

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

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

**OA.12/2018**

**In the matter of** Application for the Truing up of accounts of M/s KSEB Ltd.  
for the financial year 2016-17

Applicant(s) : The Deputy Chief Engineer (Commercial & Planning)  
With full powers of Chief Engineer  
Kerala State Electricity Board Ltd  
Vydhyuthi Bhavanam, Pattom  
Thiruvananthapuram

Applicant(s) represented : Sri. B.Pradeep, Deputy Chief Engineer  
Sri. Bipin Shankar, Deputy Chief Engineer (TRAC)  
Sri. Biju. R, Financial Advisor & Chief Accounts Officer  
Sri. K.G.P Namboothiri, Executive Engineer (TRAC)  
Sri.Girish Kumar V.S, Finance Officer, (TRAC)

**Daily Order dated 27.07.2018**

The public hearing on the application for the Truing up of accounts of M/s KSEB Ltd for the financial year 2016-17 was conducted at the Court Room, Office of the Kerala State Electricity Regulatory Commission, Thiruvananthapuram on 25-07-2018 at 11.00 AM. M/s KSEB Ltd was represented by Sri. B.Pradeep, Deputy Chief Engineer with full powers of Chief Engineer, Sri. Bipin Shankar, Deputy Chief Engineer (TRAC), Sri. Biju.R, Financial Advisor & Chief Accounts Officer, Sri. K.G.P Namboothiri, Executive Engineer (TRAC), Sri. Girish Kumar V.S, Finance Officer, (TRAC) and other officers of KSEB Ltd. Sri. B.Pradeep presented the details of the application before the Commission. Sri. B.Pradeep, Sri. Biju and Sri.Girish Kumar responded to the queries of the Commission on the truing up of accounts for the year.

The main points made by KSEB Ltd are,-

- The total energy sale for the year 2016-17 as per the application is 20452.91 MU. The total energy input for the year 2016-17 is 23763.58 MU. Thus the actual Transmission and Distribution loss reported by KSEB Ltd for the year 2016-17 is 13.93%.
- The fuel cost for generation of power is Rs.23.45 crore
- Cost of power purchase and inter-state transmission charges incurred by KSEB Ltd for 2016-17 amounts to Rs. 7551.41 crore.

- The actual expense incurred on Interest and finance charges is Rs.946.21 crore which includes loan interest, security deposit interest, overdraft interest, PF interest etc.
- The total depreciation claimed is Rs.617.50 crore which includes the depreciation of SBU G, SBU-T & SBU D.
- The total O&M expenditure is Rs.2278.59 crore which includes the repair and maintenance expenses, employee cost, and administrative and general expenses of SBU G, SBU-T & SBU D.
- A total amount of Rs.1221.06 crore is claimed towards meeting the terminal benefits.
- Total return on equity claimed is Rs.489.86 crore.
- Other expenses include other debits and prior period charges. Other debits include material cost variance, provision for bad and doubtful debts etc. The Net other expenses is Rs.49.75 crore.
- Accordingly the total ARR for SBU-G, SBU-T & SBU D is Rs.13141.36 crore
- Revenue from tariff for the sale of power and the non-tariff income which includes meter rent/service line rental, miscellaneous charges from consumers, recoveries, income from sale of scrap etc sums to a total of Rs11036.77 crore
- Accordingly the revenue gap as per the application for truing up of accounts for the year 2016-17 is Rs 2104.59 crore.

Sri. Dijo Kappan representing the Consumer Education Trust presented the views and objections on the claims made by KSEB Ltd. Firstly he stated that the claim of the licensee on Employee cost and Repair and maintenance cost are on the higher side and the same shall not be passed on to the consumers. He mentioned that the per unit cost of electricity is higher in the state in comparison with other States. He requested that only the prudent expenses may be allowed in the truing up of accounts

Sri. Shaji Sebastian presented the views of Kerala Small Scale Industries Association. He appreciated the consumer friendly actions done by KSEB Ltd. He mentioned that the only concern of the consumers is the increase in tariff. He submitted that revenue gap as submitted by KSEB Ltd, once passed on to the consumers will lead to a huge increase in the tariff. He stated that old/faulty meters should be replaced immediately so as to account the energy efficiently. He mentioned that smart meters should be introduced effectively for better performance.

Sri. Jayaprakash, representing the KSEB Workers Association submitted that the number of consumers is increasing in the State and KSEB Ltd is supplying electricity to all the consumers across the State. He stated that the cost claimed by KSEB Ltd may be allowed in view of the efficient work done by KSEB Ltd. He also submitted that the

Commission may approve the claims made by KSEB Ltd while truing up the accounts for the year 2016-17 and take necessary steps to bridge the revenue gap of KSEB Ltd..

Sri. George Thomas, representing the HT-EHT Consumers Association presented the comments on the petition of KSEB Ltd. The main comments made are briefed below.

- The Commission while approving the loss levels for the current year is to be estimated based on the approved loss target of 13.90%.
- The Commission may disallow the additional energy used for auxiliary consumption from the energy quantum being procured from the marginal station. It was also submitted that to allow the auxiliary consumption based upon the categories of the new plants and corresponding auxiliary consumption norms as provided in the KSERC Regulations 2014
- The terminal liabilities claimed by KSEB Ltd shall be completely disallowed by virtue of prevailing regulations and Government order to create separate Master trust.
- Commission may fully disallow the interest on working capital
- The depreciation may be re-estimated as per the KSERC Tariff Regulations 2014 as the amount claimed is net of claw back of depreciation.
- IIM Kozikode has provided explicit recommendations on organisational structure, career and training needs. The Association requested the Commission to direct KSEB Ltd to implement the recommendation to improve productivity and quality of service.
- The Repair & Maintenance cost of KSEB Ltd is one of the highest among all Indian States whereas the National average was very low.
- It was also submitted that the O&M expenses may be allowed as per the Regulations.
- KSEB Ltd is challenging the orders of the Commission in the APTEL & the Supreme Court, resulting in considerable amount being spend as legal fees which is part of A&G expenses. The legal charges thus paid shall not be passed on to the consumers and KSEB Ltd shall cover this cost from the RoE.
- RoE may be allowed at 14% abiding by the judgment of APTEL in Appeal No. 247 of 2014 dated 18 November 2015, i.e. to consider the RoE either on the equity capital allowed earlier i.e. (Rs. 1553 Cr.) by the Commission or as the reduced equity capital of Rs. 283.91 Cr.

Sri. A.R Satheesh, presented the comments on the petition of KSEB Ltd. He stated that the operation and maintenance cost claimed by KSEB Ltd is very high when compared to previous years.

During the hearing, the Commission insisted that Common Accounting Policies are to be followed in all the Accounts Rendering Units. The Commission further stressed the need for correcting the errors and discrepancies while apportionment of expenses among the Strategic Business Units. The Commission enquired whether there is a reduction in the CAGR of sales when compared with the data of past 5 years and 10 years. Commission pointed out the concern, on the practice of the KSEB Ltd having two accounts for depreciation. Commission mentioned that the licensee may account depreciation as per the Regulations issued by the Commission, as the same is allowed in the Companies Act.

Commission directed KSEB Ltd to submit the clarifications on the following.

1. The compliance of directives issued by the Commission in Chapter 15 of the order dated 17-04-2017 in the matter of the suo-motu proceedings for determination of tariff for electricity for the financial year 2017-18.
2. Proposal of KSEB Ltd in the light of orders of Hon. High Court in WPC 465/2015/order in appeal No.1 & 19 of 2013 of Hon'ble APTEL on treatment of various items for the year 2016-17.
3. The appendices stated in Chapter 5 of the petition are not seen attached with the petition. The same may be included.
4. Gross and net change in the income and expenses for 2016-17 on account of adoption of Ind AS may be furnished. The details of each item may be given separately.
5. Details of purchase of power made including and details of power purchase, if any, for which approval of the Commission has not been obtained for 2016-17 and the reason thereof.
6. Details of the Credit notes of Rs.114.66 crore and other adjustments shown as part of power purchase cost may be submitted.
7. Segregation of Transmission and Distribution loss for 2016-17 and segregation of voltage level loss alongwith supporting details and the methodology followed for the same is to be submitted.
8. Details of NAPAF, auxiliary consumption of all generating stations and Station heat rate & calorific value of fuel used, quantity of fuel used, and price of fuel for diesel stations for the year 2016-17 may be furnished
9. As per the provisions Tariff Regulations, 2014, cost of SLDC is to be furnished separately. If the costs are not separated, apportionment method is to be used as per Regulation 11(20).The same has not been complied with.
10. The MNRE grant received towards Adyanpara SHP, Barapole SHP, Chimeney SHP, Poringalkkuthu SHP is not seen accounted under SBU- Generation. The

details as to where the same is accounted, is to be submitted. Similarly details of the amount received as grants towards Solar plants and the details as to where the same is accounted is to be submitted.

11. The reconciliation statement for the deprecation claimed for 2015-16 & 2016-17 as per IGAAP and Ind AS is to be provided.
12. The licensee is to submit the detailed working for each item considered under fair value changes for the years 2015-16 & 2016-17 as per IGAAP and Ind AS.
13. Adjustment entries made in the year 2016-17 towards interest and finance charges from IGAAP to Ind AS is to be submitted in detail.
14. In the letter dated 23-04-2018, it was directed by the Commission that, KSEB Ltd may submit the details of the capital expenditure made in generation, transmission and distribution with full details as per the provisions of Tariff Regulations 2014. The same pertaining to 2016-17 may be furnished. If the assets are not put into use the same may be mentioned.
15. State the methodology and rate adopted for estimating depreciation for the years 2016-17 and restated for 2015-16. KSEB Ltd may specify whether the methodology adopted is strictly in line with the CERC Regulations/ KSERC Tariff Regulations 2014. Differences if any may be specified.
16. KSEB Ltd may show the effects of the adjustments to be made under non tariff income (Income tax, grant for seismic station) mentioned in the petition 2015-16, in the 2016-17 accounts.
17. The details of the provisions for bad & doubtful debts and miscellaneous losses & write offs are to be submitted.
18. SBU wise details of Revenue subsidy, grants and subvention from Government and adjustments made in the contribution and grants.
19. Tariff category wise sales, number of consumers & revenue for the year 2016-17
20. The details of the total amount of tariff subsidy allowed to the consumers and the subsidy received from the Government for the year 2016-17 are to be furnished. The details with Government orders may also be furnished, if any adjustments are made against the subsidy under section 65 of the Act,
21. Please clarify whether the loans taken for the R-APDRP / RGGVY projects has been converted into grants. If so the details of the year wise interest already booked and amount of loans converted to grants may be furnished.
22. Details of working capital and interest thereof for Liquid fuel stations, Hydro stations, transmission business unit and distribution business unit, estimated as per Regulation 33 of KSERC (terms and conditions for determination of Tariff) Regulations 2014

23. The details of the other debits claimed by KSEB Ltd are to be submitted. KSEB Ltd may clarify whether any of these items have been claimed in the previous year.

The Commission directed KSEB Ltd to furnish the reply to the comments of stakeholders and additional details, if any, with supporting documents on the truing up of accounts for 2016-17 immediately.

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

Sd/-  
**S.Venugopal**  
**Member**

Approved for issue

Santhosh Kumar.K.B  
Secretary