



3. Based on the above provisions, all licensees have to submit the application for truing up of aggregate revenue requirements for the previous year. Accordingly, the petition for truing up was filed by the licensee.
4. Sub regulation (2) of Regulation 16 of the Tariff Regulations 2014 provides that the licensee has to furnish audited accounts and such other information for the purpose of assessing the variation in financial performance from the aggregate revenue requirement and revenue from charges. In compliance of the said provision, M/s CPT has furnished separate audit report on the distribution business based on the audited accounts of CPT for the year 2016-17. The Commission had issued the order on the ARR&ERC for M/s CPT for the first control period from 2015-16 to 2017-18 on 08-09-2015 in OA 5/2015 and a revenue gap of Rs.19.17 lakh was approved for the year 2016-17. A comparison of the approved and actuals as per the application for truing up submitted by the licensee is given below:

**Table -1**  
**Comparison of approved ARR&ERC and actual for 2016-17**

Particulars	2016-17 (Rs.lakh)			
	Projected	ARR Approved	As per Truing up accounts	Variation
	(1)	(2)	(3)	(4) = (3) - (2)
Revenue from Sale of Power	2858.90	2912.98	3012.30	99.32
Other Income	35.05	35.05	40.27	5.22
<b>Total Income</b>	<b>2893.95</b>	<b>2948.03</b>	<b>3052.57</b>	104.54
Purchase of Power	2277.83	2317.14	2380.99	63.85
R&M Expenses	121.61	9.97	22.58	12.61
Employee Cost	905.65	331.55	867.30	535.75
A&G Expenses	62.70	37.15	88.12	50.97
Depreciation	178.72	197.01	205.18	8.17
Interest & Finance Charges	399.84	-	619.85	619.85
Interest on Security Deposit	-	-	33.35	33.35
Return on Equity	-	74.38	86.64	12.26
<b>Total Expenditure</b>	<b>3946.36</b>	<b>2967.20</b>	<b>4304.01</b>	1336.81
<b>Net Surplus/(Deficit)</b>	<b>(1052.41)</b>	<b>(19.17)</b>	<b>(1251.46)</b>	

5. In the application for truing up for the year 2016-17, the licensee has arrived at a **revenue gap of Rs.1251.46 lakh** as against a revenue gap of Rs.19.17 lakh approved by the Commission in the ARR&ERC order.

6. A comparison between the figures for 2015-16 and 2016-17 is also tabulated for reference.

**Table -2**  
**Comparison of figures for 2015-16 & 2016-17**

Particulars	2015-16			2016-17	
	ARR Approved (Rs. Lakh)	As per accounts (Rs. Lakh)	Trued Up (Rs. Lakh)	ARR Approved (Rs. Lakh)	As per accounts (Rs. Lakh)
<b>Revenue</b>					
Revenue from Sale of Power.	2828.70	2917.46	2917.46	2912.98	3012.30
Other Income	35.05	43.76	351.33	35.05	40.27
Total Income	2863.75	2961.22	<b>3268.79</b>	<b>2948.03</b>	<b>3052.57</b>
<b>Expenditure</b>					
Purchase of Power	2252.70	2247.93	2245.28	2317.14	2380.99
R&M Expenses	9.42	12.18	9.42	9.97	22.58
Employee Cost	313.23	841.62	313.23	331.55	867.30
A&G Expenses	35.10	75.15	35.10	37.15	88.12
Depreciation	197.01	206.94	195.83	197.01	205.18
Interest & Finance Charges	-	599.49	-	-	619.85
Interest on security deposit	-	29.38	29.38	-	33.35
Return on Equity	80.29	92.85	92.85	74.38	86.64
Total Expenditure	2887.75	4105.53	2921.09	<b>2967.20</b>	<b>4304.04</b>
<b>Net Surplus/(Deficit)</b>	<b>(24.00)</b>	<b>(1144.31)</b>	<b>(+)347.70</b>	<b>(19.17)</b>	<b>(1251.46)</b>

### Hearing on the application

7. Hearing on the application was held on 14-02-2018 at the Court Room, Office of the Commission, Thiruvananthapuram. M/s Cochin Port Trust represented by Sri. M.M. Abdul Rahim, Executive Engineer, Sri. Aji Kurian, Deputy CAO and Smt. Archana Viswanathan, Accounts Officer. Sri. Aji Kurian presented the details of the application on the truing up of accounts for the year 2016-17. Sri M.M. Abdul Rahim and Smt. Archana Viswanathan responded to the queries of the Commission.

8. 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 comments of KSEB Ltd. and submitted written remarks on application for the year 2016-17. The major points raised are the given below.
  - a. The distribution expenses (other than power purchase cost) of the licensee is Rs.5.41 per unit which is exorbitantly high compared to Rs.1.84 per unit approved in the ARR and the Commission may allow only the level approved in the ARR.
  - b. The capital investments of the licensee are 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. The licensee is having sufficient internal resources in the form of non-cash expenditure items like depreciation over the years, the same is not seen invested in the business whereas fresh loan is seen apportioned to the distribution business.
  - c. The Commission may, as decided while truing up of the accounts for the previous years, allow the interest charges only when it is actually paid.
  - d. The employee cost, administrative & general expenses and repair & maintenance costs claimed are over and above the approved value may be limited to the approved level.
  - e. 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.
9. In the public hearing, the Commission sought the following clarifications on the application and directed the licensee to submit the same.
  - a. The details on the modality followed by the licensee in accounting the auxiliary consumption of the substation.
  - b. The detailed split up of the expenses incurred towards various audits including C&AG audit conducted in CPT.
  - c. Details of the actual legal charges incurred by CPT and for the distribution business. The actual vouchers may also be submitted and the rationale for such high expense is to be explained.
  - d. The rationale of the high expense under A&G is to be explained.

- e. Copy of the Orders of Government of India on the loans to CPT for the infrastructure development including distribution business.
  - f. Split up details of the loans/grant availed by the distribution licensee and the terms and conditions for the repayment of such loans.
  - g. Justification for the number of employees engaged in the distribution business and the split up details of the number of employees allotted to the distribution business from 2005-06 to 2016-17.
10. The Commission also directed the licensee to submit the details along with the counter remarks, if any, on the observations/remarks made by KSEB Ltd and any other supporting details that may be necessary to substantiate the claims made in the application for the truing up of accounts for the year 2016-17 on or before 07-03-2018. The licensee vide letter No.FD/Costing /True-up 2016-17/2018 dated 06-03-2018 requested for enlargement of time till 15-03-2018 for submitting the documents and details sought for by the Commission, which was granted. The licensee has furnished the details vide its letter dated 15-03-2018. The licensee also furnished reply to the comments/objections of KSEB Ltd vide its letter dated 17-03-2018. Further clarifications were also given through e-mail on 04-05-2018
11. In the reply filed, M/s CPT stated that the major reason for the increase in distribution expenses is due to the fact that the Commission has not allowed the actual salary and interest on Govt. of India loans while approving the ARR &ERC for 2016-17. As per the audited accounts the distribution expenses for 2016-17 was Rs.1923.05 lakh, whereas the same approved by the Commission was only Rs.650.06 lakh. No. of consumers and no. of employees at the end of 2016-17 were 1296 and 103 respectively. The no. of employees was reduced to reduced to 93 as on 28-2-2018. Only less than 5% of the total employees are employed in the distribution business. However, the reduction in no. of employees were not reflected in the employee cost due to wage revision and revision in dearness allowance. The licensee is maintaining reliability index of 99% and distribution loss of 2%.
12. Regarding interest and financing charges, as per the orders of Govt of India, penal interest of the loan to CPT was waived and the interest and repayments will start from 2018-19. At present the day to day activities of distribution business is carried out from the common funds of the Port. The deficit is treated

as working capital and interest is provided. Considering these expenses, the distribution cost per unit comes to Rs.5.44 per unit.

13. Regarding the comments on depreciation, CPT stated that the GFA amounting to Rs.4260.94 lakh comprises of the assets created since 1986. As per regulations, depreciation can be claimed and the assets are developed through loans and no internal funds or surplus funds are available with Port. The surplus as per the orders of the Commission is due to the disallowance of interest and financial charges and employee cost. Hence the contention of KSEB Ltd cannot be agreed to. The interest and financial charges are booked based on the accrual method as not as per actual payment basis. The employee cost pertaining to the distribution business only and no apportionment has been made to increase the employee costs. In the case of R&M expenses, except in the case of 110kV frade lightning arrestor, other expenses are routine expenses only. Regarding expenses towards security arrangements, CPT is under the security blanket as per ISPS regulations and is vulnerable to security threat. Hence round the clock security handled by CISF is provided, for that purpose service of 6 CISF constables are provided for the substation. The surplus arrived at by the Commission is only notional as the same is due to disallowance of interest charges and employee costs. The loss suffered by CPT is about Rs.4179.83 lakh where as the surplus arrived at by the Commission is Rs.3765.12 lakh only. Based on the above contentions, CPT requested to approve the truing up of accounts for 2016-17.

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

14. The Commission considered the application of the licensee along with the comments of KSEB Ltd and the clarifications submitted by the licensee. The analysis and decisions of the Commission on the application for truing up of accounts for the year 2016-17 are detailed below:

#### **Sale of energy**

15. The energy sales accounted by the licensee for the year 2016-17 is 355.20 lakh units as against the energy sale of 345.30 lakh units approved by the Commission vide the ARR & ERC order for the year 2016-17. The comparison between the sales reported by the licensee as per the application for truing up of accounts for the year 2015-16 and 2016-17 is as shown below:

**Table 3**  
**Details of no. of consumers and sales of energy for 2015-16 & 2016-17**

Consumer Category	2015-16		2016-17	
	No of Consumers	Sales Lakh units	No of Consumers	Sales Lakh units
HT Consumers	27	197.50	28	238.70
LT-I Domestic	620	10.40	593	9.80
LT-II	3	3.40	3	3.50
LT IV	1	0.00	1	0.02
LT VI (A)	182	3.50	17	4.00
LT VI (B)	30	2.90	32	2.90
LT VI (B) (G)	8	0.70	14	0.70
LT VI(C)	9	3.50	9	3.20
LT VI (C)(G)	23	0.40	21	0.40
LT VII A Single phase	202	4.90	285	3.00
LT VII A Three phase	194	41.80	183	42.10
LT VII C Commercial	3	0.20	3	0.20
Self consumption	68	64.80	107	46.60
<b>Total</b>	<b>1370</b>	<b>334.00</b>	<b>1296</b>	<b>355.20</b>

16. There is considerable reduction in number of consumers over the previous year. The reduction is mainly noticed in LT VI (A) and domestic categories. It is also seen that the number of consumers of LT VII (A) single phase category has increased from 202 to 285. The Commission sought reasons for such large differences in number of consumers. In the reply dated 5-4-2018, the licensee has stated that an error occurred while transferring data and the number of consumers in LT VI A was only 12 instead of 182 reported. In the case of LT VII A consumers, upto 2015-16, 10 to 15 individual consumers were accommodated in a single premise and supply was effected at one point, however, in 2016-17, the practice of subleasing was withdrawn by CPT and separate allotments were made and group of consumers were made individual consumers. Accordingly the number of consumers was increased. The licensee has also stated that there has been a reduction in self consumption in 2016-17 due to strict measures of energy conservation including replacement streetlights with LED bulbs, strict monitoring of power consumption of individual offices by providing separate service connections etc.,
17. The Commission notes the reasoning given by the licensee. It is to be pointed out that while submitting the petition itself the licensee has to properly explain the variations if any.
18. As per the accounts the major share of energy sale of 238.70 lakh units pertains to the HT consumers. The total sale of 355.20 lakh units includes the self

consumption of 46.60 lakh units. **The Commission approves the actual energy sales of 355.20 lakh units as submitted by the licensee for the purpose of truing up of accounts for the year 2016-17.**

**Energy Input and Distribution Loss:**

19. As per the application for truing up of accounts for the year 2016-17, the licensee purchased 362.50 lakh units, as against the approved quantity of 352.40 lakh units. In the application, the licensee has reported the distribution loss of 2.02% for the year 2016-17. The distribution loss approved by the Commission for the year 2016-17 was 2%. The comparison of the details on the distribution loss as per the application submitted for 2016-17 and 2015-16 are shown below:

**Table - 4  
Energy Requirement and Distribution Loss in MU**

Particulars	2015-16			2016-17	
	Approved in ARR 2015-16	As per accounts 2015-16	Trued Up	Approved in ARR 2016-17	As per accounts 2016-17
Total Energy Sales (lakh units)	335.30	334.00	334.00	345.30	355.20
Distribution loss (lakh units)	6.80	7.20	6.80	7.10	7.30
Gross energy requirement (lakh units)	342.10	341.20	340.80	352.40	362.50
<b>Distribution loss %</b>	<b>2.00%</b>	<b>2.10%</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.02%</b>

20. The licensee has stated that there is no commercial loss in the CPT system and the distribution loss attributable is the energy dissipated in the conductors, transformers and other equipments used for transformation and distribution of power.
21. The licensee has provided the voltage wise details of distribution loss as shown below:

**Table - 5  
Split up of Distribution Loss**

System	Loss (lakh kWh)	Loss (%)	Associated equipment
<b>Wellington Area</b>			
110kV to 11kV	3.37	0.97	2 nos of 12.5 MVA power transformer
11kV level	0.87	0.25	HT cables, RMU, DT, VCBs
LT level	1.03	0.29	LT cables, OH lines, LT switch gears
<b>Total</b>	<b>5.27</b>	<b>1.51</b>	
<b>Vallarpadam Area</b>			
11kV level	2.04	0.52%	HT cables, RMU, DT, VCBs
<b>Total of CPT</b>	<b>7.31</b>	<b>2.02%</b>	

22. In the Wellington Island area, input power as per the meter readings of KSEB at 110kV system is 282.33 lakh units out which energy transferred to 11kV network is 278.96 lakh units. The loss attributable to 2 power transformers is 3.37 lakh units, which is 0.97% of the total distribution loss. In the 11kV system, there are 6 out going feeders. Out of the 278.96 lakh units available in the 11kV system, 160.58 lakh units is sold to consumers at 11kV level and 117.51 lakh unit is transferred to LT system.
23. The licensee has also stated that following points are metered for measuring the energy used for the purpose of distribution activities such as auxiliary supply to substations, complaint rectification office, electrical office dealing with billing, meter reading, cash collection centre, repairing and metering section etc., and is charged under the revenue from self consumption at appropriate tariff:

**Table – 6**  
**Details of Auxiliary**

Installation	Consumption kWh	Remarks
Aux. supply to 110kV substation	4520	Not taken for billing purpose
Aux. supply to other substations	1452	
<b>Total units for auxiliary supply not billed</b>	<b>5972</b>	
Transformer repairing unit, meter testing unit	74521	Taken for billing at appropriate tariff
Central control Room (round the clock complaint cell)	14258	
Billing, cash collection, centre attached to distribution	8421	
<b>Total units used in office attached to distribution function accounted for billing</b>	<b>97200</b>	

24. According to the licensee, the consumption at the transformer repair workshop at CPT was high due to fabrication work, compared to previous year and hence the consumption was high.
25. The Commission notes that the licensee is accounting the distribution loss in proper manner. However, the claim of the licensee that there is no commercial loss in the system cannot be taken for granted in the light of the fact that the licensee has not carried out any inspection, in the premise of the consumers to prove the fact. The Commission also notes that there has been no revenue on account of penalty on theft or pilferage, miscellaneous charges, delayed payment charges etc., showing that periodic inspection mechanism in the licensee area is weak despite having adequate staff. The same is to be strengthened.

26. As per the details furnished in the petition, the actual distribution loss is 2.02% as against the approved level of 2%. ***Since the difference being marginal, the actual loss is approved for the purpose of truing up.***
27. Accordingly, the energy requirement approved for the purpose of truing up of accounts for 2016-17 is as shown below.

**Table - 7**  
**Energy Requirement and Distribution Loss 2016-17**

Particulars	Approved in ARR	As per accounts	Trued Up
Total Energy Sales (lakh units)	345.30	355.20	355.20
Distribution loss (lakh units)	7.10	7.30	7.30
Gross energy (lakh units)	352.40	362.50	362.50
<b>Distribution loss %</b>	<b>2.00%</b>	<b>2.02%</b>	<b>2.02%</b>

### Cost of Power Purchase

28. The actual power purchase cost reported by the licensee in the truing up application is Rs.2380.99 lakh at an average of Rs.6.57/unit as against the approved power purchase cost of Rs.2317.14 lakh. The split up details of the power purchase as reported by the licensee are given below.

**Table – 8**  
**Details of cost of power purchase for the year 2016-17**

Particulars	Wellington Island	Vallarpadam	Total
Energy purchased ( lakh units)	282.33	80.16	362.49
Contract Demand (kVA)	6500	3000	9500
Demand Charges (Rs./kVA)	300	300	
Total Demand Charges (Rs. In lakh) (A)	215.66	81.00	<b>296.66</b>
Energy charges (Rs./kWh)	5.75	5.75	
Total Energy Charges (Rs. In lakh) (B)	1623.40	460.93	<b>2084.33</b>
<b>Cost of power purchase (A + B ) (Rs. In lakh)</b>	<b>1,789.48</b>	<b>458.44</b>	<b>2380.99</b>

29. The licensee procures the energy from KSEB Ltd as per the bulk supply tariff approved by the Commission. KSEB Ltd has stated that the claim made by the licensee under power purchase cost for the energy purchased tally with the records of KSEB Ltd. ***Thus, based on the details furnished by the licensee, the Commission approves the power purchase cost of Rs.2380.99 lakh for the year 2016-17 as claimed by the licensee.***

## Interest and finance charges

30. The licensee had claimed an interest and finance charges of Rs. 619.85 lakh in the application for truing up for the year 2016-17. The Commission, in the previous truing up orders, has not allowed the interest charges for the Licensee mainly on the reason that no interest was paid to the Government of India. The licensee in the write up 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 to the tune of Rs.897.23 crores and rescheduled the repayment of the principal plus interest amounting to Rs.557.16 crores in 10 years commencing from 2018-19.
31. Further during the year 2016-17, there was a cash deficit amounting to Rs. 190.12 lakh in carrying out the day to day affairs of Electricity Distribution business which was met out of funds provided by CPT. Interest has been provided @ 10.50% on Gross fixed assets as well as on the funds provided by CPT for day to day running of electricity distribution business towards interest charges.

**Table – 9**  
**Details of Interest and finance charge for the year 2016-17**

Description	GFA Balance as on 31.03.17 (Amount of loan) (Rs.lakh)	Interest Rate	Interest Amount (Rs.lakh)
Sub Station	3715.87	10.50%	390.17
11 kV work	357.28	10.50%	37.51
LT service	33.37	10.50%	3.50
Metering Equipment	5.67	10.50%	0.60
Misc Assets	93.58	10.50%	9.80
Others	59.26	10.50%	6.22
<b>Total (A)</b>	<b>4265.03</b>		<b>447.80</b>
Borrowing for Working Capital (B)	1638.58	10.50%	172.05
<b>TOTAL (A+B)</b>	<b>5903.61</b>		<b>619.85</b>

32. The Commission sought the details of interest and financing charges and the actual loans availed from Govt. of India for distribution business. In reply, the licensee vide letter dated 15-3-2018 has stated that the proposal of CPT for waiver of penal interest on Govt of India loans to the tune of Rs.897.23 crore and freezing the liability amounting to Rs.258.14 crore as principle amount, Rs.281.45 crore as interest and Rs.17.57 crore as penal interest totaling to Rs.557.16 crore and rescheduling the repayment in 10 years commencing from 2018-19 was accepted by CCEA. CPT also furnished the

Letter No.PD/25021/4/2013-CoPT dated 1-9-2016 from Ministry of Shipping, Govt of India, sanctioning the rescheduling of repayment in which it was ordered that:

- i. Waiver of penal interest on Gol loans availed by Cochin Port Trust to the tune of Rs.897.23 crore
  - ii. Freezing the liability on account of Gol loans, interest thereon and penal interest @0.25% as on 31-3-2016 amounting to Rs.557.16 crore (Rs.258.14 cr+Rs.281.45cr+Rs.17.57 cr)
  - iii. Scheduling the repayment of the loan frozen as above in 10 years commencing from 2018-19.
33. According to CPT, the principal amount of Rs.258.14 crore also include amount utilized for creating electricity distribution assets amounting to Rs.42.65 crore, though no documents were produced to substantiate the claim.
34. CPT further stated that Govt. of India loans granted from 1985-86 amounting to Rs.8408.33 lakh was for financing various Five year plans of CPT which includes assets of electricity distribution as well. As per the details from the loan register furnished by CPT, the total defaulted interest amounts to Rs.13528.03 lakh (cumulative interest from 2004-05 to 2016-17) According to CPT, Rs.4143.58 lakh pertaining to distribution business.
35. CPT has also furnished copy of Govt. letter No. PD/21011/7/87-US-I dated 30-3-1988 pertaining to sanction of Rs.77.79 lakh for 7<sup>th</sup> plan (annual plan 1987-88) and letter no. PD/21011/9/88-US I dated 14-2-89 for Rs.1000.10 lakh for 7<sup>th</sup> plan (annual plan 1988-89). In addition, CPT claimed that it had availed inter port loan of Rs.100 crore from Mumbai Port Trust in July 2010, a part of which was utilized for meeting the expenditure on CoPT's share for construction of Kattaribagh Substation for Rs.2.01 crore, subsequently the loan was repaid.
36. The Commission has examined the details on interest and financing charges furnished by the licensee. The details furnished by the licensee do not indicate or substantiate the stated amount of loan of Rs. 4265.03 lakh and interest thereon of Rs.447.40 lakh for the distribution business. Further as indicated in paragraphs 32 & 33 above, while percentage of loan allocated to distribution business is 16.52%, the interest booked thereon is 30.63%. Hence the veracity and authenticity of the figures provided to the Commission is highly doubtful. Though the licensee has stated that of the total Govt loan was frozen at Rs.557.16 crore which included the loans given to distribution business, there

was no supporting details furnished to substantiate this claim. As per the details of loan taken as provided by CPT the total loan availed after 1986 (the year in which capitalization of distribution assets have been started) is only Rs. 8408.33 lakh for financing the five year plan. However no sanction orders or other authentic documents to substantiate such borrowing were made available by the licensee. Further this amount does not tally with the amount of claims made by CPT for the distribution business. Thus, with the details furnished by the licensee, neither the amounts nor the purpose could be conclusively arrived at.

37. As per the Government order, CPT has to reschedule and repay the loans taken from Government of India. Accordingly it is only from 2018-19, that the interest charges have to be paid to the Government. ***In view of Government of India's orders, since the interest freeze is till the end of financial year 2018-19, there is no justification for any provisions of interest in the current truing up petition for 2016-17. Hence the same stands disallowed.***

38. The licensee has also claimed interest on working capital on notional basis based on the cash shortage as shown below

**Table – 10**  
**Details of Interest on working capital for the year 2016-17**

Particulars	2016-17 (Rs. lakh)
Receipts	
Total income received excl receivables	3169.82
Security deposits from consumers	41.97
Other Income	40.27
	3252.06
Payments	
Total payments towards purchase of electricity	2380.98
Security deposit from consumers invested in bank	41.97
Total expenses involving cash outflow (O&M+Emp Cost+A&G)	978.00
Payment of SD with KSEB	7.88
Interest on SD (maintained by customers with us) paid	33.25
	3442.18
Cash Surplus / deficit	(190.12)
Fund transferred from CPT	190.12
Opening Balance of Working Capital	1448.46
Total Working capital loan availed during the year from CPT	190.12
Working Capital at the end of the year	1638.58
Interest @ 10.5%	172.05

39. As shown above, the interest on working capital is claimed at Rs. 172.05 lakh for an amount of Rs.1638.58 lakh.

40. The Commission has examined the claim of working capital requirements of the licensee. The licensee has claimed Rs.172.05 lakh as interest on working capital. As per Regulation 33(1)(e) of the Tariff Regulations, working capital shall comprise as follows:

- (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.

41. Based on the above, the working capital requirement for CPT for the year 2016-17 as estimated is shown below:

**Table – 11**  
**Working Capital as per Tariff Regulations**

Particulars	For the year Rs. Lakh	For Working capital Rs.lakh
a) O&M expenses	378.67	31.56
b) Cost of Spares	Not claimed by the licensee	
c) Receivables (Revenue from sale of power)	3012.30	502.05
<b>Total</b>		<b>533.61</b>
Less:		
Security Deposit from consumers	429.74	429.74
Power purchase cost	2380.99	198.42
<b>Working Capital excess available with the licensee</b>		<b>94.55</b>

42. Thus as shown above, since there is an excess amount of Rs.94.55 lakh available with the licensee, no further amount as working capital is allowed. Further, it is to be noted that as per the accounts ending 2015-16, an amount of Rs.3765.12 lakh is being held by the licensee as accumulated revenue surplus. **Hence on separate interest on working capital is admitted.**

43. The licensee has further claimed an amount of Rs.33.35 lakh as the interest on security deposit paid to the CPT consumers during the year 2016-17 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.429.74 lakh. As per the Tariff Regulations 2014, interest shall be allowed on the amount held as security deposit in cash from users of the distribution system and consumers at the bank rate as on the First day of April of the financial year in which the application is filed. The bank rate prevailing as on 1-4-2016 was 7.75%. The licensee has furnished a list of consumers for which interest on security deposit for 2016-17 is provided. Considering this, **the Commission approves the amount of Rs.33.35 lakh claimed by CPT for interest on security deposits.**

44. Accordingly the interest and finance charges approved for the purpose of truing up of accounts for 2016-17 is as shown below.

**Table – 12**  
**Interest and finance charge allowed for truing up for 2016-17**

Particulars	As per accounts (Rs. lakh)	Trued Up (Rs lakh)
Interest and finance charge	447.80	-
Interest on working capital	172.05	-
Interest on security deposits	33.35	33.35
<b>Total interest charges</b>	<b>653.20</b>	<b>33.35</b>

### Depreciation

45. The depreciation claimed by the licensee in the application for truing up for the year 2016-17 is Rs 205.18 lakh as against Rs 197.01 lakh approved in the order on ARR& ERC for the control period from 2015-16 to 2017-18. In the application for the truing up of accounts the licensee has stated that depreciation has been claimed at 5.28% for assets during initial 12 years from the date of commercial operation, and for the remaining years of useful life, balance value is spread out, as per the provisions of Tariff Regulations 2014. The licensee has claimed an

asset addition of Rs.4.10 lakh for transformer oil filtering machine during the year 2016-17 which was commissioned on 06-04-2016. The details of the claim made by the licensee for the year 2016-17 are shown below.

**Table 13**  
**Depreciation claimed for the year 2015-16 and 2016-17**

Particulars	2015-16 (Rs.lakh)		2016-17 (Rs.lakh)		
	GFA	Depreciation	Asset Addition	GFA	Depreciation
Distribution lines	33.37	2.91		33.37	2.91
Sub-station equipments	3715.87	184.93		3715.87	183.45
Transformers	353.18	14.34	4.10	357.27	14.56
Others	152.84	4.71		152.84	4.22
Meters	5.67	0.04		5.67	0.04
<b>Gross Fixed Assets</b>	<b>4260.94</b>	<b>206.94</b>		<b>4265.03</b>	<b>205.18</b>

46. For trying up the accounts for the year, the Commission has examined the schedule of the fixed assets furnished by the licensee and has noticed the following deficiencies.

- The licensee has been following, presumably a straight line depreciation method. Since 2009-10, the benefit of accelerated depreciation i.e. the depreciation at a higher rate for first 12 years from date of commercial operation and the remaining depreciable value spread over the balance useful life of the assets, was available. However the licensee did not take advantage of this benefit
- The salvage value of 10% was not provided.
- Assets were depreciated more than 90%, i.e. beyond the salvage value

47. In the order on the ARR & ERC, the Commission has noted that the licensee has been claiming depreciation beyond the salvage value of assets and had limited the depreciation upto 90% of value of assets. As per the present filings, the gross fixed asset at the beginning of the year 2016-17 is Rs.4260.94 lakh. The licensee has furnished the details of assets and its commissioning date. On scrutiny it was noted that as in the previous year, the depreciated value of assets is lower than salvage value and in some cases, the depreciation for assets which are depreciated above 70% are not uniformly assigned for the balance useful life. ***The Commission notes that it is a serious lapse on the part of the licensee that even after pointing out in previous orders, the licensee has taken no steps to correct the same. The Chartered Accountant who audited***

**accounts of distribution business has also not made any due diligence in the matter.**

48. Since the licensee has not furnished proper estimation of depreciation as per the provisions of the Tariff Regulations 2014, the Commission has no option but to reestimate the allowable depreciation. Hence, the Commission estimates the depreciation as per norms as shown below:

**Table 14  
Depreciation estimated for the year 2016-17**

	GFA	NFA as on 31-3-2016	Salvage Value (10% GFA)	Balance Value of Asset to be depreciated	Depreciation for the year 2016-17	NFA at the end of 2016-17
	(Rs.lakh)	(Rs.lakh)	(Rs.lakh)	(Rs.lakh)	(Rs.lakh)	(Rs.lakh)
A	B	C	D=A*0.10	E=C-D	F	G=C-F
Distribution lines /LT lines	33.37	15.62	3.34	12.28	2.34	13.28
Sub-station equipments	3715.87	2658.12	371.59	2286.53	161.67	2496.45
Transformers/11kV lines	353.18	160.56	35.32	125.24	11.28	149.28
Miscellaneous equipments	93.58	17.52	9.36	8.16	1.56	15.95
Others	59.26	46.55	5.93	40.62	2.03	44.52
Meters	5.67	0.72	0.57	0.15	0.02	0.70
Total	4260.94	2899.08	426.09	2472.99	178.91	2720.18
Additions made during the year (Mis.Equipment)	4.10				0.22	3.88
Total	4265.04				179.13	2724.06

**49. Accordingly the Commission approves the depreciation of Rs.179.13 lakh for the truing up of accounts for the year 2016-17. The Commission directs the licensee to reconcile the value of assets and depreciation provided as per the provisions of the Tariff Regulations 2014 before the next truing up petition.**

**Table – 15  
Depreciation allowed for truing up for 2016-17**

Particulars	ARR Approved (Rs. Lakh)	As per accounts (Rs. Lakh)	Trued Up (Rs. Lakh)
<b>Depreciation</b>	197.01	205.18	179.13

## Operation & Maintenance Expenses:

50. O&M expenses which comprises of Repair and Maintenance expenses, Employee Cost, and A&G expenses are controllable items as per Regulation 13 of the Tariff Regulations, 2014. The Commission while issuing the ARR & ERC order dated 08-09-2015 had approved expenses only as per the norms specified in Annexure IX to the said Regulations. The licensee in the application for truing up for the year 2016-17 has claimed the expenses as tabulated below.

**Table 16**  
**O&M expenses for 2016-17**

O&M Expenses	ARR approved (Rs. lakh)	Application for truing up (Rs. lakh)
R & M Expenses	9.97	22.58
Employee Cost	331.55	867.30
A & G Expenses	37.15	88.12

## Repairs and maintenance expenses

51. The amount claimed by the licensee is Rs.22.58 lakh for the repair and maintenance of transmission lines, substations, 11 kV lines & associated works, LT line service etc as against the ARR approved amount of Rs 9.97 lakh as per the orders on ARR. Out of the total expenses of Rs.22.58 lakh, Rs 20.60 lakh is booked under repair cost of plant and machinery and Rs.1.98 lakh towards vehicle expenses. The licensee has submitted vide letter dated 15-03-2018, the split up of the repair and maintenance expenses as shown below.

**Table – 17**  
**Details of R&M expenses for 2016-17**

Particulars	(Rs lakh)
110 kV Grade Lightning arrestor	5.78
Hire charges for cable locator-KSEB	2.18
HT Fuse	1.65
Heat Shrink	1.06
Transformer Oil	2.84
Circuit Breaker (MCCB/RCCB)	0.88
Disola M4015 lub oil	1.80
High Speed Diesel Oil	1.25
Leather Safety Shoes	0.52
Others (Miscellaneous R&M )	3.89
Spares, Reconditioning of Hydraulic Cylinder etc.	0.73
<b>Total</b>	<b>22.58</b>

52. As per the details submitted by the licensee, Rs.5.78 lakh is for 110 kV Grade Lightning arrester. **Since this is a capital item, the same is to be capitalized and cannot be admitted as part of R&M expenses for the year. The Licensee may account the same as part of the assets and may be included in future years for allowing depreciation.** Regarding hire charges for cable fault locator paid to KSEB, the licensee has informed that at present cable fault locator is rented at Rs.28320 from KSEB each time cable fault occurs. The amount booked is towards the rental charges. The licensee has claimed that they had availed the service of KSEB Ltd for locating 8 cable faults. The Commission notes that since the licensee has substantial underground cables, it has to analyse the need to procure such devices considering routine repair expenses. The licensee has stated that the miscellaneous repair and maintenance costs (Rs.3.89 lakh) include termination kit for jointing of HT/LT cables with plastinet technology. The licensee has claimed that the average cost of a HT cable jointing kit is about Rs.9000. The consumables mentioned are the screws, clamps, wire, switches, sockets etc for tightening the OH lined to maintain the distribution system healthy.

53. The R&M expenses for the year 2016-17, excluding the cost of lightning arrester (Rs.5.78 lakh) is Rs.16.8 lakh. The Commission while truing up the accounts for the 2015-16 had advised that the licensee should take appropriate measures to control the R&M expenses and if there is a major unavoidable repair, the same is to be properly explained and got approved by the Commission. **Considering this fact and based on the norms approved by the Commission in the Tariff Regulations, 2014, the Commission approves only Rs. 9.97 lakh as Repair and maintenance expenses for the year.**

Table – 18

**R&M expenses allowed for truing up for 2016-17**

<b>Particulars</b>	<b>ARR Approved (Rs lakh)</b>	<b>As per accounts (Rs. Lakh)</b>	<b>Trued Up (Rs lakh)</b>
<b>R&amp;M expenses</b>	9.97	22.58	<b>9.97</b>

**Employee Cost**

54. The Commission had approved an amount of Rs 331.55 lakh as employee cost as per the norms in the Tariff Regulations, 2014 in the ARR order. In the truing up application, the licensee has booked an amount of Rs. 867.30 lakh as employee cost for carrying out the distribution business for the year 2016-17.

The licensee has stated that the main reason for the increase in the employee cost is the wage revisions and the quarterly DA increase.

55. As per the split up details submitted in the application, it is seen that Rs.757.78 lakh is claimed towards salaries and wages and Rs.85.95 lakh as terminal benefits . as furnished below.

**Table – 19**  
**Employee costs for truing up for 2016-17**

Particulars	Amount as per accounts (Rs.lakh)
Salaries & wages	757.78
PLR	14.63
Overtime	8.92
<b>Total</b>	<b>781.35</b>
Add: Terminal Benefits @ 11%	85.95
<b>Grand Total</b>	<b>867.30</b>

56. The licensee as per letter dated 15-03-2018 submitted the number of employees of the licensee allotted for distribution business in comparison with the total number of employees of Cochin Port Trust. As per the details furnished by the licensee, the total number of employees allotted to the distribution business is as shown below:

**Table – 20**  
**Number of Employees allotted for distribution business over the years**

Date	No. of Employees in Electricity Distribution	Total No. of employees in CPT	% of the employees in comparison with the total no. of employees
31.03.2010	112	3463	3.23%
31.03.2011	134	3526	3.80%
31.03.2012	135	3327	4.06%
31.03.2013	130	3050	4.26%
31.03.2014	126	2769	4.55%
31.03.2015	122	2503	4.87%
31.03.2016	108	2269	4.76%
31.03.2017	103	2105	4.89%
31.03.2018	93	1932	4.81%

57. According to the licensee, the total number of employees engaged in electricity distribution business accounts only about 5% of the total staff strength of CPT. The licensee also stated that the number of employees deployed for the distribution business is reducing over the years since no new employees are

recruited/replaced in the electricity distribution business in the recent past on superannuation of existing employees.

58. The Commission has examined the details furnished by the licensee. The percentage share of employees in distribution is in fact increasing over the years except in 2015-16 and 2017-18. Further there is an increase in number of employees allotted to distribution till 2012-13 even when the overall number of employees in CPT has been decreasing. It is obvious that percentage rate of decrease in overall number of employees is higher than that in the distribution business. Hence it can be concluded that the share of number of employees allotted to distribution business is not commensurate with the operational requirements. Coupled with increase in pay and allowances over the years, the employee cost in distribution business has become disproportionate.

59. The licensee has submitted the methodology followed for the allocation of the employees within the distribution business in the two areas of distribution namely Vallarpadam & Wellington Island as shown below.

- **Main receiving station at Wellington Island (110 kV Substation)**

Station Engineer	1
Station Operators in each shift	3
A reliever	1

- **Main receiving station at Vallarpadam**

Switch Board Assistant in each shift	3
A reliever	1
Line man	1
Mazdoor in each shift	3
Reliever in each shift	3

- **Other Downstream Substations**

One each in 3 shifts for 11 stations with relievers	47
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- **Maintenance and repair of distribution lines, cables switch gears etc.**

Assistant Foreman	1
Line man	1
Assistant	1
Mazdoor	2
For three shifts with 50% relievers	16

- **Repair and Maintenance of transformers, VCBS, RMUs etc**

Assistant Foreman	1
Winder	2
Assistant	2
Mazdoor	4
Welders	2

- **Meter reading and meter testing staff**

Assistant Foreman	1
Technicians	2
Meter Reader	2
Assistant	1
Mazdoor	1

- **Accounts Department**

Accountant	1
Dy.Chief Accountant	1

**Total Number of Employees 104**

60. The Commission has examined the deployment of employees assigned to distribution function. It can be seen that more than necessary number of persons were deployed at each points. In Vallarpadam, three relievers were provided for 3 persons on duty that too at 11 kV station. Further for maintenance of lines, cables etc., 16 persons with 50% relievers were deployed. Similarly, for repair and maintenance of transformers, RMU etc., are also full fledged staff has been provided considering the fact that the licensee has limited load and limited area to be served. Thus, the deployment of the number of persons is not rational considering the load to be served in the licence area. Hence the Commission is of the considered view that the number of employees deployed for distribution business of CPT is high when compared with other similar distribution licensee in the state.

61. It can be observed that the main reason for the increase in employee cost is that the licensee has been allocating higher number of employees, in the distribution business activity. Accordingly, the Commission had observed that the employee cost is not properly segregated between the licensed business and other business of the licensee. Hence the Commission while truing up of accounts for the year 2015-16 approved only the employee cost as per Regulation 81 (7) of the Tariff Regulation 2014.

62. The Commission notes that though there is a reduction in number of employees deployed for the distribution business since 2012, the licensee is yet to make sincere efforts to control expenditure under this head as per the Commission's norms. The Commission hereby directs the licensee to take urgent steps to reduce the employee cost in the distribution business immediately.

63. It is pertinent to mention some of the employee related ratios vis-a-vis the employee expenses. In the case of CPT the sale per employee is 3.41 lakh units whereas it is 18.54 lakh units for Rubber Park India Pvt Ltd and 6.99 lakh units

for Technopark. In the case of Kanan Devan Hill Plantations Company Pvt Ltd, sale per employee is 5.65 lakh units and that of Thrissur Corporation is 6.63 lakh units. The Commission also notes that the ratios are worse in comparison with other licensees in the State. The licensee is not able to convincingly substantiate their higher employee costs and has been repeating the same reasons as in the previous ARR and truing up proceedings this year also.

64. After considering all aspects, the Commission is of the view that the licensee is eligible to claim the employee cost as per the provisions of the Tariff Regulation 2014, as the said regulation is in force. ***As per Regulation 81 (7), the employee costs specified for the year 2016-17 is Rs.331.55 lakh and the same is approved for the purpose of truing up of accounts for the year 2016-17 as shown below.***

**Table – 21**  
**Employee costs allowed for truing up for 2016-17**

Approved in ARR (Rs lakh)	As per accounts (Rs. Lakh)	Trued up (Rs lakh)
331.55	867.30	331.55

#### **Administration and General Expenses**

65. The A&G expense claimed by the licensee for the year 2016-17 as per the application for truing up is Rs 88.12 lakh as against the approved amount of Rs 37.15 lakh. The details of A&G expenses claimed by the licensee are given below.

**Table – 22**  
**Details of A&G expenses for 2015-16 and 2016-17**

Particulars	2015-16 As per accounts (Rs lakh)	2016-17 As per accounts (Rs lakh)
Rent Rates & Taxes	5.07	5.36
Security arrangements	28.85	36.10
Telephone & Postage, etc.	0.37	0.38
Internet and related charges	0.19	0.19
Legal charges	4.48	11.53
Audit Fees	0.49	0.64
Travelling expense	0.71	0.67
Conveyance	0.61	0.55
License fee	2.46	2.35
Electricity charges	9.40	9.40
Water charges	1.20	1.52
Entertainment	0.09	0.30
Fees & subscription	0.03	0.02

Printing & Stationery	0.15	0.16
Advertisements, exhibition publicity	0.51	0.62
Miscellaneous Expenses	0.45	0.58
Computer Stationery	0.05	0.07
Electricity Duty under Section 3	20.04	17.70
<b>Gross A&amp;G Expenses</b>	<b>75.15</b>	<b>88.12</b>

66. As per the detailed split up given in Form D 3.4(b), it is seen that the major share of the claim is for security arrangements amounting to Rs.36.10 lakh. The other major claim is the electricity duty of Rs.17.70 lakh under section 3 of the Kerala Electricity Duty Act 1963 and Rs.11.53 lakh under legal charges. According to the licensee, generally 1% of the each item of A&G expenses of the entire CPT business has been allocated to the distribution business.

67. The Commission has sought the details of some of the items of expenses booked under A&G expenses. Regarding the audit expenses, the details furnished by the licensee is given below:

**Table – 23**  
**Expenditure towards audit for the entire business of CPT for 2016-17**

Particulars	(Rs lakh)
C&AG (Reimbursement of salary of resident audit team)	32.76
Income Tax related Consultancy services	10.33
Internal Audit	10.02
Revenue Audit	3.16
Tax Audit & IT return filing	4.60
Indirect Tax Consultancy & Certification	2.93
<b>Grant Total</b>	<b>63.81</b>

68. As shown above, the actual expenses for auditing for the entire Cochin Port Trust was Rs.63.81 lakh and the licensee has apportioned 1% of the total expenses ie., Rs.0.64 lakh towards distribution business.

69. Another major expense is Rs.17.70 lakh towards Electricity Duty under Section 3. The Commission in the previous orders had time and again stated that the said Duty 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.

70. With regard to the expense on legal charges of Rs.11.53 lakh, the licensee has submitted that there are 5 litigations pending with various legal forums relating to Electrical distribution business and the details are shown below.

- Appeal filed by CPT against the order of the tribunal to refund of Rs 1.72 crore recovered as the LD amount from M/s Siemens for the delay in work of setting up of 110 KV substation at Cochin Port Trust. Appeal was filed before District Court, Ernakulam during 2013-14. The case is to be heard on 01/06/2018.
- Writ Petition before the High Court, against the order of Ombudsman allowing the request of M/s FACT to re categorize the tariff from HT-IV to HT-1 (Industrial) for their installation at Wellington Island. The High Court has set aside Ombudsman's order and directed FACT to approach KSERC for considering the request for tariff re categorization. The case was disposed by High Court during 2016-17.
- Writ appeal before the High Court against the Ombudsman's order directing CPT to refund the excess amount collected from the hotels. The Approved and Classified hotels of Wellington Island viz Hotel Vivanda by Taj, Casino Hotel and Hotel Trident has approached the APTEL against the tariff order for 2012-13 issued by the Commission with regard to the HT-IV commercial category. The APTEL has allowed their appeal and directed to refund the excess amount collected from them. CPT not being a party in the case took the stand that order was not applicable to the CPT. The Hotels have approached CGRF and Ombudsman against the stand taken by CPT. In the case, Ombudsman had ordered CPT for refund which is challenged before the High Court. The case has not yet been disposed off.
- M/s Indian Maritime University (IMU) has filed Writ Petition before the High Court against the order of CGRF, regarding tariff categorization applicable to IMU. The case is pending before the court.

**71. As shown above, there are litigations pending with various legal forums relating to Electrical distribution business. The Commission directs the licensee to charge only the amounts actually paid as legal charges while truing up of accounts.**

72. With regard to the expense on security charges, 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 – 24**

**Apportionment of cost of security arrangements for distribution business**

Particulars	Unit	
<b>For Entire CPT</b>		
No: of Personnel for security	Nos.	278
Salary for the month of March 2017 as security charges	Rs. lakh	120.77
Leave salary Contribution	Rs. lakh	9.23
Pension Contribution	Rs.lakh	9.38
Total Cost of security for a month	Rs.lakh	139.38
Rs./ personnel per month	Rs.	50135
Total Cost of 6 personnel per annum for Distribution Business	Rs. lakh	36.10

73. As shown above, the entire security is provided by CISF for which CPT is paying about Rs.16.73 crore per year. As part of the security 6 personnel are allocated for the distribution business. The licensee has requested to allow the expenses towards security charges as part of the truing up process.

74. The Commission has considered the request of the licensee regarding security expenses. As per the submission of the licensee, CPT area is a vulnerable area and security is provided as per ISPS regulations. **Hence, the Commission is of the view that the expenses towards security expenses can be allowed at actual as a separate item under A&G expenses.** Accordingly the A&G expenses to be allowed is estimated. While determining the norms for A&G expenses under Tariff Regulations 2014, the Commission has taken the trued up expenses for 2011-12, which included security expenses of Rs.14.83 lakh. The A&G expenses except security charges as per the defined methodology for the year 2016-17 is Rs.17.50 lakh.

**Table – 25**

**Estimation of A&G expenses for 2016-17**

Particulars	Rs. Lakh
A&G expenses less security expenses for 2016-17	17.50
Security expenses claimed in 2016-17	36.10
A&G expenses including security expenses approved for 2016-17	<b>53.60</b>

75. The security charges claimed for the year is Rs.36.10 lakh. Considering the same the total A&G expenses approved for the year 2016-17 is Rs.53.60 lakh (Rs.17.50 lakh + Rs.36.10 lakh)

**Table – 26**  
**A&G expenses allowed for truing up for 2016-17**

Particulars	ARR Approved (Rs lakh)	As per accounts (Rs. Lakh)	Trued Up (Rs lakh)
A&G expenses	37.15	88.12	53.60

#### Return on Equity.

76. The licensee has claimed return on net fixed assets @3% at Rs.86.64 lakh. The Commission had allowed a return of Rs.74.38 lakh in the order on ARR&ERC which was 3% of the net fixed assets, as provided in the Tariff Regulations 2014. As shown above, as per the regulatory accounts, the net fixed assets at the beginning of the year (1-4-2016) are Rs.2899.09 lakh. **Accordingly, the return on NFA is Rs.86.97 lakh.**

**Table – 27**  
**Return on Equity allowed for truing up for 2016-17**

Particulars	ARR Approved (Rs. Lakh)	As per accounts (Rs. Lakh)	Trued Up (Rs. Lakh)
<b>Return on Equity</b>	74.38	86.64	<b>86.97</b>

#### Revenue from tariff

77. The licensee has claimed total revenue from sale for power of Rs.3012.30 lakh against approved revenue from sale of power of Rs.2912.98 lakh as approved in the Order on ARR&ERC. The licensee has deducted Rs.199.50 lakh as other state levies which is the electricity duty. As per the details submitted by the licensee, major sale is for the HT category of consumers. The average revenue is Rs.8.48/kWh. The split up details of actual revenue from sale of power for the year 2015-16 and 2016-17 are given below.

**Table – 28**  
**Details of revenue from sale of power for 2015-16 & 2016-17**

Consumer category	2015-16			2016-17		
	No of consumers	Energy Sold (MU)	Revenue (Rs lakh)	No of consumers	Energy Sold (MU)	Revenue (Rs lakh)
LT-I	620	1.04	33.57	593	0.98	31.35
LT-II	3	0.34	31.59	3	0.35	32.38
LT IV	1	0.00	0.21	1	0.002	0.22
LT VI (A)	182	0.35	28.04	17	0.40	25.17
LT VI (B)	30	0.29	22.79	32	0.29	23.37
LT VI (B) (G)	8	0.07	5.88	14	0.07	6.49
LT VI(C)	9	0.35	34.45	9	0.32	32.57
LT VI (C )(G)	23	0.04	4.78	21	0.04	4.80
LT VII A Single	202	0.49	39.21	285	0.30	31.81
LT VII A Three	194	4.18	489.85	183	4.21	477.35
LT VII C	3	0.02	2.15	3	0.02	2.26
HT GOVT	5	1.24	134.68	5	1.23	108.64
HT IV Commercial	20	15.46	1524.51	20	18.97	1750.04
HT IV Industrial	-	-	-	1	0.68	46.15
HT IV Malabar	2	3.05	286.01	2	2.99	248.12
<b>Total</b>	<b>1302</b>	<b>26.92</b>	<b>2637.72</b>	<b>1189</b>	<b>30.85</b>	<b>2820.72</b>
Self Consumption	68	6.48	279.74	107	4.66	191.58
Electricity duty			182.29			199.50
<b>Total</b>	<b>1370</b>	<b>33.40</b>	<b>3099.75</b>	<b>1296</b>	<b>35.52</b>	<b>3211.80</b>
Less Electricity duty			182.29			199.50
<b>Total</b>			<b>2917.46</b>			<b>3012.30</b>

**78. The Commission approves the revenue from sale of power as claimed by the licensee for the purpose of truing up of accounts for the year 2016-17.**

#### **Non-Tariff Income**

79. The non-tariff income accounted by the licensee for the year 2016-17 is Rs. 40.27 lakh as against the approved amount of Rs 35.05 lakh. As per the application the claim is on the security deposit of CPT consumers and interest from KSEB for security deposit of CPT. The Commission notes that many items of non-tariff income are absent in the accounts, such as reactive energy charges, income from delayed payment, disconnection/reconnection charges, meter rent, charges realized for theft and unauthorized use of electricity etc. This may be indicative of the fact that the licensee has not carried out any inspections in the consumer premises. This is not a desirable trend. Hence the Commission directs the licensee to conduct periodic inspections in the premises and realize the charges as per the provisions of existing regulations.

80. With the above observation, the Commission approves the Non Tariff Income of Rs. 40.27 lakh as per the accounts of the licensee, for the purpose of truing up of accounts for the year 2016-17.

81. The licensee is holding an accumulated surplus of Rs. 3765.12 lakh at the end of the year 2015-16, as per the previous truing up orders for the licensee. The Commission also approves a notional interest of Rs.350.16 lakh which is 9.30% of the accumulated surplus considering the base rate of SBI as on 01-04-2016 and the same is included under non-tariff income. **The non-tariff income approved for the purpose of truing up of accounts for the year 2016-17 is Rs. 390.43 lakh.**

**Table – 29  
Non-Tariff Income allowed for truing up for 2016-17**

Particulars	ARR Approved (Rs lakh)	As per accounts (Rs. Lakh)	Trued Up (Rs lakh)
Non-Tariff Income	35.05	40.27	<b>40.27</b>
Interest on accumulated surplus	-	-	<b>350.16</b>
<b>Total</b>	35.05	40.27	<b>390.43</b>

#### Revenue gap/ surplus after truing up

82. The summary of the amounts of expenditure and revenue approved in the truing up of accounts for 2016-17 is given below

**Table -30  
Summary of Truing up of accounts for the year 2016-17**

Particulars	2016-17		
	ARR Approved	Claimed as per accounts	Trued Up
Revenue from Sale of Power.	2912.98	3012.30	3012.30
Other Income	35.05	40.27	390.43
<b>Total Income</b>	<b>2948.03</b>	<b>3052.57</b>	<b>3402.73</b>
Purchase of Power	2317.14	2380.99	2380.99
Interest & Finance Charges	-	619.85	-
Interest on Security Deposit	-	33.35	33.35
Depreciation	197.01	205.18	179.13
R&M Expenses	9.97	22.58	9.97
Employee Cost	331.55	867.30	331.55
A&G Expenses	37.15	88.12	53.60
Return on Equity	74.38	86.64	86.97
<b>Total Expenditure</b>	<b>2967.20</b>	<b>4304.01</b>	<b>3075.56</b>
<b>Net Surplus/(Deficit)</b>	<b>(19.17)</b>	<b>(1251.46)</b>	<b>327.17</b>

## **Orders of the Commission**

83. The Commission after considering the application for the truing up of Cochin Port Trust for the year 2016-17 arrives at a total expenditure of Rs. 3075.56 lakh, total revenue of Rs.3402.73 lakh and a revenue surplus of Rs.327.17 lakh. The accumulated surplus till 2015-16 is Rs.3765.12 lakh. Thus the cumulative revenue surplus from 2004-05 to 2016-17 will be Rs.4092.29 lakh (Rs.3765.12 lakh + Rs.327.17 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.

The application is disposed of as above.

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

Sd/-  
**S.Venugopal**  
**Member**

Sd/-  
**Preman Dinaraj**  
**Chairman**

Approved for issue

Santhosh Kumar.K.B  
Secretary