

**KERALA STATE ELECTRICITY REGULATORY COMMISSION  
THIRUVANANTHAPURAM**

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

**OA.No.6/2019**

In the matter of : Application for the approval of ARR& ERC for the control period 2018-19 to 2021-22 filed by M/s Kanan Devan Hills Plantations Company Private Limited (KDHPCL)

Applicant (s) : M/s Kanan Devan Hills Plantations Company Private Limited, Munnar

Applicant (s) represented by : Sri.P.M. Srikrishnan, Executive Director, KDHPCL

**Daily Order dated 16.04.2019**

Conducted public hearing on the application for the approval of ARR& ERC for the control period 2018-19 to 2021-22 filed by M/s Kanan Devan Hills Plantations Company Private Limited (KDHPCL) at the KDH Club Hall, Munnar 05-04-2019. The petitioner was represented by Sri. P.M. Srikrishnan, Executive Director, KDHPCL and other officers of the licensee. Sri. P.M. Srikrishnan, briefed the details of the application and responded to the queries of the Commission. The main points submitted in the petition are briefed below.

- The licensee has proposed revenue gaps for each year of the control period based on the prevailing tariff.
- The number of consumers proposed for the control period is 15884 which is the actual number for 2017-18. The licensee has not projected any increase in the number of consumers during the control period. The licensee has stated that the annual increase in the sale of electricity units during the three financial year 2014-15 to 2016-17 is almost negligible which is less than 1 %. KDHPCL has submitted that the petition has been prepared by applying a CAGR of 2% over the units sold in the year 2017-18 at the current retail tariff.
- For the year 2018-19, the proposed sale is 47.13 MU. The sales projected for the subsequent years of the control period is 48.07 MU for 2019-20, 49.03 MU for 2020-21 & 50.02 for the year 2021-22. The major sale of the licensee is to the HT IA Industrial and LT I Domestic category. The licensee proposes a 2% increase in the sales of the said categories

- The licensee has estimated a distribution loss of 12.00% for the control period.
- Power purchase cost has been estimated for the control period with an average power purchase cost is Rs.5.31 per unit
- KDHPCL has proposed the O&M expenses as per the ceiling norms fixed by the Commission.
- The licensee has proposed capital investment for the control period. The licensee in the clarifications submitted has stated that the capital proposals are for miscellaneous capital items like re-conductoring of HT-Lines, replacement of mechanical meters with electronic meters, installation of transformers, voltage improvement, spot billing units etc. As the items are of low value, no DPR was prepared.
- The licensee in the petition has claimed depreciation in the straight line method as per the Tariff Regulations 2018. The licensee has proposed depreciation of Rs.20.24 lakh, Rs.27.31 lakh, Rs.30.85 lakh and Rs.33.49 lakh for the years of the Control period after considering the asset addition in each year.
- The interest and finance charged projected by the licensee for the Control period includes interest on working capital, interest on security deposit, interest on normative loan and bank charges.
- The licensee has included Section III duty and periodical charges under other debits.
- The licensee, for the control period has proposed a return at 3% on the net fixed assets at the beginning of the year.
- The non-tariff income accounted by the licensee in the application includes interest receivable on KDHPCL deposit with KSEB Ltd and miscellaneous recoveries and interest on accumulated surplus. The licensee stated that Interest on accumulated surplus has been computed each year adopting an interest rate of 6.70%, the rate received by the KDHPCL on the term deposit placed with State Bank of India.

Sri.Bipin Shankar, Deputy Chief Engineer TRAC and Sri. Ajith Kumar.G, DAO, TRAC represented KSEB Ltd. Sri.Bipin Shankar presented the counter statement/comments of KSEB Ltd. and stated that the written remarks on the application will be submitted subsequently. The major points presented by KSEB Ltd are abstracted below.

- a. The licensee has not proposed a distribution loss reduction targets for the control period. The Commission may approve distribution loss considering a decreasing trajectory.

- b. With regard to the accumulated surplus, the interest has to be calculated at the rate applicable to loans
- c. The methodology considered by KDHPCL for the calculation of interest on working capital is to be looked into as the calculation does not seem to be correct.
- d. With regard to the O&M expenses, KSEB Ltd stated that the licensee has blindly proposed the components of O&M expenses as approved in the regulations rather than projecting the same. It was also submitted that the O&M approved in the regulations may be on the higher side and may allow the same subject to prudence check.
- e. Detailed project report with regard to the capital investment has not been submitted, which is to be furnished to the Commission.
- f. The depreciation for assets may be allowed only after due consideration of the vintage of the assets and depreciation not to be allowed for the assets created out of consumer contribution.
- g. The claim of the licensee on Section 3(1) duty may be disallowed.

The Commission during the hearing stated that the licensee may approach the banks to negotiate to obtain a higher interest on the accumulated surplus of the licensee. The Commission during the hearing also sought clarifications on the petition and directed the licensee to submit:

- The detailed capital investment proposal along with detailed project report.
- The distribution loss reduction trajectory for the control period.

The Commission directed KDHPCL to submit the details, if any that need to be submitted before the Commission to substantiate the claims made in the application and the reply on the counter statement submitted by KSEB Ltd, on or before 29-04-2019

Hearing concluded. Reserved for orders.

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

Sd/-  
**Preman Dinaraj**  
**Chairman**

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