

**KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM**

OA No 16/ 2018

**In the matter of Truing up of accounts of M/s Technopark for the financial
year 2015-16**

Applicant **M/s Technopark, Thiruvananthapuram**

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

Order Dated 02/12/2019

Background

1. M/s Technopark, Thiruvananthapuram (*herein after referred as Technopark or the licensee*) vide letter No.ETPK/KSERC/2018-19/295 dated 29-05-2018 submitted application for truing up of accounts for the financial year 2015-16. The Commission had approved the ARR&ERC for the first control period from 2015-16 to 2017-18 as per the order dated 11-04-2016. The present application pertains to truing up of accounts for the first year of the control period ie, 2015-16.
2. The Commission had notified the KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2014 (*hereinafter referred to as the Tariff Regulations, 2014*), applicable for the first control period from 2015-16 to 2017-18. The regulation 11 of the Tariff Regulations, 2014 provide for the filing of the petition for truing up of accounts for the relevant years.
3. In the petition, the licensee has arrived at a **revenue deficit of Rs.300.94 lakh** for the year 2015-16 as against a **revenue surplus of Rs.255 lakh** approved by the Commission in the ARR order dated 11-04-2016. A statement of comparison of ARR&ERC order and the truing up petition for the year 2015-16 is tabulated hereunder.

Table-1
Comparison of the Truing Up for 2014-15 & 2015-16

Particulars	2014-15		2015-16		
	Truing Up Petition (Rs.Lakh)	Trued Up (Rs.Lakh)	ARR & ERC Order (Rs.Lakh)	Truing Up Petition (Rs.Lakh)	Difference (Rs.Lakh)
Revenue from Sale of Power.	4639.99	4639.99	5170.19	5336.90	166.71
Non Tariff Income	58.65	58.65	44.05	47.57	3.52
ERC- Total Revenue	4698.64	4698.64	5214.24	5384.47	170.23
Purchase of Power	4321.19	4282.93	4551.70	4648.73	97.03
Repairs and Maintenance	183.42	124.73	100.52	274.50	173.98
Employee Cost	24.87	19.14	19.83	26.38	6.55
A&G Expenses	77.28	38.86	48.77	156.79	108.02
Depreciation	113.21	86.71	121.92	186.18	64.26
Interest & Finance Charges	185.22	22.30	76.73	145.93	69.20
Interest on security deposits	48.18	48.18	-	61.13	61.13
Interest on Working Capital	-	-	-	56.78	56.78
Return on NFA	93.32	10.00	39.77	129.00	89.23
Other Debits	185.25	-0.26	-	-	-
ARR- Total Expenditure	5231.94	4632.59	4959.24	5685.41	726.17
Net Surplus/(Deficit)	(533.30)	66.05	255.00	(300.94)	(555.94)

4. The Commission vide letter dated 01-08-2018 sought clarifications on the petition and directed the licensee to submit the clarification on or before 15-08-2018. The licensee vide letter No.ETPK/KSERC/2018-19/698 dated 14-08-2018 submitted some clarifications and sought additional time upto 15-09-2018 for submission of balance clarifications. The licensee vide letter No.ETPK/KSERC/2018-19/880 dated 24-09-2018 submitted the balance clarifications including revised depreciation estimate and interest on working capital. Based on the revised calculations, the revenue gap for 2015-16 is Rs.380.21 lakh as shown below.

Table-2
Revised submission for 2015-16

Particulars	2015-16		
	ARR & ERC Order (Rs.Lakh)	Initial truing up filed (Rs.Lakh)	Revised Truing Up Petition (Rs.Lakh)
Revenue from Sale of Power.	5170.19	5336.90	5336.90
Non Tariff Income	44.05	47.57	47.57
ERC- Total Revenue	5214.24	5384.47	5384.47

Purchase of Power	4551.70	4648.73	4648.73
Repairs and Maintenance	100.52	274.50	274.50
Employee Cost	19.83	26.38	26.38
A&G Expenses	48.77	156.79	156.79
Depreciation	121.92	186.18	280.77*
Interest & Finance Charges	76.73	145.93	145.93
Interest on security deposits	-	61.13	61.13
Interest on Working Capital	-	56.78	41.45*
Return on NFA	39.77	129.00	129.00
ARR- Total Expenditure	4959.24	5685.41	5764.68
Net Surplus/(Deficit)	255.00	(300.94)	(380.21)

*Subsequently revised in clarifications dated 24-09-2018

5. Considering the clarifications submitted, the application was admitted as OA No. 16/2018

Hearing on the Petition

6. The hearing on the petition was conducted at the Court Room, Office of the Commission on 26-02-2019. The applicant M/s Technopark represented by Sri. E.V.Einstein, Deputy Manager (Electrical), and Sri. Viswanathan, Finance Officer. Sri. E.V.Einstein, presented the details of the application on the truing up of accounts for the year 2015-16 and Sri. Viswanathan gave clarifications on the queries of the Commission. The main points made by Technopark are:-
- The total sale for the year 2015-16 is 75.71 MU and the energy purchased from KSEB Ltd to cater the requirement of the consumers of the licensee is 80.39 MU. The actual distribution loss claimed by the licensee for the financial year 2015-16 is 5.83%
 - The actual revenue from sale of power claimed is Rs.5336.90 lakh for a sale of 75.71 MU.
 - The non-tariff income accounted by the licensee is Rs 47.57 lakh which includes interest on security deposits with KSEB Ltd, interest on bank deposits and miscellaneous recoveries.
 - The total power purchase cost for the year 2015-16 as per the petition is Rs.4648.73 lakh for a purchase of 80.39 MU.
 - The actual employee cost claimed is Rs.26.38 lakh.
 - The Repair and maintenance cost incurred by the licensee for the year 2015-16 is Rs.274.50 lakh for the R&M for the various Phases of Technopark at Thiruvananthapuram and Kollam

- A&G expense claimed by the licensee is Rs.156.79 lakh which include the major items of “Security arrangements” amounting to Rs.68.86 lakh and the electricity duty payable to the Government under Section 3(1) of the Kerala Electricity Duty Act 1963 which is Rs.44.90 lakh.
 - Depreciation claimed for the year is Rs.280.77 lakh
 - The interest and finance charges claimed for the year 2015-16 includes interest on loans including working capital loan and interest on consumer security deposits amounting to Rs.263.84 lakh.
 - RoE claimed for the year is Rs 129.00 lakh on the basis of net fixed assets at the rate of 3%.
 - Accordingly the revenue gap for the year as per the truing up petition for 2015-16 is Rs.380.21 lakh.
7. Smt. Mehrunisa, Executive Engineer TRAC and Sri. Manoj.G, AEE, TRAC represented KSEB Ltd. Sri. Manoj.G presented the counter statement/comments of KSEB Ltd. and submitted written remarks on the application. The major points raised by KSEB Ltd are abstracted below.
- a. The actual T&D loss is higher than the approved loss level for the year 2015-16. The cost incurred for the additional power procurement due to excess loss may be disallowed.
 - b. The claim of the licensee on the Operation and Maintenance cost such as R&M expenses, Employee cost and A&G expenses are higher than the same approved by the Commission. It was submitted that the Operation and Maintenance cost may be limited to the norms fixed by the Commission.
 - c. The Commission may take uniform approach regarding Section 3 duty and the claim of the licensee on Electricity duty may be disallowed.
 - d. The depreciation may be allowed only after deducting the grants/consumer contribution from the Gross fixed assets.
 - e. The revenue return claimed is higher than the approved level in the order on ARR&ERC.
 - f. KSEB Ltd reported that the units purchased by Technopark, as mentioned in the petition tally with the records of KSEB Ltd whereas the details of the units purchased by Technopark, Kollam shows a slight variation.
8. During the hearing the Commission directed Technopark to submit the following:

- The licensee may seek formal approval for the capital investments made from 2012-13 to 2014-15 and from 2015-16 to 2016-17.
 - The licensee may also reconcile the sale of power at Technopark Kollam with KSEB Ltd.
 - Phase wise details of the R&M expense booked for 2014-15 & 2015-16 and the date of commencement of the R&M contracts for the newly commissioned phases.
 - The licensee may clarify the reason for not regularizing the supply at Kollam campus and the reason for the delay in commissioning the substation. Also the details of the capitalization of the assets.
 - Details with dates of the commissioning of the different phases of the licensee.
 - Details of the major defaulters having arrears for more than three months.
 - Details of the meters replaced during the past five years
 - Details of the periodic inspections and energy audit conducted by the licensee.
 - The reason for the decrease in the non-tariff income over the previous year.
9. The Commission during the hearing raised many issues regarding the licensee operations in the park on technical and financial matters. The Commission noted with displeasure the lack of responsiveness of the senior management of the Technopark on compliance with the directives of the Commission. The Commission also took serious note of the continued absence of the senior management during the proceedings of the Commission. This practice is not desirable and the Commission insists that the representation of senior management during the regulatory proceedings is compulsory. The Commission also noted that the expenses of the licensee are not prudent and no efforts are made by the licensee to reduce the expenditure, as directed by the Commission in the earlier proceedings
10. The Commission directed the licensee to furnish the reply on the counter statement submitted by KSEB Ltd and the details called for by the Commission, on or before 15-03-2019. The licensee vide letter dated 25-03-2019 submitted the clarifications and stated that separate application will be submitted before the Commission for obtaining approval for the capital investments made from 2012-13 to 2016-17. The licensee vide letter No.ETPK/KSERC/2019-20/878

dated 27-05-2019 submitted the details of the capital investments capitalized from 2012-13 to 2016-17 for formal approval of the Commission.

Analysis and decision of the Commission

11. The Commission considered the application of the licensee for truing up of accounts for the year 2015-16, the additional clarifications and submissions furnished by the licensee 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 2015-16 are detailed below:
12. **No. of Consumers:** The actual number of consumers for the year 2015-16 is 684. The phase wise number of consumers is tabulated below

Table-3
Details of consumer strength

Particulars	2014-15	2015-16			Total number of consumers
	Total number of consumers	Phase I	Phase II & III	Kollam	
LT IV A (Industrial)	5	1	4	3	14
LT IVA (Industrial) 10kW<CL<20kW		2	0	0	
LT IV A CL> 20 kW (Industrial)		2	2	0	
LT IV B IT/ITES CL< 10kW	21	20	0	19	39
LT IVB IT/ITES 10kW<CL<20kW	47	46	91	1	138
LT IV B IT/ITES CL > 20 kW IT & ITES	277	205	24	5	234
LT VI A General	1	1	0	0	1
LT VI B General	8	8	0	0	8
LT VI C General (1 Phase or 3 Phase)	32	33	4	0	37
LT VI F General (1 Phase)	30	14	18	0	32
LT VI F General (3 Phase)	26	25	10	0	35
LT VII A Commercial (1 phase)	40	46	0	1	47
LT VII A Commercial (3 phase)	54	51	0	2	53
LT VII B Commercial	14	13	0	0	13
Self Consumption	0	1	1	0	2
Street Lighting	11	11	1	0	12
Sub Total - LT Consumers	566	479	155	31	665

HT -I Industrial	17	14	3	0	17
HT -II Non Industrial	1	1	0	0	1
HT- IV Commercial	1	1	0	0	1
Sub Total - HT Consumers	19	16	3	0	19
Total Consumers	585	495	158	31	684

13. From the details provided by the licensee in the petition,LT IV (B) category(ie IT Industry)represents more than 60% of the overall consumer base of the licenseein 2015-16. The increase in the number of consumers is mainly on the LT IV(B), IT and IT Enabled category. There is an increase of 66 consumers in the LT IV (B) category. The licensee has stated that the reason for increase in consumers is mainly due to the commencement of operations from Ganga/ Yamuna IT building in Technopark Phase-III campus.The Commission considers the actual increase in the number of consumers for the year 2015-16 for truing up
14. **Energy Requirement &Sale of Power:** -The approved sale of power for the year 2015-16 as per ARR order was 75.60MU. As per truing up petitionthe actual sales is 75.71MU. The increasing trend in the sale of energy over the years is tabulated below.

Table-4
Trend in the sale of energy

Year	Actual Sale of energy in MU	(%) of increase over previous year
2013-14	61.31	-
2014-15	68.57	11.84%
2015-16	75.71	10.41%

15. As mentioned, the reason for increase is mainly due to the commencement of operations from Ganga/ Yamuna IT building in Technopark Phase-III campus. Considering the details, the Commission approves the actual sale of 75.71 MU for the year 2015-16. The energy purchased from KSEB Ltd to cater the requirement of the consumers of the licensee is 80.39 MU.
16. **Distribution Loss:**The actual distribution loss of the licensee for the year 2015-16 is higher than the approved level as per the ARR order.The distribution loss claimed by the licensee as per the truing up petition for the FY 2015-16 is 5.83% as against the loss of 3.80% approved by the Commission in the order on ARR&ERC. The details are tabulated hereunder.

Table-5
Comparison of the distribution loss

Particulars	2014-15		2015-16	
	Actual	Trued Up	ARR approved	Truing up Petition
Energy Purchased (MU)	73.04	71.28	78.59	80.40
Energy Sold (MU)	68.57	68.57	75.60	75.70
Distribution Loss (MU)	4.47	2.71	2.99	4.69
Distribution Loss	6.12%	3.80%	3.80%	5.83%

17. In the petition the licensee has stated that technical losses consist of the losses occurring in the transformers, cables etc. and the commercial losses is associated with the metering system. Compared to other distribution licensees, the consumer base, area of operation and transformation capacity of Technopark is much higher. Technopark also mentioned that in most of the buildings, industrial load and common service load is well segregated. Due to this reason the number of transformers is also higher. Also the N-1 condition is adhered to since the load of Technopark is critical. As a result both the capacity and number of transformers is high which has led to a higher distribution loss.
18. During the year 2014-15, the actual distribution loss for the year 2014-15 was 6.12%. Commission while truing up the accounts for 2014-15 had approved only 3.80% as approved in the ARR for the year taking into consideration the limited geographical area of operation and the reason that reduction of distribution loss being a performance indicator.
19. The phase wise distribution loss for the year 2015-16 is shown below.

Table-6
Phase wise distribution loss for 2015-16

Particulars	Phase I	Phase II & III	Kollam	Total
Energy Purchased (MU)	65.05	14.94	0.41	80.40
Energy Sold (MU)	60.65	14.53	0.51	75.70
Distribution Loss (MU)	4.40	0.41	-0.10	4.69
Distribution Loss (%)	6.76%	2.74%	-24.40%	5.83%

20. Commission has gone through the phase wise details of the distribution loss of the licensee. Since 80% of the sales is at Phase I campus, the major distribution loss is in Phase I. Commission notes that the actual loss is

significantly high considering the limited area of operation and directs the licensee to initiate steps for reduction in the loss at Phase I campus. With regard to the distribution loss at Kollam Campus, it is seen that the sales is higher than the purchase of the licensee. The reason may be metering discrepancies. The Commission directs the licensee to reconcile purchase & sale of power and report to the Commission at the earliest.

21. As per Regulation 13 of the Tariff Regulations, 2014, distribution loss is a controllable item and Regulation 15 specifies the mechanism for sharing the gains or losses on account of controllable factors. Regulation 15 (2) states that the aggregate loss to the distribution licensee shall not be passed on to the consumer in any manner. Considering the limited geographical area of operation and the consumer mix, the Commission notes that the licensee is capable of attaining the distribution loss of 3.80% fixed by the Commission. Accordingly the Commission approves the distribution loss at 3.80%, as approved in the order on ARR and ERC for the year 2015-16. Thus the quantum of power purchase approved based on the distribution loss of 3.80% is detailed below

Table-7
Approved Distribution loss

Particulars	Approved in ARR 2015-16	For Truing Up 2015-16	Trued Up 2015-16
Total Energy Sales (MU)	75.60	75.70	75.70
Energy Requirement (MU)	78.59	80.39	78.69
Distribution loss (MU)	2.99	4.69	2.99
Distribution loss %	3.80%	5.83%	3.80%
Excess Distribution loss (MU)			1.70

22. **Power purchase Cost:** The total power purchase cost for the year 2015-16 as per the petition is Rs.4648.73 lakh for a purchase of 80.39 MU. The Commission had, in the order on ARR, approved a power purchase of 78.59 MU at a purchase cost of Rs.4551.70 lakh. The licensee has stated that the minor increase in the power purchase cost over the approved level is due to the increase in number of consumers and the energy consumption during the year. The phase wise power purchase cost for the year 2015-16 is tabulated hereunder.

Table-8
Phase wise power purchase cost for the year 2015-16

Campus	Billing demand (kVA)	Energy received (MU)	Fixed charges(Rs. Lakh)	Variable charges(Rs. Lakh)	Total charges (Rs. Lakh)
Technopark Phase-I	1,83,659	65.05	557.09	3,154.72	3,714.39
Technopark Phase -II&III	45,687	14.94	137.06	724.53	861.59
Technopark Kollam (IT building)	14,400	0.37	43.20	20.98	66.07
Technopark Kollam (Site)	900	0.04	3.60	2.54	6.68
Total	2,44,646	80.40	740.95	3902.77	4648.73

23. The licensee has booked Rs.66.07 lakh as the power purchase cost for Kollam campus. The total power purchase cost at Technopark Kollam Campus is Rs.72.75 lakh. However in the clarification dated 25-03-2019, the licensee has revised the power purchase cost after reconciling the month-wise power charges with the bills of KSEB Ltd. The licensee has stated that the revised amount is Rs.72.55 lakh and the same may be considered for the truing up of accounts of the year. Considering the same, the total power purchase cost for 2015-16 is revised to Rs.4648.53 lakh.

24. Regulation 74 of the Tariff Regulations, 2014 deals with Distribution loss. The relevant portion is quoted hereunder.

“(4) Any variation between the actual level of distribution losses and the approved level of distribution losses shall be dealt with, as part of the truing up of the respective financial year, in the following manner:-

(a) If the actual distribution loss is higher than the approved level of distribution loss for any particular financial year of the control period, then the quantum of power purchase corresponding to the excess distribution loss for that financial year, shall be disallowed at the average cost of power purchase for the respective financial year;”

25. Since the actual distribution loss of 5.83% for the year is higher than the distribution loss level approved, the Commission takes into consideration the limited geographical area of operation, the consumer mix and notes that the licensee is capable of attaining the distribution loss of 3.80% fixed by the Commission. Thus as per Regulation 74(4), the cost of excess distribution loss

is to be disallowed at the average cost of power purchase. The approved distribution loss of 3.80% and the actual distribution loss is 5.83%. The excess loss is 1.70 MU(80.39 MU – 78.69 MU) as shown below.

Table-9
Approved Power Purchase Cost for the year 2015-16

Particulars	Approved
Total cost of power purchase (Rs. lakh)	4648.53
Actual quantum of power purchased (MU)	80.39
Average cost of purchase (Rs./kWh)	5.78
Power purchase approved (MU)	78.69
Actual Energy loss at 5.83% (MU)	4.69
Energy loss at approved distribution loss of 3.80% (MU)	2.99
Excess distribution loss (MU)	1.70
Excess power purchase cost to be deducted (Rs. lakh) [1.70*5.78]	9.83
Power purchase approved for 2015-16(Rs. lakh)	4638.70

26. **O&M Expenses:** Operation & maintenance expenses include controllable expenses like Employee cost, Repair & Maintenance Expenses & Administrative & General Expenses. The Commission had vide order dated 11-04-2016, approved the O&M expenses for the control period 2015-16 to 2017-18. The licensee in the petition for truing up the accounts for 2015-16, has furnished the Operation and maintenance expenses higher than the ceiling level specified by the Commission. A comparison of the expenses under O&M booked by the licensee in the petition for truing up and the amount approved in the ARR order are tabulated below.

Table-10
Comparison of the O&M Expenses for the year 2015-16

O&M Expenses	ARR approved (Rs. Lakh)	Petition for truing up (Rs. Lakh)
Employee Cost	19.83	26.38
R & M Expenses	100.52	274.50
A & G Expenses	48.77	156.79
Total	169.12	457.67

27. **Employee Cost:** The employee cost claimed by the licensee as per the truing up petition is Rs.26.38 lakh for the year 2015-16, whereas the employee cost

approved as per norms is Rs.19.83 lakh. The actual claim made by the licensee during 2014-15 was Rs.24.87 lakh, whereas the Commission had approved only Rs.19.14 lakh. The split up of the employee expenses claimed for the year 2015-16 is shown below.

**Table-11
Employee cost Claimed**

Particulars	2015-16
	As per accounts (Rs.lakh)
Salaries	7.91
DA	9.27
House Rent Allowance	0.20
Other allowances	0.03
Interim Relief /Wage Revision	0.64
Staff welfare expenses	7.78
Others	0.55
Grand Total	26.38

28. In the petition, the licensee has stated that the employee cost incurred is for payment of remuneration and other expenses of the staff employed in the sanctioned posts. The details of the apportionment of the employee cost furnished by the licensee is as follows:

**Table-12
Details of apportionment of the employee cost for 2015-16**

Designation	No. of Posts	Apportionment
General Manager (Projects)	01	50%
Chief Finance Officer	01	20%
Asst. General Manager (Projects)	02	25%
Finance Officer	01	20%
Asst. Manager (Electrical)	01	100%
Executive (Finance)	01	20%

29. The licensee has also mentioned that there is an increase of Rs.6.55 lakh in employee cost over the ARR approved amount, and such increase is due to the increase in DA and yearly increment of the employees.
30. As per the Tariff Regulations,2014 all components of O&M expenses are controllable expenses. The Commission while truing up the accounts for the year 2014-15 had approved an employee cost of Rs.19.14 lakh which was an increase of 5.00% over the employee cost of Rs.18.23 lakh approved in the year 2013-14. Considering the same methodology, Commission considers the escalation rate of 5.85% over the approved employee cost for the year

2014-15 of Rs.19.14 lakh. Accordingly the Commission approves an amount of Rs.20.26 lakh for the year 2015-16.

31. **R&M Expenses:** The Repair and maintenance cost incurred by the licensee for the year 2015-16 is Rs.274.50 lakh as against the approved cost of Rs.100.52 lakh. The actual amount claimed by the licensee in 2014-15 was Rs.183.42 lakh for the repair and maintenance of substations, 11 kV lines & associated works, LT line service etc. whereas the Commission while truing up the accounts had approved only Rs.124.73 lakh.
32. The licensee has explained that the major deviation in the R&M expense is due to the capitalization of Technopark Phase III and Technopark Kollam Campuses. The phase wise split up of the R&M expense incurred by the licensee is shown below.

Table-13
Phase wise R&M expense for 2015-16

Particulars	Rs.lakh
Technopark Phase I	182.25
Technopark Phase – II & III	69.88
Technopark Kollam	22.37
Total	274.50

33. The detailed split up of the R&M expense submitted the licensee for 2015-16 is shown below.

Table-14
Detailed split up of R&M expense for 2015-16

Particulars		Rs.lakh
Phase I campus	O&M of the phase	180.69
	R&M of 110 kV substation	1.56
Phase-III	O&M of 110 kV substation	33.97
	O&M of IT Building	29.42
	R&M of 110 kV substation	6.49
Kollam	O&M of 110 kV substation	22.37
Total		274.50

34. The Commission while determining the norms for the R&M expenses for the control period, had considered the approved R&M expense for 2012-13 of Rs.84.75 lakh which was escalated at a rate of 5.85 %. During the year 2012-13, Phase III and Kollam campuses were not commissioned. Considering the increase in the area of the licensee, the Commission is of the view that

additional expense is to be allowed for the phases II, III & Kollam commissioned which was not included in the norms.

35. Considering the escalation rate of 5.85% over the approved R&M expense of Phase I for 2014-15 for and the actual expenses towards Phase III and Kollam campuses, the Repair and maintenance expenses approved for the year 2015-16 is as shown below.

Table-15
Approved R&M expense for 2015-16

Particulars	As per petition Rs.lakh	Trued Up Rs.lakh
Technopark Phase I	182.25	132.03
Technopark Phase – II & III	69.88	69.88
Technopark Kollam	22.37	22.37
Total	274.50	224.28

36. **A&G expenses:** A&G expense claimed by the licensee is Rs.156.79 lakh whereas the approved amount as per norms is Rs.48.77 lakh. A comparison of the split up of the A&G expense for 2014-15 & 2015-16 is shown below.

Table-16
Comparison of A&G for 2014-15 & 2015-16

Particulars	2014-15 (Rs lakh)		2015-16 (Rs lakh)
	As per accounts	Trued Up	As per accounts
Insurance	1.82	1.82	1.18
Telephone & postage	0.77	0.77	3.40
Audit Fee	0.30	0.30	0.30
Consultancy charge	0.33	0.33	1.90
Bank charges	-	-	0.02
Conveyance	5.70	5.70	5.59
Printing and Stationery	1.90	1.90	1.61
Security Arrangement	46.40	7.99	68.86
Electricity charges	12.57	12.57	11.09
Office Expenses	7.43	7.43	5.91
License fee and other fees	-	-	1.33
Other expenses	0.05	0.05	10.10
Electricity Duty u/s 3(1)	-	-	44.90
Total	77.28	38.86	156.79

37. The major items booked under A&G expense are the expenses towards “Security arrangements” amounting to Rs.68.86 lakh and the electricity duty payable to the Government under Section 3(1) of the Kerala Electricity Duty Act 1963 which is Rs.44.90 lakh.
38. The Commission has sought the split up of Rs.10.10 lakh claimed under the head ‘other expenses. The licensee in the reply stated that the amount is the periodical inspection charges paid to the electrical inspectorate for the four phases of Technopark. The split up of the inspection charges is as shown below.

Table-17
Inspection charges paid to the electrical inspectorate

Particulars	Rs.lakh
Phase-I	4.95
Phase-II	0.005
Phase-III	4.15
Kollam	0.96
Total	10.10

39. The A&G expenses excluding the claim of electricity duty under Section 3(1) and security charges is only Rs.43.03 lakh. The Commission has, in its previous orders taken a consistent stand on the issue relating to electricity duty payable by the licensee under Section 3 (1) of the Kerala Electricity Duty Act that the same cannot be admitted as an item of expenditure and cannot be passed on to the consumers.
40. With regard to Rs.68.86 lakh claimed as security charges, the licensee has stated that they have apportioned 25% of the total security charges (25% of Rs.275.43 lakh). The Commission has in its previous orders already pointed out that the security expenses claimed by the licensee is high, While truing up the accounts in the previous years, the Commission had approved only 10% of the security charges over the security charges approved for the previous year. During the year 2014-15, the Commission had approved an amount of Rs.7.99 lakh which was 10% increase over the security charges approved in 2013-14. Considering the same methodology, the security charges approved for 2015-16 will be Rs.8.79 lakh.
41. Accordingly, excluding the electricity duty payable to the Government under Section 3(1) of the Kerala Electricity Duty Act 1963, and considering a 10%

increase over the security charges approved in 2014-15, the total A&G expenses approved for the year 2015-16 is Rs.51.22 lakh.

Table-18
A&G expenses approved for 2015-16

Particulars	2015-16	
	As per accounts (Rs lakh)	Trued Up (Rs lakh)
A&G Expenses	156.79	51.22

42. **Depreciation:** The licensee had in the petition for truing up, claimed a depreciation of Rs.186.18 lakh as against an amount of Rs.121.98 lakh approved by the Commission vide ARR order dated 11-04-2016. The claim made in the petition filed by the licensee was not as per the Tariff regulations, 2014. The Commission had sought clarifications and had directed the licensee to resubmit the claim as specified in the Tariff Regulations, 2014. Accordingly the licensee had revised the calculation of depreciation as specified in the Regulations and has claimed Rs. 280.77 lakh for the year 2015-16 as shown below.

Table-19
Depreciation claimed for 2015-16 (Rs.lakh)

Particulars	GFA as on 31-03-2015	Asst Addition	Depreciation claimed
Civil Works	188.95		6.31
Transmission Lines	661.95		37.76
Substations	2544.31	5.73	135.63
11kV Works	83.29		6.50
LT Lines, Service connections, etc	34.87		2.02
Metering Equipment	2.53		0.15
Electrical Distribution	377.42		19.93
Electrical Installations- Phase I	46.48		2.45
Electrical Installations- Technocity	3.74		0.20
Electrical Installation-Kollam	76.96		4.06
Electrical Installation-Phase-III	1043.89		55.12
Software		0.47	-
Street light	80.95		4.27
Line Shifting	120.65		6.37
Total	5266.01	6.20	280.77

43. The licensee has claimed depreciation for all the assets created till 2015-16 but not received any approval for the assets added during the financial years

from 2012-13 to 2015-16. In the truing up petition, the licensee has furnished the details of assets added during the financial years from 2012-13 to 2015-16, which are shown below.

Table-20
Details of GFA addition during the years from 2012-13 to 2015-16

Financial Year	Asset addition	Remarks
2012-13	Rs.19.38 Lakh	Own funds
2013-14	Rs.229.28 Lakh	Own funds
2014-15	Rs.4316.18 Lakh	Out of this amount Rs.2290.01 lakh has been received as Govt. Grant.
2015-16	Rs.6.20 Lakh	Own funds

44. The Commission had sought clarifications on the asset addition and during the hearing had directed the licensee to submit proper details on the assets added during the financial years from 2012-13 to 2015-16. The licensee vide letter dated 25-03-2019 has stated that “ a separate application for the capital investments made from 2012-13 to 2014-15 and from 2015-16 to 2016-17 will be prepared and submitted before the Commission”.
45. The licensee in letter No.ETPK/KSERC/2019-20/878 dated 27-05-2019 submitted the phase wise details of the capital investments during 2012-13 to 2016-17 and requested the Commission to consider the details and approved the projects capitalised during the period. The phase wise details furnished by the licensee is tabulated below.

Table 21
Capital investments at various phases of Technopark

Capital investments in Phase I campus			
	Name of Project	(Rs.lakh)	Source
2012-13	LT electrical installations	15.77	Equity
2013-14	11kV main receiving substation	174.62	Equity
Total Amount		190.39	

Capital investments in Phase II & III campuses			
	Name of Project	(Rs.lakh)	Source
2013-14	11kV power distribution system – Phase III		
2014-15	Electrification of Ganga/Yamuna IT Building – Phase III	994.59	Loan from banks
2014-15	Street Lighting system – Phase III	61.44	Equity
Total Amount		1056.03	

Capital investments in Technocity Campus			
	Name of Project	(Rs.lakh)	Source
2014-15	SITC of 2 Nos 500 kVA USS		
2015-16	Tender Ad for 110 KV substation Technocity	5.74	Equity
Total Amount		5.74	

Capital investments in Technopark Kollam Campus			
	Name of Project	(Rs.lakh)	Source
2014-15	Electrification of Ashtamudi towers	76.53	Equity
2014-15	Laying of 110kV underground cable from 220 kV substation Kundara to substation	377.41	Equity
2014-15	Street Lighting system	19.50	Equity
2014-15	11kV substation	468.25	Equity
Total Amount		941.69	

46. With regard to the capital investment in phase I campus, on the 11kV main receiving substation in 2013-14, the licensee has stated that the total awarded value of the contract is Rs.174.62 lakh. The licensee has stated that the project has been completed and capitalized, the completed value of the project is Rs.199.73 lakh which includes statutory payments, consultancy and project management fees etc. The licensee has also stated that the asset has not been shown under fixed assets and calculation of depreciation.
47. The licensee has not submitted any separate application for the capital investment approval other than the details as mentioned above. It is also seen that there is difference in the values submitted by the licensee. The Commission has noted the matter seriously. As no proper details are furnished before the Commission, the Commission has no alternative but to consider only for the assets created with the approval of the Commission. ***Accordingly the Commission considers the assets as on the beginning of the financial year 2012-13 for allowing depreciation. If however the licensee desires to furnish the details of capital investments incurred without the Commission's approval for the period from 2012-13 to 2016-17, they shall file a separate petition within the next 3 months failing which the Commission shall treat this issue as closed.***
48. As per the accounts for 2012-13, gross fixed assets at the beginning of the year is Rs.2990.56 lakh. The audited accounts of the licensee for the year 2012-13 shows an amount of Rs.412.98 lakh, booked under the head "Government Grants" and Rs.199.08 lakh was booked under "One time Connection Charges". It was further certified in the Notes on the Accounts that the one time

payment received from the consumers at the time of granting power connection has been credited to Reserve and Surplus as 'One time Connection Charges'. The Commission while issuing the order on the truing up of accounts for 2012-13 had excluded the same and depreciation was allowed for the assets eligible for depreciation. Accordingly depreciation was allowed on the GFA of Rs.2459.11 lakh.

49. Thus in the absence of approval for the capital additions from 2013-14, the Commission allows depreciation for the assets as on 2012-13 as shown below.

Table 22
Depreciation allowed for 2015-16

Particulars	(Rs.Lakh)
GFA at the beginning of 2012-13	2990.56
<u>Less:</u> Grants/Contributions	612.06
GFA eligible for depreciation	2459.11
Average rate of depreciation claimed by the licensee	5.33%
Depreciation allowed	131.07

50. The Commission directs the licensee shall submit details of the capital investments made from 2012-13 to 2015-16, for claiming depreciation as per the Tariff Regulations, 2014 without any further lapse.
51. **Interest and Finance Charges:** The licensee, in the truing up petition of accounts for the year 2015-16, has claimed interest on loans including working capital loan and consumer security deposits. The Commission had approved Rs.76.73 lakh under this head in the ARR for the year 2015-16. The licensee has in the petition for truing up, claimed an amount of Rs.263.84lakh. The details of the claim made by the licensee are shown below.

Table 23
Details of Interest and finance charges claimed for 2015-16

Particulars	ARR Order (Rs.lakh)	Truing up Petition (Rs.lakh)
Interest on loans	76.73	145.93
Interest on consumer security deposits	-	61.13
Interest on Working Capital	-	56.78
Total	76.73	263.84

52. **Interest on loans:** The licensee in the petition has booked an amount of Rs 145.93 lakh towards interest on actual loans for the year 2015-16. The details of interest on the loans are given below.

Table 24
DetailsofIntereston loans claimed (Rs.lakh)

Sl.No	Particulars	Interest Amount (Rs Lakh)
A	Loan 1 (Central Bank)	1.08
B	Loan2 (Canara Bank) for Tejaswini Building	16.88
C	Loan3 (South Indian Bank & Federal Bank) for Technopark Phase III	127.97
D	Total	145.93

53. The licensee has stated that the interest and finance charges represent actual interest on loan availed for the creation of electrical infrastructure at Technopark. The Commission in the order dated 18-12-2017 on the truing up of accounts for the year 2014-15 had taken a decision that the interest charges for the sub station at Phase III, can be considered after its regulatory approval. The relevant portion is quoted hereunder.

“37. In the light of the observations in the ARR&ERC orders for the year 2013-14 and 2014-15, the Commission has examined the claim of the licensee. Even after repeated instructions, the licensee has not yet submitted the details of the capital expenditure for the year 2014-15 nor has obtained approval for the capital expenditure for the years 2015-16 and 2016-17. However, the licensee had submitted the capital expenditure plan for the year 2017-18 which is under the consideration of the Commission. In this circumstances, the Commission is in a position to approve only the interest charges already approved (ie. Item A & B of table 19). The interest charges for the sub station at Phase III, can be considered after its regulatory approval. The licensee may approach the Commission within one month from the date of issue of this order, with details for the approval of the said capital expenditure.”

54. Even after repeated directions, the licensee has not furnished proper details. The Commission is of the considered view that interest and finance charges for loan 3 mentioned above can be considered only after obtaining approval from the Commission. Thus the Commission approves interest charges for Loan 1 & Loan 2, ie., Rs.17.69 lakh as the interest on loans for the year 2015-16.

55. **Interest on security deposits:** As per the details provided in the petition, the Security Deposits from Consumers as shown in the Balance sheet as on 31-03-2015 is Rs.925.42 lakh and the interest booked on security deposits from the consumers for the year 2015-16 is Rs.61.13 lakh. The licensee has stated that they have actually paid to the consumers as amount of Rs.61.13 lakh as on 31.03.2016 as the interest on security deposit. The Commission approves Rs.61.13 lakh actually paid as the interest on security deposit for the purpose of truing up for the year 2015-16.
56. **Interest on working capital:**The licensee in the petition had initially claimed an interest on working capital of Rs.56.78 lakh.
57. As per the regulation 33 of the Tariff Regulations 2014, interest on working capital for a distribution licensee is to be computed as quoted hereunder:
- “33. Interest on working capital. – (1) The generation business/company or transmission business/licensee or distribution business/licensee or the state load dispatch centre shall be allowed interest on the normative level of working capital for the financial year, computed as under, -***
-*
- (e) In the case of distribution business/licensee the working capital shall comprise of,-*
- (i) operation and maintenance expenses for one month; plus*
- (ii) cost of maintenance 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 requirement:*
- (i) the amount, if any, held as security deposits 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/licensees who supply electricity to their consumers on prepaid metering system, no interest on working capital shall be allowed.”*

58. The Commission had sought clarification on the calculation and subsequently in letter dated 24-09-2018 the licensee has submitted the revised calculation. Accordingly the licensee claimed an amount of Rs.41.45 lakh as the interest on working capital. The details are tabled below.

Table 25
Interest on Working Capital claimed for 2015-16

Particulars	Interest Amount (Rs Lakh)
O&M expenses– 1 month	38.14
Receivables– 2 months ERC	889.99
Less Security deposits except security deposits held as bank guarantee	146.00
Less: Cost of Power Purchase	387.39
Total working capital	394.74
Interest Rate	10.50%
Interest on working capital	41.45

59. It is seen that the revised claim made is also not as per the provisions of the regulations. As per the provisions of the Regulations, normative working capital requirement consists of O&M expenditure for one month, receivable equivalent to 2 months revenue from sale of power and cost of maintenance of spares equivalent to 1/12th of the book value of stores. Accordingly, the Commission estimates the working capital requirement of the licensee at Rs.911.51 lakh which is inclusive of O&M expense for one month of Rs.22.02 lakh and the revenue for two months is Rs.889.49 lakh. As per the Regulation, the amount held as security deposits and the amount equivalent to the cost of power purchase for one month is to be deducted from the normative working capital. The amount of Security deposit as on 31-03-2015 is Rs.925.42 lakh and cost for one month's power purchase is Rs.386.56 lakh. The net normative working capital requirement is as shown below.

Table 26
Working capital for 2015-16

Particulars	2015-16	For working capital
	(Rs. Lakh)	(Rs. Lakh)
O&M Expenditure (one month)	264.25	22.02
Maintenance spares	-	
Receivable (2 months revenue)	5336.91	889.49
Gross Working Capital	5601.16	911.51

Less : Amount of Security deposit as on 31-03-2015	925.42	925.42
Less : Power purchase cost (one month)	4638.70	386.56
Net Working capital		-400.47

60. As shown above, the licensee has negative working capital requirement and accordingly no interest on working capital is approved for 2015-16.

61. **Return on Net Fixed Assets:**The sub regulation (2) of regulation 29 of the Tariff Regulations, 2014, on return on investment specifies that,

“(2) If the equity invested in the regulated business of the generating business/company or transmission business/licensee or distribution business/licensee or state load dispatch centre is not clearly identifiable, return at the rate of three percent shall be allowed on the net fixed assets at the beginning of the financial year for such regulated business:

Provided that net fixed assets shall be exclusive of the assets created out of consumer contribution, deposit works, capital subsidy or grants.

62. The Commission in the ARR order had allowed RoNFA of Rs.39.77 lakh at the rate of 3% of NFA. The licensee has claimed return of Rs 129.00 lakh on the basis of net fixed assets at the rate of 3% of NFA. The details of the claim as per the truing up petition for the year 2015-16 are given below.

Table 27
RoNFA claimed for 2015-16

Particulars	Rs.lakh
NFA (Net of consumer contributions and grants at the beginning of the year)	4299.91
Rate of return (%)	3%
Total return on NFA	129.00

63. The difference in the RoNFA claimed as per accounts over the approved ARR is that the current claim is including the huge capital addition made during 2012-13 to 2015-16. As mentioned above, the licensee has incurred the capital investments without the approval of the Commission.

64. As detailed in para-47, the Commission considers only the assets created as on the beginning of the financial year 2012-13 with the approval of the Commission. Accordingly the Gross Fixed Asset excluding grants and contributions at the beginning of the financial year 2012-13 is Rs.2459.11 lakh. The approved return on the net fixed assets at the beginning of 2012-13 is Rs.58.41 lakh as shown below.

Table 28
RoNFA approved for 2015-16

Particulars	(Rs.Lakh)
GFA at the beginning of 2012-13	2990.56
<u>Less: Grants/Contributions</u>	612.06
GFA eligible for depreciation	2459.11
Accumulated depreciation at the beginning of the year 2012-13	512.25
Net Fixed Asset at the beginning of 2012-13	1946.86
Rate of return (%)	3%
Total return on NFA	58.41

65. **Revenue from Sale of Power:** The revenue from sale of power as per the truing up petition, is Rs.5336.90 lakh for a sale of 75.70 MU. The actual sale for the year 2014-15 was 68.57 MU and the revenue from the sale of power was Rs.4639.99 lakh. The licensee has claimed that the revenue from sale of power has increased mainly due to the operationalization of Technopark Phase-III campus and increase in consumption of HT consumers in Technopark Phase-III campus. The split up of the revenue from sale of power for the year 2015-16 is tabulated below.

Table-29
Revenue from Sale of Power for the year 2015-16

Consumer Category	No.of Consumers	Sale (MU)	Revenue (Rs.lakh)	Avg. realisation (Rs/kWh)
HT Consumers	19	30.52 MU	2100.33	6.88
LT Consumers	665	45.18 MU	3236.58	7.16
Total	684	75.70 MU	5336.91	7.05

66. The category wise split up of the revenue from sale of power for the financial year 2015-16 is shown below.

Table-30
Category wise Revenue from SalePower for the year 2015-16

Consumer Category	No. of Consumers	Sale (MU)	Revenue (Rs.lakh)	Avg. realisation (Rs/kWh)
LT IV A (Industrial)	8	0.11	6.29	5.72
LT IVA (Industrial) 10kW<CL<20kW	2	0.02	1.22	6.10
LT IV A CL> 20 kW (Industrial)	4	0.47	26.21	5.58
LT IV B IT/ITES CL< 10kW	39	0.44	26.11	5.93
LT IVB IT/ITES 10kW<CL<20kW	138	2.01	125.69	6.25
LT IV B IT/ITES CL > 20 kW IT & ITES	234	39.15	2776.85	7.09
LT VI A General	1	0.01	0.87	8.70
LT VI B General	8	0.12	9.41	7.84
LT VI C General 1 Phase or 3 Phase	37	0.26	25.59	9.84
LT VI F General 1 Phase	32	0.08	6.47	8.09
LT VI F General 3 Phase	35	1.04	100.07	9.62
LT VII A Commercial 1 Phase	47	0.11	9.44	8.58
LT VII A Commercial 3 Phase	53	0.81	84.27	10.40
LT VII B Commercial	13	0.02	1.18	5.90
Self Consumption	2	0.28	27.71	9.90
Street Lighting	12	0.25	9.16	3.66
HT -I Industrial	17	29.47	2018.97	6.85
HT -II Non Industrial	1	0.31	20.83	6.72
HT- IV Commercial	1	0.74	60.53	8.18
Total	684	75.70	5336.91	7.05

67. The Commission approves the actual revenue realized by the licensee for the purpose of truing up of accounts for the year 2015-16.
68. **Non tariff income:** The actual non-tariff income accounted by the licensee is Rs 47.57 lakh as against the approved amount of Rs 44.05 lakh vide ARR order dated 11-04-2016. The licensee had a non tariff income of Rs.58.65 lakh in the year 2014-15. There is a decrease in the non-tariff income compared to the previous year.

Table-31
Non-tariff income for 2014-15 & 2015-16

Particulars	2014-15		2015-16	
	ARR Approved	Trued Up	ARR Approved	Truing up Petition
Interest on securities with	8.50	29.19	-	19.14
Interest on Bank fixed Deposits	33.72	29.46	32.00	26.05
Income from statutory investments	-	-	11.55	-
Interest from Banks	4.25	-	-	-
Misc. recoveries	0.50	-	0.50	2.38
Grand Total	46.97	58.65	44.05	47.57

69. Compared to the previous year 2014-15, there is a decrease of Rs.11.08 lakh in the non tariff income for 2015-16. The main decrease is on the interest on securities with KSEB Ltd. The Commission had sought reasons for the reduction in the non-tariff income. According to the licensee the interest on the security deposit held by KSEB Ltd is the amount realised by the licensee, which was actually adjusted against the monthly power purchase bills. The power purchase by the licensee from KSEB Ltd and the cost of power purchase has been increasing over the years; there is no rationale for reduction of interest on security deposit with KSEB Ltd. The Commission had gone through the security deposits paid to KSEB Ltd during the year 2014-15 and 2015-16. The licensee stated that the security deposit paid to KSEB Ltd for the year 2014-15 is Rs.168.77 lakh and during 2015-16 the amount is Rs.368.52 lakh. The Commission hereby directs the licensee to reconcile the records and report to the Commission. In the mean time, the Commission approves the amount booked for the year.
70. The licensee is holding an accumulated surplus of Rs.491.58 lakh at the end of the year 2014-15, as per the order dated 18-12-2017 on the truing up of accounts of the licensee for 2014-15. Considering the base rate of SBI the interest computed at an interest rate of 9% comes to Rs 44.24 lakh whereas the licensee has accounted Rs 26.05 lakh as interest from bank fixed deposits under non tariff income. Since Rs.26.05 lakh have already been accounted, the balance amount of Rs.18.19 lakh has been included under non-tariff income. Accordingly the non-tariff income approved for the purpose of truing up of accounts for the year 2015-16 is Rs. 65.76 lakh (Rs 47.57 lakh+ Rs 18.19 lakh).
71. **Revenue Surplus/Gap for 2015-16** :Based on the above, the approved expenditure and revenue for the year 2015-16 after truing up is as shown below:

Table 32
Details of amounts approved in Truing up for the year 2015-16

Particulars	2015-16		
	ARR & ERC Order Rs.lakh	Truing Up Petition Rs.lakh	Trued Up Rs.lakh
Revenue from Sale of Power.	5170.19	5336.90	5336.90
Non Tariff Income	44.05	47.57	65.76
ERC- Total Revenue	5214.24	5384.47	5402.66

Purchase of Power	4551.70	4648.73	4638.70
Repairs and Maintenance	100.52	274.50	224.28
Employee Cost	19.83	26.38	20.26
A&G Expenses	48.77	156.79	51.22
Depreciation	121.92	280.77	131.07
Interest & Finance Charges	76.73	145.93	17.69
Interest on security deposits	-	61.13	61.13
Interest on Working Capital	-	41.45	-
Return on Equity	39.77	129.00	58.41
ARR- Total Expenditure	4959.24	5764.68	5202.86
Net Surplus/(Deficit)	(+)255.00	(380.21)	(+)199.80

Orders of the Commission

72. The Commission after considering the application filed by M/s. Technopark for truing up of accounts for the year 2015-16, objections raised by KSEB Ltd. and the clarifications and details provided by the licensee approves the total expenditure of Rs.5202.86 lakh and total revenue of Rs. 5402.66 lakh with a revenue surplus of Rs.199.80 lakh. The licensee is holding an accumulated surplus of Rs.491.58 lakh at the end of the year 2014-15. Thus the cumulative revenue surplus till 2015-16 will be Rs.691.38 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.
73. The application is disposed of. Ordered accordingly.

Sd/-
K.Vikraman Nair
Member

Sd/-
S.Venugopal
Member

Sd/-
Preman Dinaraj
Chairman

Approved for issue
Sd/-
G.Jyothichudan
Secretary