expenses as approved in truing up is Rs.34.17 lakh plus Rs.3.9 lakh for consultancy giving a total of Rs.38.07 lakh.

### **Return on Equity.**

25. The licensee has no equity in their books of accounts for distribution business. The investment for financing distribution business was through Government of India loans and hence licensee is not eligible for ROE. In the truing up order for the year 2011-12 Commission has allowed a provisional surplus of Rs 10 lakhs for the distribution business and Commission decides to continue the same for the year 2012-13 also. Commission therefore allows an amount of Rs 10 lakhs for the year 2012-13 too.

### **Revenue from tariff and non tariff income.**

26. The revenue from tariff and non tariff income reported by the licensee is given below

**Table – 12**  
**CPT – Non-tariff income for 2012-13**  
(Rs lakh)

Approved in ARR	Actuals claimed
2093.02	2322.88

27. Revenue from sale of power approved by the Commission in the ARR for the year 2012-13 is given below.

**Table – 13**  
**CPT – Details of revenue from sale of power as per ARR for 2012-13**

Consumer category	No of consumers	Energy Sold (lakh units)	Average Tariff(Rs/kwh)	Revenue (Rs lakh)
HT Consumers	18	213.76	6.05	1293.25
LT-I Domestic	735	19.26	2.98	57.39
LT II Colonies	4	3.44	5.61	19.3
LT III Industry	2	0.02	7.50	0.15
LT IV (a) Swimming Pool	2	0.51	6.06	3.09
LT IV (b) Seamans Hostel and Club	3	1.55	4.47	6.93
LT IV (c ) Educational Institutions	9	0.89	4.74	4.22
LT V Commercial Three Phase	246	60.03	9.30	558.28
LT V Commercial Single Phase	234	3.18	7.53	23.95
Self consumption		30.66	3.94	120.8
<b>Total</b>		<b>333.3</b>	<b>6.26</b>	<b>2087.36</b>
Miscellaneous charge				5.66
<b>Total</b>				<b>2093.02</b>

28. The split up details of actual revenue from sale of power for the year 2012-13 are given below.

**Table – 14**  
**CPT – Details of revenue from sale of power for 2012-13**

Consumer category	No of consumers	Energy Sold (Lakh units)	Average Tariff(Rs/kwh)	Revenue (Rs lakh)
HT Consumers	21	190.1	7.37	1401.51
LT-I Domestic	711	12.97	3.03	39.34
LT II Colonies	4	3.4	6.88	23.39
LT III Industry	2	0.02	8.89	0.17
LT IV (a) Swimming Pool	2	0.16	6.35	1
LT IV (b) Seamans Hostel and Club	5	0.39	4.88	1.88
LT IV (c ) Educational Institutions	17	0.53	5.88	3.11
LT VI A	14	0.81	5.73	4.66
LT VI B	62	2.43	7.08	17.17
LT VI B (G)	14	2.11	7.94	16.74
LT VI C	21	3.05	9.96	30.38
LT VI C (G)	27	0.54	10.80	5.88
LT VII A Single phase	250	2.78	7.75	21.77
LT VII A Three Phase	254	60.33	9.66	582.8
LT VII C	3	0.1	11.50	1.15
Total	1407	279.72		2150.97
Self consumption		45.56	4.38	199.55
<b>Total</b>		<b>325.71</b>	<b>7.28</b>	<b>2350.92</b>

29. The licensee has submitted the consumer category wise details of revenue from sale of power for own consumption and sales to other consumers. The revenue from self-consumption Rs.171.91 lakh was recalculated and corrected as Rs.199.55 lakh. Commission approves the actual revenue from sales as Rs.2350.92 lakh as trued up revenue. The licensee is holding an accumulated surplus of Rs.2480.76 lakh in the year 2011-12. The interest for this amount at the rate of 9% comes to Rs.223.27 lakh. This amount is included under non-tariff income in expected revenue from charges along with revenue from tariff.

#### Revenue gap/ surplus after truing up :

30. The summary of the amounts of expenditure and revenue approved in the truing up of accounts for 2012-13 is given below

**Table -15**  
**CPT - Summary of Truing up of accounts for the year 2012-13**

Rs. lakh

No	Form	Particulars	Approved in ARR	Actuals claimed	Trued up
1	F	Power Purchase Cost	1375.68	1933.82	1933.82
2	O	Interest and Finance charges	0.00	389.52	0.00
3	N	Depreciation	121.18	141.54	121.18
4	K	Employee cost	275.13	633.63	275.13
5	J	Repairs & maintenance cost	5.00	12.52	8.00
6	M	Admn&General expenses	34.17	51.78	38.07
7	I	Other expenses	10.00	46.12	10.00
8		Gross expenses (total 1 to 7)	1821.16	3208.93	2386.20
9		Less Expenses capitalised			
10		Less Interest capitalised			
11	E	Revenue Return @ 3% of NFA			
12		<b>Aggregate Revenue Requirement</b>	1821.16	3208.93	2386.20
13	B	Revenue from Tariff	2093.01	2295.15	2350.92
14	B	Non Tariff income	8.70	46.12	269.39
15		<b>Revenue from charges</b>	2101.71	2341.27	2620.31
16		<b>Surplus(+)/Deficit(-)</b>	<b>(+)280.55</b>	<b>(-)867.66</b>	<b>(+)234.11</b>

#### Directives of the Commission

31. (1) The Commission after considering the truing up petitions of Cochin Port Trust for the year 2012-13 and the details and clarifications submitted by the licensee arrives at a total revenue surplus of Rs.234.11 lakh. The revenue surplus from 2004-05 to 2008-09 is Rs 1429.06 lakh as per order of the Commission dated 16-05-2011 and Rs.831.15 lakh for the years 2009-10 and 2010-11 as per order

dated 08-02-2012 and Rs.220.54 lakh for the year 2011-12 as per order dated 13-08-2013. Hence the total surplus till 2012-13 will be Rs.2714.87 lakh. The licensee shall keep the surplus arrived at after the truing up process in a separate fund and utilize it as per orders of the Commission.

(2) The licensee shall maintain separate set of accounts arrange to conduct separate audit of distribution business by C&AG or by a qualified Chartered Accountant and submit the report along with next truing up petition.

(3) The licensee shall submit the details of sanctioned strength of staff, the actual number of employees exclusively employed for the distribution business and the basis for apportioning to the distribution business, the employee expenses in respect of the supervisory officers of CPT.

(4) The licensee shall also submit the details of deployment of security personnel employed solely for guarding the distribution installations and any specific additional information which it would like to submit to prove the necessity of such expenditure.

(5) The licensee shall submit in advance the detailed capital investment plan for each project intended to be taken up, specifying clearly the purpose, cost-benefit analysis, the present stage of execution, the dates of commencement and completion of the project, along with the detailed break up of capital expenditure and the source of finance.

### **Order**

The expenditure and revenue of the licensee for the financial year 2012-13 are approved as per the Table-15 above. The licensee is directed to comply with all the directives given by the Commission and submit report of compliance. The petition is disposed of as above.

Sd/-  
**S. Venugopal**  
**Member (F)**

Sd/-  
**K. Vikraman Nair**  
**Member (E)**

Approved for issue

Sd-  
**Santhosh Kumar.K.B**  
**Secretary**