

KERALA STATE ELECTRICITY REGULATORY COMMISSION THIRUVANANTHAPURAM

OA No.41/2015

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

In the matter of Truing up of accounts of Thrissur Corporation for the year 2014-15

Applicant : Thrissur Corporation

ORDER dated 25.07.2016

Background

1. Thrissur Corporation Electricity Department under Thrissur Municipal Corporation (hereinafter referred to the TCED or the Licensee) is a deemed licensee under Electricity Act 2003. The licensee receives power at voltage levels of 110kV and 66 kV from Kerala State Electricity Board Limited. TCED had filed the application for truing up of accounts for the year 2014-15 before the Commission on 27.11.2015. The licensee, vide letter dated 10-12-2015, was directed to submit certain clarifications on or before 22.12.2015. The petition was listed for hearing on 22.1.2016. TCED submitted that they have not completed rectification of errors of true up of accounts for the year 2013-14 and hence requested for postponement of the date to the month of March 2016. The Commission granted the request and posted the hearing on 4.3.2016 at 11AM. TCED vide the letter no KSERC-3584/15 dated 4.2.2016, requested time up to 30.4.2016 for filing modified true up petition for 2014-15 and requested to schedule the hearing during May-2016. The Commission fixed hearing on 5.5.2016 at Court Room, Kerala State Electricity Regulatory Commission. Thereafter, the licensee had filed the modified application on

23.4.2015 stating that there occurred some errors in the application filed earlier. The Commission accepted the revised application of the licensee for the truing up of accounts for the year 2014-15 as OA No. 41/15.

2. A comparison of the various items of expenditure and revenue approved by the Commission for the year 2014-15 vide the order dated 19-05-2014 on ARR&ERC and the corresponding actual amounts of expenditure and revenue claimed by TCED as per application for truing up are given below:

Table 1
TCED - Summary of Truing up application for 2014-15

Particulars	Approved vide orders on ARR	Application for truing up	Difference over approval
Expenses (Rs.lakh)			
Power Purchase Cost	7320.92	8109.17	788.25
Interest & Financing Charges	130.18	191.98	61.80
Depreciation	221.24	174.63	-46.61
Employee Cost	914.41	934.70	20.29
R&M Expenses	147.33	64.28	-83.05
A&G Expenses	50.44	1069.14	1018.70
Other debits			
Return on Equity	10.00	110.69	100.69
Gross Revenue Requirements	8794.52	10654.63	1860.11
Revenue (Rs.lakh)			
Revenue from sale of power	8866.26	9701.49	835.23
Other Income	572.84	1001.22	428.38
Total Revenue	9439.10	10702.71	1263.61
Revenue Surplus/(Gap)	644.58	48.09	-596.49

(+) excess over approval

(-) reduction over approval

Hearing on the application

3. Hearing on the application on truing up of accounts of Thrissur Corporation for the year 2014-15 was held on 5.5.2016. During the hearing, representatives of

Thrissur Corporation and KSEB Ltd were present. Sri. Francis, Assistant Engineer, TCED presented the details of the application on the truing up of accounts for the year 2014-15 filed by Thrissur Corporation and responded to the queries of the Commission. Smt. Meharunnissa, Executive Engineer and Sri. Manoj G, Assistant Executive Engineer, KSEB Ltd representing KSEB Ltd. submitted that they could prepare only the preliminary views since the revised petition was received only on 3rd of May. KSEBL was allowed time up to 19th of May 2016 to file written statement.

4. The KSEB Ltd., vide its letter No KSEB/TRAC/Thrissur Corp./R1/2819 dated 23.5.2016 submitted the following:

- (1) *As per the application for truing-up, the A&G expenses claimed by the licensee is 2019% higher than the approved level and Interest & Finance Charges claimed is 47.5% higher than the approved level.*
- (2) *Out of the total R&M cost of Rs 64.28 lakh, Rs 53.01 lakh (87% of the total R&M expenses) claimed under others.*
- (3) *There is ambiguity on the number of employees and employee cost claimed by the licensee. The Commission was requested to check the veracity of the claim before admitting the same.*
- (4) *The petitioner has claimed Rs. 73.86 Lakh as section 3(1) duty. Hon. Commission may follow uniform approach in allowing the Section 3 (1) duty to all licensees, until the same are reviewed / finalized by the Commission.*
- (5) *The petitioner has claimed Rs. 747.59 Lakh towards payment of Section (4) duty, which constitutes about 70% of the total A&G expenses. Section (4) duty is the duty payable by every consumer for the energy consumed every month at the rates specified in "The Kerala Electricity Duty Act, 1963". Thus, Section (4) duty is to be collected from consumers and to be remitted to government and hence should not be treated as an expense item for the licensee. Accordingly, the amount*

collected towards Section (4) duty has to be remitted to the government without loading as an item of expense in the ARR.

- (6) *Exorbitant rent to the tune of Rs. 172.03 Lakh (16.21% of A&G expenses) is seen booked in the accounts as payable to M/s. Trissur Municipal Corporation against the office space and land occupied by the licensee. Hon. Commission while issuing the ARR order for the year 2014-15 of the licensee had taken a position on Rent for buildings and allowed provisionally 10% of the claim for rent with the reasoning that “As per the information filed by the Board, the monthly rent payable in Thrissur as per the PWD Technical circular No. B1/59974/90 dated 25-05-2011 is Rs.51.71 per sq.meter or Rs.4.67 per sq.ft per month. Thrissur Corporation did not objected to the above data furnished by the Board in the said proceedings, but maintained that the Corporation is empowered to fix the rates for its assets. It can be seen that the alternate rent administered by Government agency is about 10% of the rent proposed by the petitioner. On the same parlance, the rent for land can also be considered as 10% of the proposed rates of the petitioner. Accordingly, the rates now arrived at is provisionally used for approving the ARR till the licensee has furnished the information as directed or any alternate decision on rent is fixed by the Commission.” It is prayed that Hon. Commission may allow only reasonable rent towards building.*
- (7) *While claiming depreciation, the petitioner has not provided the details of assets created out of consumer contribution.*
- (8) *The actual amount of interest of security deposit paid during the year 2014-15 only be allowed to booked as an item of expense under interest and finance charges.*

In the matter of claim for Return on Capital, KSEB Ltd has submitted that, the Hon. Commission may follow the same approach as was done in the case of other licensee’s till finalization of methodology for small distribution licensees.

4. As directed by the Hon. Commission, the following details as per the records available with KSEB are furnished herewith for kind perusal of the Hon. Commission.

Security deposit available with KSEB Ltd. as on 31-03-2014	Rs. 6,59,24,760/-
Interest on security deposit paid to TCED after deducting TDS	Rs. 59,33,229/-
Consumption of TCED for the year 2014-15	140.49 MU
Demand raised by KSEB for power supplied	Rs. 8109.17 Lakh
Collection by KSEB from TCED for power supplied	Rs. 8109.17 Lakh

Analysis and Decision of the Commission

5. The Commission considered the application of the licensee for truing up of accounts for the year 2014-15, the clarifications and the comments of KSEB Ltd, and other consumers and stakeholders of TCED. The analysis and decisions of the Commission on the application for truing up of accounts are detailed below:

Sale of energy:

6. Energy sales approved and the actual sales reported by the licensee as per the application for truing up of accounts for the year 2014-15 are as follows.

Table 2
TCED - Number of consumers and Sale of power for the FY 2014-15

Category	ARR approval		Proposed in the application for True Up		Difference over approval	
	No of consumers	Sales	No of consumers	Sales	No of consumers	Sales
	(Nos)	(MU)	(Nos)	(MU)	(Nos)	(MU)
Domestic	21091	36.31	20202	36.24	889.00	0.07
Non domestic	16321	83.31	15583	45.26	738.00	38.05
Agriculture	355	0.08	210	0.07	145.00	0.01
Industry	618	4.92	576	3.39	42.00	1.53
Street lighting	220	5.48	196	4.31	24.00	1.17
HT			95	39.12	-95.00	-39.12
Total	38605	130.11	36862	128.39	1743.00	1.72

7. The total energy sales for the year 2014-15 as per the truing up of accounts are 128.39 MU as against the approved sales of 130.11 MU. The licensee stated that the reason for the lesser energy sales was primarily on account of the

decreased consumption in the non-domestic category. The number of consumers has not increased as projected. The license has also clarified that reclassification of HT consumers were done during the year and hence there is change in number HT consumers. The Commission accepts and approves the actual energy sales as reported by the licensee for the truing up of accounts for the year 2014-15.

Energy Input and Distribution Loss:

8. As per the application for truing up, the licensee purchased 140.49 MU against an approved energy requirement of 141.18MU. The actual energy sale as per the application for truing up is 128.39 MU. Accordingly, the actual distribution loss incurred for the year is 12.10MU, which is 8.61% as against the approved distribution loss of 7.84%.
9. The Commission has been taking a consistent stand that, the distribution loss is a controllable item and the excess power purchase on account of the non-achievement of the loss reduction target shall not be passed on to the consumers. Accordingly, the quantum of power purchase approved in the process of truing up of accounts for the year 2014-15 is given below.

Table - 3

TCED- Energy Requirement and Distribution Loss for the year 2014-15

Particulars	ARR approval	Application for truing up	Trued up approval
Total Energy sales (MU)	130.11	128.39	128.39
Distribution loss (%)	7.84	8.61	7.84
Distribution loss(MU)	11.07	12.10	10.92
Power Purchase	141.18	140.49	139.31

Thus the quantum of power purchase approved for the year 2014-15 is 139.31 MU.

Cost of Power Purchase

10. As per the details given by the licensee, the cost of power purchase is as given below.

Table - 4
TCED- Details of the cost of power purchase as per the application for truing up for 2014-15

Demand Charge (Rs/kVA/month)	300.00	
Energy charge (Rs/unit)	4.40	01-04-2014 to 15-08-2014
	5.40	15-08-2014 to 31-03-2015
Total fixed charges+ energy charges claimed	8109.17	Rs. lakh
Total energy purchased	140.49	MU
Average cost of power purchase (Rs/ unit)	5.77	

11. As stated above, as per the application for truing up filed by the Licensee, the total cost of power purchase is Rs 81.09 crore for procuring 140.49MU from M/s KSEB Ltd, at an average cost of power purchase of Rs 5.77/ unit.
12. As detailed under table 3 above, in the process of truing up, the Commission approves the quantum of power purchase as 139.31 MU for selling 128.39 MU as against 140.49 MU as per the application for truing-up. The cost of purchase of additional power on account of the under achievement of distribution loss cannot be passed on to the consumers. Accordingly, for the purpose of truing up, the Commission approves the cost for procuring 139.31MU @Rs 5.77/unit as Rs 8038.19 lakh for the year 2013-14. The details are given below.

Table - 5
Power Purchase Cost Approved

Quantum of power purchase approved at the at the T&D loss of 7.84% (MU)	139.31
Average cost of power purchase (Rs/unit)	5.77
Net Power purchase approved in the process of truing up (Rs in lakh)	8038.19

Interest and financing charges:

13. In the application for truing up for the year 2014-15, the licensee has claimed the interest and finance charges on accrual basis as Rs 191.98 lakh, as against the approved amount of Rs 130.18 lakh. The Commission has noted that, the entire amount booked under the interest & finance charges is the interest on security deposit to be paid to the consumer. As per the provisions of the Electricity Act-2003 and Kerala Supply Code, 2005, the licensee is bound to provide interest on the security deposit collected from consumers .
14. The licensee has reported that, even though the interest on security deposit claimed by the licensee is Rs 191.98 lakh for the year 2014-15, the actual disbursement made during the year was Rs 102.13 lakh only. The Commission has been taking the consistent stand that, the actual disbursement of interest on security deposit effected during the year concerned, can only be allowed in the process of truing up. Accordingly, for the purpose of truing up, the Commission approves the interest and finance charges as Rs 102.13 lakh for the year 2014-15.

Table - 6
TCED- Interest and financing charges (Rs. Lakh)

Particulars	ARR approval	Claimed vide Truing up petition	Truing up approval
Interest & Finance Charges	130.18	191.98	102.13

Depreciation:

15. Vide the order on ARR&ERC of M/s TCED dated 19th May-2014, the Commission provisionally approved the depreciation for the year 2014-15 as Rs 221.24 lakh following the depreciation norms as per CERC (Terms and Conditions of Tariff) Regulations, 2009, without considering the vintage of assets. The licensee clarified that, deprecation is not charged on the assets created out of consumer contribution.
16. In the process of truing up application for the year 2014-15, the licensee claimed Rs 175.15 lakh as depreciation for the year 2014-15 as per their books of accounts. The licensee has submitted that the depreciation has been

calculated on the basis of KSERC (Terms & Conditions of Tariff for Distribution and Retail Sale of Electricity under MYT framework) Regulations, 2006.

17. The Commission has been approving the depreciation at the rates approved by the CERC from time to time. For approving the depreciation as per the CERC (Terms and Conditions of Tariff) Regulations, 2009, the licensee has to provide the vintage of assets. However the licensee has not provided the vintage of each asset class including its value. Hence, the Commission has decided to adopt the depreciation norms as per CERC (Terms and Conditions of Tariff) Regulations, 2004, which is same as the depreciation norms as per the KSERC (Terms & Conditions of Tariff for Distribution and Retail Sale of Electricity under MYT framework) Regulations, 2006.
18. Usually, the depreciation during the year is allowed only for the assets in service at the beginning of the year. However, while claiming the depreciation for the year 2014-15, the licensee has claimed 50% of the allowable depreciation on the assets added during the year 2014-15 also. This cannot be allowed.
19. As stated earlier, the Commission has already taken a consistent stand that, depreciation on the assets created out of consumer contribution and grants cannot be allowed. As per the Form-U of the revised application for truing up for the year 2014-15 submitted by the licensee, the total outstanding consumer contribution and grants existing at the beginning of the year 2014-15 is Rs 344.18 lakh.
20. The total depreciation is arrived at, on the Gross Fixed Assets existing as on 01-04-2014 amounting to Rs 4655.37 lakh. The depreciation arrived for the GFA at the beginning of the year 2014-15 at the rates as per CERC Tariff Regulation 2004 is Rs 118.02 lakh at an average depreciation rate of 2.54%. The depreciation on the asset created out of consumer contribution and grants of Rs 344.18 lakh amounts to Rs 8.73 lakh. Thus the net depreciation allowed for TCED for the year 2014-15 is Rs 109.29 lakh . The details are given below.

Table - 7
TCED - Depreciation approved for the year 2014-15

Particulars	Gross Fixed Assets (Rs. Lakh))	Depreciation rate (%)	Depreciation approved (Rs. Lakh)
	as on 31.3.2014		
Land Development	23.39	0.00	0.00
Building	100.48	1.80	1.81
Substation Machinery	1783.03	1.80	32.09
Distribution P&M	2377.94	2.57	61.11
Furniture and Fixtures	10.29	2.57	0.26
Office Equipment	96.12	1.80	1.73
Departmental Vehicles	52.59	18.00	9.47
Meter	207.68	5.28	10.97
Software	3.84	15.00	0.58
TOTAL	4655.36		118.02
Average Depreciation rate		2.54	
Consumer contribution at the beginning of the year	344.18		
Less Depreciation for the assets created out of consumer contribution		2.54	8.73
Net depreciation approved for the year 2014-15			109.29

Table-8
TCED - Depreciation approved for the year 2014-15 (Rs.Lakh)

Particulars	ARR		Truing up	
	Projected	Approved	Claimed	Trued up
Depreciation	360.05	221.24	175.15	109.29

Employee Cost:

21. The employee cost claimed vide the application for truing up of accounts is Rs 934.7 lakh against Rs 914.41 lakh approved by the Commission vide the order on ARR&ERC of the TCED for the year 2014-15. The details are given below.

Table - 9
TCED Details of Employee Cost - 2014-15 (Rs in lakh)

Sl No	Particulars	2014-15		
		ARR Approval	Truing Up claimed	Difference over approval
1	Salary	726	730.32	4.32
3	Wages	9.02	33.45	24.43
4	Pension Contribution	111.27	109.35	-1.92
5	Bonus	3.23	4.85	1.62
6	Others	3.44	4.57	1.13
7	Medical expenses	0.02	0.58	0.56
8	Earned Leave Encashment	60.5	51.52	-8.98
9	Staff welfare expenses	0.92	0.05	-0.87
	Total	914.41	934.7	20.29

22. As detailed in the table above, there is only 2.22% increase in employee cost over approved level.
23. While approving the truing up of accounts for the year 2013-14 vide the order dated 4.5.2016, the Commission had approved the employee cost at Rs 957.8 lakh. The employee cost claimed for the year 2014-15 vide the application for truing up is less than the employee cost approved while truing up the accounts of TCED for the year 2013-14. Considering these facts, the Commission approves the employee cost for the year 2014-15 as Rs. 934.7 lakh, the same claimed vide the application for truing up.

Table- 10
TCED - Employee Cost Approved in truing up of accounts for 2014-15 (Rs. Lakh)

Particulars	ARR		Truing up	
	Projected	Approved	Claimed	Approved
Employee cost	1260.7	914.41	934.7	934.7

Repairs and Maintenance expenses

24. As per the application for truing up, the R&M cost claimed by the licensee is Rs 64.28 lakh as against the amount of Rs 147.33 lakh approved in the order on ARR of TCED dated 19-5-2014. Out of the total amount of Rs 64.28 lakh, an

amount of Rs 53.01 lakh is accounted under consumption of stores and balance Rs 11.27 lakh under other R&M cost.

25. The details the R&M cost over the years are given below.

Table-11
TCED- Comparison of R&M cost approved for the year 2012-13 to that claimed for the year 2014-15

Particulars	Actual claimed and approved for 2012-13	Approved for the year 2013-14	Approved in ARR for 2014-15	Claimed in true up for 2014-15
	(Rs. Lakh)	(Rs. Lakh)	(Rs. Lakh)	(Rs. Lakh)
Total	50.68	55.01	147.33	64.28

26. The R&M cost is a controllable expense. While approving the truing up of accounts of TCED for the year 2013-14, the Commission has allowed an increase of 8.55% (weighted average increase of WPI and CPI in the ratio 30:70 for the year 2013-14) over the R&M cost approved for the year 2012-13 and approved Rs 55.01 lakh as the R&M cost for the year 2013-14. For the year 2014-15, the Commission adopts the same methodology and approves an increase of 7.43% (weighted average increase of WPI and CPI in the ratio of 30:70 for the year 2014-15) over the R&M expense approved for the year 2013-14. Thus, the R&M expense approved for the year 2014-15 is Rs 59.10 lakh.

Table - 12
TCED - Details of R&M expenses approved in truing up of accounts for 2014-15 (Rs.Lakh)

Particulars	ARR		Truing up	
	Projected	Approved	Claimed	Approved
R&M cost	152.7	147.33	64.28	59.10

Administration and General Expenses:

27. While approving the ARR for the year 2014-15, the Commission approved the A&G expense as Rs 50.44 lakh as against the claim of 313.6 lakh. However, vide the application on truing up, the licensee has claimed the A&G expenses as Rs 1069.16 lakh with the detailed split up as follows.

Table-13
TCED- A&G expenses approved for the year 2013-14 and claimed for the year 2014-15

Particulars	Truing up approval for the year 2013-14 (Rs. Lakh)	Claimed vide the application for truing up for the year 2014-15 (Rs. Lakh)
A&G expenses	42.48	75.68
Section 3 duty	0.00	73.86
Demand for section-4 duty	0.00	747.59
Rent for the year	17.20	172.03
Total	59.68	1069.016

28. The Commission has been taking a consistent stand that, the Section 3 duty cannot be approved as expenses considering the provisions under subsection (3) of the Section (3) of the Kerala Electricity Duty Act, 1963 that, the section-3 duty cannot be passed on to the consumers. Hence, in the process of truing up, the Commission cannot approve the claim of Rs 73.86 lakh as section 3 duty booked under A&G expenses for the year 2014-15.
29. The licensee has booked Rs 747.59 lakh towards demand for section-4 duty. The Section-4 of the Kerala Electricity Act-1963 (KED Act-1963) mandates that, every consumer shall pay electricity duty at the rates specified in the Schedule under KED Act 1963. Section-5 of the KED Act-1963, empowers the distribution licensee to collect the electricity duty along with the electricity charges and remit the same to the Government. Duty under section-4 of the KED Act 2003 is

an amount to be collected by the licensee and remitted to the Government. The licensee can retain only a small percentage of the duty as collection fee, which should be accounted as other income. Consequences of the failure of the licensee to remit the electricity duty collected from the consumers to the Government cannot be thrust on the consumers. The retention of electricity duty collected from consumers is an irregular action on the part of the licensee. When the amount of electricity duty, irregularly retained by the licensee, is paid to the Government, it cannot again be collected from consumers. Hence the demand of section-4 duty amounting to Rs 747.59 lakh claimed by the licensee cannot be approved in the process of truing up of accounts for the year 2014-15. Again loading this on the trued up accounts, tantamount to double collection of duty.

30. Another major item claimed under the A&G expenses is the rent for buildings and land, amounts to Rs 172.03 lakh. The Commission in the ARR&ERC order dated 15th May 2013 for the year 2013-14 had clearly indicated the guidelines on which the rent is to be estimated and also directed to furnish the certificate from PWD on fixation of rent. However, no attempt is seen made to consult PWD for fixation of fair rent. The Commission had discussed the matter in detail vide the order dated 19-05-2014 on ARR&ERC of the licensee for the year 2014-15. The relevant portion of the order is extracted below for ready reference.

“As per the information filed by the Board, the monthly rent payable in Thrissur as per the PWD Technical circular No. B1/59974/90 dated 25-05-2011 is Rs.51.71 per sq.meter or Rs.4.67 per sq.ft per month. Thrissur Corporation did not object to the above data furnished by the Board in the said proceedings, but maintained that the Corporation is empowered to fix the rates for its assets. It can be seen that the alternate rent administered by Government agency is about 10% of the rent proposed by the petitioner. On the same parlance, the rent for land can also be considered as 10% of the proposed rates of the petitioner. Accordingly, the rates now arrived at is provisionally used

for approving the ARR till the licensee has furnished the information as directed or any alternate decision on rent is fixed by the Commission. Accordingly, the rates now arrived at is provisionally used for approving the ARR till the licensee has furnished the information as directed or any alternate decision on rent is fixed by the Commission. The rent allowable for the year 2014-15 for the purpose of ARR will be Rs.17.2 lakh as shown below:

Rent Proposed and provisionally approved by the Commission for 2014-15

Particulars	Proposed by the Licensee*			Approved by the Commission	
	Area	Rate (per month)	Amount (Rs.) per month	Reasonable rate as fixed by PWD (Rs./sq.ft)	Rent assessed (Rs.)
Office space (Sq.ft)	7000	50	3,50,000	5	35,000
Store building (Sq.ft)	2000	50	1,00,000	5	10,000
Land area (Sq.mt)	698	250	1,74,419	25	17,450
33 KV S/s (Sq.mt)	1214	250	3,03,450	25	30,350
66 / 110 KV S/s (Sq.mt)	2023	250	5,05,750	25	50,575
Rent per month			14,33,619		1,43,375
Total rent for the year			172,03,423		17,20,500

Commission adopted the same principle while issuing order in truing up for the year 2013-14 also. Accordingly, for the purpose of truing up for the year 2014-15, the Commission here by approves the rent for the year 2014-15 at Rs 17.20 lakh using the same rates as approved in ARR order for 2014-15 and truing up for 2013-14.

31. The A&G expenses approved by the Commission (excluding section-3 duty, section-4 duty, rent etc) vide the order dated 4.5.2016 on truing up of accounts for the year 2013-14 is Rs 42.48 lakh. Since the A&G expense being a controllable item, only reasonable increase can be allowed on the approved expenditure for the year 2013-14. Hence, the Commission hereby approves an increase of 7.43 % increase (weighted average increase of WPI and CPI in the ratio of 30:70 for the year 2014-15) on the A&G expenses approved for the year

2013-14 which amounted to Rs 42.48 lakh. Accordingly, the A&G expenses (excluding other claims) approved for the year 2014-15 is Rs 45.63 lakh.

32. The approved A&G expense for the year 2014-15 is detailed below.

Table - 14
TCED - Details of A&G expenses approved in truing up of accounts for 2014-15 (Rs.Lakh)

Particulars	2013-14	2014-15	
	Truing up approval(Rs. Lakh)	Truing up claim (Rs. Lakh)	Truing Up approval (Rs. Lakh)
A&G expenses	42.48	75.68	45.63
Section 3 duty		73.86	0
Demand for section-4 duty		747.59	0
Rent for the year	17.20	172.03	17.20
Total	59.68	1069.16	62.83

Return on Equity:

33. The licensee has claimed Rs 110.69 lakh as RoE “as per KSERC (Terms and Conditions of Tariff) 2014 dated 14.11.2014, that return on Capital is computed at the rate of 3% on Net Assets at the beginning of the year less consumer contribution”. However, as per the calculation sheet under Form E, it is seen that RoE claimed is “14% of 30% capital employed”.
34. The licensee has not shown any equity contribution in the distribution business. The Commission had, while issuing the ARR&ERC order, approved Rs 10 lakh as provisional amount as Return on equity. In the absence of actual equity invested in the distribution business, the Commission is not able to revise the amount of RoE. However, the Commission allows a notional return of Rs 10.00 lakh for the year 2014-15, as was being done during the previous years.

Table - 15

TCED - Details of RoE approved in truing up of accounts for 2014-15 (Rs.Lakh)

Particulars	ARR		Truing up	
	Projected	Approved	Claimed	Approved
Return on Equity	91.52	10	110.69	10

Total Revenue Requirements:

35. The total expenses approved after truing up process for 2014-15 are as given below:

Table - 16

TCED - Approved expenses for 2014-15 (Rs. Lakh)

Particulars	ARR		Actual(Trued Up)	
	Projected	Approved	Claimed	Approved
Power Purchase Cost	7401.00	7320.92	8109.17	8038.19
Interest & Financing Charges	120.00	130.18	191.98	102.13
Depreciation	360.05	221.24	175.15	109.29
Employee Cost	1260.70	914.41	934.70	934.70
R&M Expenses	152.70	147.33	64.28	59.10
A&G Expenses	313.60	50.44	1069.16	62.83
Return on Equity	274.21	10.00	110.69	10.00
Gross Revenue Requirements	9882.26	8794.52	10655.13	9316.24

Revenue from Sale of Power:

36. Vide the application for truing up, the licensee has claimed the revenue from sale of power as Rs 9701.49 lakh as against Rs 8866.26 lakh approved by the Commission vide the order dated 19th May, 2014 on ARR of TCED for the year 2014-15. The initial assessment of revenue was based on the tariff as per the order issued by the commission on 30.4.2013. Subsequently, the Commission had increased the tariff as per the order dated 14.8.2014 effective for the period from 16.8.2014. The actual revenue now submitted is as per the realization of revenue at the increased tariff w.e.f 16.8.2014. It is due to the impact of revised higher tariff rates, the trued up figures of revenue is greater

by about 20% than ARR figure even though the sale of energy in units has come down by about 1.32% than that approved in the ARR. The details of energy sale and the revenue there from as per application submitted by the licensee are detailed below:

Table - 17
TCED - Revenue from Sale of Power for 2014-15

Particulars	ARR			Trued Up		
	Energy Sales (MU)	Revenue in Rs lakh	Avg. realization (Rs/kWh)	Energy Sales (MU)	Revenue in Rs lakh	Avg. realisation (Rs/kWh)
Domestic	36.31	1530.62	4.22	36.24	1636.18	4.51
Non Domestic	83.31	6897.67	8.28	45.26	4320.31	9.55
Agriculture	0.08	1.81	2.15	0.07	2.01	2.87
Industry	4.92	267.06	5.43	3.39	201.52	5.94
Street Lighting	5.45	164.34	3.01	4.31	145.79	3.38
Public lighting	0.03	4.76	15.86			
HT				39.12	3395.68	8.68
Total	130.11	8866.26	6.81	128.39	9701.49	7.56
Recovery of electricity Duty and other state Levies					814.97	
Other receipts					83.92	
Gross Revenue					10600.38	
<i>Less electricity duty payable</i>					814.97	
<i>Less other state levies payable</i>						
<i>Less other receipts</i>					83.92	
Net Revenue from Sale of Power					9701.49	

The Commission approves the revenue from sale of power as per the actual accounts for 2014-15 as Rs. **9701.49** Lakh.

37. **Non Tariff Income:** The actual non-tariff income accounted by the licensee is Rs 1001.22 lakh as against the approved amount of Rs 572.84 lakh. The Commission approves Rs 1001.22 lakh as the non tariff income for the year 2014-15.
38. As per the order dated 4-5-2016 in the matter of truing up of accounts of TCED for the year 2013-14, total accumulated surplus as on 31-03-2014 is Rs 8428

lakh. The interest computed at the rate 9% comes to of Rs 758.52 lakh whereas TCED has accorded Rs 605.25 as interest under non tariff income. Hence the difference of Rs 153.27 laks has been added to the non- tariff income.

Table - 18
TCED - Details of Non Tariff Income approved in truing up of accounts for 2014-15 (Rs.Lakh)

Particulars	ARR		Truing up	
	Projected	Approved	Claimed	Approved
Non Tariff Income	248.5	572.84	1001.22	1154.49

39. **Revenue Surplus/(gap) for 2014-15:** The revenue surplus arrived at by the Commission after the truing up process is Rs 2144.99 lakh as against a surplus of Rs 48.09 lakh projected by the licensee for the year 2014-15. The revenue gap/surplus after the truing up process is as shown below:

Table- 19
TCED - Approved Revenue Surplus for 2014-15 (Rs. Lakh)

Particulars	ARR		Trued up	
	Projected	Approved	Claimed	Approved
Power Purchase Cost	7401.00	7320.92	8109.17	8038.19
Interest & Financing Charges	120.00	130.18	191.98	102.13
Depreciation	360.05	221.24	174.63	109.29
Employee Cost	1260.70	914.41	934.70	934.70
R&M Expenses	152.70	147.33	64.28	59.10
A&G Expenses	313.60	50.44	1069.17	62.83
Other debits				
Return on Equity	274.21	10.00	110.69	10.00
Total Expense	9882.26	8794.52	10654.62	9316.24
Revenue from sale of power	8866.26	8866.26	9701.49	9701.49
Non Tariff income	248.50	572.84	1001.22	1154.49
Total Revenue	9114.76	9439.10	10702.71	10855.98
Surplus/ (Gap)	-767.50	644.58	48.09	1539.74

40. The revenue surplus for the year 2014-15 after the truing up process is Rs 1539.74 lakh. The accumulated revenue surplus after truing up till 2013-14 is

Rs 8428.47 lakh, which will be Rs 9968.21 lakh after the truing up for the year 2014-15.

Orders of the Commission

41. The Commission, after considering the application filed by the licensee for the truing up of accounts for the year 2014-15, the objections raised by M/s K S E B Ltd., the clarifications and details submitted by the licensee thereon, hereby approves a total expenditure of Rs **9316.24** lakh, a total revenue of Rs. **10855.98** lakh and a **revenue surplus of Rs.1539.74** lakh. The accumulated revenue surplus after truing up till 2013-14 is Rs 8428.47 lakh, which will be Rs.9968.21 lakh after the truing up for the year 2014-15. The licensee shall keep the surplus so arrived at, after the truing up process, in a separate fund and shall utilize it only as per the orders of the Commission.

The application disposed of. Ordered accordingly.

Sd/-
K.Vikraman Nair
Member

Sd/-
S.Venugopal
Member

Sd/-
T M Manoharan
Chairman

Approved for issue
Santhosh Kumar.K.B
Secretary