

KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM

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

OA No.39/2015

In the matter of Truing up of accounts of M/s Rubber Park India (P) Ltd for the year 2012-13

Applicant : M/s. Rubber Park India (P) Limited

ORDER dated 11/02/2016

Background

1. M/s Rubber Park India (P) Ltd (RPIL), a joint venture company of Rubber Board and KINFRA, is a distribution licensee under the Electricity Act, 2003. The licensee receives power at a voltage level of 110kV from Kerala State Electricity Board Limited.
2. M/s Rubber Park India (P) Ltd filed the application for the truing up of accounts for the year 2012-13 on 28-09-2015. The licensee vide letter no. RP/E/02/10890 dated 01-10-2015 submitted the revised application, stating that there were some errors in the earlier filing. The Commission accepted the revised application of the licensee for the truing up of accounts for 2012-13 as OA No. 39/15 and sought clarification vide the letter dated 27-11-2015.
3. The licensee furnished clarifications vide letter No.RP/E/02/11874 dated 08/12/2015 as sought for by the Commission and presented the same during the hearing held on 17/12/2015. A comparison of the amounts of expenditure and revenue as approved by the Commission for the year 2012-13 as per order dated 15-05-2012 and the corresponding actual amounts of expenditure and revenue as per truing up application are given below:

Table 1
RPIL - Summary of Truing up application for 2012-13

Particulars	ARR		Truing up	
	Proposed	Approved	Proposed	Variation over approval
Total Energy Sales (MU)	24.37	24.37	22.36	-2.01
Distribution loss (MU)	0.48	0.48	0.56	0.08
Gross energy (MU)	24.85	24.85	22.92	-1.93
Expenses (Rs.lakh)				
Power Purchase Cost	965.94	965.89	930.30	-35.59
Interest & Financing Charges	0.00	0.00	0.00	0.00
Depreciation	27.16	27.16	31.14	3.98
Employee Cost	22.49	22.49	28.40	5.91
R&M Expenses	21.52	21.52	24.60	3.08
A&G Expenses	35.93	14.66	17.16	2.50
Other debits	0.00	0.00	0.00	0.00
Return on Equity	28.74	10.00	28.78	18.78
Gross Revenue Requirements	1101.78	1061.72	1060.38	-1.34
Revenue (Rs.lakh)				
Revenue from sale of power	963.58	963.58	1025.28	61.70
Other Income	13.00	13.00	7.71	-5.29
Total Revenue	976.58	976.58	1032.99	56.41
Revenue Surplus/(Gap)	(125.20)	(85.05)	(27.39)	57.66

Hearing on the application

- Hearing on the application for truing up of accounts of RPIL for the year 2012-13 was held on 17-12-2015 at Conference Hall, Rubber Park India (P) Limited, Valayanchirangara, Ernakulam. During the hearing, representatives of Rubber Park India (P) Ltd and KSEB Ltd were present. Sri.J.Krishna Kumar, Managing Director, RPIL presented the details of the application on

the truing up of accounts for the year 2012-13 filed by M/s Rubber Park India (P) Ltd. and responded to the queries of the Commission.

5. Sri. Prasad.S, AEE, KSEB Ltd. presented the objections of KSEB Ltd. and submitted written remarks on the application. The main issues raised by KSEB Ltd include the following:

- (i) T&D Loss - T&D loss claimed by the licensee is at 2.44%, as against the approved level of 1.97%. M/s KSEB Ltd requested Commission that the additional cost on power purchase incurred by the licensee on account of higher distribution loss might be disallowed.
- (ii) Though the licensee claims a variation of just Rs. 1 lakh from the total approved level of expenses, all expenses except power purchase cost have increased from the approved level for the year 2012-13.
- (iii) The licensee has claimed Rs.24.60 lakh for 'Repair and Maintenance' expenses, against an approved amount of Rs.21.52 lakh and also stated that the licensee had booked Rs.4.83 lakh in the head 'others' which was not approved by the Commission. The hike in the actual expense comes to around 14.31% compared to the approved level for 2012-13.
- (iv) The employee cost claimed by the licensee was 26.28% higher than the approved amount for 2012-13. It has also been submitted that Rs.7.69 lakh is seen accounted under the salary head 'Chief Engineers/equivalent' which is not approved by the Commission in the ARR order for 2012-13. Also the licensee has claimed Rs 11.35 lakh towards salary for 3 Nos of non – technical staff as against the approved expenses of Rs 1.70 lakh for 2 Nos of non – technical staff.
- (v) 'A & G expenses' - The licensee has claimed 2.84 lakh which is 89% more than that of the approved amount for 2012-13 under the head 'security arrangements'. M/s KSEB Ltd also stated that the licensee has accounted 23.30% of A & G Expenses under 'consultancy charges', 'technical fees', and 'other professional charges' after spending more than 40% of the total O & M expenses towards employee costs which warrants prudence check. Also the licensee has accounted the expenses under the heads 'Technical fee' (Rs 0.18 lakh) and 'Other Professional Charges' (Rs 2.43 lakh) which were not approved for the year by the Commission. M/s

KSEB Ltd requested to approve only the expenses at reasonable level taking into consideration, the opinion of the consultant appointed by the Commission.

- (vi) The licensee has not provided the details of depreciation booked under the head "Others" where the licensee has booked Rs 8.38 lakh against an approved amount of Rs.4.72 lakh. Also the licensee has submitted that the approved amount of depreciation for the year by the Commission is Rs.26.82 lakh instead of the approved amount of Rs 27.16 lakh.
 - (vii) Return on Equity – The Commission may allow the RoE as done in the previous years.
 - (viii) The licensee is holding a surplus of Rs 17.97 lakh after adjusting the revenue gap as per the True up order for 2011-12 and that the deficit if any may be met from the surplus held by the licensee.
 - (ix) The Commission may look into the prudence of the amounts claimed in the truing up application submitted by the licensee.
6. After hearing the licensee and M/s KSEB Ltd, the Commission directed the licensee to submit the following additional details
- (i) Copy of balance sheet for the year 2012-13 of M/s Rubber Park India (P) Ltd.,
 - (ii) Documents of contract work agreement executed for repair and maintenance works and
 - (iii) Details of the duties and responsibilities of the staff whose salary has been accounted in the distribution business by M/s Rubber Park India (P) Ltd.
7. The licensee vide letter No: RP/E/02/11113 dated 07.01.2016 submitted the additional details as directed by the Commission.

Analysis and Decision of the Commission

8. The Commission considered the application of the licensee for truing up of accounts, the clarifications and the additional details thereon along with comments of KSEB Ltd. The analysis and decision of the Commission on the application for truing up of accounts for 2012-13 are detailed below:
9. **Sale of energy:** Sale of energy approved and the actual sales reported by the licensee as per the application for truing up of accounts for the year 2012-13 are as follows.

Table 2
RPIL - Number of consumers and Sale of power over the years

Category	2011-12 (Trued up)		2012-13(Approved in ARR)		2012-13 (Actual claimed)	
	No. of Consumers	Sales (MU)	No. of Consumers	Sales (MU)	No. of Consumers	Sales (MU)
HT Consumers	12	17.27	12	23	14	21.11
LT Consumers	11	0.91	13	1.02	13	0.99
Temporary Connections	19	0.09	17	0.09	16	0.08
Rubber Park Utilities	1	0.23	1	0.26	1	0.18
Total	43	18.49	43	24.37	44	22.36

10. The total energy sale for the year 2012-13 as per the truing up of accounts is 22.36 MU as against the approved sales of 24.37 MU in the ARR. The licensee has stated the reason for the lesser energy sales was due to the power restriction imposed by the Commission during the year 2012-13 and the general industrial slow down. The Commission approves the actual energy sales as reported by the licensee for the truing up of accounts for the year 2012-13.
11. **Energy Input and Distribution Loss:** -As per the truing up application, the licensee had purchased 22.92MU against an approved energy requirement of 24.85MU.
12. The distribution loss reported by the licensee is 2.44 % as against the approved distribution loss of 1.97%. The licensee has stated that the distribution loss of 2.44% is on account of the excess transformation capacity due to the additional transformer which is kept as a standby for maintaining the redundancy of the distribution system. The distribution loss approved by the Commission for 2012-13 is same as the loss levels as proposed by the licensee. For the purpose of truing up of accounts, the Commission adopts the distribution loss target as 1.97% for the year 2012-13, as in the order on ARR and ERC for the year 2012-13.

Table - 3
RPIL- Energy Requirement and Distribution Loss

Particulars	2012-13	2012-13	2012-13
	ARR approved	Actual	Trued up
Total Energy sales (MU)	24.37	22.36	22.36
Distribution loss(%)	1.97%	2.44%	1.97%
Distribution loss(MU)	0.48	0.56	0.44
Power Purchase from M/s KSEB Ltd (MU)	24.85	22.92	22.80

13. **Cost of Power Purchase:** As per the details given by the licensee, the cost of power purchase is as below :

Table – 4
RPIL – Cost of Power Purchase

Demand Charge	(Apr-12 to Jun-12)	Rs 245/kVA
	(Jul-12 to Mar-13)	Rs 300/kVA
Total Demand Charges (Rupees Lakh)		174.05
Energy Charge	(Apr-12 to Jun-12)	Rs 3.16/kWH
	(Jul-12 to Mar-13)	Rs 3.70/kWH
Total Energy purchased (Lakh units)		229.20
Total Energy Charges (Rupees Lakh)		717.69
Total Charges (Rupees Lakh)		891.74
Fuel Surcharge (Rupees Lakh)		38.56
Total Billed Amount (Rupees Lakh)		930.30
Average Power Purchase Cost (Rupees /kWH)		4.06

14. As detailed above, as per the truing up application filed by the licensee M/s RPIPL, the total cost of power purchase for the year 2012-13 is Rs 930.30 lakh for procuring 22.92MU from M/s KSEB Ltd. The average cost of power purchase reported by the licensee is Rs 4.06/ unit.
15. However as detailed under table 5 below, the Commission approves only 22.80 MU as the total quantum of power purchase as against 22.92MU claimed by the licensee. The Commission hereby approves only Rs.925.43 lakh as against Rs 930.30 lakh claimed by the licensee, as the cost of power purchase, after deducting the cost of 0.12 MU of electricity , for under achievement of target for reduction of T&D loss for the year 2012-13 at the average power purchase rate of Rs 4.06/unit. Accordingly the net power purchase cost approved by the Commission is detailed below.

Table - 5
RPIPL – Net Power Purchase Cost approved

Quantum of power purchase approved at the T&D loss level of 1.97% (MU)	22.80
Average cost of power purchase (Rs/unit)	4.06
Net Power purchase approved in the process of truing up (Rs in lakh)	925.43

16. **Interest and financing charges:** The licensee has not booked any amount under interest and financing charges since all the assets are financed by the equity and the licensee has not resorted to any borrowings for financing.
17. **Depreciation:** - The licensee has claimed depreciation of the assets as Rs.31.14 lakh, as against the approved amount of Rs.27.16 lakh. The depreciation accounted for the distribution business is at the rates specified by CERC as per the terms and conditions of tariff applicable for the period 2004-2009. The licensee has claimed higher depreciation on miscellaneous equipment and others at the rate of 3.60%. The depreciation booked by the licensee as per accounts for the year 2012-13 is detailed below:

Table –6
RPIL – Depreciation claimed for the year 2012-13

Particulars	Gross Fixed Assets (Rs. Lakh)	Asset Addition. (Rs. Lakh)	Retirement of Assets (Rs. Lakh)	Depreciation (Rs. Lakh)	Rate of Depreciation (Rs. Lakh)
Transmission lines	99.00	0	0	2.54	2.56%
Substations	404.59	9.85	2.04	14.84	3.6%
11kV Works	108.05	0	0	3.89	3.6%
LT Lines	30.38	0	0	1.09	3.6%
Service connections	0.28	0	0	0.01	3.6%
Misc equipment	0	10.88	0	0.39	3.6%
Others	228.00	0	0	8.38	3.67%
Total	870.3	20.73	2.04	31.14	

18. The licensee has provided an asset addition of Rs 20.73 lakh of which Rs 10.88 Lakhs are under miscellaneous equipment and a retirement of assets valued at Rs.2.04 lakh, which were not proposed while approving the ARR for the year 2012-13.

19. The Commission has been approving depreciation only on the Gross Fixed Assets existing at the beginning of the year and the expenditure of which has been approved. Following the same policy as was adopted before, the Commission approves the following amounts as trued up figures for the year 2012-13 under depreciation:

Table –7
RPIL - Approved Depreciation for 2012-13

Particulars	Gross Fixed Assets (Rs. Lakh) at the beginning of the year	Depreciation (Rs. Lakh)	Rate of Depreciation (Rs. Lakh)
Transmission lines	99.00	2.54	2.56%
Substations	404.59	14.57	3.60%
11kV Works	108.05	3.89	3.60%
LT Lines	30.38	1.09	3.60%
Service connections	0.28	0.01	3.60%
Others	228.00	4.72	2.07%
Total	870.30	26.82	

The Commission approves Rs.26.82 lakh as depreciation, in the process of truing up of accounts for the year 2012-13. The details are given below :

Table - 8

RPIL – Depreciation approved in truing up of accounts for 2012-13 (Rs.Lakh)

Particulars	ARR		Truing up	
	Projected	Approved	Claimed	Trued up
Depreciation	27.16	27.16	31.14	26.82

20. **Employee Cost:** Vide order dated 15.05.2012 in OP No. 11/2012; Commission had provisionally approved a total employee cost of Rs.22.49lakh. The actual employee cost claimed as per the truing up application submitted by the licensee is Rs.28.40 lakh. The licensee has stated that the increase in employee cost is due to the expenses incurred for payment of terminal benefits to the resident engineer of the licensee, who resigned from the company. The details of the employee cost furnished by the licensee are as below:

Table – 9
RPIL – Details of Employees – 2012-13

Sl No	Particulars	Designation	Sanctioned	Working	Cost (Rs in lakh)
1	CMD (Part)	Managing Director	1	1	0.90
2	Executive (Part)	Manager – Technical	2	1(full)	7.69
3	Resident Engineer	Resident Engineer	1	1	6.20
4	Tech. Staff	Assistant Resident Engineer & Electrician	2	2	2.26
5	Non Tech Staff	Company Secretary, Accounts Officer & Asst. Manager (Admn)	2	2 (part) & 1 (full)	11.35
	Total		8	8	28.40

The licensee has also furnished the duties and responsibilities of the staff whose salary has been accounted in the distribution business. The Commission directs the licensee to have a closer look at the base used to apportion the expenses to distribution business and also to have a review of the number of staff deployments on the background that Repairs and Maintenance function of the licensee is fully outsourced.

The employee cost approved for the year 2011-12 was Rs.20.84 lakh. For the year 2012-13, Commission approves an increase of 9.56% (weighted average increase of WPI and CPI in the ratio of 30:70) over the employee cost approved for the year 2011-12. Accordingly, the Commission hereby approves the employee cost for the year 2012-13 at Rs 22.83 lakh.

Table- 10
RPIL – Employee Cost Approved in truing up of accounts for 2012-13 (Rs. Lakh)

Particulars	ARR		Truing up	
	Projected	Approved	Claimed	Approved
Employee cost	22.49	22.49	28.40	22.83

21. **Repairs and Maintenance Charges:** Vide order dated 15.05.2012 in OP No. 11/2012, the Commission had approved an amount of Rs.21.52 lakh as R&M cost for the year 2012-13. The comparison of the approved R&M expenses and the actuals booked by the licensee is detailed below:

Table – 11**RPIL – ARR Approved and Actual R&M Expenses – 2012-13(Rs.Lakh)**

Particulars	2012-13	2012-13
	ARR Approved	Actuals booked
Other Buildings	0	0.65
Substations	17.01	16.88
11kV lines and associated works	3.95	0
Vehicles	0	2.24
Others	0.56	4.83
Total	21.52	24.60

The major deviation under this head is Rs. 2.24 lakhs under 'vehicles' which was not approved for the year 2012-13. The licensee has stated that the higher amount booked under the head 'vehicles' is for maintaining the vehicles in order to take meter readings on a daily basis as well as to engage in maintenance of the distribution network. The licensee has mentioned that they had incurred Rs. 4.83 lakh for the cost of unavoidable repairs & maintenance of substation & distribution network the sub-head 'others'. However the circumstances leading to these 'abnormal' repairs is not mentioned and the reason for not including the same under normal planned repairs at the time of filing the ARR, is not forthcoming from the records.

As compared to the actual R&M expenses for 2011-12 which was 19.43 lakh, the increase is about 27%. For the year 2012-13, Commission approves an increase of 9.56% (weighted average increase of WPI and CPI in the ratio of 30:70) over the R&M cost approved for the year 2011-12, as was allowed for other major licensees in the State. Accordingly, the Commission hereby approves the R&M cost for the year 2012-13 at 21.29lakh. The details are given below.

Table - 12**RPIL – Details of R&M expenses approved in truing up of accounts for 2012-13 (Rs.Lakh)**

Particulars	ARR		Truing up	
	Projected	Approved	Claimed	Approved
R&M cost	21.52	21.52	24.60	21.29

22. **Administration and General Expenses:** The A&G expense booked by the licensee for the distribution business is Rs 17.16 lakh as against the approved expense of Rs 14.66 lakh vide order dated 15.05.2012 in OP No. 11/2012. The licensee has booked Rs 2.43 lakh under the head 'other professional charges' which was not approved for the year 2012-13. The licensee has stated the reason that the amount booked was for meeting the expense

incurred due to payment of fees to advocates engaged for appearing before various legal fora to settle dispute with M/s KSEB Ltd., regarding the withdrawal of additional power allocation of 4.5MVA and for meeting the expense incurred due to payment of fees to consultants engaged for the preparation of ARR and truing up application during the year 2012-13. However there is a wide variation in the Electricity charges approved and actually incurred by the licensee to the extent of Rs. 2.37 lakh (actual Rs.2.51 lakh against the approved amount of Rs.0.14 lakh) and security charges (actual Rs.2.84 lakh against the approved amount of Rs.1.5 lakh). No valid reasons have been given for such over spending.

As compared to the actual A&G expenses incurred by the licensee for the year 2011-12, which was Rs 14.39 lakh, the increase is about 19% for the year 2012-13. For the year 2012-13, Commission approves an increase of 9.56% (weighted average increase of WPI and CPI in the ratio of 30:70) over the A&G expenses approved for the year 2011-12. Accordingly, the Commission hereby approves the A&G expenses for the year 2012-13 at Rs 15.77lakh. The details are given below.

Table - 13
RPIL – Details of A&G expenses approved in truing up of accounts for 2012-13 (Rs.Lakh)

Particulars	ARR		Truing up	
	Projected	Approved	Claimed	Approved
A&G expenses	35.93	14.66	17.16	15.77

23. **Return on Equity:** The licensee has claimed return on equity for the business at 14% of the 30% of NFA (Rs 685.23 lakh), which is Rs.28.78 lakh. The Commission had allowed a provisional amount for RoE of Rs.10.00 lakh for the previous years. The Commission allows a provisional return of Rs 10.00 lakh for the year 2012-13.
24. **Total Revenue Requirements:** The total expenses approved after truing up of accounts for the year 2012-13 are as given below:

Table - 14
RPIL - Approved expenses for 2012-13 (Rs. Lakh)

Particulars	ARR		Actual(Trued Up)	
	Projected	Approved	Claimed	Approved
Power Purchase Cost	965.94	965.89	930.30	925.43
Interest & Financing Charges	0.00	0.00	0.00	0.00
Depreciation	27.16	27.16	31.14	26.82
Employee Cost	22.49	22.49	28.40	22.83
R&M Expenses	21.52	21.52	24.60	21.29
A&G Expenses	35.93	14.66	17.16	15.77
Other debits	0.00	0.00	0.00	0.00
Return on Equity	28.74	10.00	28.78	10.00
Gross Revenue Requirements	1101.78	1061.72	1060.38	1022.14

25. **Revenue from Sale of Power:** The total revenue from sale of power as claimed by the licensee is Rs 1025.28 lakh as against an approved amount of Rs 963.58 lakh. The licensee explains that the increase in revenue is due to the tariff revision (RST) effected from 01.07.2013. The sales approved by the Commission for 2012-13 was 24.37 MU, but the actual sale was only 22.36 MU. The details of energy sale as per application submitted by the licensee are detailed below:

Table - 15
RPIL - Revenue from Sale of Power for 2012-13

Particulars	ARR			Trued Up		
	Energy Sales (MU)	Revenue in Rs lakh	Avg. realisation	Energy Sales (MU)	Revenue in Rs lakh	Avg. realisation
HT Consumers	23.00	862.58	3.75	21.11	921.33	4.36
LT Consumers	1.02	37.78	3.71	0.99	43.52	4.40
Temporary Connections	0.09	8.30	9.43	0.08	6.8	8.50
Rubber Park Utilities	0.26	14.80	5.69	0.18	12.53	6.96
Total	24.37	923.46	3.79	22.36	984.18	4.40
Recovery of electricity duty		32.24			32.08	
Misc. charges from consumers, penalty, marginal cost, meter		8.89			248.38	
Fuel surcharge		30.10			37.75	
Reconnection fee		0.26			0.49	
Other receipts		40.12			2.86	
Gross Revenue		995.82			1305.74	
<i>Less electricity duty payable</i>		<i>32.24</i>			<i>32.08</i>	
<i>Less Marginal cost paid to KSEB Ltd</i>		<i>0.00</i>			<i>248.38</i>	
Net Revenue from Sale of Power		963.58			1025.28	

The Commission approves the revenue from sale of power as per the actual accounts for 2012-13.

26. **Non Tariff Income:** The actual non-tariff income accounted by the licensee is Rs 7.71 lakh as against the approved amount of Rs 13 lakh. The Commission approves Rs 7.71 lakh as the non tariff income for the year 2012-13.
27. **Revenue Surplus/(gap) for 2012-13:** The revenue surplus arrived at by the Commission after the truing up process is Rs.10.85 lakh as against the revenue gap of Rs 27.39 lakh as per the claims in the application for truing up of accounts for the year 2012-13. The details are given below.

Table- 16
RPIL - Approved Revenue Surplus for 2012-13

Particulars	ARR		Trued up	
	Projected	Approved	Claimed	Approved
Power Purchase Cost	965.94	965.89	930.30	925.43
Interest & Financing Charges	0.00	0.00	0.00	0.00
Depreciation	27.16	27.16	31.14	26.82
Employee Cost	22..49	22.49	28.40	22.83
R&M Expenses	21.52	21.52	24.60	21.29
A&G Expenses	35.93	14.66	17.16	15.77
Other debits	0.00	0.00	0.00	0.00
Return on Equity	28.74	10.00	28.78	10.00
Total Expense	1101.78	1061.72	1060.38	1022.14
Revenue from sale of power	963.58	963.58	1025.28	1025.28
Non Tariff income	13.00	13.00	7.71	7.71
Total Revenue	976.58	976.58	1032.99	1032.99
Surplus/ (Gap)	(125.20)	(85.05)	(27.39)	10.85

28. The revenue gap as per the approved ARR and ERC for the year 2012-13 (order dated 15.05.2012 in OP No. 11/2012) was Rs 85.05 lakh and the revenue gap as per the accounts submitted by the licensee is Rs 27.39 lakh. The Commission has arrived at a revenue surplus of Rs 10.85 lakh for the year 2012-13 after the truing up of accounts. The revenue gap up to the year 2011-12 after the truing up was Rs 17.97 lakh. Accordingly the net revenue gap after considering the balances in the previous years at the end of 2012-13 is Rs 7.12 lakh.

Orders of the Commission

29. The Commission, after considering the application filed by the licensee for the truing up of accounts for the year 2012-13, the objections raised by M/s KSEB Ltd and the clarifications and details submitted by the licensee hereby approves a total expenditure of Rs 1022.14 lakh, a total revenue of Rs 1032.99 lakh and a revenue surplus of Rs 10.85 lakh. The net revenue gap after the truing up of accounts till 2012-13 is Rs 7.12 lakh.
30. The application is disposed of as above.

Sd/-

**K.Vikraman Nair
Member**

Sd/-

**S.Venugopal
Member**

Approved for issue

Sd/-

Santhosh Kumar. K.B
Secretary