

**KERALA STATE ELECTRICITY REGULATORY COMMISSION  
THIRUVANANTHAPURAM**

**OA 11/2019**

Present: **Shri. R. Preman Dinaraj, Chairman**  
**Shri. K. Vikraman Nair, Member**

**In the matter of      Truing up of accounts of M/s Cochin Port Trust (CoPT)  
for the financial year 2017-18**

**Applicant               : M/s Cochin Port Trust (CoPT)**

**Respondent             : M/s Kerala State Electricity Board Limited**

**ORDER DATED 13/11/2019**

1. M/s Cochin Port Trust is a deemed distribution licensee under the proviso to Section 14 of Electricity Act 2003. Commission has granted permission to CoPT to extend its power distribution area to the Special Economic Zones at Vallarpadam and Puthuvypeen in Ernakulam District in Kerala State. The Distribution Business Unit of CoPT performs the distribution of electricity across the entire W/Island area, Vallarpadam and Puthuvypin areas. CoPT is having 2 power injection points, one at Willington island area under 110KV system with contract demand of 6500 KVA and another is at Vallarpadam SEZ area under 11 KV with contract demand of 3000 KVA.
2. M/s Cochin Port Trust (CoPT) has submitted the audited accounts for truing up for the financial year 2017-18 vide letter No.FD/Costing/Truing-up 2017-18/2018, as per the Regulation 11 of the KSERC (Terms and conditions for determination of tariff) Regulations, 2014. The Commission had issued the order on the ARR&ERC for the first control period from 2015-16 to 2017-18 on 08-09-2015. A comparison of the approved ARR&ERC for the year 2016-17 and the amounts claimed by the licensee as per the application for truing up of accounts is tabulated hereunder.

**Table-1**  
**Summary of the truing up of accounts**

Particulars	2016-17		2017-18		
	Actual Claim (Rs.lakh) (A)	Trued Up (Rs.lakh) (B)	ARR Approved (Rs.lakh) (C)	Actual Claim (Rs.lakh) (D)	Variation (Rs.lakh) (E)=(D-C)
Revenue from sale of power	3012.30	3012.30	3001.63	2947.54	-54.09
Other income	40.27	390.43	35.05	39.49	4.44
<b>Total income</b>	<b>3052.57</b>	<b>3402.73</b>	<b>3036.68</b>	<b>2987.03</b>	<b>-49.65</b>
Power Purchase Cost	2380.99	2380.99	2384.02	2353.63	-30.39
R&M Expenses	22.58	9.97	10.55	11.37	0.82
Employee cost	867.30	331.55	350.95	904.32	553.37
A&G Expenses	88.12	53.60	39.33	83.36	44.03
Depreciation	205.18	179.13	197.01	181.02	-15.99
Interest long term loans & interest on working capital	619.85	-	-	193.22	193.22
Interest on consumer security deposits	33.35	33.35	-	29.31	29.31
Return on equity	86.64	86.97	68.47	81.72	13.25
<b>Total Expenditure</b>	<b>4304.01</b>	<b>3075.56</b>	<b>3050.33</b>	<b>3837.95</b>	<b>787.62</b>
<b>Revenue Deficit</b>	<b>(-)1251.46</b>	<b>(+)327.17</b>	<b>(-)13.65</b>	<b>(-)850.92</b>	

3. The licensee in the truing up petition has claimed a **revenue gap of Rs.850.92 lakh** as against as revenue gap of Rs.13.65 lakh approved by the Commission the ARR order dated 08-09-2015.

#### **Hearing on the matter**

4. The public hearing on the application on the Truing up of accounts for the year 2017-18 was conducted in the office of the CoPT on 10-05-2019. The licensee was represented by Sri. B. Bhagyanath, Financial Adviser and Chief Accounts Officer, Smt. Rajashree Dabke, Senior Deputy Chief Accounts Officer, Sri. M.M. Abdul Rahim, Superintending Engineer (Electrical), Smt. Archana Viswanathan, Accounts Officer and other officers of the licensee. Sri. M.M. Abdul Rahim presented the details of the application. Sri. B. Bhagyanath and Sri. M.M. Abdul Rahim responded to the queries of the Commission. The main points submitted in the petition are briefed below.
- The actual number of consumers during 2017-18 is 1249 and the actual sale was 338.53 MU. There is a decrease in the number of consumers and sales compared to the previous year. The reason for reduction are decrease in the

number of consumers in Street lights & Self consumption, decrease in the the number of employees occupying the staff quarters and other energy conservation measures adopted by the licensee.

- The distribution loss approved for the control period was 2%. For the year 2017-18, the licensee has claimed a distribution loss of 2%. The licensee has not considered the self generation of the roof top solar energy plant with a capacity of 180 kWp while calculating the distribution loss.
- The licensee has claimed an amount of Rs.2353.63 lakh as power purchase cost for the year 2017-18 for a purchase of 345.45 lakh units.
- The employee cost claimed by the licensee for 2017-18 is higher than the ceiling norms approved by the Commission. In the truing up application, the licensee has booked an amount of Rs. 904.32 lakh as employee cost for carrying out the distribution business for the year 2017-18 as against Rs.350.95 lakh approved in the ARR as per norms.
- The R&M Expenses claimed by the licensee is higher than the ceiling norms approved by the Commission. The actual amount claimed by the licensee is Rs.11.37 lakh for the repair and maintenance of plant and machinery and vehicles, whereas the Commission had approved Rs.10.55 lakh for 2017-18.
- The A&G expense claimed by the licensee as per the application for truing up is Rs 83.36 lakh as against the approved amount of Rs 39.33 lakh. The major share of the claim is for security arrangements (Rs.43.66 lakh) and electricity duty (Rs.17.06 lakh) under section 3 of the Kerala Electricity Duty Act 1963
- As part of interest and finance charges the licensee has claimed interest and finance charges on long term loans, interest on working capital and interest on consumer security deposits amounting to Rs.222.53 Lakh.
- CoPT has claimed depreciation of Rs.181.02 lakh for the year 2017-18 as against Rs.197.01 lakh approved in the ARR Order. The licensee stated that no assets were created out of grants & consumer contribution.
- An amount of Rs.81.72 lakh is claimed as return on equity at the rate of three percent on the net fixed assets at the beginning of the financial year.
- The actual revenue from sale of power for the year 2017-18 was Rs. 2947.54 lakh
- The licensee has accounted interest on investments, fixed and call deposits and bank balances of Rs. 39.49 lakh for 2017-18.

5. Smt. Mehrunisa, Executive Engineer, TRAC and Sri. Manoj.G, AEE, TRAC, represented KSEB Ltd. Sri. Manoj.G presented the views of KSEB Limited and submitted written remarks on the application. The major points presented by KSEB Ltd are abstracted below.

- The distribution expenses of the licensee is exorbitantly high compared to the amounts approved by the Commission in the previous years. It was submitted that the Commission may approve the amounts only at the level approved in ARR.
- Cochin Port Trust is making Capital investments entirely out of Government loan and the same is not repaid but retained. The licensee is claiming the interest for the entire accumulated loan and also claiming depreciation without repaying the principal component of debt which is not a prudent financial practice. The Commission may disallow such claims. It was also submitted that the licensee is having sufficient internal resources over the years, the same is not seen invested in the business whereas fresh loan is seen apportioned to the distribution business.
- The claim of interest on loan may be disallowed as the same is not a prudent financial practice. The Commission may allow the interest only when it is actually paid.
- The employee cost, administrative & general expenses and repair & maintenance costs claimed are over and above the approved value and the Commission may limit the expenses to the approved level.
- It was also submitted that the quantum of the energy purchased from KSEB Ltd and the claim made by the licensee under power purchase cost tally with the records of KSEB Ltd.

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

6. The Commission considered the application of the licensee for truing up of accounts for the year 2017-18, the additional clarifications and submissions 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 2017-18 are detailed below:
7. **No. of Consumers & Sale of power:** - The comparison of the actual number of consumers and sales of the licensee for the year 2016-17 & 2017-18 is tabulated hereunder.

**Table-2**  
**Split up of the number of consumers and sales**

Particulars	No. of Consumers		Sale Lakh units	
	2016-17	2017-18	2016-17	2017-18
LT I	593	533	9.75	7.72
LT II	3	2	3.52	3.35
LT IV	1	2	0.02	0.01
LT VI A	17	17	3.99	3.98
LT VI B	32	33	2.94	3.17
LT VI B G	14	14	0.74	0.86
LT VI C	9	9	3.21	2.88
LT VI C G	21	12	0.44	0.52
LT VI F	-	6	-	2.48
LT VII A SINGLE PHASE	285	294	3.00	3.26
LT VII A THREE PHASE	183	191	42.13	39.89
LT VII C	3	4	0.22	0.23
Self consumption & Street lights	107	103	46.56	28.67
HT GOVT	5	5	12.27	12.79
HT II (B) GOVT	-	1	-	4.88
HT IV COMMERCIAL	20	20	189.74	187.60
HT INDUSTRIAL	1	1	6.81	7.45
HT IV MALABAR	2	2	29.85	28.79
<b>Total</b>	<b>1296</b>	<b>1249</b>	<b>355.20</b>	<b>338.53</b>

8. As per the details submitted the number of consumers during the year 2016-17 is 1296 and the sale is 355.20 lakh units. However for 2017-18 the number of consumers during the year reduced to 1249 and the sale to 338.53 lakh units. Thus there is a decrease in the number of consumers and quantum of sales compared to the previous year. The major decrease in the number of consumer is under domestic, street lights & self consumption category .The licensee vide clarifications dated 20-04-2019 has stated that the decrease in the number of consumers under LT I category is due to reduction in the number of staff quarters occupied by employees of CoPT, retired staff of CoPT, employees of CISF etc. It may be seen that major consumption is by the HT consumers among which HT IV Commercial consumers have the large share of consumption.
9. It can also be seen that there is reduction in the sales in most categories. The steep decrease in the sale towards Street lighting and self consumption is to be particularly

noted. As per the clarifications submitted, the licensee has stated that the main reason is the decline in the consumption for reefer plugs which are used to refrigerate containers. The other reasons include the commissioning of roof top solar energy plant of 180 Kwp and other energy conservation measures adopted by the licensee. Considering the reasons mentioned by the licensee, the Commission approves the sales of 338.53 lakh units for the year 2017-18.

10. **Energy requirement and Distribution Loss:** As per the details submitted in the petition, the energy requirement for 2016-17 was 362.49 lakh units. For the year 2017-18, the energy requirement has reduced and the claim is 345.45 lakh units. Commission while issuing orders on the ARR&ERC for the initial control period, had approved a distribution loss of 2.00% for each year of the control period. While trying up the accounts for the year 2016-17, the Commission had approved only 2% as approved in the ARR order. For the year 2017-18, the licensee has submitted that the actual distribution loss is 2.00% as tabulated below.

**Table-3**  
**Comparison of distribution loss**

Year	2016-17	2017-18	
	Actual	ARR Approved	Actual
Energy sales (lakh unit)	355.20	355.68	338.53
Energy Requirement (lakh unit)	362.50	362.94	345.45
Distribution loss (lakh unit)	7.30	7.26	6.91
<b>Distribution loss (%)</b>	<b>2.02%</b>	<b>2.00%</b>	<b>2.00%</b>

11. As per the details submitted in the petition, the licensee has commissioned a roof top solar energy plant with a capacity of 180 kWp on 31-03-2017. The licensee has also stated that 2 lakh units were generated during 2017-18 which has led to reduction in the self consumption of the licensee. Considering the actual distribution loss of 2.00% achieved by the licensee, the Commission approved the energy requirement of 345.45 lakh units for the year 2017-18 as per accounts.
12. **Power purchase cost:** The licensee claimed an amount of Rs.2353.63 lakh as power purchase cost for the year 2017-18 for a purchase of 345.45 lakh units. The tried up power purchase cost for 2016-17 was Rs.2380.99 lakh for 362.49 lakh units. There is decrease in the power purchased during 2017-18 due to the reduction in sales. The licensee has submitted area wise details of the energy received and the power purchase cost which is tabulated hereunder.

**Table – 4**  
**Details of cost of power purchase for the year 2017-18**

<b>Particulars</b>	<b>Wellington Island</b>	<b>Vallarpadam</b>	<b>Total</b>
Energy purchased ( lakh units)	265.20	80.30	345.45
Maximum Demand Billed (kVA)	68147	27000	95147
Demand Charges (Rs./kVA)	300	300	
Total Demand Charges (Rs. In lakh) (A)	204.44	81.00	<b>285.44</b>
Energy charges (Rs./kWh)	6.00	6.00	
Total Energy Charges (Rs. In lakh) (B)	1587.59	480.60	<b>2068.18</b>
<b>Cost of power purchase (A + B )</b> (Rs. In lakh)	<b>1792.03</b>	<b>561.60</b>	<b>2353.63</b>

13. Considering the distribution loss of 2.00% for the year 2017-18, Commission approves the actual power purchase cost of Rs.2353.63 lakh for the year 2017-18 as claimed by the licensee.

14. **O&M Expenses:** Operation & maintenance includes controllable expenses like Employee cost, Repair & Maintenance Expenses & Administrative & General Expenses. The Commission as per Regulation 81(7) of the KSERC (Terms and conditions for determination of tariff) Regulations, 2014 has approved the operation & The maintenance cost of Cochin Port Trust for the control period. The licensee has projected the Operation and maintenance expenses higher than the level specified in the regulation. A comparison of the claim made by the licensee and the normative amount approved by the Commission is shown below.

**Table – 5**  
**Comparison of the O&M Expenses**

<b>Particulars</b>	<b>2017-18</b>	
	<b>Actual claim of CoPT Rs.lakh</b>	<b>Normative amount approved by Commission Rs.lakh</b>
Employee cost	904.32	350.95
R&M Expenses	11.37	10.55
A&G Expenses	83.36	39.33
<b>Total</b>	<b>999.05</b>	<b>400.83</b>

15. The analysis of the actual O&M expenses claimed by the licensee and the decision of the Commission on the claim is done below.

16. **Employee cost:** The Commission while issuing the order on the ARR & ERC had approved an employee cost of Rs.350.95 lakh as per the norms in the KSERC (Terms and conditions for determination of tariff) Regulations, 2014. In the petition for truing up, the licensee has booked amount of Rs. 904.32 lakh as employee cost for carrying out the distribution business for the year 2017-18 which is very much on the higher side.
17. The actual claim of the licensee is 257.68% higher than the normative amount fixed by the Commission. In the petition, the licensee has stated that the number of employees deployed for the distribution business is limited to 92 only. The number of employees has reduced to 92 from 104 compared to the previous year 2016-17. As per the split up submitted in the application, it is seen that Rs.814.70 lakh is claimed towards salary and Rs.89.62 lakh as terminal benefits at 11%. The comparison of the detailed split up of employee cost is furnished below.

**Table-6**  
**Comparison of Actual Employee Cost**

Particulars	2016-17 As per accounts (Rs.Lakh)	2017-18 As per accounts (Rs.Lakh)
Salaries & wages	757.78	794.84
PLR	14.63	12.05
Overtime	8.92	7.81
<b>Total</b>	<b>781.34</b>	<b>814.70</b>
Add: Terminal Benefits @ 11%	85.95	89.62
<b>Grand Total</b>	<b>867.30</b>	<b>904.32</b>
<b>Number of employees</b>	<b>104</b>	<b>92</b>

18. Even though there is reduction in the number of employees, the cost has gone up which is not desirable. The higher share of employee expenses is mainly due to the dis-proportionate allocation of employees in the distribution business. The licensee has also not submitted details to establish that the increase is due to wage revision. CoPT shall furnish documents, if any to substantiate wage revision while filing the truing up petitions to validate the claim.
19. The Commission had analyzed the matter of high employee cost while truing up the accounts in 2016-17 and had approved only the employee cost as per the Regulation 81 (7) of the KSERC (Terms and Conditions for Determination of Tariff) Regulation 2014. The Commission is of the considered view that the employee cost is to be limited at the normative amount approved by the Commission for the year 2017-18. Accordingly, the Commission approves Rs.350.95 lakh as the employee cost for the year 2017-18.



20. **Repair and Maintenance Charges:** - The actual amount claimed by the licensee is Rs.11.37 lakh for the repair and maintenance of plant and machinery and vehicles. As per the details submitted Rs.9.44 lakh is for plant and machinery and Rs.1.92 lakh is towards vehicles. Commission had approved an amount of Rs.10.55 lakh as the R&M expenses for the year 2017-18. The split up of the amount claimed is shown below.

**Table-7**  
**Actual R&M expenses for 2017-18**

Particulars	Rs.lakh
Transformer oil testing charge	1.13
Replacement of spares for RMUs	2.40
Servicing of 11 kV including spares at 110 kV substation	3.68
Service cable replacement	0.40
HT & LT jointing kit replacement	1.63
Consumables	0.19
Vehicle maintenance , fuel and consumables	1.93
<b>Total</b>	<b>11.37</b>

21. As per the split up, the main expense is towards Servicing of 11 kV including spares at 110 kV substation and Replacement of spares for RMUs. Commission has gone through the claim of the licensee. It is to be noted there is no large variation between the approved and actual R&M expenses. Hence the repair and maintenance expenses is allowed as approved in the KSERC (Terms and Conditions for Determination of Tariff) Regulation 2014. Accordingly, the R&M approved for the year 2017-18 is Rs.10.55 lakh.

22. **A&G Expenses:** The A&G expense claimed by the licensee is higher than the amount approved by the Commission. The amount claimed is Rs 83.36 lakh as against the approved amount of Rs 39.33 lakh. As per the detailed split up in Form D 3.4(b), it may be seen that the major share of the claim is for security arrangements which sums to a total of Rs.43.66 lakh. The other major claim is the electricity duty of Rs.17.06 lakh under section 3 of the Kerala Electricity Duty Act 1963 and Rs.9.40 lakh as electricity charges. As per the details submitted in the petition, generally 1% of the each item of A&G expenses of the entire CPT business has been allocated to the distribution business. A comparison of the actual administrative and general expense of the past years is tabulated below.

**Table-8**  
**Comparison of A&G Expenses over the years**

<b>Particulars</b>	<b>2015-16 As per accounts (Rs lakh)</b>	<b>2016-17 As per accounts (Rs lakh)</b>	<b>2017-18 As per accounts (Rs lakh)</b>
Rent Rates & Taxes	5.07	5.36	5.47
Telephone & Postage, etc.	0.37	0.38	0.31
Internet and related charges	0.19	0.19	0.16
Legal charges	4.48	11.53	0.66
Audit Fees	0.49	0.64	0.51
Travelling expense	0.71	0.67	0.74
Conveyance	0.61	0.55	0.47
License fee	2.46	2.35	2.22
Electricity charges	9.40	9.40	9.40
Water charges	1.20	1.52	1.70
Entertainment	0.09	0.30	0.12
Fees & subscription	0.03	0.02	0.01
Printing & Stationery	0.15	0.16	0.08
Advertisements, exhibition publicity	0.51	0.62	0.31
Miscellaneous Expenses	0.45	0.58	0.43
Computer Stationery	0.05	0.07	0.05
Security arrangements	28.85	36.10	43.66
Electricity Duty under Section 3	20.04	17.70	17.06
<b>Gross A&amp;G Expenses</b>	<b>75.15</b>	<b>88.12</b>	<b>83.36</b>

23. As per the detailed split up tabulated above, it may be seen that the major expense for the year 2017-18 is for security arrangements and the electricity duty under section 3 of the Kerala Electricity Duty Act 1963. The Commission in the previous orders had stated that Duty under section 3 cannot be passed on to the consumers in view of the statutory provisions of the Kerala Electricity Duty Act, 1963. As per Section 3(3) of the Kerala Electricity Duty Act 1963, the duty under this Section should be borne by the licensee and shall not be passed on to the consumer. The licensee has to take up the matter before the Government for relief, if necessary.

24. With regard to the security expenses for the year 2017-18, the licensee has claimed an amount of Rs.43.66 lakh. The licensee has stated that CPT is under security blanket as per ISPS Regulations and is vulnerable to security threat, and round the clock security arrangements is inevitable. Accordingly 6 constables have been posted

for the protection of 110 kV system and Power House. The amount of expenses for Security staff employed solely for guarding distribution installations claimed by the licensee is as given below:-

**Table-9**  
**Details of security arrangements**

Particulars	Amount in Rs lakh
Salary	146.46
Leave salary Contribution	10.50
Pension Contribution	10.40
<b>Total Cost</b>	<b>167.36</b>
No: of Personnel	276
Rs./ personnel per month	0.61
<b>Total Cost of 6 personnel per annum</b>	<b>43.66</b>

25. Commission while trying up the accounts for the year 2016-17 had allowed the claim of the security charges of Rs.36.10 lakh. It may be seen that the security charges claimed for 2017-18 has an increase of 20% over the previous year. Since CoPT is a vulnerable area, the security expenses can be allowed as done in previous year.

26. While issuing the orders on the trying up of accounts for 2016-17, the Commission had recalculated the A&G expenses based on the escalation rates under Tariff Regulations 2014 and had arrived at Rs.17.50 lakh. Following the same methodology, the A&G expenses except security charges as per the defined methodology for the year 2016-17 is Rs.18.52 lakh.

**Table – 10**  
**Estimation of A&G expenses for 2017-18**

Particulars	Rs. Lakh
A&G expenses excluding security expenses & Section 3(1) Duty for 2017-18 as per Regulations	18.52
Actual Security expenses claimed in 2017-18	43.66
Approved A&G expenses including security expenses	<b>62.18</b>

27. **The security charges claimed for the year is Rs.43.66 lakh. Considering the same the total A&G expenses approved for the year 2017-18 is Rs.62.18 lakh (Rs.18.52 lakh + Rs.43.66 lakh)**

**Table – 11**  
**A&G expenses allowed for truing up for 2017-18**

Particulars	ARR Approved (Rs lakh)	As per accounts (Rs. Lakh)	Trued Up (Rs lakh)
A&G expenses	39.33	83.36	62.18

28. **Depreciation:** - The licensee in the petition has claimed depreciation in the straight line method as per the Tariff Regulations 2014. The licensee has claimed depreciation of Rs.181.02 lakh for the year 2017-18. The licensee has submitted the details of the assets. The licensee has claimed depreciation for the assets additions of Rs.13.00 lakh which includes cost of a 11kV RMU, 2 Nos of 110 kV grade lightning arrestor. The licensee has clarified that no Assets were created out of grants & consumer contribution. The split up of the depreciation claimed by the licensee is tabulated below.

**Table – 12**  
**Depreciation claimed for the year 2017-18**

Particulars	GFA (Rs.lakh)	Asset Addition (Rs.lakh)	Depreciation (Rs.lakh)
Distribution lines	33.37		2.18
Sub-station equipments	3715.87		160.21
Transformers	357.27	13.00	12.11
Others	152.84		6.51
Meters	5.67		0.01
<b>Gross Fixed Assets</b>	<b>4265.03</b>		<b>181.02</b>

29. The Commission has considered the details furnished by the license. As per the estimates of the licensee, depreciation for the year is 181.02 lakhs. While truing up the accounts for the year 2016-17, the Commission had approved an amount of Rs.179.13 lakh after duly considering the age of the assets of CoPT. While truing up the accounts for 2016-17, the Commission had noted that the depreciated value of assets is lower than salvage value and in some cases, the depreciation for the remaining assets which are depreciated above the normative debt are not uniformly assigned for the balance useful life. Accordingly, the Commission directed the licensee to reconcile the value of assets and depreciation provided as per the provisions of the Tariff

Regulations 2014. The licensee in the present filing has properly estimated the depreciation based on the date of acquisition and useful life. Based on the information furnished by the licensee, the Commission has estimated the depreciation for the year as tabulated below.

**Table 13**  
**Depreciation approved for the year 2017-18**

Particulars	GFA	NFA as on 31-3-2017	Salvage Value (10% GFA)	Balance Value of Asset to be depreciated	Depreciation for the year 2017-18	NFA at the end of 2017-18
	(Rs.lakh)	(Rs.lakh)	(Rs.lakh)	(Rs.lakh)	(Rs.lakh)	(Rs.lakh)
A	B	C	D=B*0.10	E=C-D	F	G=C-F
Distribution lines /LT lines	33.37	13.28	3.34	9.94	2.18	11.1
Sub-station equipments	3715.87	2496.45	371.59	2124.86	160.21	2336.24
Transformers/ 11kV lines	357.28	153.16	35.73	117.43	11.49	141.67
Miscellaneous equipments	93.58	15.95	9.36	6.59	4.45	11.5
Others	59.26	44.52	5.93	38.59	2.06	42.46
Meters	5.67	0.70	0.57	0.13	0.01	0.69
Total	4265.03	2724.06	426.50	2297.56	180.4	2543.66
Additions made during the year	13.00		1.30		0.62	12.38
Total	4278.03		427.80		181.02	2556.04

30. As shown above, the depreciation approved for the year is Rs.181.02 lakhs, which is same as estimated by the licensee.

31. **Interest and Finance Charges:** - The licensee as part of interest and finance charges projected interest and finance charges on loans, interest on working capital and interest on consumer security deposits as shown below:

**Table – 14**  
**Comparison of Interest and finance charges**

Particulars	2016-17		2017-18
	As per accounts (Rs. Lakh)	Trued Up (Rs. Lakh)	As per accounts (Rs. Lakh)
Interest and finance charges on loans	619.85	-	1.37
Interest on Working Capital	-	-	191.85
Interest on consumer security deposits	33.35	33.35	29.31
<b>Total Interest and Finance charges</b>	<b>653.20</b>	<b>33.35</b>	<b>222.53</b>

32. **Interest and finance charges on loans:** The licensee has claimed an interest of Rs.1.37 lakh for the year 2017-18 at a rate of 8% for an amount of Rs.17.10 lakh which is the loan for the capital investment . The capital investments of Rs.17.10 lakh, includes transformer oil filtering machine of Rs.4.10 lakh in 2016-17, Rs.7.23 lakh 11kV RMU, and Rs.5.77 lakh for 2 Nos of lightning arrestors.
33. The licensee has not claimed the accumulated interest for the existing assets in the year 2017-18. However, during the year 2016-17, the licensee had claimed an interest and finance charges of Rs. 619.85 lakh for loans availed from Govt. of India for distribution business. The licensee has stated that the Cabinet Committee on Economic Affairs (CCEA) has approved the proposal of the CPT for waiver of penal interest on GOI Loans and rescheduled the repayment of the principal plus interest in 10 years commencing from 2018-19. The Commission , has not allowed the interest charges for the Licensee for the year 2016-17 mainly on the reason that no interest was paid to the Government of India in that year. However, the Commission has clarified that the interest charges based on the norms will be allowed as and when the repayment of loan and interest charges begins as ordered by Govt. of India. Hence, in 2017-18, the licensee has not claimed the said amount, but claimed the interest charges for the assets added from 2016-17 only.
34. The Commission has examined the details furnished by the Licensee. The interest on normative loan is to be allowed based on the provisions of regulations 27 and 30 of the Tariff Regulations 2014. Relevant portion of the regulations are given below:

**“27. Debt-equity ratio.** – (1) *For the purpose of determination of tariff, debt equity ratio as on date of commercial operation in the case of a new generating station, transmission line and distribution line or substation commissioned or capacity expanded on or after the First day of April 2015, shall be 70:30 of the capital cost approved by the Commission:*

*Provided that the debt-equity ratio shall be applied only to the balance of such approved capital cost after deducting the financial support provided through consumer contribution, deposit work, capital subsidy or grant, if any.*

*(2) Where equity employed is more than thirty percent of the approved capital cost, the amount of equity for the purpose of tariff shall be limited to thirty percent and the balance amount shall be considered as normative loan and interest on the same may be allowed at the weighted average rate of interest of the actual loan portfolio.*

*(3) Where actual equity employed is less than thirty percent of the approved capital cost, the actual equity shall be considered.*

*(4) If any fixed asset is capitalised on account of capital expenditure incurred prior to the First day of April, 2015, debt-equity ratio allowed by the Commission for determination of tariff for the period ending the Thirty First day of March, 2015 shall be considered.*

*(5).....”*

**30. Interest and- finance charges.** – (1) (a) The loans arrived at in the manner indicated in regulation 27 shall be considered as gross normative loan for calculation of interest on loan.

(b) The interest and finance charges on capital works in progress shall be excluded from such consideration.

(c) In the case of retirement or replacement of assets, the loan amount approved by the Commission shall be reduced to the extent of outstanding loan component of the original cost of the retired or replaced assets, based on documentary evidence.

(2) The normative loan outstanding as on the First day of April, 2015, shall be worked out by deducting the amount of cumulative repayment as approved by the Commission up to the Thirty First day of March, 2015, from the normative loan.

(3) Notwithstanding any moratorium period availed by the generating business/company or the transmission business/licensee or the distribution business/licensee, the repayment of loan shall be considered from the first financial year of commercial operation of the project and shall be equal to the depreciation allowed for that financial year.

(4) The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each financial year applicable to the generating business/company or the transmission business/licensee or the distribution business/licensee or state load despatch centre:

Provided that if there is no actual loan for a particular financial year but normative loan is still outstanding, the weighted average rate of interest on the last available loan shall be considered:

Provided further that if the regulated business of the generating business/company or the transmission business/licensee or the distribution business/licensee or state load despatch centre does not have actual loan, then interest shall be allowed at the base rate.

35. Based on the above, provision, the interest on normative loan can be worked out for the asset addition for the year . As per the Regulation, interest charges applicable shall be the Base rate. Accordingly, the interest on normative loan approved as per the provision of the regulations is shown below.

**Table-15**  
**Interest on Normative Loan approved for 2017-18**

Particulars	2017-18 (Rs.lakh)
<b>Gross Normative loan - Opening</b>	4.10
Asset Addition during the year	13.00
Total Asset Addition	17.10
Repayments /Depreciation during the year	0.90
Net Normative loan - Closing	16.20
Average Normative Loan	10.15
Rate of Interest (Base rate of SBI)	9.10%
<b>Interest on Normative loan</b>	<b>0.92</b>

36. **Interest on Working Capital:** The licensee stated that an interest on working capital of Rs. 191.85 lakh at a rate of 10% is claimed as there was a cash deficit for carrying

out the day to day electricity distribution business. The interest on working capital on notional basis based on the cash shortage worked out by the licensee is as shown below.

**Table – 16**  
**Details of Interest on working capital proposed for the year 2017-18**

Particulars	(Rs. lakh)
Receipts	
Total income received excl receivables	3044.25
Security deposits from consumers	22.80
Other Income	27.48
	3094.53
Payments	
Total payments towards purchase of electricity	2353.63
Security deposit from consumers invested in bank	4.67
Total expenses involving cash outflow (O&M+Emp Cost+A&G)	999.05
Payment of SD with KSEB	17.09
	3374.43
Cash Surplus / deficit	(279.90)
Fund transferred from CPT	279.90
Opening Balance of Working Capital	1638.58
Total Working capital loan availed during the year from CPT	279.90
Working Capital at the end of the year	1918.48
Interest @ 10.00%	191.85

37. The Commission examined the estimate of interest on working capital by the licensee. The licensee has not computed the interest on working capital for the control period as per Regulation 33 of the Tariff Regulations, 2018. The Commission in the clarification sought had directed the licensee to compute the interest on working capital as per the provisions of the Tariff Regulations, 2014. The licensee vide letter dated 20-04-2019 submitted the estimation which is also not as per regulations. The provisions under the Regulation 33(1)(e) of the Tariff Regulations on working capital is shown below:

- (i) Operation and maintenance expenses for one month; plus
- (ii) Cost of maintenance of spares equal to one twelfth of the sum of the book value of stores materials, and supplies at the end of each month of the financial year plus
- (iii) Receivables equal to the expected revenue from sale of electricity for two months at the prevailing tariff

Provided that the following amounts shall be reduced while computing the working capital requirements:

- (i) the amount if any held as security deposit except the security deposits held in the form of Bank Guarantee from users of the distribution system and consumers; and



- (ii) The amount equivalent to the cost of power purchase for one month based on the cost of power purchase approved by the Commission

Provided further that the amount equivalent to the cost of power purchased for one month corresponding to the quantity of electricity supplied from the generating station owned by the distribution licensee shall not be deducted:

Provided also that for distribution business/licensee who supply electricity to their consumers on prepaid metering system no interest on working capital shall be allowed.

38. Based on the regulations, the working capital requirement for CPT for the year 2017-18 as estimated is shown below:

**Table – 17**  
**Estimate of the Working Capital as per Tariff Regulations**

Particulars	For the year Rs. Lakh	For Working capital Rs.lakh
a) O&M expenses (one month)	423.68	35.31
b) Cost of Spares	Not claimed by the licensee	
c) Receivables (Revenue from sale of power) (2 months revenue)	2947.54	491.26
<b>Total (A)</b>		<b>526.57</b>
Less:		
Security Deposit from consumers	471.71	471.71
Power purchase cost (for one month)	2353.63	196.14
<b>Sub Total (B)</b>		<b>667.85</b>
<b>Working Capital (A-B)</b>		<b>-141.28</b>

39. Thus as shown above, there is excess working capital of Rs.141.28 lakh available with the licensee as per norms. Hence no interest on working capital is allowable. Further, it is to be noted that as per the accounts, an amount of Rs.4092.29 lakh is being held by the licensee as accumulated revenue surplus as on 01-04-2017.

40. **Interest on Security Deposits:** The licensee has claimed an amount of Rs.29.31 lakh as the interest on security deposit paid to the CPT consumers during the year 2017-18 in addition to the interest and finance charges. As per the details furnished by the licensee, the security deposit from consumers held by the licensee is Rs.471.71 lakh. Considering the actual interest paid, Commission approves Rs.29.31 lakh as the interest on security deposit for the purpose of truing up for the year 2017-18.

41. Accordingly, the interest and finance charges approved for the year 2017-18 is tabulated hereunder.

**Table – 18**  
**Approved Interest and finance charges**

Particulars	2017-18	
	Actual (Rs. Lakh)	Trued Up (Rs. Lakh)
Interest and finance charges on loans	1.37	0.92
Interest on Working Capital	191.85	-
Interest on consumer security deposits	29.31	29.31
<b>Total Interest and Finance charges</b>	<b>222.53</b>	<b>30.23</b>

42. **Return on Equity:-** The licensee has claimed return on net fixed assets @3% amounting to Rs.81.72 lakh. The Commission had allowed a return of Rs.68.47 lakh in the order on ARR&ERC which was 3% of the net fixed assets, as provided in the Tariff Regulations 2014. As per the details provided in the petition, the net fixed assets at the beginning of the year is Rs.2724.07 lakh. Considering the same, Commission approves Rs.81.72 lakh as the RoNFA for the year 2017-18

43. **Total Expenses:** The total expenditure approved for the year 2017-18 after truing up of accounts is as shown below.

**Table -19**  
**Summary of Expenditure for the year 2017-18**

Particulars	2017-18		
	ARR Approved (Rs.lakh)	Actual Claim (Rs.lakh)	Trued Up (Rs.lakh)
Power Purchase Cost	2384.02	2353.63	2353.63
R&M Expenses	10.55	11.37	10.55
Employee cost	350.95	904.32	350.95
A&G Expenses	39.33	83.36	62.18
Depreciation	197.01	181.02	181.02
Interest long term loans	-	1.37	0.92
Interest on working capital	-	191.85	-
Interest on consumer security deposits	-	29.31	29.31
Return on equity	68.47	81.72	81.72
<b>Total Expenditure</b>	<b>3050.33</b>	<b>3837.95</b>	<b>3070.28</b>

44. **Total Revenue:** - The total revenue includes revenue from the sale of power and non tariff income claimed by the licensee.

45. **Revenue from Sale of Power:** The licensee has claimed total revenue from sale of power of Rs.2947.54 lakh against approved revenue of Rs.3001.63 lakh in the Order on ARR&ERC. The licensee has deducted Rs.190.00 lakh as other state levies which are the electricity duty. As per the details submitted by the licensee, major sale is made to HT category of consumers which is 55% accounts for the total sales. The category wise revenue from sale of power claimed by the licensee for the year is as shown below.

**Table – 20**  
**Details of revenue from sale of power for 2017-18**

Consumer Category	2017-18			
	No. of Consumers	Sale Lakh units	Revenue from sale (Rs.lakh)	Average Realisation
LT I	533	7.72	30.70	3.98
LT II	2	3.35	29.26	8.73
LT IV	2	0.01	0.20	15.98
LT VI A	17	3.98	29.33	7.37
LT VI B	33	3.17	25.06	7.91
LT VI B Govt	14	0.86	7.54	8.77
LT VI C	9	2.88	30.11	10.45
LT VI C Govt	12	0.52	5.95	11.44
LT VI F	6	2.48	27.14	10.94
LT VII A SINGLE PHASE	294	3.26	29.13	8.94
LT VII A THREE PHASE	191	39.89	441.20	11.06
LT VII C	4	0.23	2.40	10.43
Self consumption & Street lights	103	28.67	157.78	5.50
HT GOVT	5	12.79	109.68	8.58
HT II (B) GOVT	1	4.88	35.96	7.37
HT IV COMMERCIAL	20	187.60	1694.96	9.03
HT INDUSTRIAL	1	7.45	56.64	7.60
HT IV MALABAR	2	28.79	234.50	8.15
<b>Total</b>	<b>1249</b>	<b>338.53</b>	<b>2947.54</b>	8.71
Electricity duty			190.00	
<b>Total</b>			<b>3137.54</b>	
Less Electricity duty			190.00	
<b>Total</b>	<b>1249</b>	<b>338.53</b>	<b>2947.54</b>	

46. Compared to the previous year, there is a reduction in the revenue from sale of power which is due to the reduction in the sales for the year. During the year 2016-17, the total sale was 355.20 lakh units, whereas for the year 2017-18, the sale has reduced to 338.53 lakh units. The reason for the reduction is mainly due to the reduction in the self consumption. Considering the actual revenue realized for the year, Commission approves Rs.2947.54 lakh as the revenue from sale of power for 2017-18.
47. **Non-Tariff Income:** The actual non-tariff income claimed by the licensee in 2017-18 is Rs.39.49 lakh as the interest on investments, fixed and call deposits and bank balances. The licensee has stated that Rs. 12.00 lakh is towards interest on the security deposit held by KSEB Ltd and Rs.27.48 lakh is towards interest from bank. The actual claim during the year 2016-17 was Rs.40.27 lakh.
48. The licensee has not accounted the interest on accumulated surplus as part of non-tariff income of the licensee. At the end of the financial year 2016-17, the licensee is holding an accumulated surplus of Rs.4092.29 lakh and the Commission has ordered to keep the surpluses arrived after truing up in separate funds and utilize as per orders of the Commission. Commission considers Rs.372.40 lakh as the notional interest on the accumulated surplus considering the base rate of SBI as on 01-04-2017 (9.10%) the as part of non-tariff income. Accordingly, the total non-tariff income approved for the year 2017-18 is Rs.411.89 lakh.

**Table – 21**  
**Non-Tariff Income allowed for truing up for 2017-18**

Particulars	As per accounts (Rs. Lakh)	Trued Up (Rs lakh)
Non-Tariff Income	39.49	<b>39.49</b>
Interest on accumulated surplus	-	<b>372.40</b>
<b>Total</b>	39.49	<b>411.89</b>

### **Revenue Surplus/gap after Truing up of Accounts 2017-18**

49. Based on the above details of Truing up taking into consideration the approved expense and revenue is given below:

**Table 22**  
**Details of amounts approved in Truing up for the year 2017-18**

Particulars	2017-18		
	ARR Approved (Rs.lakh)	Actual Claim (Rs.lakh)	Trued Up (Rs.lakh)
Revenue from sale of power	3001.63	2947.54	2947.54
Other income	35.05	39.49	411.89
<b>Total income</b>	<b>3036.68</b>	<b>2987.03</b>	<b>3359.43</b>
Power Purchase Cost	2384.02	2353.63	2353.63
R&M Expenses	10.55	11.37	10.55
Employee cost	350.95	904.32	350.95
A&G Expenses	39.33	83.36	62.18
Depreciation	197.01	181.02	181.02
Interest long term loans &	-	1.37	0.92
Interest on working capital	-	191.85	-
Interest on consumer security deposits	-	29.31	29.31
Return on equity	68.47	81.72	81.72
<b>Total Expenditure</b>	<b>3050.33</b>	<b>3837.95</b>	<b>3070.28</b>
<b>Revenue Surplus (+) / Deficit (-)</b>	<b>(-)13.65</b>	<b>(-)850.92</b>	<b>(+)289.15</b>

#### Orders of the Commission

50. The Commission after considering the application for the truing up of Cochin Port Trust for the year 2017-18 arrives at a total expenditure of Rs.3070.28 lakh, total revenue of Rs.3359.43 lakh and a revenue surplus of Rs.289.15 lakh. The accumulated surplus till 2016-17 is Rs.4092.29 lakh. Thus the cumulative revenue surplus from will be Rs.4381.44 lakh (Rs.4092.29 lakh + Rs.289.15 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.

51. The petition is disposed of as above.

Sd/-  
**K.Vikraman Nair**  
Member

Sd/-  
**R.Preman Dinaraj**  
Chairman

Approved for issue  
Sd/-  
**G.Jyothichudan**  
Secretary