

**KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM**

Present: Shri. R. Preman Dinaraj, Chairman
Shri. Adv. A.J Wilson, Member (Law)

OP No.50/2020

**In the matter of : Truing up of accounts of M/s Cochin Port Trust
(CoPT) for the financial year 2019-20**

**Date of Hearing : 1st Hearing on 08-02-2021 at Conference Hall, Cochin
Port Trust**

ORDER DATED 21/06/2021

1. M/s Cochin Port Trust (CoPT) (hereinafter referred to as CoPT or the licensee or the petitioner) is a deemed distribution licensee under the proviso to Section 14 of Electricity Act 2003. The Commission has granted permission to CoPT to extend its power distribution area to the SEZ at Vallarpadam and Puthuvypeen in Eranakulam District in Kerala State. The Distribution Business Unit of CoPT performs the distribution of electricity across the entire W/Island area, Vallarpadam and Puthuvypin areas. CoPT is having 2 power injection points, one at Willington Island area under 110kV system with contract demand of 6500 kVA and another at Vallarpadam SEZ area under 11 kV with contract demand of 3000 kV. The licensee has filed the petition for the Truing Up of accounts for the financial year 2019-20 (Second year of the control period 2018-19 to 2021-22) in compliance of the provisions of KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2018 (hereinafter referred to as Tariff Regulations, 2018)
2. M/s Cochin Port Trust (CoPT) has submitted the audited accounts for truing up for the financial year 2019-20 vide letter No. FD/Costing/Truing-up 2019-20/2020 dated 30-11-2020. The Commission had issued the Order on the ARR&ERC for the control period 2018-19 to 2021-22 on 30-10-2019. As per this Order the Commission had approved a revenue surplus for the period 2019-20 is **Rs.137.20 lakh**. Now CoPT in the Truing Up of accounts petition for the 2019-20 shows a revenue gap of **Rs.843.13 lakh**. A comparison of the approved ARR&ERC for the year and the amounts claimed by the licensee as per the

petition filed for truing up of accounts and previous year amounts claimed by the licensee and trued up amount is tabulated as hereunder.

Table 1
Comparison of Truing Up for 2018-19 and 2019-20

Particulars	2018-19		2019-20		
	Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)	Approved in ARR (Rs. lakh) (A)	Truing Up Petition (Rs. lakh) (B)	Variance (Rs. lakh) (B)-(A)
Revenue from sale of power	2929.27	2929.27	3212.44	3342.39	129.95
Other income	42.57	285.42	255.77	48.92	-206.85
Total income	2971.84	3214.69	3468.21	3391.31	-76.90
Power Purchase Cost	2402.18	2402.18	2580.59	2582.07	1.48
R&M Expenses	24.89	26.55	21.36	28.15	6.79
Employee cost	925.86	364.42	382.06	811.73	429.67
A&G Expenses	68.77	82.63	52.87	73.11	20.24
Depreciation	178.58	178.58	185.05	180.22	-4.83
Interest charges on loan term loans	473.05	468.51	0.00	443.33	443.33
Interest on Working Capital	11.04	6.42	5.51	11.02	5.51
Interest on consumer security deposits	28.97	28.97	32.76	33.20	0.44
Return on NFA	76.68	76.68	70.81	71.60	0.79
Total Expenditure	4190.02	3634.94	3331.01	4234.43	903.42
Revenue Surplus (+)/ Gap (-)	-1218.19	-420.25	137.20	-843.13	

3. After receiving the petition, the Commission sought clarifications on the petition vide letter dated 03-02-2021 and the licensee has furnished the clarification by letter dated 15-02-2021.

Hearing on the Matter

4. Hearing on the petition was conducted at the Conference Hall of Cochin Port Trust on 08-02-2021 at 11.00 A.M. Sri V.Thuraipandian, Chief Mech. Engr, CoPT, Smt.Rajashree K Dabke, Sr.Dy CAO, CoPT, Smt Latha Menon.G, Superintending Engineer Electrical, CoPT , Smt. Surya.G, Sr.AO , CoPT and other officers represented the petitioner. Smt.Rajashree K Dabke briefed the details of the petition and responded to the queries of the Commission. The main points submitted in the petition are briefed below.

- Revenue from sale of power is Rs.3342.39 lakhs for the energy sale of 367.34 lakhs units and the Non-Tariff Income is claimed as Rs.48.92

lakhs.

- The number of Consumers has decreased by 140 numbers from 1264 No's in the previous year to 1224 No's in the current year. The major decrease was in the LT category. However, as the HT category has consumed 271.80 lakh units in current year as against 244.44 lakh units in the previous year. The total number of units sold has increased from 347.24 lakh units (2018-19) to 367.34 lakh units (2019-20).
- The total energy purchased from KSEB for the year was 374.37 lakh units as against 354.29 lakh units in the immediate previous year and 384.61 lakh units as per approved in ARR&ERC.
- Power purchase cost for the year claimed in the petition is Rs.2582.07 lakhs for purchase of 374.37 lakhs units. The distribution loss for the year 2019-20 is 1.88% which is lower than the distribution loss of 1.99% in the previous year and higher than 1.85% approved in ARR&ERC for the year 2019-20.
- Employee cost of Rs.811.73 lakh and R&M expenses of Rs.28.15 lakhs claimed is higher than the approved level in ARR&ERC i.e., Rs.382.06 lakhs and Rs.21.36 respectively.
- Rs.420.19 Lakhs claimed as Interest and finance charges on loans of Govt of India.
- Rs.71.60 Lakhs is claimed as return on net fixed assets @3%.
- The licensee has presented the 2019-20 accounts with a revenue deficit of Rs.843.13 lakhs as against a revenue surplus of Rs.137.20 lakhs as per approved in ARR&ERC.

5. KSEB Ltd had vide their letter No. KSEB/TRAC/CPT/R3/1342 dated 10-02-2021 filed their counter statement/comments. The major points raised by KSEB Ltd are the following:

- i. The licensee's distribution expenses other than power purchase cost are exorbitantly high compared to the approved level in the ARR.
- ii. The power generated through internal generation is not considered for calculation of gross units.
- iii. The O&M expenses claimed in the truing up is 100% more than the approved cost. O&M expenses being controllable to be limited to the approved level.
- iv. The per unit realization is not seen increased compared to the previous year despite their being an upward revision in tariff.

- v. Working capital interest need not be allowed since there is accumulated revenue surplus.
- vi. The claim made by the licensee under power purchase tally with the accounts of KSEB Ltd.
6. Representatives from various organisations were present at the meeting. Shri. Deeraj Ambati AM(LPG), IOCL ,Shri Nagaraja Pillai , CE ,Taj Malabar, Shri Nitesh kumar, Ultra tech cement, and Shyam sunder Penna cement were a few of them.
7. Shri. Deeraj Ambati AM(LPG), IOCL (Indian Oil Corporation Limited) raised apprehension about vailing power for their new project at Willingdon Island, Cochin for which CoPT is unable to supply since the system needs upgradation. CoPT informed that if the cost is remitted upfront, they will be able to give supply.
8. The Commission directed the licensee to submit additional details in the hearing, on or before 12/03/2021. The licensee has furnished the details vide letter dated 12-03-2021.

Analysis and Decision of the Commission

9. The Commission considered the licensee's 2019-20 Truing Up petition, the additional clarifications and submissions and the comments of KSEB Ltd as per the provisions of the Tariff Regulation 2018. The analysis and decisions of the Commission on the Truing Up petition for the year 2019-20 are detailed below.

No. of Consumers & Sale of power

10. The energy sale for the year 2019-20 as per the petition is 367.34 lakh units, as against the approved sale of 377.49 lakh units in the ARR i.e., a difference of 10.15 lakh units. A comparison of the actual sale of power for the different consumer categories for the year 2018-19 and 2019-20 is given below:

Table 2

Tariff category wise number of consumers and sales for the year 2018-19 & 2019-20

Particulars	2018-19 Truing Up Petition		2019-20 Truing Up Petition	
	Number of consumers	Units Sold (lakh units)	Number of consumers	Units Sold (lakh units)
LT I	552	8.68	525	8.72
LT II	2	3.31	2	3.52
LT IV A	2	0.40	1	0.13
LT VI A	14	3.19	13	2.19
LT VI B	36	4.39	30	3.21
LT VI B (G)	19	0.76	20	1.25

LT VI C	8	1.84	8	1.85
LT VI C (G)	12	0.57	12	0.53
LT VI F	5	1.08	5	2.26
LT VIIA Single Phase	328	3.37	310	3.28
LT VIIA Three Phase	188	37.39	205	36.24
LT VII C	4	0.53	2	0.22
LT VIII B - Street Lights	4	18.14	3	0.08
Income from Self Consumption	61	19.16	54	32.05
HT I (A) Industry	1	5.38	1	6.52
HT II (A)	4	8.86	5	11.68
HT II B Central Govt	1	4.03	1	4.11
HT IV (A) Commercial	23	226.17	23	233.21
HT IV (B) Hotel	-	-	4	16.28
Total	1264	347.24	1224	367.34

11. As seen above, the number of consumers during 2018-19 was 1264 and the sale was 347.24 lakh units. The number consumers have decreased to 1224 and sales units increased to 367.34 lakh units respectively during 2019-20. The major share of the sale (233.21 lakh units) is to the HT IV (A) Commercial category having 23 consumers. Compared to the previous year, sale to HT Category has increased from 244.44 lakh units to 271.80 lakh units. The decrease in the number of consumers compared to the previous year are under the category of LT I, LT VIIA Single Phase and self- consumption. **After examining the details furnished by the licensee, the Commission approves the licensee's energy sales of 367.34 lakh units as per the 2019-20 truing up petition.**

Energy requirement and Distribution Loss:

12. The licensee in their truing up petition has submitted details of energy purchase, sales, distribution loss, etc. As per their statement, the energy purchased for 2019-20 is 374.37 lakh units. In contrast, for the year 2018-19 the energy purchased was 354.29 lakh units. The Commission in the Order of ARR&ERC for the year 2019-20 has approved a distribution loss of 1.85%. The licensee in their truing up petition has claimed the distribution loss at 1.88% for the year 2019-20. The details of distribution loss for the years 2018-19 & 2019-20 are tabulated below.

Table 3
Comparison of Distribution Loss

Year	2018-19		2019-20	
	Truing Up Petition	Trued Up	ARR Approved	Truing Up Petition
Energy sales (lakh unit)	347.24	347.24	377.49	367.34
Energy Requirement (lakh unit)	354.29	354.29	384.61	374.37
Distribution loss (lakh unit)	7.05	7.05	7.12	7.03
Distribution loss (%)	1.99%	1.99%	1.85%	1.88%

13. In the previous Truing Up Order (dated 21-04-2020) the Commission has excluded the solar PV plant generation for the purpose of estimating the distribution loss. This was due to the reason that the licensee had used this generation for self- consumption (for CoPT installations) under the net metering mode. Hence, the licensee had excluded this self-generation from the total energy available in their petition. In 2019-20 the licensee did not provide the details of solar generation in their petition. Hence, the Commission sought the details as clarifications. The licensee in their submission dated 15-02-2021 clarified that 3.27 lakhs units was generated during the FY 2019-20 which have been accounted towards self-consumption.
14. The Commission noted that the licensee has successfully reduced the distribution loss to 1.88% as against the actual distribution loss of 1.99% in the year 2018-19. The distribution loss approved in the ARR & ERC Order dated 30-10-2019 was 1.85%. The licensee has not given any justification for the higher distribution loss compared to the ARR & ERC approved figure. Regulation 12 (2) of Tariff Regulations 2018 requires that, if the actual distribution loss is higher than the approved level of distribution loss, then the quantum of power purchased corresponding to the excess distribution loss shall be disallowed at the average cost of power purchase as per the provisions of Clause 72(4) of the Tariff Regulations 2018. The relevant portion of the Regulations is shown below
“72. Distribution loss:

(4) Any variation between the actual level of distribution losses and the approved level of distribution losses shall be dealt with, as part of the truing up of the respective financial year in the Control Period, in the following manner: -

- a) If the actual distribution loss is higher than the approved level of distribution loss for any particular financial year of the Control Period, then the quantum of power purchased corresponding to the excess distribution*

loss for that financial year, shall be disallowed at the average cost of power purchase for the respective financial year;

b) If the actual distribution loss is lower than the approved level of distribution loss for any particular financial year of the Control Period, then the savings in power purchase cost corresponding to the difference in distribution loss for that financial year at the average cost of power purchase for the respective financial year, shall be shared between the distribution business/licensee and the consumers in the ratio of 2:1.”

15. As seen from the above Regulation, the licensee is to adhere to the distribution loss as approved by the Commission in the ARR & ERC for the respective year. However, as mentioned earlier, the licensee has been able to achieve significant progress in reducing the distribution loss compared to the previous year. Keeping this factor in mind the **Commission hereby approves the actual distribution loss of 1.88% as submitted in the Truing Up petition.** The Commission also directs the licensee to strictly adhere to the approved ARR percentages as mentioned in the Commission’s Order on Application No. OA 7/2019 for the rest of the Control Period. Based on the above consideration, the Commission hereby approves the energy requirement for the year 2019-20 for the purpose of truing up of accounts as shown below.

Table-4

Approved distribution loss & Energy requirement for 2019-20

Particulars	2019-20		
	ARR Approved	As Per Truing Up Petition	Approved in Trued Up
Total Energy Sales (lakh units)	384.61	367.34	367.34
Distribution loss %	1.85%	1.88%	1.88%
Distribution loss (lakh units)	7.12	7.03	7.03
Energy Requirement (lakh units)	377.49	374.37	374.37
Excess Distribution Loss Units in lakhs			NIL

Power purchase cost:

16. The licensee has claimed an amount of Rs.2582.07 lakh as power purchase cost for the year 2019-20 for a purchase of 374.37 lakh units. The Commission while approving the ARR&ERC for the year 2019-20 had approved a power purchase cost of Rs.2580.59 lakh for a purchase of 384.61 lakh units. This amount also included power purchase from KSEB Ltd (Rs.2451.61 lakh), Own generation (Solar) (Rs.24.00 lakh) and Open access power (Rs.104.98 lakhs). Compared to

the previous year 2018-19 (Rs.6.78/per unit) average power purchase cost increased in the year 2019-20 (Rs.6.90/per unit). The power purchase cost claimed by the licensee is shown below.

Table 5
Details of cost of power purchase claimed for the year 2019-20

Particulars	Actual Claimed by the licensee		
	W/Island	Vallarpadam	Total
Energy purchase (In lakh units)	282.52	91.85	374.37
Contract Demand (KVA)	66879	27018	93897
Maximum Demand (KVA)	6023	1776	7799
Demand Charges (Rs. /KVA)	300/340	300/340	300/340
Total Demand charges (Rs in lakh) (A)	220.05	88.90	308.95
Energy Charges (Rs. /KWh)	6.00/6.10	6.00/6.10	6.00/6.10
Total energy Charges (Rs.in lakhs) (B)	1715.93	557.19	2273.12
Cost of power purchase (A) +(B) (Rs.in lakh)	1935.98	646.09	2582.07
Average Power Purchase Cost (Rs. / per unit)			6.90

17. As per the provisions of clause 72(4) of the Tariff Regulations, 2018, the quantum of power purchased corresponding to the approved distribution loss only is allowed at the average cost of power purchase. In view of the approval of actual distribution loss of 1.88% as submitted in the Truing Up petition, the Commission allows the actual expenditure on purchase of 374.37 lakh units from KSEB Ltd at a cost of Rs.2582.07 lakh. **Accordingly, the Commission hereby approves Rs. 2582.07 lakhs as power purchase cost for the year 2019-20.**

O&M Expenses

18. Operation & maintenance are controllable and includes expenses like Employee cost, Repair & Maintenance Expenses and Administrative & General Expenses. The admissibility of Operation & Maintenance expenses to Cochin Port Trust are governed by Regulation 79 (7) of Tariff Regulations 2018 and the relevant portion of the regulation is extracted below:

“79. Operation & Maintenance expenses.....

*.....
(7) The distribution business of Cochin Port Trust (CPT) shall be allowed to recover operation & maintenance expenses as per the norms specified in Annexure –IX to these Regulations of each financial year of the Control Period.”*

The Commission as per Regulation 79(7) of the Tariff Regulations, 2018 had approved the operation & maintenance cost of Cochin Port Trust for the Control

Period in the ARR Order dated 30-10-2019 and Rs. 456.29 lakh was approved for the year 2019-20. While Truing up of Accounts for the year 2018-19, the Commission had approved only Rs.473.60 lakh towards operation & maintenance expenses against the claim of Rs.1019.52 lakh by the licensee. In the Truing Up petition for 2019-20 the licensee has claimed Rs.912.99 lakh as Operation and maintenance expenses. This exceeds the ARR approved limit of Rs. 456.29 lakh by Rs.456.70 lakh. A comparison of the claim made by the licensee and the normative amount approved by the Commission is shown below.

Table 6
Details of O&M Expenses claimed for the year 2019-20

Particulars	2019-20		Difference	% increase over the ARR approvals
	ARR Approved (Rs. lakh)	Truing Up Petition (Rs. lakh)		
Employee cost	382.06	811.73	429.76	112.48%
R&M Expenses	21.36	28.15	6.79	31.79%
A&G Expenses	52.87	73.11	20.24	38.28%
Total O&M Expenses	456.29	912.99	456.70	100.09%

19. From the above table, it can be seen that all the three components of the Operation and Maintenance expenses claimed is substantially higher than the approved figures in the ARR Order dated 30-10-2019. Further, during the truing up of 2018-19, against a total claim of Rs. 1019.52 lakh, the single largest contributor was Employee cost, which stood at Rs. 925.86 lakh, i.e., 90.81%. This is definitely not a desirable situation. Hence, the Commission had directed the licensee in the truing up Order dated 21-04-2020 to work out the employee requirements as per the CEA norms and get it approved from the Commission within four months from the date of the Order. Though over a year has since elapsed, the licensee has not so far complied with this direction. This lapse is viewed seriously by the Commission. However, as the part of the truing up process each item of the O&M expenses claimed by the licensee for the year 2019-20 is analysed below.

Employee cost

20. The licensee in their truing up petition has claimed the employee cost for the year 2019-20 as Rs.811.73 lakh. Though there is a reduction from the 2018-19 claim of Rs.925.86 lakh, even then this expense is significantly higher than the amount approved of Rs.382.06 lakh by the Commission in the ARR&ERC Order. A comparison of the employee cost for the current year 2019-20 and previous year 2018-19 is shown below.

Table 7
Comparison of Employee cost claimed for the year 2018-19 & 2019-20

Particulars	2018-19		2019-20	
	Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)	ARR Approved (Rs. lakh)	Truing Up Petition (Rs. lakh)
Salaries & wages	819.97	364.42	382.06	722.81
PLR	13.09			8.03
Overtime	1.04			0.45
Total	834.11			731.29
Add: Terminal Benefits @ 11%	71.75			80.44
Grand Total	925.86	364.42	382.06	811.73
Number of employees	83			79

21. As against the claim of Rs.925.86 lakh in 2018-19, the Commission had approved only Rs.364.42 lakh as per the norms in the Tariff Regulations, 2018. The Commission had in the truing up Order of 2018-19 directed the licensee to assess the impact of wage revision and to submit the relevant details to the Commission within three months of the Order. Again, the licensee has failed to comply with the Commission's Orders. Instead, the licensee has stated that the number of employees deployed for the distribution business has been reduced from 83 to 79 employees. It is true that, the number of employees deployed for distribution business has decreased from 83 to 79 in 2019-20 and the total employee cost has also decreased from Rs.925.86 lakh to Rs.811.73 lakh in 2019-20. But even in these circumstances, the number of consumers per employee stood at 15.49, again an unacceptable situation.
22. The Commission as a part of clarification sought the deployment details of employees in 2019-20 and the detailed split up of employee cost. In the clarifications, the licensee has not furnished relevant supporting details to justify their claims.
23. The Commission notes that, even though there is a reduction in the number of employees, the licensee has not evolved any norms for employee deployment, in spite of operating over many decades. The Commission's analysis reveals that, the number of consumers per employee is just 15.49. This is highly disproportionate, and the Commission is constrained not to accept this figure.
24. As per Regulation 12(2) of the Tariff Regulations 2018, operation and maintenance expenses which includes employee cost, is a controllable expenditure. The Commission has also considered the same issue at the time of issuing the ARR&ERC Order (dated 30-10-2019). The relevant portion of the Order is given below.

“33. Commission while truing up the accounts for the previous year had noted that the share of number of employees allotted to distribution business is not commensurate with the size of operations. Coupled with increase in pay and allowances over the years, the employee cost in distribution business has become disproportionate. Accordingly, during the previous years, the Commission had decided to allow only the amount approved as per the tariff regulations.”

25. However, in spite of directions to the licensee, there is no effort on the part of the licensee to address this issue. The Commission cannot accept such tardiness on the part of the licensee and hence has decided to adhere to the ARR & ERC approved cost.
26. **Accordingly, the Commission hereby approves the employee expenses for 2018-19 as Rs. 382.06 lakh the same as approved in the ARR&ERC Order. In case, the licensee desires to appeal against this approval, they are given one last chance to file complete employee details, their levels, qualifications, place of posting, numbers, etc. for consideration within three months of the date of release of this Order. The licensee is specifically informed that no further chance in this regard shall be provided and the complete responsibility for this shall rest solely with the licensee.**

Table 8
Employee cost approved for Truing Up 2019-20

Particulars	Approved ARR (Rs lakh)	As per Truing Up Petition (Rs lakh)	Trued Up (Rs lakh)
Employee Cost	382.06	811.73	382.06

Repair and Maintenance Charges

27. The Repair and Maintenance (R&M) cost incurred by the licensee for the year 2019-20 is Rs.28.15 lakh as against the ARR & ERC approved cost of Rs.21.36 lakh. The licensee's claim on this account is higher than the norms as per KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2018. The claim made by the licensee in their truing up petition is given below:

Table 9
Repair and Maintenance claimed for the year 2018-19 & 2019-20

Particulars	2018-19		2019-20		% increase over previous year
	Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)	ARR Approved (Rs. lakh)	Truing Up Petition (Rs. lakh)	
Plant and machinery	21.82	26.55	21.36	28.15	29.01%
Vehicles	3.07			-	
Total	24.89	26.55	21.36	28.15	

28. There is an increase of Rs.3.26 lakhs in the R&M expense in 2019-20 compared to the previous year 2018-19. The licensee had vide clarification dated 15-02-2021 submitted that, there were more repairs in 110 KV substations due to aging of the equipment's like battery chargers, relay units etc. Further, the 110KV substation was commissioned in 2009 and the current repairs and replacement of the defective components have increased due to aging. The licensee has also furnished the split-up details of materials and labour cost of R & M expenses. The details are furnished below.

Table 10
Split Up of Repair and Maintenance for the year 2019-20

Sl. No	Description of purchase / work	Rs. in lakhs
1	110 kV Transformer oil purchase	2.10
2	12 V 42 AH battery for 110 kV UPS	0.35
3	Metrosil rely	0.89
4	Gaskets and spares for 110 KV transformer	0.39
5	Oil leakage rectification TELK	0.44
6	Surge arrestor replacement work	0.29
7	LT cable purchase	5.71
8	Diesel consumption	2.28
9	Special repair& Maintenance	8.00
10	Repairs and maintenance ordinary	4.04
11	Minor works	1.14
12	Service wires	0.76
13	HT Fuse	0.49
14	MCB, RCCB etc.	0.25
15	200 A SFU with HRC fuses	0.07
16	12 Volt 42 AH SMF battery	0.27
17	HT Indoor termination kit	0.16
18	Junction boxes	0.17
19	HT bushes	0.20
20	LT insulation tester	0.09
21	Calibration of instruments	0.07
Total		28.15

29. As per the split up details submitted by the licensee vide letter dated 15-02-2021, the main expense were Rs.8.00 lakhs towards special repair & maintenance and Rs.5.71 lakh towards LT cable purchase. Another major expense is Rs.4.04 lakh, claimed under the 'repairs and maintenance ordinary'. The licensee further clarified that, there was no one time / extra ordinary expenses incurred during 2019-20. However, increase in R & M expenses is mainly due to replacement of equipment/ components at 110 kV substation and repair of 110 KV transformer by OEM etc. due to aging equipment and expiry of life span of surge arrestors and batteries.
30. The Commission has duly considered the licensee's submission. The Commission notes that for maintaining the quality and reliability of supply, the licensee is required to periodically incur expenditure either in routine or actual requirement basis. Since this excess expenditure of Rs. 6.79 lakh has been incurred to this end; the Commission is inclined to favourably allow this expenditure as a one-time exception. The Commission hereby emphasises that all expenses exceeding the threshold limit approved for capital expenditure must be necessarily brought to the Commission's notice beforehand for approval. This direction shall be adhered to henceforth.
31. ***The Commission after careful consideration of the explanations furnished by the licensee, approves the amount of Rs.28.15 lakh as R&M expenses for the year 2019-20.***

Table-11
R&M expenses approved for Truing Up 2019-20

Particulars	ARR Approved (Rs lakh)	As per Truing Up Petition (Rs lakh)	Trued Up (Rs lakh)
R&M expenses	21.36	28.15	28.15

A&G Expenses

32. The A&G expense claimed by the licensee as per the petition for truing up is Rs.73.11 lakh as against the approved amount of Rs.52.87 lakh as per the norms fixed in the Tariff Regulations 2018. The major expense booked under the A&G expense is security charges. As per the detailed split up in Form D 3.4(b), the claim for security arrangements is Rs.47.76 lakh. The other major claim is towards electricity charges of Rs.9.34 lakh. A comparison of the actual claim of the licensee over the years is tabulated below.

Table 12
Comparison of A&G Expenses claimed for the year 2018-19 & 2019-20

Particulars	2018-19		2019-20	
	Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)	ARR Approved (Rs. lakh)	Truing Up Petition (Rs. lakh)
Rent Rates & Taxes	5.51	82.63	52.87	6.05
Insurance	1.14			2.31
Telephone & Postage, etc.	0.28			0.26
Legal charges	0.77			0.99
Audit Fees	0.50			0.42
Conveyance	0.54			0.40
Vehicle Hiring Expenses Truck / Delivery Van	0.90			0.99
Electricity charges	9.40			9.34
Water charges	2.05			2.33
Entertainment	0.06			0.03
Fees & subscription	0.02			0.02
Printing & Stationery	0.08			0.06
Advertisements, exhibition publicity	0.46			0.41
Miscellaneous Expenses	0.86			0.59
License Fee and other related fee	1.28			0.96
V-sat, Internet and related charges	0.14			0.13
Security arrangements	44.73			47.76
Computer Stationery	0.05			0.06
Gross A&G Expenses	68.77			82.63

33. The other major expenses are electricity charges of Rs.9.34 lakh and Rs.6.05 lakh towards rent, rates and taxes. It is also seen that, there is an increase of Rent Rates & Taxes of Rs. 6.05 lakh during the year 2019-20 compared to previous year claim of Rs.5.51 lakh. Also, the insurance cost has increased from Rs.1.14 lakh in 2018-19 to Rs. 2.31 lakh in 2019-20. The Commission had sought the details of apportionment of A&G expenses to the distribution business by CoPT vide letter dated 03-02-2021
34. The licensee in their reply dated 15-02-2021 stated that the increase in rent was due to rent of the office accommodation of business area of 250 sq.m utilized towards the electrical distribution business area has been escalated by 3.59% as per the yearly escalation of rates by TAMP (Tariff Authority for Major Ports), as compared to the previous year 2018-19. Regarding the taxes, the licensee stated that the licensee had availed the Special Voluntary Disclosure Scheme and settled the old tax liabilities. Regarding the reason for increase in the insurance cost, the licensee clarified that they had adopted the Port Package Policy of Insurance (which is comprehensive policy) and covers various types of risks as per the directions of Ministry of Ports, Shipping and Waterway. Hence,

the insurance charges has increased. The split-up details of the actual premium paid in 2019-20 in respect of electrical assets are stated below:

Table 13
Actual premium claimed for the year 2019-20

SL. No	Name of Assets	Rs. lakhs
1	110 KV substation	1.58
2	2.5 MW D.G. SET (Downstream substations)	0.23
3	11 KV panels at New Powerhouse	0.02
4	3.3 KV PANELS AT NEW POWER HOUSE	0.03
5	VCBs at M/halt substation	0.03
6	VCBs, Transformer, Cables at Vallarpadam substation	0.40
7	Strengthening of sub-transmission and distribution network at W/Island under IPDS	0.03
	Total	2.31

35. The licensee has also submitted the details of joint expenses and its apportionment basis as per the direction of the Commission Order dated 21-04-2020. The licensee stated that, electricity charges are booked on the basis of actual meter reading as directed by the Hon'ble Commission and now meter reading has directly transferred to billing module from the SMART meters.
36. The common expenditure of employees cost has apportioned based on the no of employees and the resultant employee cost. As per actual 2019-20, 79 employees were deployed in the electricity distribution business i.e., the percentage of these employees to total employees come to 6.08% of the total employees of 1298. The licensee has further disclosed the basis of apportionment of common expenditure in A&G as a percentage i.e., 1% is considered in the common cost of A&G, 2% in telephone cost & 0.50% in water charges. The details are also submitted in form D 3.4(b).
37. The licensee has claimed Rs.47.76 lakh under security charges. It may be seen that in the security charges claimed for 2019-20, there is an increase of 6.77% over the previous year. In the petition licensee stated that since CoPT is under security blanket as per ISPS Regulations and is vulnerable to security threat, round the clock security arrangements are inevitable. Accordingly, 6 CISF constables have been posted for the protection of 110 kV system and powerhouse. The expenses claimed are for the CISF security staff deployed solely for guarding the distribution installations as given below.

Table 14
Details of CISF security arrangements claimed for 2019-20

Particulars	Truing Up Petition (Rs. lakh)
CISF Salary	1690.66
Leave salary Contribution	118.31
Pension Contribution	126.76
Total Cost	1935.73
Cost / Personnel	7.96
Total cost of 6 personnel per annum	47.76

38. The Commission while truing up the accounts for the year 2018-19, had considered the expenses towards security expenses in full and had approved A&G accordingly. In view of the licensee's clarification and keeping the overall security scenario especially of coastal areas in mind, the Commission allows this expenditure of Rs. 47.76 lakh expended towards CISF security. The portion of the security charges in the normative A&G expenses is estimated to be Rs.31.69 lakh. **Thus, an amount of Rs. 16.07 lakh (Rs.47.76 lakh – Rs.31.69 lakh) is allowed separately under A&G expenses to fully cover the security charges.**
39. In the previous Order (Truing Up of accounts 2018-19) dated 21-04-2020, the Commission had allowed insurance expenses of Rs.1.14 lakh was the actual premium paid in 2018-19 for securing insurance coverage of the licensee's electrical assets. In 2019-20 the licensee has also incurred an amount of Rs.2.31 lakh for insurance premium. **The Commission accepts the claim of the licensee and allows Rs.2.31 lakh towards this expenditure.**
40. **After carefully considering the licensees submission, the Commission hereby approves the A&G expenses as Rs.71.25 lakhs (Rs.52.87 lakh+ Rs.16.07 lakh + Rs.2.31 lakh) for the year 2019-20.**

Table-15
A&G expenses approved for Truing Up 2019-20

Particulars	ARR Approved (Rs. lakh)	As per Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)
A&G expenses	52.87	73.11	71.25

O&M Expenses Approved:

41. *The O&M expenses, which includes Employee costs, R&M expenses, and A&G expenses, total into Rs.481.46 lakh is approved by the Commission for the year 2019-20.*

Table 16
O&M Expenses approved for 2019-20

O&M Expenses	As per the Regulations (Rs lakh)	As per Truing Up Petition (Rs lakh)	Trued Up (Rs lakh)
Employee expenses	382.06	811.73	382.06
R&M expenses	21.36	28.15	28.15
A&G expenses	52.87	73.11	71.25
Total O&M expenses	456.29	912.99	481.46

Depreciation

42. In the truing up petition for 2019-20, the licensee has claimed depreciation of Rs.180.22 lakh as against Rs.185.05 lakh approved in the Order on ARR&ERC dated 30-10-2019. The details of claim made by the licensee are shown below.

Table – 17
Depreciation claimed for the year 2019-20 (Rs in lakh)

Asset Group	Rate of depreciation (%)	Gross fixed assets			Salvage Value @ 10% of GFA	Provision for depreciation		
		At the beginning of the year	Additions during the year	At the end of the year		Cumulative up to the beginning of the year	Additions during the year	Cumulative at the end of the year
Distribution lines (LT lines)	5.28	33.37	2.58	35.96	3.60	24.44	2.28	26.72
Sub-station equipment's	5.28	3725.21	37.55	3762.76	376.28	1540.27	160.81	1701.08
Transformers (11KV)	5.28	370.28	0.00	370.28	37.03	228.34	12.11	240.45
Others	5.28	152.84	63.15	216.00	21.60	102.52	5.01	107.53
Meters	5.28	5.67	0.00	5.67	0.57	5.00	0.01	5.01
Gross Asset		4287.38	103.29	4390.66	439.07	1900.56	180.22	2080.79

43. The licensee has claimed depreciation of Rs.180.22 lakh for the year 2019-20, which includes depreciation for the assets added during the year. The licensee in the truing up petition submitted that they had made an asset addition of

Rs.103.29 lakh for the year 2019-20. The split-up details of the asset additions are shown below.

Table 18
Asset Addition claimed during the year 2019-20

Asset Description	Total Addition to Assets (Rs in lakh)	Date of commissioning
Providing Shore Power to UTL & near berth	37.55	29-02-2020
Supply & Erection of 100 KWP Solar Panel	63.15	15-10-2019
Electrification of CISF Barracks	2.58	15-06-2019
Total	103.29	

44. The Commission vide letter dated 03-02-2021 sought the details of the source of funding for the capital asset additions made during the year and whether such asset additions were made with the approval of the Commission. The Commission further noted that, in the ARR&ERC Order dated 30-10-2019, the Commission had given the approval for an amount of Rs.153.20 lakh for addition to fixed assets. However, the licensee has claimed assets addition of Rs.103.29 lakhs only during the year 2019-20.
45. The licensee vide their reply dated 15-12-2020 submitted that, distribution business does not have its own equity/ resources, the cost incurred for creation of assets attributed to the Electricity Distribution business was obtained from Cochin Port Trust as a notional loan. It is further stated that, the actual expenditure on assets addition as against the amount approved in ARR&ERC Order was less due to non-execution of the projects, because of poor financial condition of the CoPT from whom the capital is sourced.
46. The licensee has also submitted the details of depreciation calculations on assets additions during the year and also stated that, depreciation has been charged on prorata basis. The details are furnished below.

Table 19
Depreciation claimed on Asset Additions during the year 2019-20

Asset Description	Total Addition to Assets (Rs. lakh)	Date of commissioning	No of days for in use	Salvage @10% (Rs. lakh)	Depreciable Value (Rs. lakh)	Depreciation (Rs. lakh)	Proportionate Depreciation (Rs. lakh)
Providing Shore Power to UTL & near berth	37.55	29-02-2020	31	3.75	33.80	1.78	0.15

Supply & Erection of 100 KWP Solar Panel	63.15	15-10-2019	168	6.32	56.84	3.00	1.38
Electrification of CISF Barracks	2.58	15-06-2019	290	0.26	2.33	0.12	0.10
Total	103.29						1.63

47. The Commission however noted that, in the clarification, the licensee has not mentioned the status of prior approval of capital assets additions during the year. The Commission while issuing ARR&ERC Order for the years 2018-19 to 2021-22 had clearly stated that the proposal of capital investment from own funds is deferred due to non-availability of proper documents to substantiate the investment. The relevant portion of the ARR&ERC Order (dated 30-10-2019) is given below.

“62. With regard to the capital investment from CoPTs own funds, the Commission has decided to defer the proposal as the Commission is not in a position to accord in- principle sanction for the proposed capital investment without proper documents to substantiate the investment. The licensee is directed to submit the detailed proposal before the Commission at the earliest. The asset addition may be considered after formal approval during the process of truing up of accounts.....”

48. The licensee has not submitted to the Commission any proposal for approval of assets additions during the year 2019-20. Hence, the Commission has taken the same stand as mentioned in para 58 of the ARR&ERC Order (dated 30-10-2019). The relevant portion is given below.

“58. Regulations 22 to 27 of the Tariff Regulations, 2018 provide for the procedure to be followed for addition of assets and the claiming of depreciation. As per Regulation 22 (3), the capital cost approved by the Commission after prudence check shall form the basis for determination of tariff. Unless the approval is obtained, it is not eligible to be part of GFA.”

49. **Due to the above reasons, the Commission is not in a position to consider the amount of Rs.103.29 lakhs claimed for the capital additions made during the year 2019-20.** Hence, the Commission allows depreciation only for the asset's additions made up to 2018-19.

50. The Commission also noted that, the licensee has shown 35 years as life of assets for all categories and applied depreciation rate of 5.28 % uniformly to all

the assets to arrive at the depreciation for the year. It is imperative to mention that, the depreciation admissible has to be computed strictly as per the provisions in the Regulations and the relevant provisions are extracted below

27 (2).

(a) depreciation shall be computed annually based on the straight line method at the rates specified in the Annexure-I to these Regulations for the first twelve financial years from the date of commercial operation;

(b) the remaining depreciable value as on the Thirty First day of March of the financial year ending after a period of twelve financial years from the date of commercial operation shall be spread over the balance useful life of the assets as specified in Annexure- I;

51. Accordingly, depreciation has to be worked out separately for the first twelve years as per the rates specified in the Regulations and for the remaining period depreciation has to be worked out based on the balance useful life. However, the Commission has noted that, the petitioner has applied the rate specified in the Regulations uniformly to all assets irrespective of life. This is not correct and the depreciation admissible for the year has been recalculated as below

(a) Assets up to 12 years of age (Depreciation based on specified rate)

Table 20

Calculation of depreciation for the year 2019-20 (Rs. lakhs)

Category	Use full Life	Depreciation Rate	GFA At the beginning of the year 01.04.2019	Accd. Deprn. till 31-03-2019	Depreciation for the year 2019-20
Distribution Lines	35	5.28%	6.71	2.27	0.35
Distribution Meters	15	5.28%	0.24	0.14	0.01
Distribution Substation	25	5.28%	1835.46	758.25	96.91
Distribution Substation	25	5.28%	20.34	6.08	1.07
Distribution Transformers	35	5.28%	16.29	5.44	0.86
Distribution Transformers	35	5.28%	32.90	23.50	1.74
Distribution Substation	25	5.28%	579.46	206.25	30.60
Distribution Substation	25	5.28%	201.50	21.78	10.64
Distribution Lines	35	5.28%	29.82	7.97	1.57
Distribution Others	25	5.28%	9.56	2.40	0.50
Distribution Substation	25	5.28%	167.51	43.60	8.84
Distribution Substation	25	5.28%	143.01	30.48	7.55
Distribution Substation	25	5.28%	158.27	32.00	8.36
Distribution Others	25	5.28%	4.10	0.66	0.22

Distribution Others	25	5.28%	2.89	0.29	0.15
Distribution Others	25	5.28%	2.89	0.29	0.15
Distribution Lines	35	5.28%	7.23	0.72	0.38
Distribution Lines	35	5.28%	9.34	0.49	0.49
Total			3227.52	1142.61	170.39

(b) Assets more than 12 years of age (Depreciation based on balance useful life)

Table 21
Calculation of depreciation for the year 2019-20 (Rs. lakhs)

Assets Category	Use full Life	Capitalisation Date	Completed Years as on 01-04-2019	Remain ing Life of the Asset	GFA at the beginning of the year 01-04-2019	Salvage @10% of GFA	Accd. Depn. till 31-03-2019	NFA as on 01-04-2019	NFA-Salvage	Depreciat ion for the year 2019-20
Distribution Substation	35	23-03-1986	34	1	0.16	0.02	0.14	0.02	0.00	0.00
Distribution Substation	35	04-04-1986	34	1	0.14	0.01	0.13	0.01	0.00	0.00
Distribution Lines	35	05-04-1986	34	1	26.66	2.67	22.15	4.51	1.84	1.84
Distribution Substation	35	05-04-1986	34	1	0.98	0.10	0.83	0.15	0.05	0.05
Distribution Transformers	35	05-04-1986	34	1	1.96	0.20	1.70	0.26	0.06	0.06
Distribution Substation	35	06-04-1986	34	1	27.83	2.78	24.23	3.60	0.82	0.82
Distribution Substation	35	04-04-1992	28	7	458.89	45.89	355.64	103.25	57.36	8.19
Distribution Transformers	35	04-04-1992	28	7	305.11	30.51	211.37	93.74	63.23	9.03
Distribution Substation	35	03-04-1996	24	11	63.15	6.32	32.88	30.27	23.95	2.18
Distribution Others	35	03-04-1998	22	13	60.69	6.07	60.69	0.00	0.00	0.00
Distribution Meters	35	31-10-2001	18	17	5.43	0.54	4.85	0.58	0.04	0.00
Distribution Others	35	31-01-2003	17	18	10.14	1.01	2.93	7.21	6.20	0.34
Distribution Others	35	02-03-2003	17	18	9.98	1.00	4.17	5.81	4.81	0.27
Distribution Others	35	01-04-2004	16	19	27.32	2.73	7.75	19.57	16.84	0.89
Distribution Substation	35	01-04-2004	16	19	59.16	5.92	27.48	31.68	25.76	1.36
Distribution Others	35	02-02-2008	12	23	2.27	0.23	1.04	1.23	1.00	0.04
Total					1059.87	105.99	757.98	301.89	201.96	25.07

52. **Based on the above calculation, the Commission hereby approves Rs.195.46 lakh as depreciation for the year 2019-20.**

Table 22
Depreciation approved for the year 2019-20 (Rs. lakhs)

Category	Basis for Depn.	GFA At the beginning of the year 01.04.2019	Assets Additions During the year 2019-20	Salvage @10%	Accumulated Depn. till 31.03.2019	NFA as on 01.04.2019	Depreciation for the year 2019-20
Assets till 12 years							
Distribution Lines	5.28%	53.10	0.00	5.30	11.45	41.65	2.79
Distribution Substation	5.28%	3105.55	0.00	310.56	1098.44	2007.11	163.97
Distribution Transformers	5.28%	49.19	0.00	4.92	28.94	20.25	2.60
Distribution Meters	5.28%	0.24	0.00	0.02	0.14	0.10	0.01
Distribution Others	5.28%	19.44	0.00	1.95	3.64	15.80	1.02
Sub Total		3227.52	0.00	322.75	1142.61	2084.91	170.39
Assets Completed 12 years							
Distribution Lines	Rem Life	26.66	-	2.67	22.15	4.51	1.84
Distribution Substation	Rem Life	610.31	-	61.04	441.33	168.98	12.60
Distribution Transformers	Rem Life	307.07	-	30.71	213.07	94.00	9.09
Distribution Meters	Rem Life	5.43	-	0.54	4.85	0.58	0.00
Distribution Others	Rem Life	110.40	-	11.04	76.58	33.82	1.54
Sub Total		1059.87	-	106.00	757.98	301.89	25.07
Total		4287.39	-	428.75	1900.59	2386.80	195.46

Interest and Finance Charges

53. The Commission while issuing the Order on ARR&ERC had approved Rs.38.27 lakh as interest on working capital and interest on consumer security deposits. The licensee claimed an amount of Rs.487.55 lakh under the Interest and Finance charges. The licensee as part of interest and finance charges included interest and finance charges on loans, interest on working capital and interest on consumer security deposits. The details are furnished below.

Table 23
Interest and finance charges claimed for the years 2018-19 & 2019-20

Particulars	2018-19		2019-20	
	Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)	ARR Approved (Rs. lakh)	Truing Up Petition (Rs. lakh)
Interest and finance charges on loans	473.05	468.51	-	443.33
Interest on Working Capital	11.04	6.42	5.51	11.02
Interest on consumer security deposits	28.97	28.97	32.76	33.20
Total	513.06	503.90	38.27	487.55

Interest and finance charges on loans:

54. The licensee has claimed an amount of Rs.443.33 lakh as the interest charges @ 10.08% per annum on long term loans. Out of this, Rs.420.19 lakh pertains to interest on GOI loan and Rs.23.14 lakh towards interest of loan from CoPT for capital expenditure. Details of the Interest on loan claimed by the licensee is shown below.

Table 24
Details of Interest claimed on Loans for the year 2019-20

Particulars	Truing Up Petition (Rs. lakh)
Gross Loan -Opening	4385.62
Cumulative repayments of Loans up to previous year	426.09
Net loan-Opening	3959.53
Add: Drawal(s) during the Year	291.93
Less: Repayment (s) of Loans during the year	426.09
Net loan - Closing	3825.36
Average Net Loan	3892.44
Interest on Loan	443.33
Weighted average Rate of Interest on Loans	10.08%

55. The licensee has stated in the petition that, since the Port does not have any equity, the cost incurred for creation of assets attributed to the Electricity Distribution business is being met out of Government of India (GoI) Loans availed by CoPT. The Cabinet Committee on Economic Affairs (CCEA) has approved the proposal of the CoPT for waiver of penal interest on GOI Loans to the tune of Rs.897.23 crores and scheduled the repayment of the principal plus interest amounting to Rs.557.16 crores in 10 years commencing from 2018-19.

Subsequently, the liability was reconciled by the Port with the record of the Chief Control of Accounts and arrived at final liability of Rs.558.53 Cores (Principal Rs.258.14 Crores + Interest Rs.282.85 Cores +Penal Interest Rs.17.53 Crores) As committed by the CoPT, repayment started in 2018-19 and second installment of the liability was repaid in March 2020. The licensee has also claimed proportionate interest charges for the distribution business. The details are shown below.

Table 25
Interest charges for GOI Loan for 2019-20

	Rs. lakh
Principal as per CoPT books	25814.30
Interest charges on loan	28285.42
Net Loan closing as on 31-03-2020 as per Electricity Accounts	3834.85
Share of interest charges (28285.42/25814.30*3834.85)	4201.95
Interest charges per year (4201.95/10)	420.19

56. The Commission till 2017-18 had not allowed any amount of interest on GOI loan on the reason that no interest was actually paid to the Government of India in that year. In 2018-19, the licensee has started repayment of interest and principal to the Government of India. Therefore, the Commission has allowed the proportionate interest repayment of Rs.466.88 lakh to the licensee at the Truing Up Order of 2018-19. **The Commission has taken similar position in 2019-20 and hereby allows the proportionate interest charges of Rs.420.19 for GOI loan for the year 2019-20.**
57. The licensee has further claimed an amount of Rs.23.14 lakh towards interest on notional loan from CoPT. As mentioned in Para 45 above, the licensee treats the fund used for acquiring capital assets as a notional loan from the Cochin Port Trust.. The licensee also submitted that during the year 2019-20, Rs.103.29 lakhs has been incurred towards Supply & Erection of 100 KWP Solar Panel, Electrification of CISF Barracks & Providing Shore Power to UTL & near berth. Besides, as per the licensee, Cochin Port Trust was granted financial Assistance under IPDS Scheme by the Ministry of Power and the port has received Rs.38.00 lakhs during 2019-20. As per the scheme 60% of the Project cost and 0.5% of the approved project cost for Project management agency is chargeable to grant and balance 40% to be met by the Cochin Port Trust. The total expenditure incurred by the CoPT under the said scheme during 2019-20 was Rs. 226.64 lakhs. The portion chargeable to grant amounts to Rs. 135.52 Lakhs. Since the CoPT has received only Rs.38.00 lakhs as grant, the balance Rs.

97.52 lakhs (Rs.135.52 lakhs- Rs 38 lakhs) as well as 40% share of CoPT amounting to Rs.91.12 lakhs totaling Rs.188.64 was met from internal funds of Port. The calculation of Interest on loan from CoPT claimed by the licensee is shown below.

Table 26
Interest charges claimed for Loan from COPT for CAPEX for 2019-20

	Rs. lakhs
Gross Loan -Opening	124.68
Cumulative repayments of Loans up to previous year	0.00
Net loan-Opening	124.68
Add: Drawal(s) during the Year	291.93
Less: Repayment (s) of Loans during the year	0.00
Net loan - Closing	416.61
Average Net Loan	270.64
Rate of Interest on Loan on annual basis	8.55%
Interest on loan	23.14

58. In the previous Truing Up Order dated 21-04-2020, the Commission allowed the interest charges for the assets acquired up to 2015-16 are covered as part of the Govt of India Order and interest charges for the loan taken for asset addition after 2016-17 was allowed separately. In case of assets additions made during the year 2019-20, the Commission has disallowed the capital assets addition due to the reason mentioned in para 47 to 49 of this Order. Hence, these additions are not eligible for interest on normative loan.
59. In the licensee's truing up Orders dated 21-04-2020, the Commission has worked out the closing normative loan for 2018-19 as Rs.23.99 lakhs. This amount was arrived at by considering an amount of Rs.1.40 lakhs as repayment for the year 2018-19. However, the actual depreciation approved for 2018-19 was Rs.1.39 lakh and this amount has to be considered as repayment as per the provisions of the Regulations. Considering this correct figure, the cumulative depreciation as on 31-03-2018 is Rs. 2.45 lakh and the opening normative loan as on 01-04-2019 is revised as Rs.24.00 lakh.
60. The interest charges for the year 2019-20 is worked out as shown below:

Table 27
Interest charges approved for the year 2019-20

		Rs. lakh
1	GFA as on 01-04-2019 (Assets added in 2016-17, 2017-18 & 2018-19)	26.45
2	Cumulative depreciation as on 31-3-2019	2.45
3	Net Opening Normative loan on 01-04-2019 (1-2)	24.00
4	Assets addition approved during the year 2019-20	-
5	Depreciation allowed for the year 2019-20 for the assets of Rs.26.45 lakh	1.39
6	Net closing Normative loan (3+4-5)	22.61
7	Average loan (3+6)/2	23.31
8	Rate of Interest (Base rate as on 01-04-2019 one year tenor)	8.55%
9	Interest charges for loan from CoPT for CAPEX (8 * 9)	1.99
10	Interest charges for the loan for the assets added till 2015-16	420.19
11	Total Interest on long term loan (9+10)	422.18

61. *The Commission hereby approves the amount of Rs.422.18 lakh as the total interest charges for the year 2019-20. Out of this, Rs.1.99 lakh is towards the normative loan for the assets added from 2016-17 and Rs.420.19 lakh is towards the interest charges for GOI Loan.*

Interest on Working Capital:

62. The licensee has claimed an interest on working capital of Rs.11.02 lakh as against Rs.5.51 lakh approved in ARR&ERC for the year 2019-20. The licensee has claimed the interest on working capital at the rate of 10.55% which is the prevailing MCLR rate (8.55% as on 01-04-2019) plus two percent. The details of interest on working capital claimed by the licensee are tabulated below.

Table 28
Interest on Working Capital claimed for the year 2019-20

Particulars	2019-20	
	ARR Approved (Rs. lakh)	Truing Up Petition (Rs. lakh)
O&M expenses - One Month	81.42	76.08
Maintenance Spares (as per norms)	-	-
Receivables - Two Months (Revenue from sale of power)	528.48	557.06
Total (A)	609.90	633.14
Less:		

Security deposits from Consumers (B)	555.63	528.74
Total Working Capital (A)-(B)	54.27	104.41
Interest Rate (as per norms)	10.15%	10.55%
Interest on Working Capital (actual)	5.51	11.02

63. The normative level of working capital for the financial year is to be calculated on the basis of Regulation 32(1)(e) of Kerala State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2018. The interest on normative level of working capital shall be allowed at a rate equal to two percent higher than the base rate as on the First day of April of the financial year. Based on the above provisions, the working capital requirement for CoPT for the year 2019-20 as per the Regulations and the interest thereon is as estimated below

Table 29
Interest on Working Capital approved for the year 2019-20

Particulars	For the year (Rs. lakh)	For Working capital (Rs. lakh)
O&M expenses (one month)	481.46	40.12
Cost of Spares	-	-
Receivables (Revenue from sale of power) - 2 months revenue	3342.39	557.06
Total (A)		597.18
Less:		
Security Deposit from consumers (B)	528.74	528.74
Working Capital (A-B)		68.44
Interest Rate (as per norms)		10.55%
Interest on working capital		7.22

64. *As shown above, the Commission approves Rs.7.22 lakh as interest on working capital for the year 2019-20.*

Interest on Security Deposits

65. The licensee has also claimed an amount of Rs.33.20 lakh as the interest on security deposit paid to the consumers of CoPT for the year 2019-20. The amount of security deposit from consumers for the year 2018-19 and 2019-20 are Rs.464.40 lakh and Rs.528.74 lakh respectively. There is an increase in the security deposit from consumers compared to the previous year. The Commission has sought the details of category wise actual interest on security

deposit paid during the year. The details submitted by the licensee vide letter dated 15-02-2021 are shown below.

Table 30
Actual interest on security deposit paid during the year 2019-20

Category	SD Amount (Rs. lakh)	Rate of interest	Interest Amount (Rs. lakh)	TDS @ 10%/20% (Rs. lakh)	Net Interest Amount (Rs. lakh)
HT with PAN	348.48	6.50%	22.24	2.22	20.01
HT without PAN	18.05	6.50%	1.17	0.23	0.94
HT GOVT.	9.50	6.50%	0.62		0.62
LT with PAN	122.23	6.50%	7.47	0.75	6.72
LT without PAN	30.48	6.50%	1.71	0.34	1.37
TOTAL	528.74		33.20	3.55	29.65

66. *The Commission examined the licensee's submission and approve Rs.33.20 lakh as claimed by the licensee towards the interest on security deposit.*

67. Accordingly, the interest and finance charges approved for the year 2019-20 is tabulated hereunder.

Table 31
Interest and finance charges approved for the year 2019-20

Particulars	2019-20		
	ARR Approved (Rs. lakh)	Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)
Interest and finance charges on long term loans	-	443.33	422.18
Interest on Working Capital	5.51	11.02	7.22
Interest on consumer security deposits	32.76	33.20	33.20
Total	38.27	487.55	462.60

Return on NFA

68. The licensee has claimed return on net fixed assets @3% at Rs.71.60 lakh. The Commission had allowed a return of Rs.70.81 lakh in the order on ARR&ERC which was 3% of the net fixed assets, as provided in the Tariff Regulations 2018. As per the details provided in the petition, the net fixed assets at the beginning of the year are Rs.2386.81 lakh. The details of claim made by the licensee are shown below.

Table 32
Return Net Fixed Assets for the year 2018-19 and 2019-20

Particulars	2018-19		2019-20	
	Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)	ARR Approved (Rs. lakh)	Truing Up Petition (Rs. lakh)
Net Fixed Assets net of Consumer Contribution & Grants (at the beginning of the year)	2556.05	2556.05	2360.22	2386.81
Rate of return	3.00%	3.00%	3.00%	3.00%
Total return on net fixed assets	76.68	76.68	70.81	71.60

69. **The Commission examined the licensee submissions and hereby approves Rs.71.60 lakh as the RoNFA for the year 2019-20 @ 3.00% on NFA of Rs.2386.80 lakh as on 01-04-2019**

Total Revenue

70. The total revenue includes Revenue from the Sale of Power and Non-tariff Income claimed by the licensee.

Revenue from Sale of Power:

71. The actual revenue from sale of power for the year 2019-20 is Rs.3342.39 lakh for 367.34 lakh units against approved revenue from sale of power of Rs.3212.44 lakh for 377.49 lakh units as in the ARR Order. A category wise comparison of the revenue from sale of power for the years 2018-19 & 2019-20 is as shown below.

Table 33
Details of Revenue from Sale of Power for 2018-19 & 2019-20

Particulars	2018-19 Truing Up Petition				2019-20 Truing Up Petition			
	Number of consumers	Units Sold (lakh units)	Total (Rs. lakh)	Avg. realisation	Number of consumers	Units Sold (lakh units)	Total (Rs. lakh)	Avg. realisation
LT I	552	8.68	31.46	3.63	525	8.72	34.42	3.95
LT II	2	3.31	28.33	8.55	2	3.52	31.16	8.85
LT IV A	2	0.40	2.94	7.42	1	0.13	1.49	11.46
LT VI A	14	3.19	21.25	6.67	13	2.19	14.66	6.69
LT VI B	36	4.39	33.90	7.72	30	3.21	25.01	7.79
LT VI B (G)	19	0.76	6.85	9.00	20	1.25	11.06	8.85
LT VI C	8	1.84	20.80	11.28	8	1.85	20.85	11.27
LT VI C (G)	12	0.57	6.78	11.81	12	0.53	6.45	12.17
LT VI F	5	1.08	10.49	9.75	5	2.26	21.82	9.65

LT VIIA Single Phase	328	3.37	29.30	8.70	310	3.28	29.10	8.87
LT VIIA Three Phase	188	37.39	401.68	10.74	205	36.24	449.26	12.40
LT VII C	4	0.53	4.74	8.95	2	0.22	2.13	9.68
LT VIII B - Street Lights	4	18.14	56.76	3.13	3	0.08	0.32	4.00
Income from Self Consumption	61	19.16	97.79	5.10	54	32.05	179.60	5.60
HT I (A) Industry	1	5.38	39.60	7.36	1	6.52	46.74	7.17
HT II (A)	4	8.86	75.99	8.58	5	11.68	94.43	8.08
HT II B Central Govt	1	4.03	36.62	9.08	1	4.11	37.04	9.01
HT IV (A) Commercial	23	226.17	2024.00	8.95	23	233.21	2178.71	9.34
HT IV (B) Hotel	-	-	-	-	4	16.28	158.15	9.71
	1264	347.24	2929.27		1224	367.34	3342.39	

72. The Commission notes that, there is increase in the sale (from 347.24 lakh units to 367.34 lakh units) and revenue from sale of power (from Rs.2929.27 lakhs to Rs.3342.39 lakh) in 2019-20 compared to 2018-19. The Commission further notes that, the increase in revenue is due to increase in consumption by the consumers and the increase in tariff over the previous years (Tariff Order dated 08-07-2019).

73. As per the petition, the major revenue is from the sale to the HT IV (A) Commercial category (65.18%). Compared to previous year the number of consumers is reduced from 1264 to 1224. The Commission already sought the clarifications in this regard. The licensee submitted that, decrease in number of consumers was mainly by domestic category (LT-I) (27 numbers) and L.T Commercial (Single phase) (18 consumers). It may be noted that the percentage share of the LT consumers is less than 5 % of the total consumption. However, 5 new HT consumers were added during 2019-20 and energy consumption in HT category increased to 271.79 from 244.44 (27.35 lakhs units additional). This is the reason for increase in sales from 347.24 lakhs units to 367.34 lakhs units (20.10 lakhs units). **Considering the actual revenue realized for the year, the Commission hereby approves Rs.3342.39 lakh as the revenue from sale of power for 2019-20.**

Non-Tariff Income:

74. In their truing up petition, the licensee has booked the non-tariff income for the year 2019-20 as Rs.48.92 lakh. The licensee has submitted that out of the total interest of Rs. 48.92 lakhs, Rs.12.55 lakh is towards interest on the security deposit held by KSEB Ltd and the balance Rs.36.37 lakh is towards interest from

bank. Similarly, the non-tariff income booked during 2018-19 was Rs.42.57 lakh which included Rs.11.58 lakh towards interest on the security deposit held by KSEB Ltd and Rs.30.99 lakh towards interest from bank. The Non-tariff income claimed by the licensee for the year 2018-19 and 2019-20 are summarized below.

Table 34
Details of Non-Tariff Income for the year 2018-19 & 2019-20

Particulars	2018-19		2019-20	
	Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)	Approved in ARR (Rs. lakh)	Truing Up Petition (Rs. lakh)
Interest on the Security Deposit held by KSEB	11.58	11.58	255.77	12.55
Interest from Bank	30.99	30.99		36.37
Interest on Accumulated Surplus	-	242.85		-
Total	42.57	285.42	255.77	48.92

75. The licensee is holding an accumulated surplus of Rs.3961.19 lakh as per the Order on the truing up of accounts for the financial year 2018-19 dated 21-04-2020. The Commission while issuing the Order on truing up for the year 2018-19 had considered an amount of Rs.242.85 lakh as the interest on accumulated surplus at the base rate of SBI and had approved a total non-tariff income of Rs.285.42 lakh. The Commission while issuing the Order on the ARR & ERC for the year 2019-20 had also considered the interest on accumulated surplus as part of non-tariff income. **Accordingly, the interest on the revenue surplus is approved at a rate of 6.80% per annum (the retail term deposit rate of SBI for a tenor of one year as on 01-04-2019) for an amount of Rs.269.36 lakh (Rs.3961.19 lakh x 6.80%). Of the above, the licensee has already accounted Rs.36.37 lakh as interest from bank. The balance amount is Rs.232.99 lakh (269.36 - 36.37).** Thus, the total non-tariff income approved for the year 2018-19 is as shown below:

Table 35
Non-Tariff Income allowed for the year 2019-20

Particulars	As per Truing Up Petition (Rs. lakh)	Trued Up (Rs lakh)
Interest on the Security Deposit held by KSEB	12.55	12.55
Interest from Bank	36.37	36.37
Interest on accumulated surplus	-	232.99
Total	48.92	281.91

Revenue (Gap)/Surplus after Truing Up of Accounts for 2019-20

76. Accordingly, as against the approved revenue surplus of Rs.137.20 lakh for the year 2019-20, the licensee in the petition for truing up claims a revenue gap of Rs.843.13 lakh. The approved Total Expenditure and Total Revenue for the year 2019-20 after truing up is as shown below.

Table-36
ARR&ERC after Truing Up for 2019-20

Particulars	2019-20		
	ARR Approved (Rs. lakh)	As per Truing Up Petition (Rs. lakh)	Approved in Trued Up (Rs. lakh)
Purchase of Power	2580.59	2582.07	2582.07
Employee Cost	382.06	811.73	382.06
Repair and Maintenance cost	21.36	28.15	28.15
Administrative & General Expenses	52.87	73.11	71.25
Depreciation	185.05	180.22	195.46
Interest charges on loan term loans	0.00	443.33	422.18
Interest on Working Capital	5.51	11.02	7.22
Interest on consumer security deposits	32.76	33.20	33.20
Return on NFA	70.81	71.60	71.60
Total Expenditure (A)	3331.01	4234.43	3793.19
Revenue from sale of power	3212.44	3342.39	3342.39
Other income	255.77	48.92	281.91
Total income (B)	3468.21	3391.31	3624.30
Revenue (gap)/Surplus (B)- (A)	137.20	-843.13	-168.89

Orders of the Commission

77. The Commission after considering the petition filed by M/s. CoPT for truing up of accounts for the year 2019-20, comments raised by KSEB Ltd. and the clarifications and details provided by the licensee approves the following;

- a) The total expenditure of Rs.3793.19 lakh
- b) The total revenue of Rs.3624.30 lakh
- c) The revenue gap for the year 2019-20 is Rs.168.89 lakh.
- d) The licensee is holding an accumulated surplus of Rs. 3961.19 lakh at the end of the year 2018-19. Thus, the cumulative revenue surplus till 2019-20 will be Rs.3792.30 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.

78. The petition is disposed of. Ordered accordingly.

Sd/-
Adv. A. J. Wilson
Member (Law)

Sd/-
Preman Dinaraj
Chairman

Approved for issue

Secretary