

Table -1
CPT- Comparison for the year 2014-15 (Rs.Lakh)

Expenses	2014-15 (ARR Approved)	2014-15 Application for truing up	Difference
Purchase of power	1,963.90	2050.39	86.49
Repair & Maintenance	6.05	19.02	12.97
Employee costs	332.9	842.1	509.20
A& G expenses	32.07	60.83	28.76
Depreciation	203.57	147.96	-55.61
Interest & Financing charges	0	447.4	447.40
Other debits	0	48.9	48.90
Return on investment	10	10	0.00
Total Expenses	2,548.49	3626.6	1078.11
Revenue from sale of power	2,644.69	2756.51	111.82
Other income	23.92	48.9	24.98
Total Revenue	2,668.61	2805.41	136.80
Revenue deficit	120.12	-821.19	-941.31

Hearing on the application

4. Hearing on the application for truing up of accounts of the licensee for the year 2014-15 was held on 19-04-2016 at the Court Room, Office of the Commission, Thiruvananthapuram. M/s Cochin Port Trust represented by Sri. M.M.Abdul Rahim, Executive Engineer, Sri. Bhagyanath.B, Financial Adviser and Chief Accounts Officer (i/c) and other officers of CoPT. Sri. Bhagyanath.B presented the details of the application on the truing up of accounts for the years 2014-15. Sri M.M.Abdul Rahim and Sri. Bhagyanath.B responded to the queries of the Commission.
5. Sri. Manoj.G, AEE, KSEB Ltd. presented the objections of KSEB Ltd. and submitted written remarks on the applications for the years 2014-15. The summary of the issues raised by KSEB Ltd is given below.
 - i. The Commission may allow only reasonable expenses.
 - ii. As the licensee has claimed depreciation for Rs.3.37 lakh during the year 2013-14 for miscellaneous equipment, KSEB Ltd submitted that the

depreciation shall be allowed based on the principle adopted by the Commission vide the orders on the ARR for the years 2011-12,2012-13 2013-14 and 2014-15

- iii. As the licensee has not given details of the consumer contributions and the assets created out of consumer contributions, it was stated that depreciation may be allowed after considering the assets created out of consumer contribution.
- iv. The interest and finance charges claimed by the licensee shall be disallowed as the charges are not paid to the Government of India.
- v. The Commission shall follow the same modality in approving the employee cost while issuing orders on the truing up of Cochin Port Trust for the previous years as against the high cost projected.
- vi. The claim of the licensee on the expense for security arrangements may be allowed after considering all the details substantiating the necessity of such expense.
- vii. It was also submitted that the Hon'ble Commission may direct licensee to utilize the accumulated surplus to meet the deficit, if any

Analysis and decision of the Commission

6. The Commission considered the application of the licensee for truing up of accounts for the year 2014-15, the clarifications and the additional details submitted by the licensee thereon along with the comments of KSEB Ltd. The analysis and decisions of the Commission on the application for truing up of accounts for the year 2014-15 are detailed below:

Sale of energy

7. The comparison of the actual sales reported by the licensee as per the application for truing up of accounts for the year 2013-14 and 2014-15 are as follows:

Table 2
CPT – Details of sales of energy for 2013-14 & 2014-15

Consumer Category	2013-14		2014-15	
	No of	Sales	No of	Sales
	Consumers	MU	Consumers	MU
HT Consumers	21	19.76	24	20.01
LT-I Domestic	631	1.04	650	1.06
LT-II	4	0.34	3	0.34
LT IV	1	0.00	1	0.00
LT VI (A)	10	0.18	11	0.21
LT VI (B)	30	0.28	29	0.28
LT VI (B) (G)	10	0.32	8	0.13
LT VI(C)	10	0.42	10	0.39
LT VI (C)(G)	14	0.07	12	0.05
LT VII A Single	211	0.22	206	0.22
LT VII A Three	195	4.28	194	4.42
LT VII C	3	0.02	3	0.02
Total	1140	26.93	1151	27.11
Self consumption		5.10		4.80
Total	1140	32.03	1151	31.91

6. The actual energy sales for the year 2014-15 is 31.91 MU as against the energy sale of 32.41 MU approved by the Commission vide the order on ARR & ERC for the year 2014-15. Major sale of energy is for the HT consumers and the energy sold is 20.01 MU. The total sale of 31.91 MU includes the self consumption of 4.80 MU. The Commission approves the actual energy sales as submitted by the licensee for the truing up of accounts for the year 2014-15.

Energy Input and Distribution Loss:

7. As per the application for truing up of accounts for the year 2014-15, the licensee purchased 32.50 MU from KSEB Ltd. In the application the licensee has reported a T&D loss of 2.10 % for the year 2014-15. The details on the distribution loss as per the application submitted are shown below.

Table - 3
CPT- Energy Requirement and Distribution Loss

Particulars	Approved in ARR	Application for truing up
Total Energy Sales (MU)	32.41	31.91
Distribution loss (MU)	0.70	0.59
Gross energy (MU)	33.10	32.50
Distribution loss %	2.10%	1.81%

8. The Commission approves the T&D loss reduction target of 1.81% as achieved by the licensee.

Cost of Power Purchase

9. The actual power purchase cost as per the truing up application submitted for the year 2014-15 is Rs.2050.39 lakh as against the approved power purchase cost of Rs.1963.90 lakh. During the year 2014-15, the Commission had revised the BST tariff applicable to the distribution licensees from Rs. 5.05/kWh to Rs. 5.75/kWh with effect from 16-08-2014. There was no change in the demand charges. The split up details of the power purchase as claimed by the licensee are given below.

Table – 4
CPT - Details of cost of power purchase for the year 2014-15

Particulars	Wellington Island	Vallarpadam	Total
Energy Purchased (MU)	26.05	6.43	32.50
Maximum Demand (kVA)	6028	1584	7612
Contract Demand	6500	3000	9500
Fixed charges(Rs/kVA)	Rs.300/kVA/month		
Total Fixed charges (Rs lakh)	197.11	81.00	278.11
Energy charge (Rs/kW)	Till 15-08-2014 Rs.5.05/ unit and Rs.5.75 from 16-08-2014		
Total energy charges (Rs lakh)	1420.32	351.96	1772.28
Total Power Purchase Cost (Rs lakh)	1617.43	432.96	2050.39

10. The cost of power purchase has increased on account of the enhancement in BST with effect from 16-08-2014. Taking into consideration the fact that the actual distribution loss is within the approved levels, the Commission approves the actual cost of power purchase incurred for the year 2014-15 in the process of truing up for the year 2014-15

Table – 5
CPT - Power purchase cost allowed for truing up for 2014-15 (Rs lakh)

Particulars	ARR Approved	Application for truing up	Trued Up
Power purchase cost	1963.90	2050.3	2050.39

Interest and finance charges

11. The licensee had claimed an interest and finance charges of Rs. 447.40 lakh in the application for truing up for the year 2014-15. The Commission, in the previous truing up orders, had not allowed the interest charges for the Licensee mainly on the reason that the interest was never paid by CoPT to the Government of India.

Table – 6
CPT - Interest and finance charge for the year 2014-15 (Rs.lakh)

Particulars	ARR Approved	Application for truing up
Interest and finance charge	-	447.40

12. The licensee had stated that the total gross fixed assets (GFA) of the licensee has been financed by loan and the licensee has claimed interest on the loan advanced by the Government of India. The GFA claimed by the licensee as on 01-04-2014 is Rs.4260.94 lakh and claimed interest at 10.50% per annum. According to the licensee, value of fixed assets attached to the licensing business has been finance by the loan amount, since they do not have any equity. The licensee vide letter dated 06-05-2016 has submitted a document dated 12th November 1987 showing a loan of Rs16.79 lakh released by the Central Government for the plan expenditure during 1987-88. As per the document, the loan was sanctioned to finance the five year plan schemes of Cochin Port Trust. It is also seen that the mode of repayment shall be twenty equal annual installments of the principal commencing from the sixth anniversary of the drawl of the loan.
13. However the licensee has not submitted any documents to substantiate that the loans are being repaid to Government of India promptly. Hence Commission still holds the view that as long as interest is not paid by CPT to Government of India, it is not proper to approve a notional expenditure in the truing up process. It is also mentioned that talks are on with the Central Government for restructuring the loan and interest has to be paid after the restructuring. The Commission shall look into the claim interest after the restructuring exercise is complete and after the licensee starts paying interest. Hence, the interest charges claimed cannot be allowed at present.

Table – 7

CPT - Interest and finance charge allowed for truing up for 2014-15 (Rs lakh)

Particulars	ARR Approved	Application for truing up	Trued Up
Interest and finance charge	0.00	447.4	0.00

Repair and maintenance expenses

14. The Repair and maintenance expenses as per the application by the licensee are Rs.19.02 lakh as against the approved amount of Rs 6.05 lakh as per the orders on ARR. It is mentioned that this amount have been incurred for the repair and maintenance of transmission lines, substations, 11 kV lines & associated works, LT line service etc. The repair and maintenance expenses approved and actual for the year 2014-15 is as shown below

Table – 8

CPT – Details of R&M expenses for 2014-15 (Rs lakh)

Particulars	ARR Approved	Application for truing up
R&M expenses	6.05	19.02

15. The applicant submitted that increase in cost is due to increased O&M cost of powerhouse equipment ie. for consumables and stores and repair cost of 11 kV and associated works. Out of the total expenses of Rs 19.02 lakh, Rs 15.44 lakh was booked under repair cost of 11 kV and associated works.
16. For the year 2014-15, Commission approves an increase of 7.43% (weighted average increase of WPI and CPI in the ratio of 30:70) over the R&M cost approved for the year 2013-14. The R&M cost approved for the year 2013-14 is Rs.8.68 lakh. Accordingly, the Commission approves Rs.9.33 lakh as the R&M cost for the year 2014-15. The licensee should take appropriate measures to control the R&M expenses 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.

Table – 9

CPT - R&M expenses allowed for truing up for 2014-15 (Rs lakh)

Particulars	ARR Approved	Application for truing up	Trued Up
R&M expenses	6.05	19.02	9.33

Employee Cost

17. The Commission approved Rs 332.90 lakh for employee cost in the ARR order against an estimate of Rs. 784.74 lakh. In the application for truing up, the licensee has booked amount of Rs. 842.10 lakh as employee cost for carrying out the distribution business for the year 2014-15 which is much on the higher side. As per the split up submitted in the application, it is seen that the claim includes total salary amounting to Rs.758.65 lakh and terminal benefits amount Rs.83.45 lakh. The licensee has further clarified that the strength of the employees deployed for distribution business is limited to 105 only. The expense towards “Salaries & Wages (R&M)” amounting to Rs.731.61 lakh is the major head under the employee cost of the licensee. The Commission also observes that there is no increase in the number of employees during the year 2014-15, though the cost has gone up exponentially which is totally unacceptable in regulatory process.

Table – 10
CPT - Employee costs for truing up for 2014-15 (Rs.lakh)

Particulars	ARR Approved	Application for truing up
Employee Cost	332.90	842.10

18. The licensee has submitted that upward revision of employee’s wages and DA increase are the reasons for the increase in employee cost. They further stated that they have included BP, DA and HRA components only while computing expenditure against employee cost. The licensee has further submitted that they have not inducted any fresh man power nor done any replacement against retired vacancy. The Commission comes to the conclusion that the employee cost is not properly segregated between the licensed business and other business. In the absence of details on such expense, the Commission is not in a position to ascertain the claim made by the licensee. The licensee may approach the Commission with full details on the demand raised for employee cost actually incurred due to pay revision, the date of implementation of pay revision, the average rate of increase in pay and the date of effect of the pay revision, copies of supporting orders/ modifications if any, for ascertaining the facts. The Commission can allow pay revisions hike in employee cost only after due prudence check after going through the same and backed by evidence of the supporting documents. Hence the Commission approves an increase of 7.43% (weighted average increase of WPI and CPI in the ratio of 30:70) over the

cost approved for the year 2013-14. The Commission had approved an employee cost of Rs.298.65 lakh in the truing up of accounts for the year 2013-14. Accordingly the employee cost allowed in the truing up is Rs. 320.84 lakh.

Table – 11
CPT - Employee costs allowed for truing up for 2014-15 (Rs lakh)

Approved in ARR	Actuals claimed	Trued up
332.90	842.10	320.84

Depreciation

19. The depreciation claimed by the licensee vide the application for truing up for the year 2014-15 is Rs 147.96 lakh as against Rs 203.57 lakh approved provisionally vide the order on ARR. The Commission had removed assets whose value has already been depreciated to the scrap value of 10%. Further, the licensee has specifically mentioned that they have not used consumer's contribution for creation of asset. However licensee has not provided the details of additions separately, after commission had removed some assets which were depreciated by 90%. In the absence of supporting data, the Commission is not in a position to take a decision on consumer contribution and grants. While approving the truing up of accounts for the year 2013-14, the Commission had approved the depreciation as Rs.104.74 lakh. In the absence of supporting data to claim enhancement in depreciation for the year 2014-15, Commission approves an amount of Rs.104.74 lakh towards depreciation.

Table – 12
CPT – Depreciation allowed for truing up for 2014-15 (Rs lakh)

Particulars	ARR Approved	Application for truing up	Trued Up
Depreciation	203.57	147.96	104.74

Administrative and General Expenses.

20. The A&G expense claimed by the licensee as per the application for truing up was Rs 60.83 lakh as against the approved amount of Rs 32.07 lakh vide the order on ARR&ERC for the year 2014-15. The details of A&G expenses claimed by the licensee are given below.

Table – 13
CPT – Details of A&G expenses for 2014-15 (Rs lakh)

Particulars	Application for truing up
Rent Rates & Taxes	4.96
Security arrangements	34.69
Telephone & Postage, etc.	0.40
Internet and related charges	0.21
Legal charges	6.21
Audit Fees	0.38
Travelling expense	0.38
Conveyance	0.61
License fee	1.11
Electricity charges	9.40
Water charges	1.04
Entertainment	0.22
Fees & subscription	0.02
Printing & Stationery	0.13
Advertisements, exhibition publicity	0.60
Miscellaneous Expenses	0.42
Computer Stationery	0.05
Gross A&G Expenses	60.83

21. The major claims under this head are Security charges of Rs.34.69 lakh and electricity charges of Rs.9.40 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.
22. The licensee in response to the comments/observations submitted by KSEB Ltd. had submitted a split up of the amount claimed by the CPT under security arrangements which are shown below.

Table – 14
CPT – Details of security arrangements

Particulars	Amount in Rs
No. of personnel	556
Salary for CISF personnel	242.08 lakh
Leave salary contribution	15.72 lakh
Pension Contribution	10.09 lakh
Rs./ personnel per month	48182
Total Cost of 6 personnel per annum	34.69 lakh

23. The Commission comes to the conclusion that the A&G expense is not properly segregated. Commission cannot approve such increase in the A&G expenses and hence approves an increase of 7.43% (weighted average increase of WPI and CPI in the ratio of 30:70) over the cost approved for the year 2013-14. The Commission had approved an expense of Rs.41.33 lakh as A&G expense in the truing up of accounts for the year 2013-14. Accordingly the A&G expense allowed for truing up is Rs. 44.40 lakh.

Table – 15

CPT - A&G expenses allowed for truing up for 2014-15 (Rs lakh)

Particulars	ARR Approved	Application for truing up	Trued Up
A&G expenses	32.07	60.83	44.40

Return on Equity.

24. 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 2013-14, the Commission had allowed a provisional surplus of Rs. 10.00 lakh for the distribution business and Commission decides to continue the same for the year 2014-15 also. Commission therefore allows an amount of Rs. 10.00 lakh as the RoE for the year 2014-15.

Table – 16

CPT - Return on Equity allowed for truing up for 2014-15 (Rs lakh)

Particulars	ARR Approved	Application for truing up	Trued Up
Return on Equity	10.00	10.00	10.00

Other Debits:

25. Though the licensee included Rs.48.90 lakh, no details are provided. Hence, the Commission is not in a position to allow other debits.

Revenue from tariff

26. The licensee has claimed total revenue from sale for power of Rs.2756.51 lakh against approved revenue from sale of power of Rs.2644.69 lakh as approved in the Order on ARR for the year 2014-15. The licensee has deducted Rs.182.36 lakh as other state levies which may be the electricity duty. The split up details of actual revenue from sale of power for the year 2014-15 are given below.

Table – 17
CPT – Details of revenue from sale of power for 2014-15

Consumer category	No of consumers	Energy Sold (MU)	Average Tariff (Rs/kwh)	Revenue (Rs lakh)
LT-I	650	1.06	2.77	29.41
LT-II	3	0.34	6.79	22.84
LT IV	1	0.00	13.68	0.16
LT VI (A)	11	0.21	7.55	15.62
LT VI (B)	29	0.28	7.75	21.66
LT VI (B) (G)	8	0.13	8.08	10.23
LT VI(C)	10	0.39	9.79	38.15
LT VI (C)(G)	12	0.04	10.95	5.21
LT VII A Single	206	0.22	9.87	21.37
LT VII A Three	194	4.41	10.93	482.82
LT VII C	3	0.02	11.52	2.07
HT GOVT	3	0.94	8.19	76.94
HT IV Commercial	19	16.04	9.58	1536.41
HT IV Malabar	2	3.03	8.90	269.36
Total	1151	27.11		2532.25
Self Consumption		4.80	4.65	223.30
Other Receipts				0.96
Other State levies				182.36
Total	1151	31.91		2938.87
Less Other State levies				182.36
Total	1151	31.91		2756.51

27. The licensee has submitted the consumer category wise details of revenue from sale of power for own consumption and sales to other consumers. It is seen that the revenue estimated by the licensee from self consumption of 4.80 MU is not as per the prevailing tariff. As per the computation of the Commission, the revenue from self consumption is Rs.260.25 lakh against Rs.223.30 lakh accounted by the licensee. Accordingly the revenue from sale of power approved by the Commission for the truing up of accounts is Rs.2793.72 lakh as shown below.

Table – 18
CPT – Approved revenue from sale of power for 2014-15

Consumer category	No of consumers	Energy Sold (MU)	Average Tariff (Rs/kwh)	Revenue (Rs lakh)
LT-I	650	1.06	2.77	29.41
LT-II	3	0.34	6.79	22.84
LT IV	1	0.00	13.68	0.16
LT VI (A)	11	0.21	7.55	15.62
LT VI (B)	29	0.28	7.75	21.66
LT VI (B) (G)	8	0.13	8.08	10.23
LT VI(C)	10	0.39	9.79	38.15
LT VI (C)(G)	12	0.04	10.95	5.21
LT VII A Single	206	0.22	9.87	21.37
LT VII A Three	194	4.41	10.93	482.82
LT VII C	3	0.02	11.52	2.07
HT GOVT	3	0.94	8.19	76.94
HT IV Commercial	19	16.04	9.58	1536.41
HT IV Malabar	2	3.03	8.90	269.36
Total	1151	27.11		2532.25
Self Consumption		4.80	4.65	260.51
Other Receipts				0.96
Other State levies				182.36
Total	1151	31.91		2976.08
Less Other State levies				182.36
Total	1151	31.91		2793.72

Non-Tariff Income

28. The non-tariff income accounted by the licensee for the year 2014-15 is Rs. 48.90 lakh as against the approved amount of Rs 23.92 lakh. The Commission approves the Non Tariff Income as claimed by the licensee for the purpose of truing up of accounts for the year 2014-15. The licensee is holding an accumulated surplus of Rs.3114.90 lakh in the year 2013-14. The Commission also approves a notional interest at the rate of 9% on the accumulated surplus considering the base rate of SBI, and the same is included under non-tariff income approved for truing up of the year. The non-tariff income approved for the purpose of truing up of accounts for the year 2014-15 is Rs. 329.24 lakh (Rs.48.90 lakh + Rs. 280.34 lakh)

Table – 19
CPT - Non-Tariff Income allowed for truing up for 2014-15 (Rs lakh)

Particulars	ARR Approved	Application for truing up	Trued Up
Non-Tariff Income	23.92	48.90	329.24

Revenue gap/ surplus after truing up:

29. The summary of the amounts of expenditure and revenue approved in the truing up of accounts for 2014-15 is given below

Table -20
CPT - Summary of Truing up of accounts for the year 2014-15 (Rs. Lakh)

Expenses	Approved ARR	Claimed in the application for truing up	Trued Up
Purchase of power	1963.90	2050.39	2050.39
Repair & Maintenance	6.05	19.02	9.33
Employee costs	332.90	842.10	320.84
A& G expenses	32.07	60.83	44.40
Depreciation	203.57	147.96	104.74
Interest & Financing charges	0.00	447.40	0.00
Other debits	0.00	48.90	0.00
Return on investment	10.00	10.00	10.00
Total Expenses	2548.49	3626.60	2539.70
Revenue from sale of power	2644.69	2756.51	2793.72
Other income	23.92	48.90	329.24
Total Revenue	2668.61	2805.41	3122.96
Revenue surplus/ deficit	120.12	-821.19	583.26

Orders of the Commission

30. (1) The Commission after considering the application for the truing up of Cochin Port Trust for the year 2014-15 and the details and clarifications submitted by the licensee arrives at a total expenditure of Rs.2539.70 lakh, total revenue of Rs.3122.96 lakh and a revenue surplus of Rs 583.26 lakh. The cumulative revenue surplus from 2004-05 to 2014-15 will be Rs.3417.42 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 for distribution business and arrange to conduct separate audit by C&AG or by a qualified Chartered Accountant and submit the report along with next truing up petition.

(3) 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.

(4) The licensee shall also submit the details of the implementation of the pay revision if any, including its date of implementation, the average increase in pay and the date of effect of the pay revision with copies of the supporting orders/ notifications if any.

The application is disposed of as above.

Sd/-

K.Vikraman Nair
Member

Sd/-

S.Venugopal
Member

Sd/-

T.M.Manoharan
Chairman

Approved for issue
Sd/-

Santhosh Kumar.K.B
Secretary