

**KERALA STATE ELECTRICITY REGULATORY COMMISSION  
THIRUVANANTHAPURAM**

**O.A No.17/2016**

In the matter of : Application filed by KINESCO Power and Utilities Private Limited for approval of truing up of accounts for financial year 2011-12

Applicant : M/s KINESCO Power and Utilities Private Limited

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

**ORDER DATED 20/03/2017**

KINESCO Power and Utilities Private Limited (*hereinafter referred as KPUPL or the licensee*) has, on 1.7.2016, submitted its application for truing up of accounts for 2011-12, in accordance with the KSERC (Terms and Conditions of Tariff for Retail Sale of Electricity) Regulations, 2006 (*hereinafter referred as Tariff Regulations*). The Commission, in exercise of the powers vested in it under Section 61, Section 62 and Section 64 of the Electricity Act, 2003 and all other powers enabling it in this behalf, and after taking into consideration all the submissions made by KPUPL, the matters raised during the public hearing, and all other relevant materials placed before it, orders as follows:

**Background**

1. KPUPL is a Joint Venture Company established under the Companies Act 1956, for the distribution of electricity in the Industrial parks of KINFRA at Kakkanad, Kalamassery and Palakkad. KPUPL is the successor of KINFRA Export Promotion Industrial Parks Limited (KEPIP), a deemed distribution Licensee as per the first Proviso of Section 14 of Electricity Act 2003. The Government of Kerala had accorded sanction for the formation of the joint venture company between KINFRA and NTPC Electric Supply Company Ltd (NESCL) vide Order G.O.(MS) No. 88/2008/ID dated 27th June 2008 with 50% equity held by KINFRA

and 50% equity by NESCL. The Commission had approved the transfer of Licence for distribution of electricity in the Industrial Parks of KINFRA at Kakkanad, Kalamassery and Palakkad from M/s.KEPIP to M/s.KPUPL as per Order dated 30.11.2009 based on an application for transfer of Licence.

2. The Commission had, vide the order dated 3-1-2012 in petition OP No. 31/2011 (*hereinafter referred as order dated 03-01-2012*), approved the aggregate revenue requirement at Rs 2221.48 lakh, expected revenue from charges at Rs 2231.48 lakh and the revenue surplus at Rs 17.56 lakh, for KPUPL for the year 2011-12.
3. A comparison on the amounts of expenditure and revenue as approved by the Commission for the year 2011-12 vide the order dated 03-01-2012 and the actual claim made by the licensee as per the application for truing up is summarized below.

**Table-1**  
**KPUPL- Truing up of accounts**  
**Comparison of ARR and Actual as per Truing up application for the year 2011-12**

Particulars	Approved in the ARR Order (Rs. Lakh)	As per the application for truing up (Rs. Lakh)	Difference (Rs. Lakh)
<b>Aggregate Revenue Requirement</b>			
Purchase of Power	2048.00	1818.88	229.12
Repair & Maintenance	52.22	40.34	11.88
Employee costs	39.13	46.25	-7.12
A & G Expenses	26.83	57.50	-30.67
Depreciation	55.30	81.12	-25.82
Interest & Finance Charges	0.00	16.64	-16.64
Return on Equity	10.00	54.18	-44.18
Tax expenses	0.00	82.79	-82.79
<b>Total ARR</b>	<b>2231.48</b>	<b>2197.70</b>	<b>33.78</b>
<b>Expected Revenue from charges</b>			
Revenue from Sale of Power	2231.79	2208.63	23.16
Non – Tariff Income	17.25	58.98	-41.73
<b>Total Revenue</b>	<b>2249.04</b>	<b>2267.61</b>	<b>-18.57</b>
<b>Surplus/(Deficit)</b>	<b>17.56</b>	<b>69.91</b>	

### **Hearing on the application**

4. Hearing on the application for truing up of accounts of the licensee for the year 2011-12 was held on 07-12-2016 at the Court Room, Office of the Commission, Thiruvananthapuram. M/s KPUPL was represented by Sri. S.N.Ashok Kumar (Finance Consultant), Sri.G.Radhakrishna Pilla (Senior Consultant) and other officers of the licensee. Sri. S.N.Ashok Kumar presented the details of the applications on the truing up of accounts and gave clarifications on the queries of the Commission.
5. KSEB Ltd. was represented by Sri.Bipin Sankar, Deputy Chief Engineer (TRAC), Smt. Mehrunisa, Executive Engineer (TRAC) and Sri.Manoj.G, Assistant Executive Engineer (TRAC). Sri.Manoj.G presented the comments of KSEB Ltd and submitted written remarks on the applications. The main issues raised by KSEB Ltd are summarised below.
  - a. The power purchase cost claimed by the licensee for the years does not tally with the bills generated by KSEB Ltd.
  - b. KPUPL has combined the power purchased at two different locations Kakkanad and Kalamassery. In Kakkand, the licensee has availed supply at BST approved by the Commission. However, in Kalamassery, M/s KPUPL availed an HT connection without PPA and availed supply at the prevailing HT tariff. But, in the application for approval of truing up of accounts, KPUPL have combined both types of billing.
  - c. The Commission may kindly follow a uniform approach on the Section (3) duty claimed by the licensee.
  - d. The licensee has claimed a return on equity at the rate of 3% of the value of the net fixed assets employed at the beginning of the year. The Commission has allowed a return of Rs 10 lakh only from 2004-05 to 2008-09 on the reason that the amount of equity cannot be ascertained. The equity/rate base is still to be ascertained. Commission in the ARR orders directed the licensee to submit the documents of transfer of assets and liabilities for the approval of the Commission. The Commission may allow RoE after considering the same.
  - e. The licensee has claimed employee cost for the financial years at a rate higher than the approved levels. It may be noted that there are only two

employees including CEO and the O&M activities in the area are outsourced. Hence the higher employee cost when compared to the low consumer base need to be examined.

6. The Commission has noted the objections/comments of KSEBL regarding the cost of power purchase. Accordingly, it is directed that the licensee to reconcile the cost of power purchase claimed as per the application for truing up and the same as claimed by KSEB Ltd. The Commission also directed that KSEB Ltd shall present their views on the asset transfer of the licensee. Neither the licensee nor KSEB Ltd has submitted its comments.

**Analysis and Decision of the Commission**

7. The Commission considered the application of the licensee for truing up of accounts for the financial year 2011-12, the clarifications and the additional details submitted by the licensee thereon along with the comments/ remarks of KSEB Ltd. The analysis and decisions of the Commission on the application submitted by the licensee for truing up of accounts for the year 2011-12 are detailed below:
8. **Sale of energy:** As per the order dated 03-01-2012, the energy sale approved for the year 2011-12 is 55.11 MU. The actual energy sale as per the application for approval of truing up of accounts for the year 2011-12 is 54.57 MU. The details are given below.

**Table-2**  
**KPUPL- Truing up of accounts**  
**Energy sale for the year 2011-12**

Category	ARR approved (MU)	Application for truing up (MU)
HT consumers	50.15	49.30
LT consumers	4.79	4.82
Temporary connections	0.17	0.45
Total	55.11	54.57

9. The Commission approves the actual energy sales of 54.57 MU, as reported by the licensee for the purpose of truing up of accounts for the year 2011-12.
10. **Energy Input and Distribution Loss:** While approving the ARR vide the order dated 3-1-2012, the Commission had approved the distribution loss of KPUPL for the year 2011-12 at 0.50%, and accordingly approved the energy purchase from KSEB Ltd at 55.39 MU. As per the application for approval of truing up of accounts,

the actual energy purchase from KSEB Ltd is 55.55 MU and the actual distribution loss reported is 1.77%. Since, the distribution loss is a controllable factor and lower distribution loss is a measure for better performance of the licensee, the quantum of power purchase to be approved by the Commission in the process of truing up of accounts should be at the distribution loss of 0.50%. As per sub-regulation (2) of regulation 9 of the Tariff Regulations, the Commission shall approve a loss target for the year under consideration based on the opening loss levels, licensee's filings, submissions and objections raised by stakeholders. The distribution loss as approved by the Commission in the order dated 03-01-2012 for approving the ARR&ERC for the year 2011-12 or the actuals, whichever is lower shall be used for computing power purchase/sale of power to consumers for that year.

11. Accordingly, the loss level approved for the purpose of truing up of accounts for the year 2011-12 is at 0.50% and the energy purchase (energy input to KPUPL system) is approved at 54.84 MU as given below.

**Table-3**  
**KPUPL- Truing up of accounts**  
**Distribution loss and energy input for the year 2011-12**

Particulars	Order on ARR	Application for Truing up	Approved in the Truing up
Energy sale (MU)	55.11	54.57	54.57
Distribution loss reduction target (%)	0.50%	1.77%	0.50%
Distribution loss (MU)	0.28	0.98	0.27
Energy input (MU)	55.39	55.55	54.84
Additional energy purchased due to excess distribution loss (MU)			0.71

12. **Cost of Power Purchase:** As per the application for truing up of accounts, the total cost of power purchase for 55.55 MU purchased from KSEB is Rs 1818.88 lakh, including Rs 305.78 lakh towards fixed charges and Rs 1513.10 lakh towards energy charges. During the public hearing, KSEB Ltd has submitted that, the cost of purchase as per the records available with KSEB Ltd is higher than that claimed by the licensee in the application for approval for truing up submitted before the Commission. The licensee vide the clarification dated 30-11-2016 has submitted that, though the Commission had approved the BST tariff @3.16/unit during the year 2010-11, the licensee had remitted the energy charge at the pre-revised rate at Rs 2.75/unit. However, during the year 2012-13, KPUPL had settled the dispute

and cleared the arrears at the energy charge of Rs 3.16/unit. There was no dispute on demand charges.

**Table-4**  
**KPUPL- Truing up of accounts**  
**Cost of power purchase for the year 2011-12**

SI No	Particulars	Order on ARR	Application for truing up
1	Energy purchase from KSEB (MU)	55.39	55.55
2	Demand charge (Rs/kVA/month)	275	275
3	Demand charge (Rs. Lakh)	297.68	305.78
4	Energy charge (Rs/unit)	3.16	2.75
5	Energy charge (Rs. Lakh)	1750.32	1513.10
6	Total = (3)+(5) (Rs. Lakh)	2048.00	1818.88
7.	Average power purchase cost(Rs./kWh)	3.70	3.27

13. As detailed under Table-3 above, though the actual quantum purchased from KSEB Ltd for the year 2011-12 is 55.55 MU, cost of purchase of power due to under-achievement of distribution loss is not allowable in the power purchase cost. Accordingly the Commission approves the cost of power purchase for 54.84 MU only for the purpose of truing up of accounts for 2011-12 as shown below:

**Table-5**  
**KPUPL- Truing up of accounts**  
**Cost of power purchase for the year 2011-12**

SI No	Particulars	Application for truing up (Rs.lakh)	Truing up approval (Rs.lakh)
1	Cost of power purchase	1818.88	1818.88
2	<u>Less</u> Excess cost of power purchase due to under achievement of distribution loss (0.71 MU x Rs.3.27)		23.22
<b>3</b>	<b>Power purchase cost approved</b>		<b>1795.66</b>

14. The Commission approves Rs.1795.66 lakh towards the total cost of power purchase for the year 2011-12.
15. **Interest and finance charge:** While approving the ARR vide the order dated 3-1-2012, the Commission had not approved any amount under the head interest and finance charges. However, in the application for approval of truing up of accounts, the licensee has claimed Rs 16.64 lakh, as a provision for interest on security deposit with KSEB payable to KEPIP and interest on security deposit from

consumers. The Commission notes that the licensee has been following pre-payment metering system and hence there is no scope for collecting security deposit from consumers. The licensee has not submitted any supporting documents on whether the interest is actually paid to the consumers or not. The licensee stated that the amount includes the provision for interest payable to KEPIP. Earlier, KEPIP might have furnished security to KSEB for the power purchase. However, after the transfer of business, the security deposit furnished should be treated as security deposit of KPUPL. As per the provisions, KSEB has to furnish interest on the deposit to KPUPL by way of cash or by way of adjustment of power purchase cost. The appropriation of the amount of interest received by the licensee will depend on the agreements between KPUPL and KEPIP. Therefore, the interest on security deposit has to be necessarily included as an item of non-tariff income. Interest and finance charge, if any, claimed can be approved only on production of documentary evidences. Therefore, the claims of interest and finance charges, which are not supported by documentary evidences, cannot be approved.

**Table - 6**  
**KPUPL- Truing up of accounts**  
**Interest and Finance Charge approved for the FY 2011-12**

Particulars	ARR (Rs. lakh)	Truing up (Rs. lakh)
<b>Claimed</b>	<b>18.96</b>	<b>16.64</b>
<b>Approved</b>	-	-

16. **Depreciation:** While approving the ARR for the year 2011-12 vide its order dated 03-01-2012, the Commission had approved the depreciation of the licensee for the year 2011-12 at Rs 55.30 lakh for the total asset of Rs 1571.43 lakh @3.52%. The licensee has claimed Rs.81.12 lakh as depreciation in the truing up of accounts for the year 2011-12 as shown below:

**Table - 7**  
**KPUPL- Truing up of accounts**  
**Depreciation claimed for the FY 2011-12**

Particulars	Gross Fixed Assets (Rs.lakh)	Depreciation (Rs.lakh)
Sub-stations	741.82	29.34
11kv Works	1360.86	49.80
Metering equipments	62.47	5.07
Others	4.95	0.85
<b>Total</b>	<b>2170.11</b>	<b>85.06</b>

Less Consumer Contribution/Grants		-3.94
Total		81.12

17. The Commission notes that, the licensee had, in the truing up of accounts for 2004-05 to 2008-09, reported that they had taken over the assets of consumers/ assets funded by consumers in 2007-08 and 2008-09 as shown in the Table below:

**Table – 8**  
**KPUPL - Truing up of accounts**  
**Details of assets funded by consumers taken over by KEPIP**

	2007-08 (Rs.lakh)	2008-09 (Rs.lakh)	Total (Rs.lakh)
Infopark	383.41	100.00	483.41
Koyenco	6.03		6.03
L&T infotech	11.63		11.63
Leela soft	21.33	96.38	117.71
Wipro technologies	12.63	76.03	88.66
<b>Total</b>	<b>435.03</b>	<b>272.41</b>	<b>707.44</b>

18. These details were not properly reflected in the accounts of the licensee or shown in the details filed by the licensee. The Commission also found that as per the consolidated balance sheet of M/s KEPIP, the distribution assets were shown as funded from grants from Govt. of India/ASIDE.
19. The Commission has examined the details furnished by the licensee. Though the Commission had directed to furnish the details of asset transfer agreement and the value of assets transferred, the licensee could provide the details only on 7-9-2016. As per the details given by the licensee, in 2011-12, licensee is under an agreement of operations with KINFRA/KEPIP for the management of the distribution business.
20. The major sources of funding distribution assets are loans availed from financial institutions, equity contribution of the shareholders or grants received from Government or any other institution or consumers. Depreciation cannot be allowed for the assets financed by way of grants or contributions received from the Government or any other institution or consumers. In the present context, the crucial question is, whether or not the licensee had financed the creation or acquisition of the capital asset in the financial year under consideration other than by grants. Depreciation on assets can be allowed only if expenditure for acquisition or creation of assets in the corresponding financial year are financed by borrowed funds or equity. An asset transfer agreement with retrospective effect cannot confer any right on the licensee to claim depreciation, unless the licensee had actually



incurred expenditure for acquisition or creation of asset in the corresponding years. **Depreciation fund is intended for the repayment of the principal of the capital liability. Interest of such capital liabilities are approved under interest and finance charges. RoE is given for equity contribution. Thus, the entire cost of capital assets are met through tariff by way of depreciation, interests and finance charges and RoE.** Since the licensee could not furnish any details or documents to substantiate the expenditure incurred in acquisition of assets, depreciation cannot be allowed at present.

**Table - 9**  
**KPUPL- Truing up of accounts**  
**Depreciation approved for the FY 2011-12**

<b>Particulars</b>	<b>ARR (Rs. lakh)</b>	<b>Truing up (Rs. lakh)</b>
<b>Claimed</b>	<b>55.30</b>	<b>81.12</b>
<b>Approved</b>	<b>55.30</b>	<b>-</b>

21. **Employee Cost:** In the order dated 03-01-2012, the Commission has approved the employee cost for the year 2011-12 at Rs 39.13 lakh. However, in the application for approval of truing up of accounts, the licensee has claimed the employee cost for the year at Rs 46.25 lakh. As per the details submitted by the licensee, the employee cost claimed is for two employees of the licensee, the details of which are given below.

**Table-10**  
**KPUPL- Truing up of accounts**  
**Salary details of the employees working for the year 2011-12**

<b>Category</b>	<b>working strength</b>	<b>Salary and other claims (Rs lakh)</b>	<b>Average monthly salary (Rs. Lakh)</b>
Chief Executive Officer	1	28.75	2.40
Asst: Engineer	1	17.50	1.46

22. As per clause 15(3) of KSERC (Terms and Conditions of Tariff for Retail Sale of Electricity) Regulations, 2006, O&M Expenditure ie., employee cost, administration and general expenses, repairs and maintenance expenses and other miscellaneous expenses may be indexed to predetermined indices such as Consumer Price Index, Wholesale Price Index or a combination of both indices to 70% of CPI and 30% of WPI. For the purpose of indexing the employee cost, 2009-10 can be taken as the base year, since the new entity KPUPL has started operation in 2009-10.

Accordingly, based on the submissions made by the licensee and the provisions of regulations, the Commission approves the employee costs of Rs.19.44 lakh based on the weighted average of CPI:WPI at the ratio of 70:30 as given below.

**Table - 11**  
**KPUPL- Truing up of accounts**  
**Computation of Employee costs based on CPI:WPI for 2011-12**

Particulars	2009-10	2010-11	2011-12
	Rs.lakh	Rs.lakh	Rs.lakh
<b>Yearly increase at CPI:WPI basis</b>		10.18%	8.55%
<b>Employee cost</b>	16.25	<b>17.90</b>	<b>19.44</b>

23. **Repairs and Maintenance Charges:** In the application for ARR for the year 2011-12, KPUPL claimed R&M cost at Rs 52.22 lakh for the year 2011-12 as against the actual R&M expense of Rs 20.58 lakh for the year 2008-09. However, the Commission had approved the R&M expenses at Rs 52.22 lakh as claimed by the licensee for the year 2011-12, subject to the condition that in the truing up process prudent expenses relating to distribution function alone shall be allowed. As per the application for truing up, the actual R&M expense claimed by the licensee is Rs 40.34 lakh.
24. Based on the submissions made by the licensee and the modalities followed by the Commission, the R&M expenses can be worked out as per sub-regulation (3) of regulation 15 of the Tariff regulations, for the financial year 2011-12 based on the weighted average of CPI:WPI in the ratio of 70:30, as given below, taking 2009-10 as the base year.

**Table - 12**  
**KPUPL- Truing up of accounts**  
**R&M expenses approved for 2011-12**

Particulars	2009-10	2010-11	2011-12
	Rs.lakh	Rs.lakh	Rs.lakh
<b>Yearly increase at CPI:WPI basis</b>	9.80%	10.18%	8.55%
<b>R&amp;M Expenses</b>	22.52	<b>24.81</b>	<b>26.93</b>

25. **Administration and General Expenses:** While approving the ARR for the year 2011-12, the Commission had approved the A&G expense of the licensee for the year 2011-12 at Rs 26.83 lakh, by allowing an increase of 15% on the A&G expenses approved for the year 2010-11. The Commission further clarified in the order that, it shall scrutinize the A&G expenses more closely at the time of truing up of accounts. In the application for truing up, the licensee has claimed the A&G

expense at Rs 57.50 lakh, which include Rs 33.08 lakh towards section-3 electricity duty. As per the section-3 of the Kerala Electricity Duty Act-1963, the section-3 is a statutory levy and it cannot be passed on to the consumers. The relevant section of the Kerala Electricity Duty Act-1963 is extracted below.

26. The duty under Section 3(1) of the Kerala Electricity Duty Act, 1963, is a statutory levy. Section 3 of the said Act is quoted hereunder,-

*“3. Levy of electricity duty on sales of energy by licensees. -  
(1) Save as otherwise provided in sub-section (2); every licensee in the State of Kerala shall pay every month to the Government in the prescribed manner, a duty calculated at 6 nayepaise per unit of energy sold or a price more than 12 nayepaise per unit;  
Provided that no duty under this sub-section shall be payable by the Kerala State Electricity Board on the energy sold by it to another licensee.  
(2) Where a licensee holds more than one licence, duty shall be calculated and levied under this section separately in respect of each licence.  
(3) The duty under this Section on the sales of energy should be borne by the licensee and shall not be passed on to the consumer.”*

From the above statutory provision it can be found that,-

- (i) the electricity duty under Section 3 (1) of the Kerala Electricity Duty Act, 1963, is payable by the licensee to the Government
  - (ii) the duty shall be calculated at the rate of 6 paise per unit of energy which is sold at a price of more than 12 paise per unit.
  - (iii) duty shall be calculated only on the energy sold.
  - (iv) the duty paid by the licensee under Section 3 (1) cannot be passed on the consumer and therefore it cannot be claimed as an expenditure in the ARR.
27. The amount of electricity duty under Section 3 (1) of the Kerala Electricity Duty Act,1963, cannot be admitted as an item of expenditure in view of the above statutory provisions. The Commission has, in its previous orders too has, taken this stand on the issue relating to electricity duty payable by the licensee under Section 3 (1) of the Kerala Electricity Duty Act. Based on the submissions made by the licensee and the modalities followed by the Commission hitherto the A&G expenses

worked out as per the sub-regulation (3) of regulation 15 of the Tariff Regulations, for the financial year 2011-12 based on CPI:WPI at 70:30 basis as given below.

**Table - 13**  
**KPUPL- Truing up of accounts**  
**Computation of A&G expenses approved for 2011-12**

	2009-10	2010-11	2011-12
	Rs.lakh	Rs.lakh	Rs.lakh
<b>Yearly increase at CPI:WPI basis</b>	9.80%	10.18%	8.55%
<b>A&amp;G expenses</b>		<b>23.33</b>	<b>25.33</b>

28. **Return on Equity:** While approving the ARR&ERC for the year 2011-12, the Commission had approved Rs 10 lakh as return on investment for the year 2011-12. In the application for truing up, the licensee has claimed return at 3% on the net fixed assets at the beginning of the year 2011-12. The reason stated by the licensee is that the return on equity is claimed at the rate of 3% of the value of net fixed assets employed at the beginning of the year. No asset was transferred by the then licensee KEPIP to KPUPL during the financial year 2011-12 though KPUPL has taken over the function of supply of electricity within the licensed area with effect from 01.02.2010. Until the asset transfer deed is executed between KEPIP and KPUPL, the value of the physical assets cannot be considered as part of equity of the present licensee. If the licensee had actually invested any amount as equity, return on such amount of equity can be approved subject to a maximum limit of 30% of the capital expenditure, considering the debt-equity ratio of 70:30. The Commission is, therefore, of the considered view to allow Rs.10 lakh as return on equity for the financial year 2011-12 for the purpose of truing up of accounts as was done hitherto.
29. **Tax Expenses:** While approving the ARR for the year 2011-12, the licensee had not claimed any tax expenses for the year 2011-12, and the Commission had not approved any tax liability. In the application for truing up, in the summary table, the licensee has claimed Rs 82.79 lakh as tax expenses. But the licensee has not submitted any explanation on the same. Though tax is an uncontrollable item, without necessary and sufficient details with supporting documents, the Commission cannot approve the tax liability, as claimed by the licensee for the year 2011-12. Hence the claim for tax liability is not approved.
30. **Total Expenses:** - Based on the submissions made by the licensee in the application for truing up of accounts, responses during the hearing, comments

made by KSEB Ltd, the analysis and the decision of the Commission the total expenses approved for the purpose of truing up of accounts for the financial year 2011-12 including the return on equity are tabulated hereunder.

**Table - 14**  
**KPUPL – Truing up of accounts**  
**Aggregate Revenue Requirement approved for the year 2011-12**

Particulars	ARR Approved (Rs.Lakh)	Truing up	
		Claimed (Rs.Lakh)	Approved (Rs.Lakh)
Power Purchase cost	2048.00	1818.88	1795.66
Repair & Maintenance	52.22	40.34	26.93
Employee costs	39.13	46.25	19.44
A & G Expenses	26.83	57.50	25.33
Depreciation	55.30	81.12	-
Interest & Finance Charges	0.00	16.64	-
Tax Expenses	0.00	82.79	-
Return on equity	10.00	54.18	10.00
<b>Total Expenses</b>	<b>2231.48</b>	<b>2197.70</b>	<b>1877.36</b>

31. **Revenue from Sale of Energy:** In the order dated 03-01-2012, the Commission had approved the revenue from sale of 55.11 MU at Rs 2231.79 lakh at the average revenue realization of Rs 4.05/unit. In the application for approval for truing up of accounts, the licensee has claimed revenue from sale of 54.57 MU as Rs 2208.63 lakh at the average realization of Rs 4.04/unit. The details are given below.

**Table-15**  
**KPUPL- Truing up of accounts**  
**Revenue from sale of power approved for the year 2011-12**

Sale of Power	ARR order			Application for truing up		
	Sale (MU)	Revenue (Rs. Lakh)	Avg. realization (Rs/unit)	Sale (MU)	Revenue (Rs. Lakh)	Avg. realization (Rs/unit)
HT/DHT Consumers	50.2	2017.7	4.02	49.3	1981.3	4.02
LT Consumers	4.8	196.9	4.11	4.82	184.8	3.83
Temp. Connections	0.2	17.1	10.08	0.45	39.6	8.80
Total	55.1	2231.8	4.05	54.57	2205.7	4.04
Recovery of electricity duty and other State levies					81.87	
Misc. charges from consumers					2.24	

Fuel Surcharge					71.08	
Other Receipts						
Gross Revenue from sale of Power					2360.88	
<b>Less</b>						
Electricity duty collected u/s 4 of Kerala Electricity Duty Act and payable to Govt.					68.85	
Other State levies					83.40	
Net Revenue from sale of power					2208.63	

32. The licensee has reported an amount of Rs.2360.88 lakh towards gross revenue from sale of energy for the financial year 2011-12. In the ARR & ERC order, the revenue from sale of energy approved by the Commission is Rs.2231.79 lakh. The amount of gross revenue from sale of energy reported by the licensee includes the following items also,-

- (1) Electricity Duty under Section 4 of the Kerala Electricity Duty Act, 1963, which has to be remitted to the Government
- (2) Fuel Surcharge collected by the licensee which has to be paid to KSEB Ltd.

33. The licensee has not furnished any evidence to substantiate the claim towards the payment of Electricity Duty under Section 4 of the Kerala Electricity Duty Act, 1963 and other state levies. It is directed that the licensee shall furnish the details of other state levies paid to the Government and fuel surcharge paid to KSEB. In the meantime, the Commission approves the revenue from sale of power at Rs. 2208.63 lakh for purpose of truing up of accounts for the financial year 2011-12 as shown below.

**Table - 16**  
**KPUPL – Truing up of accounts**  
**Revenue from sale of energy approved for the year 2011-12**

<b>Particulars</b>	<b>ARR (Rs.lakh)</b>	<b>Truing up (Rs.lakh)</b>
<b>Claimed</b>	<b>2097.47</b>	<b>2208.63</b>
<b>Approved</b>	<b>2231.79</b>	<b>2208.63</b>

34. **Non-Tariff Income:** The non-tariff income includes interest on investments in fixed deposits as well as miscellaneous receipts. The details of non-tariff income are reported below:

**Table - 17**  
**KPUPL – Truing up of accounts**  
**Details of Non-Tariff income reported by the KPUPL for the year 2011-12**

Particulars	Rs.lakh
Interest on Bank Fixed Deposits	33.97
Misc. recoveries	24.59
Interest from Income tax refunds	0.42
<b>Total</b>	<b>58.98</b>

35. Non-tariff income as per the truing up application for 2011-12 is Rs.58.98 lakh against the approved amount of Rs.17.25 lakh. As mentioned earlier, the licensee has to receive interest on the security deposit furnished to KSEBL and the same has to be accounted as non-tariff income. The licensee has booked Rs.16.64 lakh as the interest on this item under interest and financing charges. The same is to be considered as non-tariff income. The increase in non-tariff income is mainly due to the interest received from bank fixed deposits and miscellaneous recoveries. However, the interest on the accumulated surplus of Rs.2128.71 lakh for the years from 2004-05 to 2010-11 is not accounted by the licensee under this head. Therefore, interest at the rate of 9% on the accumulated surplus of Rs.2128.71 lakh i.e., Rs.191.58 lakh is to be accounted after deducting the interest on bank fixed deposits booked by the licensee amounting to Rs.33.97 lakh. The Commission, therefore, approves an amount of Rs.233.23 lakh towards non-tariff income for the purpose of truing up of accounts for the financial year 2011-12 as detailed below.

**Table - 18**  
**KPUPL – Truing up of accounts**  
**Details of Non-Tariff income approved for the year 2011-12**

Particulars	Claimed (Rs.lakh)	Approved (Rs.lakh)
Interest on Bank Fixed Deposits	33.97	33.97
Other miscellaneous receipts	24.59	24.59
Interest from income tax refunds	0.42	0.42

Interest on security deposit held with KSEB	0.00	16.64
Interest on accumulated surplus less interest on bank deposits (Rs.191.58 lakh – Rs.33.97lakh)		157.61
<b>Total</b>	<b>58.98</b>	<b>233.23</b>

36. **Revenue Surplus/(gap):** The Commission, after duly considering the application of the licensee for truing up of account for the year 2011-12, clarifications and the additional details submitted by the licensee thereon along with the comments/objections of KSEB Ltd, hereby approves the revenue surplus of Rs.565.40 lakh in the truing up of accounts for the financial year 2011-12 as tabulated below:

**Table - 19**  
**KPUPL- Truing up of accounts**  
**Revenue Surplus/ Gap for the year 2011-12 after truing up**

Particulars	ARR	Truing UP	
	Approved	Claimed (Rs.lakh)	Approved (Rs.lakh)
	(Rs.lakh)		
Revenue from Sale of Power	2,231.79	2,208.63	2,208.63
Non – Tariff Income	17.25	58.98	233.23
<b>Total Revenue</b>	<b>2,249.04</b>	<b>2,267.61</b>	<b>2,441.86</b>
Power Purchase cost	2,048.00	1,818.88	1,795.66
Repair & Maintenance	52.22	40.34	26.93
Employee costs	39.13	46.25	19.44
A & G Expenses	26.83	57.50	25.33
Depreciation	55.30	81.12	-
Interest & Finance Charges	-	16.64	-
Tax Expenses	-	82.79	-
Return on equity	10.00	54.18	10.00
<b>Total Expenses</b>	<b>2,231.48</b>	<b>2,197.70</b>	<b>1,877.36</b>
<b>Revenue Surplus(+)/Deficit(-)</b>	<b>(+)17.56</b>	<b>(+)69.91</b>	<b>(+)564.50</b>

37. The revenue surplus for the year 2011-12 after truing up of accounts is Rs.564.50 lakh as against a revenue surplus of Rs.69.91 lakh presented by the



licensee as per the truing up application. The accumulated revenue surplus after truing up of accounts till 2011-12 is Rs.2693.21 lakh, which includes Rs.564.50 lakh as approved in this order.

### **Orders of the Commission**

38. After considering the application for approval of truing up of accounts of M/s KPUPL, the clarifications thereon, comments of the KSEB and the explanations thereon submitted by the M/s KPUPL, the Commission hereby determines a revenue surplus of Rs.564.50 lakh for the year 2011-12 after the truing up of accounts. The accumulated surplus at the end of the financial year 2011-12 is Rs.2693.21 lakh.
39. The application is 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