

**KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM**

RP 6/2017

In the matter of : Review petition filed by M/s Kanan Devan Hill Plantations Company Private Limited (KDHPCL) seeking review and modification on the order dated 15-05-2017 in OA 5/2017 on the Truing Up of Accounts for financial year 2015-16

Applicant : **M/s Kanan Devan Hill Plantations Company Private Limited**

Respondent : **M/s Kerala State Electricity Board Limited**

PRESENT : **Shri K.Vikraman Nair, Member**
Shri S.Venugopal, Member

ORDER DATED 26/09/2017

1. Kanan Devan Hill Plantations Company Private Limited (*hereinafter referred to as KDHPCL or the licensee*) on 31-05-2017 filed Review petition seeking review and modification of the order dated 15-05-2017 in OA 5/2017 on the Truing up of Accounts for financial year 2015-16 as per the Regulation 67 of the KSERC (Conduct of Business) Regulations 2003.
2. The licensee has submitted the following in the review petition:
 - a. As per the order of the Commission in the truing up of accounts for the year 2014-15, the accumulated surplus approved by the Commission at the end of 2014-15 is Rs.593.91 lakh. The details are given below:

Particulars	Rs.Lakh	Comments
Revenue surplus for the year from 2005-06 to 2009-10.	622.43	Matter is before the Hon'ble Supreme Court in Civil Appeal No.5122/2012.
Revenue gap for 2010-11	(14.84)	As per order dated 7/8/2012 in RP No.4 of 2012 relating to the original order dated 3/5/2012
Revenue gap for 2011-12	(127.94)	As per order dated 1/7/2013 in OP No.39/2012
Revenue gap for 2012-13	(75.55)	As per order dated 4/12/2014 in OP No.10/2014
Revenue surplus for 2013-14	81.81	As per order dated 2/12/2015 in OA No.1/2015
Revenue surplus for 2014-15	108.00	As per order dated 21/6/2016 in OA No.2/2016
Total	593.91	

- b. The licensee has, vide its letter dated 05-12-2015 to the Commission had pointed out that an amount of Rs.49.21 lakh has been excessively disallowed

from the power purchase cost in truing up of accounts for 2013-14 as per the order dated 31-03-2015 in OA 1/2015.

- c. The licensee vide letter dated 28-06-2016 has further pointed out that the Commission normally allocate the excess line loss between KDHPCL and KSEB Ltd in the ratio of power drawn by KSEB Ltd and KDHPCL from KDHPCL's grid. However, in the year 2014-15, the excess distribution loss between KSEBL and KDHPCL was fully assigned to KDHPCL resulting in additional disallowance of power purchase cost by Rs.6.98 lakh.
- d. The licensee stated that if effect is given for Rs.56.19 lakh [Rs.49.21 lakh as mentioned in point (b) above and Rs.6.98 lakh as mentioned in point (c) above], then the accumulated surplus of Rs.593.91 lakh will stand reduced to Rs.537.72 lakh.
- e. The licensee has also stated that the accumulated surplus of Rs.593.91 lakh at the end of the year 2014-15 includes the notional interest of Rs.53.45 lakh. In this context, it is mentioned that the licensee has not accounted for the accumulated amount in the books of account since the matter relating to the order dated 26/4/2011 on the truing up of accounts for the years 2005-06 to 2009-10 is pending before the Hon'ble Supreme Court.
- f. The licensee has also stated that in the order dated 26-4-2011, the Commission had directed the licensee to keep the surplus in a separate fund and utilization shall be intimated to the Commission periodically, without mentioning levying of any interest on the amount. However, the Commission later levied interest on the said amount. However, the licensee did not get an opportunity to express its views in the matter.
- g. In this context, it is submitted that an amount of Rs.93.62 lakh out of the surplus is required for operations and is not available for placing as deposits to earn interest.
- h. KDHPCL further submitted that the rate of 9% adopted by the Commission to determine the notional interest earned on the deposit is high. However they stated that the interest rate to be adopted should be the interest rate on short term deposits which is currently at 4%
- i. It is further submitted that the notional interest at 4% has to be charged on the surplus of Rs.444.10 lakh and therefore the notional interest shall be Rs.17.77 lakh instead of Rs.53.45 lakh.

3. The petitioner's prayers are as follows:
- (a) To amend the power purchase cost for the year 2013-14 to Rs.1914.03 lakh from Rs.1864.83 lakh in the order dated 2/12/2015 in OA No.1/2015 and consequently the revenue surplus for the year be reworked to Rs.32.60 lakh from Rs.81.81 lakh.
 - (b) To amend the power purchase cost for the year 2014-15 to Rs.2102.27 lakh from Rs.2095.29 lakh in the order dated 21/6/2016 in OA No.2/2016 and consequently the revenue surplus for the year to Rs.101.02 lakh from Rs.108.00 lakh.
 - (c) Not to levy notional interest on the accumulated revenue surplus
 - (d) To reduce the investible surplus available in the operations from Rs.593.91 lakh to Rs.444.10 lakh, the interest rate to 4% from 9% and the notional interest thereon to Rs.17.77 lakh from Rs.53.45 lakh.

Hearing on the matter

4. Hearing on the review petition was conducted on 08-08-2017 at the Office of the Commission. Sri. Srikrishnan, Executive Director, KDHPCL presented the details of the review petition and responded to the queries of the Commission.
5. Sri. Bipin Shankar, Deputy Chief Engineer (TRAC) and Sri. Manoj.G, AEE, TRAC, represented KSEB Ltd. Sri. Manoj.G, Assistant Executive Engineer, TRAC, KSEB Ltd presented the remarks of KSEB Limited and submitted a written remarks on the review petition. The summary of the remarks of KSEB Ltd is abstracted below:
- a. KDHPCL in the review petition filed for 2015-16 has raised objections mainly on previous true up orders for the years. The figures taken from previous true up orders as part of review of the order of 2015-16 is not justifiable as the licensee has not filed any review petition on the previous orders before the Commission as per the provisions of the KSERC (Conduct of Business) (Amendment) Regulations 2014.
 - b. It was submitted that charging interest on the surplus as per the rate specified by the Commission is justifiable. The interest rate of 4% instead of 9%, proposed by petitioner is too low.
6. The licensee had, vide letter dated 16-08-2017, submitted its reply to the comments of KSEB Ltd stated that the matters sought for the years 2013-14 and 2014-15 are only for obvious arithmetical errors in the computations relating to the decisions of the Commission contained in the orders. It also submitted that

the same does not amount to review of the decision of the order of the Commission as contemplated in regulation 67(1) of the KSERC (Conduct of Business) Amendment Regulation 2014, but to correct the obvious arithmetical errors in the computations relating to the decisions of the Commission contained in the said orders.

7. With regard to the comment of charging interest on the accumulated surplus at 9%, the licensee submitted a copy of the deposit receipt of one year term deposit made by the licensee in January 2017 with State Bank of India in which the interest rate is 4% per annum.

Analysis and decision of the Commission

8. The Commission has considered the review petition filed by the licensee on the truing up of accounts for the year 2015-16, comments of KSEB Ltd and the reply of the licensee thereof. As per the provisions of Section 94(1)(f), and clause 67 of the KSERC (Conduct of Business) Regulations, 2003, the Commission has been vested with the powers for reviewing its decisions, directions and orders, as in the Code of Civil Procedure 1908.
9. The application and the scope of the review of an Order are circumscribed under Order 47, Rule 1, of Code of Civil Procedure, 1908. The review power, under the aforesaid provision is reproduced as below: -

“Application for review of judgment – (1) Any person considering himself aggrieved—

(a) by a decree or order from which an appeal is allowed, but from which no appeal has been preferred; or

(b) by a decree or order from which no appeal is allowed; or

(c) by a decision on a reference from a Court of Small Causes, and who, from the discovery of new and important matter of evidence which, after the exercise of due diligence, was not within his knowledge or could not be produced by him at the time when the decree was passed or order made, or on account of some mistake or error apparent on the face of the record, or for any other sufficient reason, desires to obtain a review of the decree passed or order made against him, may apply for a review of judgment of the Court which passed the decree or made the order”.

10. The review jurisdiction is a limited power to be exercised when new facts which could not be produced at the time of the order or any apparent error on the face of record are brought to the notice of the Commission. The licensee in the review petition has submitted that the licensee is aggrieved by the decision of the

Commission in the order dated 15-05-2017 in OA 5/2017. The licensee has also stated that it had pointed out some of the errors in the truing up petition in their letters addressed to the Commission dated 05-12-2015 and 28-06-2016. Further, the cumulative effect of such issues is reflected in the impugned truing up order. Accordingly, a review petition was submitted for the review of the matter. KSEB Ltd has stated that the contents in the present review petition does not pertain to the order sought to be reviewed. The Commission also noted the points raised by KSEB Ltd. It is a fact that the licensee has not properly submitted review petition on time in the respective years, whereas the same was raised immediately after the issue of the said orders through their letters dated 5-12-2015 and 28-6-2016. Considering this, and other factors, the Commission is of the view that the issues raised by the petitioner can be reasonably considered and accordingly dealt with in detail.

11. The licensee in the review petition submitted that the licensee is aggrieved by the decision of the Commission in paragraphs 44 and 46 and the impact thereof in table 22 of the order dated 15-05-2017 in OA 5/2017 on the Truing up of Accounts for financial year 2015-16. The relevant portion of the said order is reproduced hereunder.

“44. The licensee is holding an accumulated surplus of Rs.593.91 lakh at the end of the year 2014-15, as per the order on truing up of accounts of the licensee. The Commission also approves a notional interest of Rs.53.45 lakh which is 9% of the accumulated surplus considering the base rate of SBI, and the same is included under non-tariff income approved for truing up of the year. The non-tariff income approved for the purpose of truing up of accounts for the year 2015-16 is Rs.65.05 lakh.

45. Thus the details of Truing up taking into consideration the approved expense and revenue is given below:

Table 22
KDHPCL- Details of amounts approved in Truing up for the year 2015-16

Particulars	2015-16		
	<i>Approved</i>	<i>As per accounts</i>	<i>True up</i>
	(Rs.lakh)	(Rs.lakh)	(Rs.lakh)
Revenue			
<i>Revenue from Sale of Power.</i>	2,398.29	2,346.28	2,357.86
<i>Other Income</i>	15.12	23.18	65.05
Total Income	2,413.41	2,369.46	2,422.91

Expenditure			
Purchase of Power	2,193.32	2,088.13	2,102.16
R&M Expenses	16.64	43.47	16.64
Employee Cost	80.09	134.28	80.09
A & G Expenses	13.91	14.41	13.91
Depreciation	14.80	17.20	16.23
Interest & Finance Charges	12.34	15.83	13.75
Other Debits	0.42	0.44	0.44
Other expenses – (expenses towards modification of Pullivasal power station)			14.10
Return on NFA	5.49	-	6.30
Total Expenditure	2,337.01	2,325.80	2263.62
Net Surplus/(Deficit)	76.40	43.66	159.29

Orders of the Commission

46. The Commission after considering the application filed by M/s. KDHPCL for truing up of accounts for the year 2015-16, objections raised by KSEB Ltd. and the clarifications and details provided by the licensee approves the total expenditure of Rs.2263.62 lakh and total revenue of Rs 2422.91 lakh with a revenue surplus of Rs.159.29 lakh. The cumulative revenue surplus till 2015-16 will be Rs.753.20 Lakh (Rs.593.91 lakh + Rs.159.29 lakh). The licensee shall keep the surplus arrived at after the truing up process in a separate fund and utilize it as per orders of the Commission.”

12. The licensee is aggrieved by amount of accumulated surplus of Rs.593.91 lakh till 2014-15 as well as the notional interest of Rs.53.45 lakh thereon. According to the licensee, the accumulated surplus will be considerably reduced if the facts pointed out earlier were considered. The details of accumulated surplus till the end of the year 2014-15 are as tabulated below.

Year	Rs. lakh
Up to 2009-10 (Surplus)	622.43
2010-11(Gap)	(14.84)
2011-12 (Gap)	(127.94)
2012-13 (Gap)	(75.55)
2013-14 (Surplus)	81.81
2014-15 (Surplus)	108.00
Total	593.91

13. According to the petitioner, the amount of Rs.622.43 lakh arrived at the order on the truing up of accounts till 2009-10 is challenged by the licensee before the Hon. Supreme Court of India in Civil Appeal No.5122/2012 and hence cannot be taken into the present proceedings. However, the Commission cannot concur with such views. **The Hon. Supreme Court of India has not yet issued a verdict on the matter or had stayed the order issued by the Commission. Hence, the Commission is of the view that the accumulated surplus of Rs.622.43 till 2009-10 is to be considered in the truing up process.**
14. The Commission had issued the order on the truing up of accounts for the year 2013-14 in OA 1/2015 on 02-12-2015. In the order the Commission had approved power purchase cost considering a distribution loss of 12% against 13.89% claimed by the licensee. While calculating the power purchase cost to be approved for the year, the Commission decided to apportion the excess distribution loss of 11.30 lakh units in the ratio of energy consumed by the licensee and the energy fed back into KSEB System in the ratio of 83:17. Accordingly, 9.38 lakh units (83% of 11.30 lakh units) were accounted towards the account of the licensee and a power purchase cost of Rs.1864.83 lakh was approved for the year.
15. The licensee had, vide letter dated 05-12-2015, pointed out that the Commission has disallowed the excess distribution loss twice. According to the licensee, in the order dated 2-12-2015, the Commission had estimated the power purchase cost considering the total excess distribution loss of 11.30 lakhs and thereafter deducted Rs.40.90 lakh towards the cost of 9.38 lakh units at the rate of average power purchase cost of Rs.4.36/unit.
16. The Commission has examined the details furnished by the licensee. The Commission notes that in the order dated 5-12-2015, the allowable power purchase cost has been arrived at by deducting the excess distribution loss twice and allowed the power purchase cost of Rs.1864.83 lakh. The same has to be corrected. Accordingly, the revised power purchase cost is arrived at as shown below:

	As per Truing up petition	Approved in the Truing up
Total Energy sales (MU)	37.46	37.46
Feed bank (MU)	7.80	7.80
Distribution loss (MU)	7.30	6.17
Gross Energy (MU)	52.56	51.43
Distribution loss (%)	13.83%	12.00%
Excess Distribution loss (MU)		1.13

17. The excess distribution loss of 11.30 lakh units is apportioned at the rate of 83:17 ie., the ratio of energy consumed by the licensee and energy fed back into the KSEB system. Thus the cost of excess distribution loss of 9.38 lakh units (ie., 83% of 11.3 lakh units) is allocated to KDHPCL as shown below:

Particulars	Power purchase cost as per accounts	Approved in the order dated 2-12-2015	Revised Power purchase cost
Total Maximum Demand kVA	82700	82700	82700
Rate (Rs./kVA)	300	300	300
Demand charges (Rs.lakh)	248.10	248.10	248.10
Excess demand charges (Rs.lakh)	4.05	4.05	4.05
Total demand charges (Rs.lakh)	252.15	252.15	252.15
Energy purchased (lakh units)	447.61	436.3	447.61
Rate (Rs.kWh)	3.79	3.79	3.79
Total energy charges (Rs.lakh)	1697.43	1653.58	1697.43
Total Power Purchase Cost (Rs.lakh)	1949.58	1905.73	1949.58
Less- adjustment made in excess line loss (Rs.lakh)		40.9	
Power purchase cost Allowed (Rs.lakh)		1864.83	
Average Power purchase cost (Rs./kWh)	4.36		4.36
Excess Distribution loss assigned to KDHPCL (lakh units)			9.38
Excess power purchase cost to be deducted (Rs. Lakh) = 9.38 lakh * Rs.4.36			40.85
Revised Power purchase cost approved (Rs.lakh)			1,908.73

18. The revised power purchase cost and the approved revenue surplus for the year 2013-14 is as shown below.

Particulars	As per accounts (Rs.lakh)	Approved in the order dated 2-12-2015 (Rs.lakh)	Revised for the year 2013-14 (Rs.lakh)
Power Purchase Cost	1949.58	1864.83	1908.73
Expenses other than Power Purchase Cost	267.06	134.71	134.71
Gross Revenue Requirement	2216.63	1999.54	2043.44
Revenue from Sale of Power.	2064.14	2064.14	2064.14
Other Income	16.21	16.21	16.21
Total Income	2081.35	2081.35	2081.35
Revenue Surplus/ (Gap)	(135.28)	81.81	37.91

19. As shown above the revised power purchase cost approved for the year 2013-14 is Rs.1908.73 lakh. Based on the approved power purchase cost the aggregate revenue requirement is revised at Rs.2043.44 lakh from

Rs.1999.54 lakh and the revenue surplus is revised at Rs. 37.91 lakh from Rs.81.81 lakh.

20. Second issue raised in the review petition is that though the distribution loss is attributed on account of transfer of energy both for KDHPCL and KSEB Ltd, the apportionment of distribution loss for the year 2014-15 was not done and the entire distribution loss was assigned to KDHPCL. Hence, the review petitioner requested that the distribution loss may apportioned between KDHPCL and KSEB Ltd, in the same way as has been done in 2013-14. According to the petitioner, if such apportioning is done, the power purchase cost would have increased by Rs.6.98 lakhs, thereby the accumulated surplus would be reduced by the same amount. The review petitioner, also mentioned that the same has been notified before the Commission vide letter dated 28-6-2016. The licensee in the review petition has submitted that they are awaiting the response of the Commission on the letter dated 28-06-2016.

21. The Commission has examined the arguments of M/s KDHPCL. The Commission had issued the order on the truing up of accounts for the year 2014-15 in OA 2/2016 on 21-06-2016. In the order the Commission had approved a power purchase cost of Rs.2095.29 lakh considering a distribution loss of 12.00% against 13.57% claimed by the licensee. Thus, the excess distribution loss was 9.7 lakh units. The licensee had, vide letter dated 28-06-2016, pointed out that the Commission had not made the adjustment while apportioning the excess line loss between KDHPCL & KSEB Ltd.

22. The Commission while truing up the accounts for the year 2013-14 had apportioned the excess distribution loss in the ratio of energy drawn by the licensee KDHPCL and the energy fed back into KSEB System. The Commission is of the view that the same principle is to be followed for the year 2014-15 also. Since the licensee has no control over the energy taken through feedback points, it is not reasonable to assign the entire burden of increase in distribution loss on account of the licensee. The energy transacted in 2014-15 in KDHPCL system is as shown below:

	As per Truing up petition	Approved in the Truing up
Total Energy sales (MU)	38.67	38.67
Feed bank (MU)	8.17	8.17
Distribution loss (MU)	7.36	7.36
Gross Energy (MU)	54.20	54.20
Distribution loss (%)	13.83%	12.00%
Excess distribution loss (MU)		0.97

23. Hence, it is decided to apportion the excess distribution loss of 9.70 lakh units in the ratio of energy consumed by the licensee to the energy feedback into KSEB System. If the excess line loss of 9.70 lakh units is apportioned in the ratio of 82.5:17.5; then 8 lakh units (being the 82.5% of 9.70 lakh units) would to be considered as excess distribution loss assigned to KDHPCL at a average power purchase cost of Rs.4.65 per unit. Accordingly, revised the power purchase cost approved by the Commission for the year 2014-15 is tabulated hereunder.

Particulars	Power purchase cost as per accounts	Approved in the order dated 21-6-2016	Revised Power purchase cost
Total Maximum Demand kVA	80591	80591	80591
Rate (Rs./kVA)	300	300	300
Demand charges (Rs.lakh)	241.77	241.77	241.77
Excess demand charges (Rs.lakh)	2.13	2.13	2.13
Total demand charges (Rs.lakh)	243.90	243.90	243.90
Energy purchased (lakh units)	460.30	460.30	460.30
Total energy charges (Rs.lakh)	1897.09	1897.09	1897.09
Total Power Purchase Cost (Rs.lakh)	2140.99	2140.99	2140.99
Average Power purchase cost (Rs./kWh)	4.65	4.65	4.65
Excess Distribution loss assigned to KDHPCL (lakh units)		9.70	8.00
Excess power purchase cost to be deducted (Rs. Lakh)		45.70	37.21
Power purchase cost approved (Rs. Lakh)		2,095.29	2,103.78

24. Based on the approved power purchase cost Rs.2103.78 lakh, the aggregate revenue requirement is revised at Rs.2245.96 and the expected revenue from charges is Rs.2345.47 lakh. Accordingly the revenue surplus for the year 2014-15 is revised to Rs.99.51 lakh from Rs.108 lakh.

25. Accordingly the accumulated surplus up to 2014-15 is revised as tabulated hereunder.

Year	Original (Rs.lakh)	Revised (Rs.lakh)
Up to 2009-10 (Surplus)	622.43	622.43
2010-11 (Gap)	-14.84	-14.84
2011-12 (Gap)	-127.94	-127.94
2012-13 (Gap)	-75.55	-75.55
2013-14 (Surplus)	81.81	37.91
2014-15 (Surplus)	108.00	99.51
Total	593.91	541.52

26. In the order on the truing up of accounts for the year 2015-16, the Commission had stated that KDHPCL had an accumulated surplus of Rs.593.91 lakh at the end of 2014-15. The Commission in the order approved a notional interest of Rs.53.45 lakh at the rate of 9% on the accumulated surplus considering the base rate of SBI. The licensee in the review petition has submitted that the notional interest shall not be imposed on the accumulated surplus of Rs.622.43 lakh till 2009-10, in view of the Civil appeals No.2144/2011 and 5122/2012 pending before the Hon'ble Supreme Court of India.

27. Further the licensee, in the application had stated that the Commission may review the accumulated surplus of Rs.593.91 lakh considering the actual amount of funds required for carrying out the operations. It was submitted that Rs.93.62 lakh was the net requirement of funds for operation or the working capital and requested the Commission to reduce the same from the accumulated surplus of the licensee.

28. The Commission has noted the arguments of the petitioner, KDHPCL. In the petition for approval of truing up of accounts for 2015-16, the licensee has not sought interest on working capital and accordingly no provision for interest on working capital was allowed. In the review petition, the licensee has claimed that an amount of Rs.93.62 lakh as net requirement of funds for the operations. The Commission is of the view that interest on working capital can be allowed as per the provisions of Tariff Regulations 2014, but the amount of Rs.93.62 lakh required for operations cannot be removed from the surplus.

29. Since the year under consideration is 2015-16, the interest on working capital can be allowed as per the KSERC (Terms and conditions for the determination of the Tariff) Regulations. As per the regulation 33 of the said Regulations, interest on working capital for a distribution licensee is to be computed as quoted hereunder:

“33. Interest on working capital. – (1) The generation business/company or transmission business/licensee or distribution business/licensee or the state load despatch centre shall be allowed interest on the normative level of working capital for the financial year, computed as under,-

.....

(e) In the case of distribution business/licensee the working capital shall comprise of,-

(i) operation and maintenance expenses for one month; plus

(ii) cost of maintenance spares equal to one-twelfth of the sum of the book value of stores, materials and supplies at the end of each month of the financial year; plus

(iii) receivables equal to the expected revenue from sale of electricity for two months at the prevailing tariff:

Provided that the following amounts shall be reduced while computing the working capital requirement:

(i) the amount, if any, held as security deposits except the security deposits held in the form of Bank Guarantee from users of the distribution system and consumers; and

(ii) the amount equivalent to the cost of power purchase for one month, based on the cost of power purchase approved by the Commission:

Provided further that the amount equivalent to the cost of power purchased for one month corresponding to the quantity of electricity supplied from the generating station owned by the distribution licensee shall not be deducted:

Provided also that for distribution business/licensees who supply electricity to their consumers on prepaid metering system, no interest on working capital shall be allowed.”

30. As per the provisions of Tariff Regulations, 2014, the working capital for the M/s KDHPCL as a distribution licensee is estimated as shown below:

	2015-16	For working capital
	(Rs. Lakh)	(Rs. Lakh)
O&M Expenditure (one month)	110.64	9.22
Maintenance spares	-	
Receivable (2 months revenue)	2,357.86	392.98
Gross Working Capital	2,468.50	402.20
Less : Amount of Security deposit	184.51	184.51
Less : Power purchase cost (one month)	2,102.16	175.18
Net Working capital		42.51
Rate of interest on working capital (SBI Base rate as on 1-4-2014 plus 2%)		12.00%
Interest on working capital (Rs.lakh)		5.10

31. As shown above, Rs.42.51 lakh can be treated as working capital for the year 2015-16. As per the Regulations interest on working capital is to be allowed on a normative manner at 2% higher than the base rate of SBI in which the application for ARR is filed. Hence, the rate of interest for working capital is 12% and accordingly the interest on working capital that can be allowed on a normative basis as per the provisions of the Regulations is Rs.5.10 lakhs.

32. The licensee has also stated that the Commission had not mentioned of levying interest on the amount in the previous orders nor during the hearing. It was submitted that they did not get the opportunity to express their views in the matter. Further, the licensee has prayed that notional interest on surplus may be charged only at 4% which is the interest rate on short term deposits only after

duly considering the adjustments on the power purchase costs as prayed by the licensee.

33. The Commission considered the arguments of the licensee. The Commission is of the view that interest on the accumulated surplus is to be considered as the licensee is holding the same as per the regulatory accounts.

34. The base rate of SBI as on 5-10-2015 till 01-07-2017 is 9.30%. Considering this, the Commission decided to consider 9% as the rate of interest on accumulated surplus. Accordingly, an amount of Rs. 48.74 lakh is approved as interest towards the revised accumulated surplus of Rs. 541.52 lakh. Thus the revised non-tariff income for 2015-16 is Rs. 60.34 lakh. Accordingly, the revenue surplus for the year 2015-16 is revised as shown below:

	Rs.lakh
Aggregate Revenue requirements approved in the Order dated 15-5-2017	2,263.62
Interest on Working capital allowed	5.10
Revised ARR for 2015-16	2,268.72
Revenue from tariff approved as per the order dated 15-5-2017	2,357.86
Other income (revised)	60.34
Revised Total revenue for the year 2015-16	2,418.20
Revised Revenue Surplus for 2015-16	149.48

35. Thus, as shown above, the revised revenue surplus approved for the year 2015-16 is Rs.149.48 lakh instead of Rs.159.29 lakh approved in the order dated 15-5-2017. **The cumulative surplus till the end of 2015-16 will be Rs.691 lakh (Rs.541.52 lakh+ Rs.149.48 lakh).**

Orders of the Commission

36. The Commission after considering the review petition filed by M/s. KDHPCL, objections raised by KSEB Ltd and the counter statement submitted by the licensee, orders as follows:

- a. The power purchase cost for the year 2013-14 is revised to Rs.1908.73 lakh and accordingly, the revised revenue surplus approved for the year 2013-14 is Rs.37.91 lakh.
- b. The revised power purchase cost for the year 2014-15 is revised to Rs.2103.75 lakh and the revised revenue surplus approved for the year 2014-15 is Rs.99.51 lakh
- c. Accordingly the accumulated surplus till 2014-15 is revised to Rs 541.52 lakh

- d. Interest on working capital for the year 2015-16 is allowed as per the provisions of Tariff Regulations 2014 and an amount of Rs.5.10 lakh is approved towards this head.
- e. The revised interest on accumulated revenue surplus upto 2014-15 is Rs.48.74 lakh
- f. The revised revenue surplus for 2015-16 is Rs.149.48 lakh in place of Rs. 159.29 lakh approved in the order dated 15-5-2017.
- g. The revised accumulated surplus till 2015-16 is Rs.691 lakh.

37. With the above, the review petition is disposed of. Ordered accordingly.

Sd/-

K.Vikraman Nair
Member

Sd/-

S.Venugopal
Member

Approved for issue
Sd/-
Santhosh Kumar.K.B
Secretary