

**KERALA STATE ELECTRICITY REGULATORY COMMISSION**  
**THIRUVANANTHAPURAM**

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

**OA 07/2019**

**In the matter of** Application for the approval of ARR& ERC for the control period 2018-19 to 2021-22 filed by M/s Cochin Port Trust (CoPT)

**Applicant(s)** : The Financial Adviser & Chief Accounts Officer  
Cochin Port Trust  
Willingdon Island  
Cochin-682009

**Applicant (s) represented by** :

1. Sri. B. Bhagyanath, Financial Adviser and CAO
2. Smt. Rajashree Dabke, Senior Deputy CAO
3. Sri. M.M.Abdul Rahim, Executive Engineer
4. Smt. Archana Viswanathan, Accounts Officer

**Daily Order dated 21-05-2019**

Conducted public hearing on the application for the approval of ARR& ERC for the control period 2018-19 to 2021-22 filed by M/s Cochin Port Trust (CoPT) at the office of the CoPT on 10-05-2019. The licensee was represented by Sri. B. Bhagyanath, Financial Adviser and Chief Accounts Officer, Smt. Rajashree Dabke, Senior Deputy Chief Accounts Officer, Sri. M.M. Abdul Rahim, Executive Engineer, Smt. Archana Viswanathan, Accounts Officer and other officers of the licensee. Sri. M.M. Abdul Rahim presented the details of the application. Sri. B. Bhagyanath and Sri. M.M. Abdul Rahim responded to the queries of the Commission. The main points submitted in the petition are briefed below.

- The licensee has projected increase in the sales during the control period where as the number of consumers are decreasing year after year. The major decrease in the number of consumer is for Street lights & Self consumption
- The actual revenue from sale of power for the year 2017-18 was Rs. 2947.54 lakh, whereas during the first year of control period i.e 2018-19, total revenue from sale is expected to be Rs. 2868.91 Lakh. The reason submitted for the decrease is that the units sold to the category of HT Government consumer will decline due to energy conservation methods adopted by government organizations like the CIFT, Customs & UTL. Further the units sold in the category of LT VII A and HT Commercial has decreased. There is increase in the revenue from sale of power in the subsequent financial years of the control period.
- The distribution loss is estimated at 2% till 2020-21 and 1.60% for 2021-22.

- The power purchase cost projected for the control period includes the cost for power purchase from KSEB Ltd, Own Solar Generation & cost of power purchase through open access. The licensee stated that they will be opting for open access during the control period.
- The employee cost projected for the control period is higher than the ceiling norms approved by the Commission. CoPT has stated that the increase in salary is due to wage revision settlements. The licensee has stated that the number of employees will be reduced to 77 in 2020-21 from 104 in 2016-17. The licensee has stated that the employee cost has been proportionately reduced to factor the retirements during the control period.
- The R&M Expenses projected by the licensee for the control period is higher than the ceiling norms approved by the Commission. The licensee has projected a 140% increase over the actual amount during 2017-18, and for subsequent years of the control period has estimated a 2% increase.
- The licensee has projected the A&G expenses higher than the normative amount approved by the Commission. The licensee has projected an increase of 4% for 2018-19 over the actual amount in previous year and an increase of 2% for the subsequent years of the control period.
- As part of interest and finance charges the licensee has projected interest and finance charges on long term loans, interest on working capital and interest on consumer security deposits.
- The licensee has proposed capital investment plan of Rs.639.47 lakh for the control period
- The licensee in the petition has claimed depreciation in the straight line method as per the schedule prescribed in the Tariff Regulations 2018. The licensee has projected depreciation for each year of the control period including the capital expenditure for each year of the control period. The depreciation claimed for the year 2021-22 is lower than the previous years which is due to the completion of the useful life of some of the assets.
- The licensee has claimed a return at the rate of three percent on the net fixed assets at the beginning of the financial year.
- The licensee has proposed interest on investments, fixed and call deposits and bank balances of Rs. 43.75 lakh for each year of the control period. The licensee has not proposed any increase in the non-tariff income for the control period.

The licensee stated that they have received applications from potential consumers seeking sanction to install grid tied solar plant of 1.2 MW at Vallarpadam. CoPT stated that the present RMD of Vallarpadam installation is hardly 1.02 MVA against a contract demand of 3MVA. CoPT stated that a settlement mechanism may be approved so that excess power generated by the consumers may be exported to KSEB Ltd's grid through CoPT's network . The licensee also stated that the Government of India has insisted the licensee for opting open access power at cheaper rate so as to bring down the power purchase cost. Regarding open access, the Commission directed the licensee to approach the Commission separately on the matters.

Consumers of the licensee also participated in the hearing. Sri. Deepak, Assistant Manager, FACT requested the Commission to recategorise them under industrial tariff from commercial tariff, as their activity fall under industrial category. It was further stated that the Hon'ble High Court of Kerala had ordered to approach the State Commission for recategorisation in Tariff. The Commission directed that FACT to file proper petition before the Commission for recategorisation in Tariff, if they wish so .

Smt. Mehrunisa, Executive Engineer, TRAC and Sri. Manoj.G, AEE, TRAC, represented KSEB Ltd. Sri. Manoj.G presented the objections of KSEB Limited and submitted written remarks on the application. The major points presented by KSEB Ltd are abstracted below.

- The distribution expenses of the licensee is exorbitantly high compared to the amounts approved by the Commission in the previous years. It was submitted that the Commission may approve only reasonable distribution expenses.
- The employee cost, administrative & general expenses and repair & maintenance costs claimed are over and above the approved value and the Commission may limit the expenses to the approved level.
- Commission may have a prudence check on the proposed capital investment and insist for Detailed Project Report and benefit-cost analysis before giving approval for huge capital investments.
- The Commission may look into the claim on interest on long term loans only after the completion of the restructuring exercise.
- As the licensee is retaining huge accumulated surplus, the interest on working capital need not be allowed.
- KSEB Ltd also submitted that there must a prudence check on the revenue projections made for the control period as there were variations in the average realization of the consumer categories.

The Commission directs the licensee to submit proper justifications on the high expenses over the norms fixed by the Commission. The licensee may submit the counter remarks if any on the observations/remarks made by KSEB Ltd and any other details that need to be submitted before the Commission to substantiate the claims made in the application for the approval of ARR&ERC for the control period on or before 30-05-2019.

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

Sd/-  
**Preman Dinaraj**  
Chairman

Approved for issue  
Sd/-  
**G.Jyothichudan**  
Secretary