

# KERALA STATE ELECTRICITY REGULATORY COMMISSION

## THIRUVANANTHAPURAM

### OA No.38/2015

**In the matter of Truing up of accounts of Technopark for the year 2012-13**

Applicant : M/s. Technopark, Thiruvananthapuram

Present : **Shri T.M.Manoharan, Chairman**  
**Shri K.Vikraman Nair, Member**  
**Shri S.Venugopal, Member**

### ORDER DATED 12.01.2016

#### **Background**

1. M/s Technopark, Thiruvananthapuram (herein after mentioned as Technopark or the licensee) has filed an application for truing up of accounts for the year 2012-13 vide letter No.ETPK/FIN/KSERC/2015-16 dated 12-08-2015. The application was admitted as OA No.38/15. The licensee cured the defects on the application and submitted details vide letter No.ETPK/FIN/KSERC/2015-16 dated 23-11-2015.
2. The Commission had issued the ARR order dated 02-05-2012 for the year 2012-13 on OP 2/2012. A comparison of the amounts of expenditure and revenue as approved by the Commission as per order dated 02-05-2012 and the corresponding actual amounts of expenditure and revenue as per truing up application are given below:

**Table 1**  
**TECHNOPARK - Summary of Truing up application for 2012-13**

Particulars	2011-12			2012-13		
	Approved	Application for true up	Trued up	Approved	Application for true up	Difference over approval
Total energy sales (MU)	60.50	56.99	56.99	70.32	59.28	-11.04
Gross energy requirement (MU)	63.02	59.11	59.11	73.25	64.25	-9.00
Distribution Loss (MU)	2.65	2.12	2.12	2.93	4.97	2.05
<b>Distribution loss (%)</b>	4.00%	3.59%	3.59%	4.00%	7.74%	3.74%
<b>Revenue (Rs. in Lakh)</b>						
Revenue from tariff	2,815.20	2557.63	2557.63	3147.26	3426.27	279.01
Non Tariff income	25.75	56.41	56.41	28.00	43.2	15.20
<b>Total revenue</b>	<b>2,840.95</b>	<b>2614.04</b>	<b>2614.04</b>	<b>3175.26</b>	<b>3469.47</b>	294.21
<b>Expenses (Rs. in Lakh)</b>						
Power purchase cost	2,491.23	2453.57	2453.57	2820.12	3488.92	668.80
Interest and Financing Charges	59.60	71.22	71.22	59.03	105.03	46.00
Depreciation	103.16	104.23	82.20	103.16	104.26	1.10
Employee Costs	14.27	17.30	15.32	15.70	19.97	4.27
R&M Expenses	92.32	109.68	74.58	129.78	124.64	-5.14
A&G Expenses	47.98	56.56	41.65	52.77	72.59	19.82
Other Debits	-	0.31	-	-	0.19	0.19
Provisional Return	10.00	-	10.00	10.00		-10.00
<b>Total Expenses</b>	<b>2,818.56</b>	<b>2812.87</b>	<b>2748.54</b>	<b>3190.56</b>	<b>3915.60</b>	725.04
Surplus/ Gap	<b>22.39</b>	<b>(198.83)</b>	<b>(134.50)</b>	-15.30	-446.13	-430.83

*Approved = Approved in ARR & ERC*

*Actual = Actual expenditure claimed in the application for truing up*

*Trued up = Approved as per order in the application for truing up.*

### **Hearing on the application**

- The hearing on the application was held at the Conference Hall, Technopark on 24-11-2015 at 11 a.m. Representatives of licensee and KSEB Ltd were present for the hearing. The licensee was represented by Sri. Girish Babu, CEO, Technopark, Smt. Jayanthi.L, Chief Financial Officer and Sri. E.V.Einstein, Assistant Manager (Electrical). Sri. E.V.Einstein, Assistant Manager (Electrical) presented the details of the application on the truing up of accounts for the year 2011-12 and gave clarifications on the queries of the Commission

4. Sri. B. Pradeep, Dy.CE, KSEB Ltd. presented the objections of KSEB Ltd and submitted written remarks which are shown below:
- a) The distribution loss approved by the Commission for year 2012-13 is only 4% whereas the application for truing up of accounts shows that T&D loss is 7.75%. It is therefore submitted that the cost incurred for additional power procurement due to higher loss may be disallowed by following the methodology approved by Hon. APTEL.
  - b) A&G expense incurred is 37% over the amount approved. It is also informed that Commission while approving the ARR & ERC for the year 2012-13 had approved an increase of only 10% over the previous year's approved level.
    - (i) In Form M (A&G Expenses), security charges of Rs.38 lakh accounted by the licensee is very much on the higher side as against the approved level of Rs.6.60 lakh and there is no rationale for accounting such charges under distribution business. It is therefore requested that the Commission may continue the same procedure adopted in the previous year 2010-11.
    - (ii) The licensee had accounted Rs.18.30 lakhs towards electricity charges under A&G expenses, which is high. KSEB Ltd requested the Commission to direct the licensee to segregate the consumption on account of the licensee's business. (i.e.,) the distribution as well as other business shall be separately metered and billed as per the appropriate tariff. It is further pointed out that the details of metering and billing are not provided in the application.
  - c) KSEB Ltd also pointed out that the legal expense of Rs.2.45 lakhs claimed by the licensee is another major expense and requested the Commission to look into the prudence of the claim of the licensee.
  - d) The licensee booked about Rs.1.50 lakh under the head "Other Administrative Charges". KSEB Ltd requested the Commission to look into the genuineness of the claim.
  - e) In the matter of allowing depreciation, it is requested that the Commission may kindly follow the same principles adopted during the previous year while truing up of accounts of the licensee.
  - f) Interest on security deposit (Form – O) may be limited to the actual amount paid to the consumers, subject to prudence check.

- g) Regarding employee cost, it is submitted that the employee cost claimed is 27.21% higher than the previous year's approved level.
  - h) The licensee, as per Form G has deducted electricity duty payable from the revenue from sale of power. It is submitted that if the duty deducted is Section 3(1) duty, then the same shall not be allowed, as done in the case of other licensees.
5. In reply to the arguments made by KSEB Ltd, the licensee has given written reply dated 08-12-2015.
- a) It is stated by the licensee that, in the study done by officials from electrical inspectorate and other technical departments, the allowable limit for T&D losses for Technopark is 6.17%. It is further stated in the reply that higher distribution losses have occurred due to higher transformation losses due to increased transformer capacity, losses due to age of equipment, losses due to inductive load, effects of harmonics and losses due to non-calibrated meters. The licensee has also mentioned that they have taken initiatives for reducing the distribution losses during 2013-14 and 2014-15 and requested the Commission to approve the actual distribution loss during 2012-13.
  - b) During the year 2012-13, an amount of Rs.6.60 lakh was anticipated towards security charges, with a marginal increase of 10% from 2011-12. Security of the substations are critical since Techno park is a soft target and also security checking over 30,000 employees before entering the campus is practically impossible, hence we need to employ personnel at key areas such as substations, WTP, STP, etc., to prevent any sabotage. As per workings, the security charges for substations for 2012-13 are Rs.42.13 lakh. It is further stated that they had taken 25% of the entire security charges of Technopark for the purpose of ARR & ERC calculation, but now as they calculated for the rationale the amount exceeds the 25% taken for the purpose of calculation.

- c) The apportionment of electricity charges is done based on the following rationale.

Net Income from rental business during 2012-13	: Rs.39.30 Crore
Net Income from licensee business during 2012-13	: Rs.31.50 Crore
Total	: Rs.70.80 Crore
% share of income from rental business during 2012-13	: 55.51%
% share of income from licensee business during 2012-13:	44.49%

Based on the above, they have apportioned 40% of the self consumption of the park centre building as electricity charges. It is also stated that separate metering is also done for the Park Centre Building which houses the rental as well as licensed business operations.

- d) The legal charges claimed under A&G expenses are for inspection fees paid to electrical inspectorate, which are statutory payment made by them. A ledger sheet is enclosed for consideration of the Commission.
- e) The amount of Rs.1.37 lakh booked under other administration charges pertains to petition fees for filing petition before KSERC, a ledger sheet is attached for consideration of the Commission.
- f) The following statements are also given.
- It is further stated that depreciation is claimed as per actual.
  - The interest on security deposit is credited to the customers only on the basis of deposits made by the customers.
  - The licensee anticipated an increase of 15% in the employee cost from the projected figures of 2011-12. The percentage increase in DA was 27% apart from normal increase in salary, resulted in increase in employee cost.
  - An amount of Rs.36.27 lakh booked towards interest on KSEB share on 110 kV substation Phase-I, the licensee stated that KSEB Ltd has approved the proposal for setting up of a 110 kV substation at Kariavattom on a condition that Techno park will bear 50% of the total cost including the land value of sub-station. Accordingly, an amount of Rs.477.95 lakh was paid for commence the work and the substation was commissioned on 02-06-1999. Moreover, it is stated that the development charges and interest claimed by KSEB are included in Form O amounts to Rs.105.03 lakh.

## Analysis and decision of the Commission

6. The Commission considered the application, objections submitted by KSEB Ltd. and the clarifications submitted thereon by the licensee Techno park and the KSEB Ltd while finalizing the truing up of accounts of the licensee for the year 2012-13. Each item of the application is discussed below.
7. **Sale of Energy:** The actual energy sales claimed by the licensee as per truing up application for the year 2012-13 is 59.28 MU against an approved sales of 70.32 MU in the order on ARR for the year 2012-13 dated 02-05-2012. However, as per the clarification dated 01-01-2016 submitted by the licensee, the actual energy sale reported was 59.88 MU as against 59.28 MU in the application for truing up and the difference is mainly on accounts of the error in accounting the self consumption. Accordingly, the sale of energy approved for the purpose of truing up is detailed below.

**Table-2**

### Technopark – Details of energy sold for 2013-14

Consumer Category	Energy Sales in MU		
	Phase-1	Phase-3	Total
HT Consumers	16.32	3.39	19.71
LT Consumers	38.23	0.22	38.45
Self Consumption	1.55	-	1.55
Public Lighting	0.17	-	0.17
Total	56.27	3.61	59.88

8. **Quantum of power purchase from KSEB Ltd**  
As per the application for truing up, the licensee had procured 64.25 MU from the supplier KSEB Ltd. In order to verify the correctness of the power purchase, the Commission had sought the monthwise details of the power purchase based on the invoice raised by the supplier KSEB Ltd. The details are given below.

**Table-3**  
**Technopark – Month wise details of power procured by Technopark from KSEB Ltd.**

Month	Phase-1 (MU)	Phase-3 (MU)	Kollam Campus (MU)	Total (MU)
Apr-12	4.98	0.29	0.000	5.27
May-12	5.63	0.27	0.000	5.90
Jun-12	5.23	0.33	0.000	5.55
Jul-12	5.25	0.34	0.000	5.59
Aug-12	4.92	0.30	0.000	5.22
Sep-12	4.98	0.32	0.004	5.30
Oct-12	5.05	0.31	0.004	5.36
Nov-12	4.93	0.30	0.004	5.23
Dec-12	4.78	0.29	0.004	5.07
Jan-13	5.05	0.31	0.004	5.36
Feb-13	4.52	0.27	0.004	4.79
Mar-13	5.29	0.31	0.004	5.61
Total	60.59	3.63	0.029	64.25

Commission estimates that 64.25 MU is the actual power purchase required from KSEB Ltd for the purpose of truing up.

**Distribution Loss and quantum of power purchase approved in the process of truing up.**

9. As per truing up application, the licensee has claimed a distribution loss of 7.74% for the year 2012-13 against the approved T&D loss of 4.00%. However, as per the revised details of the energy sale claimed by the licensee and the same approved by the Commission, the actual distribution loss applicable to the licensee for the year 2012-13 is 6.74%. The details are given below.

**Table 4**  
**Technopark- Distribution loss claimed by the Licensee for 2012-13**

Year	ARR		Truing up
	Projected	Approved	
Total Energy sales (MU)	70.32	70.32	59.88
Distribution loss(MU)	2.93	2.93	4.37
Total Energy Requirement (MU)	73.25	73.25	64.25
Distribution loss(%)	4.00%	4.00%	6.80%

10. As detailed above, the distribution loss for the year 2012-13 is 6.80% as against 4% approved vide the order on ARR. Since the distribution loss is a controllable

item, Commission approves the distribution loss at 4.00% as approved by the Commission vide the order on ARR, for the process of truing and also for approving the cost of power purchase.

11. It may be noted that, that the distribution loss has increased to 6.80% in the year 2012-13, as compared to the loss of 3.23% approved for the year 2011-12. The Commission apprehends that there is some mistake either in accounting for the distribution loss or that the figures of distribution loss hitherto shown are not correct. The Commission therefore directs the licensee to carry out a proper study of loss in the system and report the results of the study to the Commission within a period of three months. The reduction of distribution loss being a performance indicator of the efficiency of the system equipments and taking into consideration the area of operation, the Commission approves the distribution loss fixed at 4.00% for the year 2012-13. Based on the approved distribution loss, the energy requirement approved for the truing up process is shown below.

**Table 5**  
**Technopark- Distribution loss approved in truing up of accounts 2012-13**

Particulars	ARR		Truing up	
	Projected	Approved	Claimed	Approved
Total Energy sales (MU)	70.32	70.32	59.88	59.88
Distribution loss(MU)	2.93	2.93	4.34	2.50
Total Energy Requirement (MU)	73.25	73.25	64.22	62.38
Distribution loss(%)	4.00%	4.00%	6.76%	4.00%

12. As detailed above, for the process of truing-up, Commission approves the quantum of power purchase at 62.38 MU, as against the actual purchase of 64.25 MU as claimed by the licensee. Thus Commission dis-allows 1.87 MU from the actual quantum of power purchase as claimed by the licensee.
13. **Power Purchase Cost:** Vide the order on ARR, the Commission had approved the cost of power purchase as Rs.2820.12 lakh. However the licensee has claimed Rs.3488.92 lakh as cost of purchase in the process truing up.

Since the average cost of power purchase claimed by the licensee is much higher than the approved BST applicable, Commission had sought month wise details of the demand charge, energy charge, excess demand charge, fuel surcharge and other charges applicable during the year 2012-13. As directed by the Commission, the licensee has submitted the month wise details and the same is given below.



**Table-6****Technopark - Monthly Details of cost of power purchase for 2012-13**

Month	Quantum of power purchase	Cost of power purchase including surcharge and other levies	Avg BST
	(MU)	(Rs. Cr)	(Rs/unit)
Apr-12	5.27	2.25	4.27
May-12	5.90	2.46	4.17
Jun-12	5.55	2.33	4.21
Jul-12	5.59	2.92	5.23
Aug-12	5.22	2.76	5.29
Sep-12	5.30	2.80	5.28
Oct-12	5.36	2.84	5.31
Nov-12	5.23	2.76	5.26
Dec-12	5.07	2.67	5.26
Jan-13	5.36	2.76	5.16
Feb-13	4.79	2.55	5.33
Mar-13	5.61	2.93	5.22
Total	64.25	32.05	4.99

14. However, as detailed under paragraph-12 above, due to excessive distribution loss, the quantum of power purchase approved in the process of truing up is 62.38 MU only as against the actual claim of 64.25 MU reported by the licensee., i.e., the quantum of power purchase approved is less by 1.87 MU (64.25-62.38M) from the actual claimed. The cost of power purchase is dis-allowed for this quantum of 1.87 MU at the average tariff at Rs 4.99/unit. Thus the total cost of power purchase approved for the year 2012-13 is Rs 31.12 Crore. The details are given below.

**Table 7****Technopark – Cost of power purchase approved in truing up for 2012-13**

Particulars	ARR		Truing up	
	Projected	Approved	Claimed	Approved
Energy requirement (MU)	73.25	73.25	64.22	62.38
Fixed Charges (Rs.Lakh)	505.43	505.39	638.25	3111.68
Energy Charges (Rs. Lakh)	2314.73	2314.73	2568.62	
Miscellaneous charges	-	-	-	
<b>Total Charges (Rs.Lakh)</b>	<b>2820.16</b>	<b>2820.12</b>	<b>3206.87</b>	<b>3111.68</b>

15. **Employee cost:** - The Commission, in the ARR for the year 2012-13 had approved an amount of Rs.15.70 lakhs. In the truing up petition, the licensee has

claimed an amount of Rs.19.97 lakhs. As per the petition submitted, there is an increase in salaries and staff welfare benefits. The licensee has stated that there are 59 number of employees engaged for the distribution business. The details of the employee cost submitted by the licensee are detailed below.

**Table 8  
Technopark – Details of Employee Cost**

Employee Cost	Truing Up Proposed (Rs. lakhs)
Salaries	<b>13.98</b>
Staff welfare expenses	<b>5.99</b>
Total	<b>19.97</b>

In 2011-12, the licensee claimed an amount of Rs.17.30 lakhs as actual expense towards employee cost and the Commission approved Rs.15.32 lakh being 8.56% increase over the actual of 2010-11 towards the employee cost. The weighted average increase in WPI and CPI at the weightage of 30:70 for the year 2012-13 is 9.56 %. Hence, for the year 2012-13, Commission allows an increase of 9.56% over the employee cost approved for the year 2011-12. Accordingly, the employee cost approved for the year 2012-13 is Rs.16.79 lakh.

**Table 9  
Technopark – Employee Cost Approved in truing up of accounts  
for 2012-13 (Rs. Lakh)**

Particulars	ARR		Truing up	
	Projected	Approved	Claimed	Approved
Salaries	11.57	11.57	13.98	11.89
Staff welfare expenses	4.13	4.13	5.99	4.90
Total	15.70	15.70	19.97	16.79

16. **Repair and Maintenance Charges:** - The Commission had approved an amount of Rs.129.50 lakhs vide the order on ARR. The actual amount claimed by the licensee is Rs.124.64 lakhs for the repair and maintenance of transmission lines, substations, 11 kV lines & associated works, LT line service etc. The licensee has submitted detailed split up of the actual repair maintenance for each phase vide clarifications submitted to the Commission. It is evident from the records that

the R&M expense has been increasing abnormally. The licensee has not provided the details of work entrusted with outsourced agency. Hence it is not possible for the Commission to analyze properly the R&M expenses claimed by the licensee. The Commission had earlier given a detailed explanation to the fact that the outsourcing agreement was not restricted to distribution of electricity business alone and hence had arrived at a factor of 68% of the expenses claimed as the portion of distribution business as done in previous years. The licensee has not given any additional information to dispute the same. Hence, in the present case also, the Commission is inclined to allow only 68% of the expenses claimed. (ie.) 68% of Rs.124.64 lakhs. Accordingly, the R&M expenses allowed for the plant and machinery is Rs.84.76 lakhs for 2012-13 for the purpose of truing up of accounts. The Commission directs the licensee to provide a copy of the agreement entered for outsourcing this work so as to enable the Commission to have a detailed analysis of the contract and resultant R&M expenses.

**Table 10**  
**Technopark – Details of R&M expenses approved in truing up of accounts for 2012-13 ( Rs.Lakh)**

Particulars	ARR		Truing up	
	Projected	Approved	Claimed	Approved
Repairs to buildings	0.28	0.28	-	-
R&M Expenses	129.50	129.50	124.64	84.76
<b>Total</b>	129.78	129.78	124.64	84.76

17. **Administration and General Expenses:-** The actual A&G expenses claimed by the licensee is higher than the amount approved by the Commission. The Commission had approved Rs.52.78 lakhs in the ARR as proposed by the licensee. The Licensee has now projected an expense of Rs.72.59 lakhs. The major difference is on the security charges claimed by the licensee. The Commission had approved Rs.6.60 lakhs for the year 2012-13. The licensee has now claimed an amount of Rs.38.07 lakhs under security charges.

**Table 11**  
**Technopark – Details of A&G expenses approved in truing up of accounts**  
**for 2012-13 ( Rs.Lakh)**

Particulars	ARR		Truing Up	
	Projected	Approved	Claimed	Approved
Security Charges	6.60	6.60	38.07	6.60
Insurance	2.50	1.10	1.95	1.95
Telephone & Postage, etc	2.37	2.37	0.50	0.50
Legal Charges	0.75	0.82	2.46	2.46
Audit Fee	0.30	0.33	0.30	0.30
Consultancy Charges	3.00	3.30	0.56	0.56
Technical fee	0.99	1.03	0.70	0.70
Other administrative charges	6.35	6.35	1.53	1.53
Vehicle expenses	5.86	5.86	4.89	4.89
Printing & stationary	2.33	25.01	1.43	1.43
Advertisements, exhibition	-		1.89	1.89
Electricity charges	2.91		18.30	18.30
<b>A&amp;G Expenses</b>	<b>60.19</b>	<b>52.77</b>	<b>72.59</b>	<b>41.12</b>

18. The licensee has accounted the inspection fee paid to the electrical inspectorate under the legal charges which is not correct. The licensee is directed to show the inspection fee and legal charges separately in the future applications and also specify the details of legal charges henceforth.
19. The position already taken by the Commission is that no provision is required for security of substations in addition to the maintenance personnel. Therefore the claim made by the licensee is firmed up excluding security charges is Rs.34.52 lakh. The security charges approved by the Commission in the ARR for the year 2012-13 is Rs.6.60 lakh. In total, the Commission for the truing up of accounts for 2012-13, approves Rs.41.12 lakh towards the A&G expenses.
20. **Depreciation:** The Commission vide ARR order for the year 2012-13 had approved an amount of Rs.103.16 lakh towards depreciation as proposed by the licensee. In the truing up application, the actual depreciation booked by the licensee for the year 2012-13 amounts to Rs.104.26 lakhs. The audited accounts of the licensee for the year 2012-13 shows that an amount of Rs.412.98 lakh was booked under the head “Government Grants” and Rs.199.08 lakh was booked under “One time Connection Charges”. It is 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’. As per established regulatory principles, depreciation

on assets created out of grants is to be excluded from allowable expenses unless the replacement of capital assets is segregated from routine capital additions. The Commission has already taken the decision that depreciation on the assets made out of grants and contribution from consumers is not allowable.

**Table 12**  
**Technopark – Depreciation allowed for 2012-13**  
(Rs.Lakhs)

	GFA beginning of the year
GFA	2990.56
Less: Grants/Contributions	612.06
GFA eligible for depreciation	2459.11
Depreciation	82.23

Commission, therefore, excludes the depreciation on Grants/contributions as per the audited accounts submitted by the licensee and approves the depreciation for the year 2012-13 at the rate of 3.60% for the purpose of truing up as shown below:

**Table 13**  
**Technopark – Depreciation allowed in truing up of accounts for 2012-13**  
(Rs.Lakh)

Particulars	ARR		Truing up	
	Projected	Approved	Claimed	Trued up
Depreciation	177.52	103.16	103.16	82.23

21. **Interest and Finance Charges:** The licensee, in the application for truing up of accounts for the year 2012-13 has claimed interest on different loans and interest on consumers deposit. The Commission vide the order on ARR&ERC had approved Rs.59.03 lakhs where as in the application for truing up, the licensee has claimed an amount of Rs.105.03 lakhs. The details of the claims of the licensee are shown below.

**Table 14**  
**Technopark – Details of Interest and finance charges (Rs. lakhs)**

Interest and finance charges	ARR Approved	Truing Up Proposed
Interest on loans	23.93	<b>32.57</b>
Interest on Consumer deposit	35.10	<b>36.18</b>
Interest on KSEB share on 110 KV	-	<b>36.27</b>
Total	59.03	<b>105.03</b>

In the application for truing up, the licensee has claimed Rs 36.27 lakh as the interest on KSEB share of 110 kV substation. It is noticed that , the licensee has not claimed interest on KSEB share on 110 KV substation till the year 2011-12, though they claimed that an amount of Rs 477.95 lakh was paid for commencement of the work and, the substation was commissioned on 02-06-1999. The licensee has not provided sufficient details for substantiating the claim of interest on KSEB share of 110 kV. However, the Commission provisionally approve the claim on the condition that, the licensee shall submit all relevant documents and records within one month from the date of receipt of this order.

Thus the interest and finance charges approved in the process of truing up of accounts for the year 2012-13 are detailed below.

**Table 15**  
**Technopark – Interest and finance charges approved in truing up of accounts for 2012-13 (Rs. lakh)**

Particulars	ARR		Truing up	
	Projected	Approved	Claimed	Approved
Interest on loans	23.93	23.93	32.57	32.57
Interest on Consumer deposit	35.10	35.10	36.18	36.18
Interest on KSEB share on 110 KV	-		36.27	36.27
Total	59.03	59.03	105.03	105.03

22. **Return on Equity:-** The licensee has not booked any return in the books of account and also not claimed any return thereon. As has been done earlier, the Commission feels that, as a separate entity, the licensee has to carryout financial operations independently. Considering this, the Commission allows an amount of Rs.10 lakh return on equity for the year 2012-13.

23. **Total Revenue Requirements:** The total expenses approved after truing up process for 2012-13 are as given below:

**Table 16**  
**Technopark – Approved expenses for 2012-13 (Rs. lakh)**

Particulars	ARR		Truing Up	
	Projected	Approved	Claimed	Trued Up
Power Purchase cost	2820.16	2820.12	3204.57	3111.68
Interest & Financing charges	59.03	59.03	105.03	105.03
Depreciation	177.52	103.16	104.26	82.23
Employee costs	15.7	15.7	19.97	16.79
R&M Expenses	129.78	129.78	124.64	84.76
A&G Expenses	60.19	52.77	72.59	41.12
Other Debits	-	-	0.19	-
Return on investment	1090	10.00	-	10.00
<b>Total expenditure</b>	<b>4352.38</b>	<b>3190.56</b>	<b>3631.25</b>	<b>3451.61</b>

24. **Revenue from sale of power:** - The revenue from the sale of power booked by the licensee according to the truing up petition submitted is Rs. 3426.27 lakhs, as against the revenue from sale power approved by the order on ARR at Rs.3147.26 lakh. The sales approved by the Commission vide the order on ARR was 70.32 MU, but the actual sale is only 59.88 MU. The details of the revenue from sale of power and consumption from different categories of consumers are tabulated here under.

**Table 17**  
**Technopark – Details of Revenue from Sale of Power for 2012-13**

Particulars	ARR approval			Application for truing up		
	Sales (MU)	Revenue (Rs.lakh)	Avg. realisation (Rs/kWh)	Sales (MU)	Revenue (Rs.lakh)	Avg. realisation (Rs/kWh)
HT Consumers	26.18	1154.45	4.41	19.71	1076.81	5.46
LT Consumers	42.19	1898.34	4.50	38.45	2288.56	5.95
Self Consumption	1.73	72.86	4.21	1.55	45.75	2.95
Public Lighting	0.22	8.45	3.84	0.17	7.00	4.12
<b>Total</b>	<b>70.32</b>	<b>3134.10</b>	4.46	59.88	<b>3418.12</b>	5.71
Other state levies		173.98			175.27	
Sur charge		6.91			4.08	
Delayed payment		6.00			8.17	
Other Receipts		0.25			0.16	
<b>Total</b>		<b>3321.24</b>			<b>3605.82</b>	
Less: Electricity Duty Payable		<b>173.98</b>			<b>179.55</b>	
<b>Net Revenue</b>		<b>3147.26</b>			<b>3436.27</b>	

25. As detailed above, there is considerable increase in the average revenue realization of during the year 2012-13. This is mainly on account of the following.

(i) Enhancement in bulk supply tariff applicable to the licensee from July 2012 onwards, the details are given below.

Particulars	01-04-2012 to 30-06-2012	01-07-2012 to 31-03-2013
Demand Charge (Rs/kVA)	245	300
Energy Charge (Rs/kWh)	2.75	4.00

(ii) Imposing power restrictions during the year 2012-13 and charging the excess consumption at double the tariff applicable to the respective consumer category.

26. It is noticed that, the licensee has accounted the revenue from the self consumption at the average realization of Rs 2.95 per unit. However self consumption has to be accounted at the tariff applicable to HT consumers, while assessing the revenue. Hence, the revenue from the self consumption is assessed at the average tariff of Rs 5.46 unit against Rs 2.95 per unit adopted by the licensee. Accordingly the revenue from sale of power approved for the year is detailed below.

**Table-18**  
**Technopark- Revenue from sale of power approved for the year 2012-13**

Particulars	Application for truing up			Approved for truing up		
	Sales (MU)	Revenue (Rs.lakh)	Avg. realisation (Rs/kWh)	Sales (MU)	Revenue (Rs.lakh)	Avg. realisation (Rs/kWh)
HT Consumers	19.71	1076.81	5.46	19.71	1076.81	5.46
LT Consumers	38.45	2288.56	5.95	38.45	2288.56	5.95
Self Consumption	1.55	45.75	2.95	1.55	84.63	5.46
Public Lighting	0.17	7.00	4.12	0.17	7.00	4.12
<b>Total</b>	59.88	<b>3418.12</b>	5.71	59.88	<b>3457.00</b>	5.77
Other state levies		175.27			175.27	
Sur charge		4.08			4.08	
Delayed payment		8.17			8.17	
Other Receipts		0.16			0.16	
<b>Total</b>		<b>3605.82</b>			<b>3644.68</b>	
Less: Electricity Duty Payable		<b>179.55</b>			<b>179.55</b>	
<b>Net Revenue</b>		<b>3436.27</b>			<b>3465.13</b>	



27. **Non Tariff Income:** Non tariff income as per the truing up application for 2012-13 is Rs.43.20 lakh against the approved amount of Rs.28.00 lakh. The non tariff income claimed by the licensee in the application includes interest on security deposits and interest on bank deposits. The details of the claims of the licensee towards non tariff income is shown below:

**Table 19**  
**Technopark – Details of Non-tariff Income as per the application for truing up of accounts for 2012-13**

Particulars	ARR		Truing up
	Projected	Approved	Claimed
Interest on securities/KSEB Deposit	16.50	16.50	8.68
Interest on bank fixed deposits	10.50	10.50	30.65
Interest from banks	0.50	0.50	3.87
Misc. Recoveries	0.50	0.50	-
<b>Total</b>	<b>28.00</b>	<b>28.00</b>	<b>43.20</b>

It is noticed, there is considerable increase from interest on bank deposits and this may be due to the accumulated surplus of more than Rs. 400 lakhs available with licensee as on 31-03-2012.

However, as per the application for truing up of accounts shows considerable reduction in the interest on securities available with KSEB Ltd. Commission has verified the interest on security deposit with KSEB Ltd during the previous financial years 2009-10 and 2010-11 and the details are given below.

**Table-20**  
**Technopark- details of interest on security deposit with KSEB Ltd (Rs. Lakhs)**

Year	Interest on security deposit with KSEB Ltd	Remarks
<b>2009-10</b>	11.35	As per orders on truing up
<b>2010-11</b>	12.84	
<b>2011-12</b>	13.21	
<b>2012-13</b>	8.68	claimed through application for truing up

As detailed above, the interest on security deposit with KSB Ltd approved vide the orders on truing up for the previous years was much higher than the same claimed for the year 2012-13. Since the power purchase by the licensee from

KSEB Ltd and the cost of power purchase has been increasing over the years, there is no rational for reduction of interest on security deposit with KSEB Ltd. The Commission provisionally approves the interest on security deposit with KSEB Ltd as claimed by the licensee with a direction to submit all the relevant records and documents in this regard. Accordingly, the non tariff income approved in the process of truing up of accounts for the year 2012-13 is detailed below.

**Table 21**  
**Technopark – Details of Non-tariff Income approved vide the order on truing up of accounts for 2012-13**

Rs.lakh

Particulars	ARR		Truing up	
	Projected	Approved	Claimed	Approved
Interest on securities/KSEB Deposit	16.50	16.50	8.68	8.68
Interest on bank fixed deposits	10.50	10.50	30.65	30.65
Interest from banks	0.50	0.50	3.87	3.87
Misc. Recoveries	0.50	0.50	-	-
<b>Total</b>	<b>28.00</b>	<b>28.00</b>	<b>43.20</b>	<b>43.20</b>

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

**Table 22**  
**Technopark - 2012-13 ARR and Revenue Surplus/Gap after truing up**

Rs.lakhs

Particulars	ARR		Truing Up	
	Projected	Approved	Claimed	Trued Up
Power Purchase cost	2820.16	2820.12	3488.92	3111.68
Interest & Financing charges	59.03	59.03	105.03	105.03
Depreciation	177.52	103.16	104.26	82.23
Employee costs	15.7	15.7	19.97	16.79
R&M Expenses	129.78	129.78	124.64	84.76
A&G Expenses	60.19	52.77	72.59	41.12
Other Debits	-	-	0.19	-
Return on investment	1090	10.00	-	10.00
<b>Total expenditure</b>	<b>4352.38</b>	<b>3190.56</b>	<b>3915.6</b>	<b>3451.61</b>
Revenue from tariffs	3147.26	3147.26	3426.27	3465.13
Non-Tariff Income	28.00	28.00	43.20	43.20
<b>Total Revenue</b>	<b>3175.26</b>	<b>3175.26</b>	<b>3469.47</b>	<b>3508.33</b>
<b>Revenue (gap)/Surplus</b>	<b>-1177.12</b>	<b>-15.30</b>	<b>-446.13</b>	<b>56.72</b>

### **Directives of the Commission:**

29. The Commission gives the following directives, -
- (i) The licensee shall maintain separate set of books and records relating to the assets, employee cost, repairs and maintenance and administrative expenses of the distribution business.
  - (ii) The licensee shall install separate meters for recording their self-consumption for the licensing business alone.
  - (iii) The licensee shall submit a copy of the agreement entered into for outsourcing the R&M works, so as to enable the Commission to a detailed analysis of the contract and resultant R&M expenses.
  - (iv) The licensee shall submit the details of staff sanctioned exclusively for the distribution business, the actual number of staff deployed, their salary structure and the total amount booked.
  - (v) The licensee shall analyse the reason for the considerable decline in the number of consumers from that of the projected numbers and shall also carry out an audit of the billing system to ensure that there has been no leakage of revenue and that the revision of tariff was implemented properly.
  - (vi) The licensee shall conduct a special audit to find out whether there is any leakage of revenue and the result shall be submitted to the Commission on or before 31<sup>st</sup> of March, 2016.
  - (vii) The licensee shall submit to the Commission on or before 31<sup>st</sup> March, 2016 the details of faulty or sluggish meters with a time bound action plan to replace all such meters.
  - (viii) The licensee shall provide the details of interest received from KSEB Ltd. on security deposit and also the details of interest paid to KSEB Ltd as mentioned in the para 27 of this order

An action taken report on the above directives shall be filed with the Commission on or before 31<sup>st</sup> March 2016.

## **Orders of the Commission**

30. The Commission, after considering the application filed by the licensee for truing up of accounts for the year 2012-13, the objections raised by KSEB Ltd and the clarifications and details submitted by the licensee, hereby approves a total expenditure of Rs. 3451.61 lakh, a total revenue of Rs 3508.33 lakh and a revenue surplus of Rs. 56.72 lakh. The total accumulated surplus after the truing up of accounts for the period from 2007-08 to 2011-12 is Rs.465.56 lakh.

The petition is disposed of as above.

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

Sd/-  
**S.Venugopal**  
Member

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

Approved for issue

Sd/-  
Santhosh Kumar.K.B  
Secretary