

**KERALA STATE ELECTRICITY REGULATORY COMMISSION  
THIRUVANANTHAPURAM**

Petition No. : OP 10/2014

In the matter of : Truing up of accounts of M/s Kanan Devan Hills Plantations Company Limited for 2012-13

Petitioner : M/s Kanan Devan Hills Plantations Company Limited, Munnar

PRESENT : Shri. T.M.Manoharan, Chairman  
Shri. Mathew George, Member

**ORDER DATED 04-12-2014**

**Background**

1. Kanan Devan Hills Plantations Company Private Limited (*herein after referred to as KDHPCL or licensee*) is the distribution licensee in Munnar. M/s KDHPCL obtained the licence for distribution through the transfer of licence from M/s Tata Tea Limited from January 2007 as per order dated 09.01.2007 of the Commission. The Commission has been approving the ARR & ERC of M/s Tata Tea Limited, the then licence holder since 2005-06, and of KDHPCL since the transfer of licence.
2. The licensee filed the Truing up petition for the FY 2012-13 on 10-09-2013 based on the audited accounts. The petition was admitted by the Commission on 15-05-2014 as OP No.10/2014. The Commission sought clarifications on the truing up petition from the licensee vide letter dated 15-05-2014. The licensee furnished the clarifications and other details vide letter dated 20-05-2014. A comparison of the approved ARR & ERC and the actuals for 2012-13 as per the truing up filing and the figures for 2011-12 is given below:

**Approved and Actual ARR&ERC for 2011-12 and 2012-13**

Particulars	2011-12			2012-13	
	Approved	Actual	True up	Approved in ARR	Actual
Total Energy Sales (MU)	34.91	35.96	35.96	37.36	35.83
Feed back (MU)	5.80	6.68	6.68	5.94	7.23
Distribution loss (MU)	6.09	6.79	6.37	5.90	7.02
Gross energy (MU)	46.80	49.43	49.01	49.2	50.08
Distribution loss %	13%	13.74%	13%	12%	14.02%
<b>Expenses (Rs.lakhs)</b>					
Power Purchase Cost	1492.86	1528.97	1516.18	1563.44	1748.71
Interest & Financing Charges	8.15	43.10	10.26	19.34	68.11
Depreciation	14.89	16.95	15.76	16.49	15.74
Employee Cost	58.23	87.23	63.96	71.64	99.50
R&M Expenses	15.68	13.29	13.29	14.80	21.13
A&G Expenses	7.39	35.77	11.11	8.13	15.23
Other debits	0.20	12.58	0.24	0.20	12.49
Return on Equity	5.00	34.37	10.00	5.00	-
Gross Revenue Requirements	1602.40	1772.76	1640.80	1699.04	1980.91
<b>Revenue (Rs.lakhs)</b>					
Revenue from sale of power	1464.24	1485.59	1499.64	1568.93	1719.30
Other Income	8.73	27.37	13.22	9.48	34.46
<b>Total Revenue</b>	<b>1472.97</b>	<b>1512.86</b>	<b>1512.86</b>	<b>1578.41</b>	<b>1753.76</b>
<b>Revenue Surplus/(Gap)</b>	<b>(129.40)</b>	<b>(259.40)</b>	<b>(127.94)</b>	<b>(120.63)</b>	<b>(227.15)</b>

**Hearing on the matter**

- Hearing on the petition for truing up of accounts of M/s KDHPCL for the year 2012-13 was held on 24-09-2014 at the office of the Commission. During the hearing, representatives of M/s KDHPCL and KSEBL were present. Sri.Srikrishnan, Exe. Director of M/s.KDHPCL presented the petition on truing up of accounts for 2012-13 and responded to the queries of the Commission. Shri. C.S Sarma Kumar, Dy CE, presented responses of KSEBL on the petition. KSEBL also presented written comments on the petition.
- According to KSEB, the energy input of the licensee for the year 2012-13 had increased when compared to that of 2011-12 (ie. from 42.75MU to 42.85 MU), whereas the sales showed a decrease from 35.97 MU to 35.82MU. KSEBL

commented that the distribution loss of the licensee was higher than the approved level of 12% and stated that the increase in energy input to accommodate distribution loss over and above the approved losses may not be approved. The licensee has claimed electricity duty under Section 3(1) of the Kerala Electricity Duty Act 1963 and the duty on excess line loss booked by the licensee shall not be passed on to the consumers. KSEBL commented that the rate of realization was lower for LT-II (colonies), LT-VII (Commercial) and street lighting categories which may be looked into. KSEBL also stated that the claim of the licensee for employee cost constitutes 42.85% of the total expenses excluding power purchase cost. It was also stated of the total employee costs, 35.59% consists of 25% salary of two personnel and full salary of one person. KSEBL stated that such huge expenses for top management may not be approved and suggested that the Commission may adopt the principle as done in the case of true up of previous year. The admissibility of miscellaneous expenses of the licensee needs to be examined to ensure reasonableness of the expenditure. Regarding interest and finance charges, KSEBL commented that the charges are higher than the approved level which was not reasonable. It was further suggested that the depreciation claimed by the licensee may be allowed based on the vintage of each asset.

5. The licensee had furnished their replies to the objections of the KSEBL vide letter dated 08-10-2014. According to the licensee the ratio of units purchased to the units sold during the years 2011-12 and 2012-13 were the same except for a slight adverse variation in 2012-13 due to slight higher percentage of line loss of 14.02% compared to 13.74% in 2011-12. It was also stated that the feedback to KSEBL for 2012-13 was 7.23MU which is higher compared to the feedback of 6.68MU in 2011-12. The licensee also mentioned that the line loss of 14.02% was based on total energy that has passed through the distribution grid including feedback to KSEBL which was computed with the approval of APTEL. The licensee also submitted its proposal for replacing 3000 energy meters with an expectation to improve position of distribution loss. The licensee also confirmed that the revenue from LT-II and LT-VII categories were strictly as per the prevailing tariff rate during the year. The licensee had not submitted any response to KSEBL's counter on the duty under Section 3 of the Kerala Electricity Duty Act, employee cost and depreciation. The licensee also stated that they had complied with the directives of the Commission contained in the order dated 13-04-2012.

## Analysis and Decision of the Commission

6. The Commission considered the truing up petition of the licensee, clarifications, additional details thereon, and the comments of KSEBL. The analysis and the decision of the Commission on the petition are detailed below:
7. **Energy Sales:** Energy sales approved and the actual sales reported by the licensee for the year 2012-13 is as follows:

### Comparison of Approved and Actual Energy Sales 2012-13

Category	2011-12 (Actual)		2012-13 (approved)		2012-13 (Actual)	
	No. of consumers	Sales (MU)	No. of consumers	Sales (MU)	No. of consumers	Sales (MU)
HT Industrial	23	22.68	25	24.90	23	22.39
HT III Agriculture	1	0.25			2	0.24
HT Commercial	8	1.77	8	1.53	10	1.80
LT I Domestic	11768	5.68	11544	5.26	13120	6.75
LT II Colonies	8	1.34	8	1.25	3	0.30
LT IV Industries	101	0.59	101	0.47	102	0.59
LT V Agriculture	4	0.05	5	0.04	5	0.02
LT VI Non Domestic	677	0.84	667	1.03	696	0.77
LT VII Commercial	984	2.50	945	2.63	1106	2.65
Street Lights	45	0.27	44	0.25	57	0.31
Total	13619	35.96	13347	37.36	15124	35.83

The Commission notes that there is substantial increase in domestic consumers where as the LT II colonies have decreased. The Commission approves the actual sales shown by the licensee for the purpose of truing up.

8. **Distribution Losses:** Based on the energy sales and energy input into the system actual distribution loss reported by the licensee is as follows:

### Approved and Actual Distribution Loss for 2012-13

Particulars	2011-12 Actual (MU)	2012-13 (Approved)	2012-13 (Actual) (MU)
Total Energy Sales	35.97	37.36	35.83
Feed Back	6.68	5.94	7.23
Distribution Loss	6.79	5.90	7.02
Gross Energy Requirement	49.44	49.20	50.08
Distribution Loss %	13.74%	12.00%	14.02%

9. The actual distribution loss reported by the licensee for 2012-13 is 14.02% against the approved target of 12%. There was an increase in distribution loss to the tune of 2.02% as against the approved losses. The actual distribution loss is 7.02 MU in 2012-13 as against 5.9 MU as approved by the Commission for that year. The Commission has been directing the licensee to take necessary steps for reduction in losses. It is the duty of the distribution licensee to plan and establish efficient, co-ordinated distribution system in its area of supply. Hence, the Commission is inclined to accept the **approved distribution loss of 12%** for the purpose of truing up.

**Distribution loss Approved for Truing up**

Particulars	2012-13 (Approved)	2012-13 (Actual) (MU)	2012-13 (true up) (MU)
Total Energy Sales	37.36	35.83	35.83
Feed Back	5.94	7.23	7.23
Distribution Loss	5.9	7.02	5.87
Gross Energy Requirement	49.2	50.81	48.93
Distribution Loss %	12.00%	14.02%	12.00%
Excess Distribution loss (MU)			1.88

10. It can be noted that there is substantial increase in distribution loss for the year 2012-13. The Commission in the Truing up order for 2011-12 of the licensee has taken a position that the increase in distribution loss is to be shared in the proportion of wheeled energy as the increase in distribution loss might have been contributed by the increase in energy wheeling and also higher sales in the licence area. Since the licensee has no control over the energy taken through feed back points, it is not reasonable to load the entire burden of increase in distribution loss on the account of the licensee. Hence, it is decided to apportion the excess distribution loss of 18.8 lakh units in the ratio of energy consumed by the licensee to the energy fed back into KSEB system, i.e., 83:17. Thus, 15.6 lakh units of excess distribution loss will be on the account of the licensee.

11. **Power Purchase Cost:** The total power purchase cost for the year was Rs.1748.71 lakh which is in excess by Rs.185.27 lakh from the approved level. The licensee explained that the power purchase cost has gone up mainly on the account of increase in the BST with effect from 1<sup>st</sup> July 2012 because of which the average cost per unit increased. The demand charge was increased from

Rs.270/kVA to Rs.300/kVA and energy charges increased from Rs.3.28 per unit to Rs.3.70 per unit. The approved amount for the year 2012-13 was Rs.1563.44 lakhs. The details of power purchase cost given by the licensee are as shown below.

**Actual Power Purchase Cost Reported for 2012-13**

Total Demand (kVA)	78809
Rate per kVA (Rs./kVA)	291.17
Demand charges (Rs. lakhs)	229.47
Excess demand charges (Rs.lakhs)	3.52
Total demand charges (Rs.lakhs)	232.99
Energy purchased (lakh units)	428.50
Rate (Rs./kWh) (average)	3.59
Total Energy charges (Rs.lakh)	1,537.66
Other Charges-Rebate (Rs.lakh)	21.94
<b>Total Charges</b>	<b>1,748.71</b>
<b>Average Power Purchase Cost (Rs./kWh)</b>	<b>4.08</b>

12. The total purchase cost as per the accounts is Rs.1748.71 lakhs as shown above. As mentioned above, since the cost of excess power purchase on account of non-achievement of distribution loss is to be deducted (ie.,15.6 lakh units @Rs.4.08/unit), the total **power purchase cost approved for the year is Rs. 1685.06 lakhs** (Rs.1748.71 lakhs – Rs.63.65 lakhs).

13. **Interest and Financing charges:** The actual interest and finance charge incurred by the licensee is Rs.68.11 which is Rs.48.77 lakh higher than the approved amount of Rs.19.34 lakhs in the order. The split up details of interest and finance charges booked by the licensee are as shown below.

**Interest and Financing Charges for 2012-13**

Particulars	Approved (Rs.in lakh)	Actual (Rs. in Lakh)
Interest on Security Deposit	8.34	8.25
Interest on Average working capital	11.00	59.86
Total	19.34	68.11

14. The licensee explains that the interest on working capital is Rs.59.86 lakhs on account of higher average notional working capital of Rs.523.13 lakhs and the higher interest rate of 11.25% compared to 10.25% used in the previous year. The licensee generally uses notional working capital which is the average of current account balance with other operations and comprises of cumulative loss, less net of current liabilities. The detailed split up of the interest charges was submitted by the licensee are shown below.

**Details of estimation of interest on working capital**

Particulars	Rs.Lakhs	Rs.Lakhs
Current Account Balances with other operations as at 1 <sup>st</sup> April 2012	426.49	
Current Account Balances with other operations as at 31 <sup>st</sup> March 2013	637.75	
Average Working Capital		532.12
Interest thereon @11.25%		59.86
Interest @ 6% on security deposit of Rs.140.98 lakhs		8.25
Total		68.11

15. The Commission in the previous truing up orders have not accepted the method of estimation of interest on working capital adopted by the licensee. As per the information furnished by the licensee, the amount includes the accumulated accounting losses of distribution business and cost towards net fixed assets. It is true that the licensee has been funding the capital expenses from parent organisation. Accordingly, the licensee is eligible to earn interest on such amounts and hence the Commission has allowed interest for such amount in the truing up order for 2011-12. The Commission also insisted that it shall be as part of the approved capital expenditure plan. In compliance with the directions in the ARR&ERC Order for 2012-13 for the licensee, the details of capital expenditure plan provided by the licensee vide its letter dated 22-5-2012 as shown below:

**Details of capital expenditure plan for 2012-13**

Description	2010-11 (Actual)	2011-12 (Actual)	2012-13 (Estimate)
Capacitors 6.35 KV 100KVAR-6Nos	1.28		
100 KVA Trasformer-1 No	2.94		
Re-conductoring of distribution lines -5 Kms	9.72		
Vacuum Circuit Breakers 11 KV 2-Nos	6.31		
Multifunctional Energy Meters for switching station 8-	2.06		27.50

Nos			
Computers 2-Nos	0.79		
Re-conductoring of distribution lines -11.10 Kms			
Re-conductoring of distribution lines -8.8 Kms		18.29	
Guarding of HT Lines			5.00
Miscellaneous Items	0.12		0.07
Total	23.22	18.29	32.57

16. However, as per the filing, the capital expenditure for the year is Rs.1.03 lakhs only. Regarding the financing plan, the licensee has stated that it is difficult to obtain funds from financing agencies considering the lack of viability of operations of the distribution business and considerably lower capital expenditure requirements. Hence the licensee is meeting the funding requirements for capital expenditure from the tea business. The Commission notes the reply of the licensee. It is reasonable for the licensee to source its capital requirements from tea-business. However, details of such accounts have to be transparently provided for while claiming the interest charges.

17. The Commission has allowed interest charges for the capital expenditure of Rs.18.29 lakhs in the year 2011-12. The actual capital expenditure for 2012-13 is Rs.1.03 lakhs. The repayment period generally considered is 12 years. Based on this, the Commission allows interest charges for the capital expenditure as Rs.1.78 lakhs for the year 2012-13. Regarding the accounting losses during previous years pointed out by the licensee, the Commission has arrived at an accumulated revenue surplus of Rs. 479.65 lakhs after truing up for 2011-12. Hence, no interest on revenue gap is allowed as in the case of previous year.

#### **Interest and Financing Charges for 2012-13**

Particulars	Approved (Rs.in lakh)	Actual (Rs. in Lakh)	Approved (Rs.lakhs)
Interest on Security Deposit	8.34	8.25	8.25
Interest on capital	11.00	59.86	1.78
Total	19.34	68.11	10.03

18. **Repair and Maintenance expenses:** The actual R&M expense is higher than the approved amount by the Commission by Rs.6.33 lakh. The Commission had approved an amount of Rs.14.80 lakhs and the actual expense incurred by the



licensee is Rs.21.13 lakhs. The licensee has given details of the R&M expenses incurred for the year. The increase in expenses is mainly on account of replacement of three corroded transformer structures at a cost of Rs.3.29 lakh and high tension overhead line standardization work of Rs.2.33 lakh. It was also stated that during the year corroded LT post/defective switches were also replaced and these replacements could not be estimated at the time of submitting ARR&ERC for 2012-13. Considering the details furnished by the licensee, the Commission approves the R&M expenses at actual for the year 2012-13.

19. **Employee Cost:** The licensee has accounted Rs.99.50 lakh towards employee cost against the approved amount of Rs.71.64 lakh. Split up details of the employee cost furnished by the licensee are given below:

**Employee cost for 2012-13**

Particulars	2011-12			2012-13	
	Approved (Rs.lakhs)	Actual (Rs.lakhs)	True up (Rs.lakhs)	Approved (Rs.lakhs)	Actual (Rs.lakhs)
Salary of Manager and ED	5.00	28.27	5.00	5.00	35.40
Other employee's salary	53.23	58.96	58.96	66.64	64.10
<b>Total</b>	<b>58.23</b>	<b>87.23</b>	<b>63.96</b>	<b>71.64</b>	<b>99.50</b>

20. The actual employee cost is higher than the approved level by Rs.27.86 lakh. The increase is mainly on account of the share of salary of Manager and Executive Director which sums up to a total amount of Rs.35.40 lakhs. The licensee has included Rs.17.62 lakhs as the salary of Manager and Rs. 17.79 lakhs as the proportion of Executive Director's salaries and allowances amounting to **Rs.35.40** lakhs as part of employee costs. The salary of Manager and Executive Director constitutes about 36% of the total employee cost. The Commission generally allows the share of employee expenses of senior management in the distribution business. While approving the ARR &ERC for 2012-13, the Commission allowed Rs.5 lakhs towards the cost of senior management in the distribution business. The Commission continue to adopt the stand taken in the previous orders and allows a provision of Rs.5 lakhs towards the share of salary to top management. Accordingly the total employee cost approved for 2012-13 for the purpose of trueing up is Rs.69.10 lakhs.

21. **Administration & General Expenses:** Actual expenditure reported by the licensee towards A&G Expenses is Rs. 15.23 lakh against the approved amount of Rs.8.13 lakh. In the order of ARR&ERC for the year, the Commission had directed the licensee to limit the expenses at the approved level. The Commission had also pointed that A&G expenses constitute a controllable item and would allow only 10% over the approved level. Comparison of the various expenses included under the head A&G charges is furnished below:

**Comparison of A&G Expenses**

Particulars	2010-11	2011-12	2012-13
	(Actuals)	(Actuals)	(Actuals)
Rents, Rates and Taxes	0.64	0.94	0.44
Security Arrangement	0.48	0.56	0.87
Insurance	0.14	0.41	0.14
Telephone/Telex charges	0.07	0.08	0.05
Legal charges	22.95	18.25	1.98
Bank charges on Bank Guarantee	0.61	4.76	6.42
Audit Fees & consultancy charges	0.55	1.3	0.56
Travelling expenses	0.07	0.15	0.05
Conveyance and vehicle charges	0.14	0.17	0.14
Fees and subscription	0.50	1.05	0.45
Printing and Stationery	0.30	0.05	0.62
Advertisement	0.29	0.11	
Electricity charges	0.51	0.36	0.62
Miscellaneous expenses	4.85	7.58	2.89
Total	32.10	35.77	15.23

22. The actual amount booked included bank charges of Rs.6.42 lakh as bank guarantee to KSEB as per the Hon. Supreme Court order in civil appeal No. 2144/2011, which was not approved by the Commission in the ARR&ERC order for the year. Excluding the bank guarantee to KSEB, the A&G expense is only Rs.8.81 lakh. The Commission approves the A&G expenses at Rs.8.81 lakhs for the purposes of truing up.

23. **Depreciation:** The licensee has accounted Rs.15.74 lakh as depreciation for the year 2012-13 against the approved level of Rs.16.49 lakh. The licensee has stated that the depreciation is accounted as per the CERC norms. The depreciation estimated by the licensee is shown below:

### Depreciation approved for 2012-13

	Rate of depreciation	Original Cost (Rs.lakhs)	Depreciation (Rs.lakhs)
11kV works	5.28%	197.45	10.41
LT Lines, Service connections etc.	5.28%	40.16	2.12
Metering equipments	5.28%	34.3	1.81
Miscellaneous equipments	6.33%	22.25	1.40
<b>Total</b>		<b>294.16</b>	<b>15.74</b>

24. Hence, the Commission allows Rs.15.74 lakh as the depreciation for 2012-13. It is directed that the licensee has to maintain the accounts strictly as per the provisions of revised CERC norms to avail the depreciation.

25. **Other Debits:** The licensee has accounted Rs.12.49 lakh under Other Debits, and the details are given below:

#### Details of other debits

Particulars	Approved (Rs.lakhs)	Actual (Rs.lakhs)
Duty under Section 3 of Kerala Electricity duty Act	0	11.79
Duty on Line Loss	0	0.50
Periodical Inspection Charges	0.20	0.20
<b>Total</b>	<b>0.20</b>	<b>12.49</b>

26. The licensee has included duty on line losses, Section 3 duty and periodical charges under the debits totalling to Rs.12.49 lakhs under other debits. The duty under Section 3 of the Kerala Electricity Duty Act shall not be passed on to the consumers and duty on line loss is as part of duty under Section 4. The same view is followed and Rs. 0.20 lakhs is allowed under other debits.

27. **Return on Equity:** The licensee has not shown any equity contribution in the distribution business. In the absence of actual equity in the distribution business, the Commission is not in a position to allow return on equity. Hence, as in the case of previous year, the Commission provisionally allows a notional return of Rs.10 lakh for the year 2012-13.

28. **Gross Revenue requirements:** Based on the above, the Gross revenue requirement for the year 2012-13 after truing up is as shown below:

### Gross Revenue Requirements after truing up for 2012-13

Particulars	Approved	Actuals	Trued up
	(Rs.lakhs)	(Rs.lakhs)	(Rs.lakhs)
Power Purchase Cost	1,563.44	1,748.71	1,685.06
Interest & Financing Charges	19.34	68.11	10.03
Depreciation	16.49	15.74	15.74
Employee Cost	71.64	99.50	69.10
R&M Expenses	14.80	21.13	21.13
A&G Expenses	8.13	15.23	8.81
Other debits	0.20	12.49	0.20
Return on Equity	5.00	-	10.00
<b>Gross Revenue Requirements</b>	<b>1,699.04</b>	<b>1,980.91</b>	<b>1,820.07</b>

29. **Revenue from Sale of Power:** The revenue from the sale of power booked by the licensee as per the truing up petition submitted is Rs.1719.30 lakhs. The average realization was Rs.4.77 per unit against the estimate of Rs.4.20 per unit. The Commission had approved the revenue from sale of power as Rs.1578.41 lakh in the ARR order. The increase in revenue is mainly on account of tariff revision. Details of revenue from energy sales furnished by the licensee are given below.

### Details of Revenue from Sale of Power

Category	Approved by Commission			Actual		
	Sales (MU)	Revenue (Rs.lakhs)	Average Tariff (Rs./kWh)	Sales (MU)	Revenue (Rs.lakhs)	Average Tariff (Rs./kWh)
HT Industrial	24.90	1022.06	4.11	22.39	1089.14	4.86
HT III Agriculture				0.24	6.75	2.85
HT IV Commercial	1.53	74.42	4.85	1.80	121.95	6.77
LT Domestic	5.26	85.29	1.62	6.75	150.81	2.23
LT Colonies	1.25	72.39	5.81	0.30	19.48	6.47
LT Industries	0.47	17.66	3.73	0.59	25.81	4.39
LT Agriculture	0.04	0.27	-	0.02	0.28	1.26
LT Non-domestic	1.03	65.91	6.40	0.77	55.02	7.17
LT Commercial	2.63	219.54	8.36	2.65	231.66	8.74
Street lighting	0.25	10.84	4.39	0.31	8.11	2.58
<b>Total</b>	<b>37.36</b>	<b>1568.93</b>	<b>4.20</b>	<b>35.83</b>	<b>1709.02</b>	<b>4.77</b>

30. The licensee has stated that the revenue from own consumption of electricity is computed at normal tariff. The details of consumption and revenue from own units were also provided by the licensee. The revenue from other charges such as reconnection fee, delayed payment surcharge etc., is reported to be Rs.14.15 lakhs as shown below.

Items	2011-12 Rs.lakhs	2012-13 Rs.lakhs
Fuse off calls/new application fee	0.06	0.27
Reconnection fee	0.22	0.23
Interest received on deposits with KSEB	6.75	7.42
Service connection charges	0.79	0.00
Delayed payment charges	2.94	1.37
Other receipts	3.39	1.00
Total	14.15	10.28

Thus the total revenue from tariff as reported by the licensee as per the accounts is Rs.1719.30 lakhs. The same is approved for the purpose of truing up.

31. **Non Tariff Income:** The actual non tariff income in the truing up petition is Rs.34.46 lakh against the approved Rs.9.48lakh. The actual non tariff income includes Rs.6.41 lakh from the sale of scrap and miscellaneous recoveries of Rs.28.05 lakhs. The miscellaneous recoveries includes sale of scrap (Rs.18.42 lakhs) and the provision for bad debts no longer required (Rs.9.24 lakhs). The licensee has reported that since the Commission has not allowed the provision for bad debts, the amount written back is also not to be considered. Accordingly, the Commission approves the non-tariff income as Rs. 25.22 lakhs for the purpose of truing up.

32. **Revenue surplus/(gap) for 2012-13:** The revenue gap/surplus after the truing up process is as shown below:

**Summary of ARR&ERC for 2012-13 after Truing up**

Particulars	Approved	Actual	True up
	Rs.Lakh	Rs.Lakh	Rs.Lakh
Power Purchase Cost	1,563.44	1,748.71	1,685.06
Interest & Financing Charges	19.34	68.11	10.03
Depreciation	16.49	15.74	15.74
Employee Cost	71.64	99.50	69.10

R&M Expenses	14.80	21.13	21.13
A&G Expenses	8.13	15.23	8.81
Other debits	0.20	12.49	0.20
Return on Equity	5.00	-	10.00
<b>Gross Revenue Requirements</b>	<b>1,699.04</b>	<b>1,980.91</b>	<b>1,820.07</b>
Revenue from sale of power	1,568.93	1,719.30	1,719.30
Other Income	9.48	34.46	25.22
<b>Total Revenue</b>	<b>1,578.41</b>	<b>1,753.76</b>	<b>1,744.52</b>
<b>Revenue Surplus/(Gap)</b>	<b>-120.63</b>	<b>-227.15</b>	<b>-75.55</b>

33. Based on the above, the revenue gap after truing up is Rs.75.55 lakhs. The Commission had arrived at a revenue surplus of Rs.479.65 lakhs for the period 2005-06 to 2011-12 after the truing up of accounts. Thus, after adjusting the revenue gap for 2012-13, the balance surplus available with the licensee is Rs.404.10 lakhs.

#### **Orders of the Commission**

34. The revenue gap after truing up for the year 2012-13 is Rs.75.55 lakhs. Orders issued by the Commission, in paragraph 24 of the truing up order dated 26.04.2011, on keeping and utilisation of the revenue surplus will be applicable to the balance revenue surplus.

35. This order is subject to the decision in the Appeal Nos.2141/2011 and 5122/2012 filed by KDHPCL which are pending before the Hon. Supreme Court. The petition is disposed of and ordered accordingly.

Sd/-  
**Mathew George**  
**Member**

Sd/-  
**T.M.Manoharan**  
**Chairman**

**Approved for issue**

**Secretary**