

**KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM**

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

OA.No.2/2018

In the matter of : Application on the Truing up of accounts for the year
2016-17 filed by M/s Kanan Devan Hills Plantations
Company Private Limited (KDHPCL)

Applicant (s) : M/s Kanan Devan Hills Plantations Company
Private Limited, Munnar

Applicant (s) represented by : Sri.P.M. Srikrishnan, Executive Director, KDHPCL

Daily Order dated 07.03.2018

Heard M/s Kanan Devan Hills Plantations Company Private Limited (KDHPCL) on 14-02-2018 at the Office of the Commission. Sri. P.M. Srikrishnan, Executive Director, KDHPCL presented the details of the application on the truing up of accounts for the financial year 2016-17 and responded to the queries of the Commission.

Sri. Bipin Shankar, Deputy Chief Engineer, Smt. Mehrunisa, Executive Engineer, TRAC and Sri. Manoj.G, AEE, TRAC, represented KSEB Ltd. Sri. Bipin Shankar presented the objections of KSEB Limited and submitted written remarks on the application. The summary of the comments is given below:

- a. The depreciation for assets may be allowed only after due consideration of the vintage of the assets and depreciation not to be allowed for the assets created out of consumer contribution
- b. The licensee has claimed R&M expenses, employee cost and the A&G expenses higher than the norms approved by the Commission. The Commission may limit the expenses to the approved level.
- c. The interest and finance charges claimed in application is Rs 14.21 lakh as against Rs 12.58 lakh approved by the Commission. KSEB Ltd has submitted that the same is to provide interest on security deposit to consumers and thus there is no rationale for such increase. It was further submitted that only the actual interest paid to consumers for the year is to be allowed.
- d. The claim of the licensee on Section 3(1) duty may be disallowed.

- e. KDHPCL has stated that the interest income on security deposit with KSEBL is regularly accrued by the petitioner. The accrued amount as at 31st March 2017 is Rs 77.39 lakh including Rs.14.82 lakh @ 6% on the deposit for financial year ended on that date. KSEB Ltd submitted that they have not paid the amount nor acknowledged the amount due and the payment of the interest on security deposit has been deferred.
- f. It was also submitted that the quantum of the energy purchased from KSEB Ltd and the claim made by the licensee under power purchase tally.

The Chairman in his initial remarks stated that the Commission may approve only reasonable expenses based on the explanations & documentation placed by the licensee before the Commission. He further mentioned that any agreement made by the licensee contrary to the Act of the Parliament or the law of the land is not legally tenable.

The Commission sought clarifications on the employee cost claimed, the basis followed in apportioning the salary of the employees, the details of the R&M claimed in the application and the details of high bank charges on bank guarantee claimed under A&G expenses. The licensee is directed to submit the following details.

1. Justification for the number of employees under distribution business and the basis on apportioning the employee cost of the employees to the distribution business.
2. Justification with documentary evidence towards over time amounting to Rs.26.67 lakh, which is 50% of the salaries paid for 2016-17.
3. Details of how overtime rate is fixed for the employees of the distribution business and the statutory backing for such fixation of over time rate for distribution business
4. In form L submitted by the licensee, 25% of the salary of the ED & Manager is apportioned to the distribution business. The basis for such apportionment may be explained
5. In form M, it is stated that the Bank charges on bank guarantee for the year 2016-17 is Rs.24.76 lakh. For the year 2015-16, the amount claimed in this regard was only Rs.6.25 lakh. Please explain the reason for such variation.
6. Details of the basis of apportionment of A&G expenses to distribution business.
7. Whether any expenses under A&G is booked directly to distribution business. If so details

8. Details of the security arrangements made by the licensee and the reason for the increase in the expenses
9. Reason for the sudden increase in the conveyance and vehicle hire expenses.
10. Split up of the amount claimed under "cable, lines net works" in R&M expenses.
11. Details of the capital expenditure made by the licensee from 2014-15 to 2016-17 along with details of the capital expenditure made with the approval of the Commission.
12. Details of the consumer contribution used (Rs. 7.07 lakh) during 2016-17.
13. Details of the security deposit furnished to KSEB Ltd.
14. Whether any bank guarantee has been provided to KSEB Ltd for power purchase. If so details may be provided
15. Details of the miscellaneous expenses incurred by the licensee.
16. In form Z, the licensee has shown a provision for bad debts of Rs.9.37 lakh in 2016-17. Whether the provision has been claimed in 2016-17.
17. Whether the licensee resort to periodic inspection for detection of malpractice. If so the details.

The Commission directed KDHPCL to submit on or before 20-03-2018 the details called for and other details if any that need to be submitted before the Commission to substantiate the claims made in the applications for the truing up of accounts for the year 2016-17

Reserved for orders.

Sd/-
K.Vikraman Nair
Member

Sd/-
S.Venugopal
Member

Sd/-
Preman Dinaraj
Chairman

Sd/-
Santhosh Kumar.K.B
Secretary