

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

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

**File No. 1351/F&T/2016**

In the matter of : Seeking consequential orders in the matter of Truing up of accounts for the year 2010-11 in terms of findings of Hon'ble APTEL in the judgment dated 10.11.2014 on appeal petition No.01 of 2013 and 19 of 2013.

Applicant : Kerala State Electricity Board Ltd  
Vydhuthi Bhavanam, Pattom  
Thiruvananthapuram

**ORDER DATED 19-05-2017**

1. The Kerala State Electricity Regulatory Commission (*herein after referred to as the Commission*) vide the order dated 30<sup>th</sup> October 2012 in petition OP No. 34 of 2011 had approved the 'Truing up of Accounts of Kerala State Electricity Board (*herein after referred to as KSEB*) for the year 2010-11. KSEB had filed an appeal petition before the Hon'ble Appellate Tribunal for Electricity (*herein after referred to as Hon'ble APTEL*) against the order and the petition was admitted as Appeal Petition No. 1 of 2013. This matter was heard along with the Appeal petition No. 19 of 2013 filed by KSEB before Hon'ble APTEL against the order dated 28-4-2012 in the matter of Aggregate Revenue Requirements and Expected Revenue from Charges (ARR&ERC) for the year 2012-13.
2. Hon'ble APTEL vide the common judgment dated 10<sup>th</sup> November-2014 had decided on the issues raised by KSEB in the appeal petition No. 1 of 2013 and 19 of 2013. The summary of the findings of the Hon'ble APTEL in judgment dated 10-11-2014 is extracted herein for ready reference.

*“21. Summary of our findings.*

*A) Issues common to Appeal no. 1 of 2013 and Appeal no. 19 of 2013*

- i) Employees cost: We direct the State Commission to true up the employees cost from FY 2010-11 to FY 2012-13 as per the directions given in paragraphs 8.5 and 8.6.*
- ii) Repair and Maintenance cost:  
We do not find any reason to interfere with the findings of the State Commission.*
- iii) Administrative and General Expenses:  
We do not find any infirmity in the findings of the State Commission.*
- iv) Return on Equity:  
We direct the State Commission to allow Return on Equity at the rate of 15.5% as per the Central Commission’s Regulations.*
- v) Depreciation:  
In the absence of the data to be furnished by the Appellant, the State Commission has allowed the depreciation as per the 2004 Tariff Regulations. The State Commission has also estimated the consumer contribution in the absence of the separate data. Therefore, we are not inclined to interfere with the impugned orders of the State Commission. However, we grant liberty to the Appellant to file the complete data as per the CERC Regulations 2009 and the State Commission shall reconsider the same as per the Central Commission’s 2009 Regulations.*
- vi) Capitalization of Assets:  
Capitalization will be subjected to true-up as per actuals on the submissions of the accounts to the Court at the true up stage. In view of this, we do not find reason to interfere with the impugned order.*

*B) Appeal no. 1 of 2013*

- i) Inconsistent approach in the absence of the Regulations:  
We have given certain directions to the Appellant as well as the State Commission under paragraphs 14.4 and 14.5*
- (ii) Subsidy from Government  
We grant liberty to the Appellant to approach the State Commission with full details and the State Commission shall consider the same to examine if there has been double accounting of the Government subsidy of Rs. 54 crore, and if it is so, necessary adjustment will be carried out in the ARR of the subsequent year with carrying cost by the State Commission.*

C. *Appeal No. 19 of 2013*

i) *Interest and Finance Charges*

*We find that the State Commission in the absence of Regulations have decided the Interest and Finance charges and interest on working capital arbitrarily. The interest on working capital is also decided on adhoc basis only. We feel that there is a need to make Regulations for the financial parameters. Till the Regulations are framed, the State Commission should follow the Central Commissions Regulations. **As the FY 2012-13 is already over, we direct the State Commission to true up Interest and Finance charges for the FY 2012-13 based on the audited accounts.***

ii) *T&D Loss Reductions Target:*

*We feel that no interference is warranted in regard to T&D losses.*

iii) *Cost of generation:*

*We direct the State Commission to true-up the generating cost of the LSHS based power plant of the Appellant as per the directions given in paragraph 18.3.*

iv) *Energy sales approved:*

*The State Commission is directed to true-up of the energy sales and Power Purchase Cost after prudence check and also allow carrying cost on the excess cost of power purchase over the approved level, if any, as per the directions given in paragraph 19.2.*

v) *Energy available from Kudankulam:*

*We have already directed for trueing up of Power Purchase Cost and for allowing carrying cost for additional Power Purchase Cost.*

*The Appeals are allowed in part as indicated above. The State Commission is directed to pass consequential orders in terms of our findings at the earliest.”*

The paragraph 8.5 and 8.6 of the judgment dated 10-11-2014 in appeal petition No. 01 of 2013 and 19 of 2013 is regarding employee cost, which is extracted below.

*“8.4 The State Commission has rightly shown concern about the high employees cost but we are not able to appreciate magnitude in the absence of a specific finding about the excess manpower and non-availability of Regulations. We feel that DA increase which is effected as per the Government orders have to be accounted for and allowed in the ARR as it compensates the employees for the inflation. The pay revision as per the agreements reached between the management and the unions have also to be honoured. The terminal benefits have also to be provided for.*

*8.5 We find that the State Commission has taken the actual expenses trued-up for FY 2008-09 as the base. The State Commission should have at least allowed the actual basic pay and DA increase, pay revision and terminal benefits over the actual base year expenses without accounting for increase in manpower from 2008-09 to 2012-13. The gratuity directed to be paid as per the judgments of the High court dated 10.03.2003 as the Division bench of the High Court had dismissed the Appeal filed against this judgment, and which were disallowed by the State Commission by order in Appeal no. 1 of 2013 should also be allowed.*

*8.6 Accordingly, we direct the State Commission to true-up the employees cost from FY 2010-11 to FY 2012-13, as per the above directions.*

3. The Commission had, filed a review petition RP No. 12/2015 and IA No. 129/2015 to the said order of the Hon'ble APTEL, seeking clarifications on certain legal and factual issues mentioned therein. The Hon'ble APTEL, in its order dated 13.04.2015, disposed of the review petition without giving clarifications on the points raised by the Commission. Soon after getting the order of the Hon'ble APTEL in RP No. 12/2015, the Commission took steps for implementation of the order of the Hon'ble APTEL dated 10.11.2014, by directing KSEB Ltd, as per letter No.356/CL/2013./KSERC dated 13.07.2015, to submit proposals with the details required for passing appropriate orders as per the directions of the Hon'ble APTEL. The relevant portions of the said letter are quoted hereunder.

*“Your immediate attention is invited to the orders cited in reference. In para 8.5 and 8.6 the Hon’ble Appellate Tribunal for Electricity has directed the Commission to true up the employee cost from the financial year 2010-11 to the financial year 2012-13 as per the directions contained in para 8.4. In para 8.4 of the order the Hon’ble Appellate Tribunal for Electricity has observed that the State Commission has taken the actual expenses trued up for the financial year 2008-09 as the base and therefore the Commission should have at least allowed the actual basic pay and DA increase, pay revision and terminal benefits over the actual base year expenses without accounting for increase in man power from 2008-09 to 2012-13. The Hon’ble Appellate Tribunal for Electricity has further directed that the gratuity directed to be paid as per the judgment of the Hon’ble High Court dated 10.03.2003 as the Division Bench of the High Court had dismissed the appeal filed against this judgment, and which were disallowed by the State Commission should also be allowed. In para 11.3 the Hon’ble Appellate Tribunal for Electricity has directed that the State Commission should follow Central Electricity Regulatory Commission Regulations and allow return on equity of 15.5%. In para 14.4 it has been observed that the Hon’ble Appellate Tribunal for Electricity is in agreement with the State Commission that the accounts for generation, transmission and distribution functions have to be separately maintained by KSEB Ltd. and that without maintenance of separate accounts for generation,*

*transmission and distribution functions it may not be possible to apply the norms specified in the regulations fully. In para 14.3 it has been clarified by the Hon'ble Appellate Tribunal for Electricity that there is absolutely no need for framing rules and regulations for a transient entity like the Managing Committee constituted by the Government to administer the assets and liabilities of the erstwhile Kerala State Electricity Board. In para 14.5 the Hon'ble Appellate Tribunal for Electricity has directed to give requisite data for generation, transmission and distribution functions as desired by the State Commission. In paras 15.1, 15.2 and 15.3 the Hon'ble Appellate Tribunal for Electricity has observed that KSEB Ltd. is at liberty to approach the State Commission with full details of subsidy received from Government so that the Commission can examine whether or not there had been any double accounting. With regard to the depreciation, the Hon'ble Appellate Tribunal for Electricity has directed KSEB Ltd to file complete data as per Central Electricity Regulatory Commission Regulations, 2009 for the consideration of the State Commission. With regard to the claim for interest and finance charges in Appeal No.19/2013 the Commission has been directed to true up the interest and finance charges for the financial year 2012-13 based on the audited accounts. In para 18.3 the Commission has been directed to true up the generating cost of LSHS based power plants of KSEB Ltd after examining the annual data for this plants and after prudence check. With regard to the energy sales the Commission has been directed to true up the energy sales and power purchase cost after prudence check and also allow carrying cost on the excess cost of power purchase over the approved level as per the directions given in para 19.2. In view of the directions indicated above and the other directions contained in the order of the Hon'ble Appellate Tribunal for Electricity KSEB Ltd is hereby directed to submit detailed proposals with all necessary data for substantiating its claims so that the Commission can examine them and conduct prudence check where ever necessary and issue appropriate orders. KSEB Ltd is also directed to submit proposals as to how the excess amount in ARR, if any approved by the Commission, has to be recovered from the consumers. The above proposals with all necessary details shall be submitted within one month from the date of receipt of this letter."*

4. Subsequently, KSEB Ltd, as per the section -125 of the Electricity Act-2003, filed second appeal before Hon'ble Supreme Court, against the judgment of the Hon'ble APTEL dated 10<sup>th</sup> November-2014 in appeal petitions 1 of 2013 and 19 of 2013. Hon'ble Supreme Court has admitted the petition as Civil Appeal Nos. 5473 and 5474 of 2015, but no stay has been granted on the implementation of the judgment of the Hon'ble APTEL. The Commission has filed detailed counter affidavit in the above Civil Appeals. In the said counter affidavit the Commission has submitted before the Hon'ble Supreme Court the following important

questions of law among others (the appellant mentioned in the questions of law is KSEB Ltd).

- (i) *Whether or not the Hon'ble APTEL can, without hearing the affected parties namely the consumer and other stakeholders, issue a legally valid order in an appeal under Section 111 of the Electricity Act, 2003, resulting in increase of tariff.*
- (ii) *Whether or not the functioning of the appellant as a bundled entity performing the functions of the State Transmission Utility, distribution licensee engaged in supply and trading in electricity, generating company and of the State Load Despatch Centre is in order.*
- (iii) *If such a functioning as a bundled entity is in order, is it not mandatory for the State Transmission Utility, the distribution licensee, the generating company and the State Load Despatch Centre to function as separate and independent units as envisaged in the Electricity Act, 2003 and the Second Transfer Scheme issued by Government of Kerala.*
- (iv) *Whether or not the appellant, which is functioning as a bundled entity can refuse to implement or claim immunity from the regulations issued by the respondent Commission.*
- (v) *Whether or not the appellant, which is functioning as a bundled entity, can claim at its choice the benefits under various provisions of the regulations issued by the Central Electricity Regulatory Commission (CERC) which have no direct application to the licensees functioning in the State.*
- (vi) *Whether or not the distribution licensee or the State Transmission Utility or the generating company is eligible to get the return on the enhanced equity as per the Second Transfer Scheme issued by the Government of Kerala under Section 131 of the Electricity Act, 2003, without any actual cash infusion into the business.*
- (vii) *Whether or not the distribution licensee or the State Transmission Utility or the generating company is eligible to get depreciation or repairs and maintenance expenses based on the enhanced value of assets, consequent to upward revision of the value of assets, without any actual value addition.*
- (viii) *Whether or not the order issued by the Hon'ble APTEL directing the respondent Commission to allow to the appellant, the return on equity at 15.5% as per the Central Commission's Regulations is legally valid especially in view of the fact that the regulations issued by the respondent Commission specifies the return on equity at 14%.*

- (ix) *Whether or not all the expenses which have not been objected to in the audit of accounts of the licensee, should necessarily be approved in the prudence check by the respondent Commission especially in view of the concurrent findings of the Hon'ble APTEL and the Hon'ble Supreme Court to the effect that audited accounts are not binding on the Commission while conducting prudence check for the purpose of approving the expenses to be passed on to the consumers by way of tariff.*
- (x) *Whether or not the appellant can be allowed to approbate and reprobate at the same time, the tariff orders issued by the respondent Commission.*

The above questions of law as well as the matters raised by KSEB Ltd in the appeal are therefore under the consideration of the Hon'ble Supreme Court.

5. In the meanwhile, KSEB Ltd had filed a petition before the Commission to re-consider the truing up petitions for the year 2010-11, as per the directions of the Hon'ble APTEL in its judgment dated 10-11-2014 in appeal petition No.01 of 2013 and 19 of 2013. The Commission vide its order No: 1464/CT/2015 dated 07.01.2016 had decided and disposed the petition as follows.

*“The Commission has already issued orders on truing up of accounts relating to the financial year 2010-11. The judgment of the Hon'ble APTEL can be implemented only by reviewing the order issued by the Commission on truing up of accounts relating to the financial year 2010-11. The applications filed by KSEB Ltd for truing up of accounts relating to 2011-12 and 2012-13 are pending before the Commission. Therefore the directions contained in the judgment of the Hon'ble APTEL dated 10.11.2014 in appeal petitions Nos. 1/2013 and 19/2013 can be followed while passing orders on truing up of accounts relating to the financial years 2011-12 and 2012-13. For reviewing the order issued on truing up of accounts relating to 2010-11 and for passing orders on truing up of accounts relating to the financial years 2011-12 and 2012-13, the detailed proposals as called for by the Commission in its letter dated 13.07.2015 are required. As soon as KSEB Ltd submits the detailed proposals with necessary data required for taking appropriate decisions by the Commission in accordance with the directions of the Hon'ble APTEL, orders subject to the judgment of the Hon'ble Supreme Court in civil appeals Nos.5473 and 5474 of 2015, can be issued in the petitions filed by KSEB Ltd for truing up of the accounts relating to the financial years 2011-12 and 2012-13 and in the petition to be submitted by the KSEB Ltd for reviewing the order issued by the Commission on truing up of accounts relating to 2010-11*

*The petition dated 21.07.2015 filed by KSEB Ltd is disposed of as above.”.*

6. Subsequently, KSEB Ltd on 5-8-2016 had filed this petition, seeking consequential orders in the matter of Truing up of accounts for the year 2010-11 in terms of findings of Hon'ble APTEL in the judgment dated 10.11.2014 on appeal petition No.01 of 2013 and 19 of 2013. The items remanded back to the Commission for re-consideration in view of the judgment dated 10-11-2014 of the Hon'ble APTEL in appeal petition No. 1 of 2013 and 19 of 2013 and connected with the Truing up of 2010-11 of KSEB are (i) employee cost, (ii) depreciation (iii) Return on equity and (iv) Government subsidy. The analysis and decision on each items remanded back to the Commission in the matter of truing up of account of KSEB for the year 2010-11 is discussed below.

### Employee cost

7. While approving the truing up of accounts of KSEB for the year 2010-11 vide the order dated 1<sup>st</sup> October-2012 in petition OP No. 34 of 2011, the Commission had approved the employee cost for the year 2010-11 as follows.

*“64. Considering the uncontrolled increase of O&M expenses that is getting highly prejudicial to consumer interests year after year, the Commission has no other way but to resort to unilateral action for containing the components of O&M expenses at reasonable levels for regulatory purposes. The Commission has adopted a methodology based on CPI:WPI weighted method for benchmarking the employee expenses from the ARR of 2011-12, taking the actuals of 2008-09 as a base. While allowing the employee expenses at CPI:WPI basis, the salary component was inflated at 3% per annum considering the increments involved. Since the controllable expenses are allowed to increase at the inflation level, incentive is available to the licensee to limit the costs below the approved level and reap the benefits of savings. The allowable expenses based on this method is as shown below:*

#### **Employee costs based on CPI-WPI based index**

	2008-09 Rs. Crore	2009-10 (Rs. Crore)	2010-11 (Rs. Crore)
Basic Pay Projection (3% increase)	378.70	390.06	401.76
Other components			
CPI weightage (70%)	613.54	689.43	761.45
WPI Weightage (30%)	262.94	272.96	298.90
<b>Total</b>	<b>1,255.18</b>	<b>1,352.45</b>	<b>1,462.11</b>
% increase		7.75%	8.11%

Accordingly, the employee cost approved for the year 2010-11 as per the order dated 1<sup>st</sup> October 2012 is given below.



Table-1.

Employee cost approved for the year 2010-11

	2010-11 (Rs. Crore)		
	ARR Order	Actual as per accounts	Allowed in True UP
<b>Employee expenses</b>	1,247.31	1,712.80	1462.11

8. As detailed above, while approving the truing up of accounts for year 2010-11, the Commission had approved the employee cost for the year 2010-11 at Rs 1462.11 crore, after allowing inflationary increase over the year 2008-09 at the weighted average indices of WPI and CPI in the ratio of 30:70 on components other than basic pay. An annual increase of 3% year-on-year was allowed for Basic pay over the approved trued up figures of the year 2008-09.
9. KSEB Ltd had filed appeal petitions against the above order of the Commission before the Hon'ble Appellate Tribunal for Electricity (APTEL) and the APTEL admitted the appeal petition as Appeal Petition No. 1 of 2013. Hon'ble APTEL vide the common judgment dated 10<sup>th</sup> November 2014 has decided on the issues raised in the Appeal Petitions 1 of 2013 and 19 of the 2013. The paragraph 8.3 to 8.6 of the said judgment dated 10<sup>th</sup> November 2014 deals with observation and directions of the APTEL regarding the employee cost and related matters, which are extracted below.

*“8.3 We find that the State Commission in the impugned order dated 28.04.2012 has shown concern about the high employees cost and non-compliance of the directions given by the State Commission in this regard. The State Commission has noted that without a scientific study on manpower requirements, the recruitments are continuing and about 1000 persons are added every year. The State Commission has decided to benchmark employees expenses based on the base year expenses escalated at price indices. The State Commission has used FY 2008-09 as the base year since latest true-up was carried out for 2008-09. The State Commission provided 3% increase in basic pay for accounting for increments. The other components are benchmarked based on CPI/WPI indices with weightage of 70:30 for estimating the increase in employees cost. Thus, while basic pay was increased by 3% the other components of employees expenses viz. DA allowances, terminal benefits, pay revision, etc., were increased as per CPI/WPI indices with weightage of 70:30 (CPI:WPI).*

*8.4 The State Commission has rightly shown concern about the high employees cost but we are not able to appreciate magnitude in the absence of a specific finding about the excess manpower and non-availability of Regulations. We feel that DA increase which is effected as*

*per the Government orders have to be accounted for and allowed in the ARR as it compensates the employees for the inflation. The pay revision as per the agreements reached between the management and the unions have also to be honoured. The terminal benefits have also to be provided for.*

*8.5 We find that the State Commission has taken the actual expenses trued-up for FY 2008-09 as the base. The State Commission should have at least allowed the actual basic pay and DA increase, pay revision and terminal benefits over the actual base year expenses without accounting for increase in manpower from 2008-09 to 2012-13. The gratuity directed to be paid as per the judgments of the High court dated 10.03.2003 as the Division bench of the High Court had dismissed the Appeal filed against this judgment, and which were disallowed by the State Commission by order in Appeal no. 1 of 2013 should also be allowed.*

*8.6 Accordingly, we direct the State Commission to true-up the employees cost from FY 2010-11 to FY 2012-13, as per the above directions.*

10. As detailed above, Hon'ble APTEL has ordered that without accounting for the increase in numbers of employees over the base year of 2008-09, the actual basic pay, actual DA, pay revision etc incurred on the employees who were in the rolls of the licensee during the year 2008-09, should be provided for. Hon'ble APTEL also ordered that, terminal benefit paid is to be allowed in full. Gratuity paid as directed by Hon'ble High Court was also ordered to be allowed in full.
11. Vide this remand petition, KSEB Ltd had submitted the year wise details of the total employees retired since 2008-09, the total number of recruitment of employees cadre wise etc. KSEB Ltd also submitted an estimate of the employee cost attributed by the increase in manpower over the same in 2008-09. KSEB Ltd had submitted that, the total employee cost excluding the employee cost attributed by the increase in manpower may be allowed by the Commission in the process of truing up. The summary of the employee cost attributable to increase in man power claimed by KSEB Ltd is given below.

Table-2  
Summary of the employee cost attributable to increased manpower  
(Rs in crore)

	2010-11 (Rs. crore)
Basic pay	11.86
DA	10.44
Other Allowances	2.64
Total	24.94

12. The Commission has examined the details of estimation submitted by KSEB Ltd, but could not accept the same mainly on following reasons.
- (a) The logic of the calculation was not properly explained.
  - (b) The calculation is seen made by taking the total number of excess employees in a particular year over the base year of 2008-09 and multiplying the same with the basic salary of the entry cadre for six months without considering the year on year increase of the employees.
  - (c) KSEB Ltd has also not considered the yearly increment of newly recruited employees.
  - (d) The DA rates applied are at the higher percentage, ie the percentage at the end of the year which in fact can be applicable to only the last 3 months of the financial year.
13. Accordingly, the Commission calculated the employee costs for the year 2010-11 as per the Orders of APTEL in the following manner.
- (a) Hon'ble APTEL in its order had directed that the employee costs should be allowed without accounting for increase in manpower from 2008-09. From the details furnished by KSEBL, the no. of employees as on 31-3-2009 was 27175. Thus the employee cost to be allowed for the year 2010-11 is limited to the 27175 employees. That is in case if some of the employees who were in the rolls of KSEB has retired subsequent to 2008-09 an equal number of replacement is considered at the entry cadre.
  - (b) As per the orders of APTEL, terminal benefits & gratuity as directed to be paid by the Hon'le High Court have to be provided at actual.
  - (c) There is no reference on the other allowances. Hence the other allowance can be approved at a level increased by CPI: WPI from 2008-09 level or actual whichever is less.
  - (d) The balance is with respect to Basic pay and DA. The Basic pay and DA pertaining to the number of employees existing at 2008-09 can be estimated if the Basic pay and DA at revised pay scales, for the excess newly recruited excess employees is deducted from the actual employee cost incurred.
14. Based on the above guidelines, the excess employee cost is calculated considering the additions to the number of employees in various categories in each year. The actual recruitment for various categories as per the details submitted by KSEB Ltd are detailed below.

**Table-3**  
Year wise details of the new recruitments since 2008-09  
(Figures in numbers)

<b>Designation wise recruitments</b>	<b>2009-2010</b>	<b>2010-2011</b>	<b>Total</b>
Assistant Engineer	221	213	434
Cashier	268	244	512
Driver II	3	-	3
Junior Assistant	3	1	4
Junior Fair Copy Assistant	5	5	10
Electricity worker	1159	1520	2679
Meter Reader	7	250	257
Office Attendant II	7	8	15
PTC Sweeper	-	1	1
Sub Engineer	61	14	75
Sweeper III	1	-	1
Divisional Accountant	-	1	1
Overseer	-	1	1
Accountant LA	-	-	0
Meter Tester	-	-	0
<b>Total</b>	<b>1735</b>	<b>2258</b>	<b>3993</b>

15. As per the details furnished by KSEB Ltd, the increase in employees over 2008-09 are shown below.

**Table 4**  
Excess employees over the 2008-09 level as per APTEL order  
(Figures in Numbers)

	2008-09	2009-10	2010-11
Total No. of employees	27175	28007	29864
Annual Increase in employees as compared to the previous year		832	1857
Increase in employees over 2008-09 level (Cumulative)		832	2689

16. The additional newly recruited employees in each year in proportion to the retirements are as shown below:

**Table 5**  
Designation wise excess employees over the year 2008-09

<b>Designation</b>	<b>2009-2010 (in numbers)</b>	<b>2010-2011 (in numbers)</b>
Assistant Engineer	106	175
Cashier	129	201
Driver II	1	0
Junior Assistant	1	1
Junior Fair Copy Assistant	2	4
Electricity worker	556	1250
Meter Reader	3	206
Office Attendant II	3	7
PTC Sweeper	0	1
Sub Engineer	29	12
Sweeper III	0	0
Divisional Accountant	0	1
Overseer	0	1
Accountant LA	0	0
Meter Tester	0	0
<b>Total</b>	<b>832</b>	<b>1857</b>

17. The details of revised basic pay and rate of increments as provided by KSEBL for the new recruits are given below:

**Table 6**  
Basic Pay and Increment rates after revision of pay

<b>Designation</b>	<b>Basic pay (Rs.)</b>	<b>Increment (Rs.)</b>	<b>Period (no. of years) for which the increment is applicable</b>	<b>Increment (Rs.)</b>	<b>Period (no of years) for which the increment is applicable</b>	<b>Increment (Rs.)</b>	<b>Period (no of years) for which the increment is applicable</b>
Assistant Engineer	20170	870	2	945	6		
Cashier	10800	490	2	605	2		
Driver II	10800	490	2	605	2		
Junior Assistant	10800	490	2	605	2		
Junior Fair Copy Assistant	10800	490	2	605	2		
Electricity worker	8200	190	1	325	2	315	2
Meter Reader	10800	490	2	605	2		
Office Attendant II	8200	190	1	325	2	315	2
PTC Sweeper	8200	190	1	325	2	315	2
Sub Engineer	14470	740	3	870	6		
Sweeper III	8200	190	1	325	2	315	2
Divisional Accountant	20170	870	2	945	6		
Overseer	11780	605	2	740	5		
Accountant LA	10800	490	2	605	2		
Meter Tester	14470	740	3	870	6		

18. Taking into consideration the fact that a newly recruited employee will be fixed at the minimum of the entry cadre and the actual DA rates disbursed are also known, the basic pay and DA of the employees appointed over and above the threshold limit of 27175 can be calculated and the costs with respect to the additional employees as per the orders of APTEL is as shown below:

Table-7.  
Cost of excess employees

Designation	2009-10	2010-11
	(Rs.cr)	(Rs.cr)
Assistant Engineer	2.57	6.91
Cashier	1.67	4.35
Driver II	0.01	0.01
Junior Assistant	0.01	0.03
Junior Fair Copy Assistant	0.03	0.08
Electricity worker	5.47	17.90
Meter Reader	0.04	2.71
Office Attendant II	0.03	0.10
PTC Sweeper	0.00	0.01
Sub Engineer	0.50	0.74
Sweeper III	0.00	-
Divisional Accountant	0.00	0.02
Overseer	0.00	0.01
Accountant LA	0.00	-
Meter Tester	0.00	-
<b>Total Basic Pay</b>	<b>10.33</b>	<b>32.88</b>
Time weighted average DA rates	13.8%	32.2%
DA	1.42	10.59
<b>Total Basic Pay &amp; DA</b>	<b>11.75</b>	<b>43.47</b>

19. **Terminal benefits:** As per the Orders of APTEL, the terminal benefits have to be provided for at actuals and the gratuity directed to be paid as per the judgments of the High court should also be allowed. The details of terminal benefits booked by KSEBL is as shown below:

Table 8  
Details of terminal benefits booked under audited accounts

	2008-09 (Rs.crore)	2009-10 (Rs.crore)	2010-11 (Rs.crore)
Monthly Pension including provisions	445.83	526.86	548.80
Gratuity	22.83	29.88	23.01
Commutation	25.03	42.13	31.54
Medical allowance	1.53	4.61	3.55
Special festival allowance	0.62	0.84	0.97
Provision for gratuity/commutation			131.34
<b>Total terminal benefits</b>	<b>495.84</b>	<b>604.32</b>	<b>739.21</b>

20. As can be seen from the above table, KSEB Ltd has created a provision for gratuity in the books of accounts to the tune of Rs.131.34 crore on account of the Order of Hon. High Court of Kerala. KSEB Ltd further clarified that, the adoption of Gratuity Act was implemented after 2013 and the sums disbursed on this count were booked under gratuity account. A sum of Rs.41.47 crore had been deposited with various legal forums towards gratuity cases as on 31-3-2013 pending transfer to expenditure account. Accordingly, KSEBL has requested that the actual disbursement as per accounts along with sums lying under deposits may be approved towards gratuity. Hence, the Commission has sought the details of actual disbursement of gratuity by KSEBL and the details submitted are reproduced below:

Table-9  
Details of the actual disbursement of gratuity

Year	Rs. Crore
2008-09	20.74
2009-10	27.16
2010-11	20.92
2011-12	23.06
2012-13	48.22

21. It can be seen from the accounts that the gratuity released by KSEBL is much less than provisions created in the accounts. As per the orders of APTEL, the gratuity paid based on the orders of the Hon. High Court is to be allowed. Hence, as per the of KSEBL and as per the orders of APTEL, the actual gratuity paid by the KSEBL in each year should be allowed. KSEBL also stated that an amount of Rs.41.47 crore is deposited in various forums towards gratuity related cases as on 31-3-2013. The same was allowed as part of the Truing up orders of the Commission for the year 2012-13 dated 20-3-2017. Based on the above, the terminal benefits to be allowed for the truing up are as shown below:

Table 10  
Approved Terminal benefits

	2010-11 (Rs.Cr)
Monthly Pension including provisions	548.80
Gratuity	20.92
Commutation	31.54
Medical allowance	3.55
Special festival allowance	0.97
<b>Total terminal benefits allowed</b>	<b>605.78</b>

22. Accordingly, the employee cost admissible as per the judgment of the Hon'ble APTEL is detailed below

Table 11  
Approved employee costs for 2010-11

	2010-11 (Rs.crore)
Basic Pay & DA as per Accounts	871.87
Less Basic pay & DA of additional employees	43.47
Net Basic pay & DA	828.40
Other allowances	101.73
Terminal benefits approved	605.78
Total Employee cost allowable	1,535.91

23. The employee cost approved for the year 2010-11 as per the remand petition filed by KSEB Ltd as per the direction of the Hon'ble APTEL in its judgment dated 10-11-2014 in Appeal Petition No. 1 of 2013 and 19 of 2013 is given below.

Table-12  
Employee cost approved for the year 2010-11 as per the remand petition as per the judgment of the Hon'ble APTEL dated 10-11-2014

Particulars	Actual as per accounts	Allowed in True up order dated 30-10-2012	Approved in the remand order
	(Rs. Cr)	(Rs. Cr)	(Rs. Cr)
Employee expenses	1,712.80	1462.11	1535.91

## Depreciation

24. In the audited accounts for the year 2010-11, KSEB has claimed the depreciation for the year 2010-11 at Rs 473.42 crore, at the depreciation rates prescribed by Ministry of Power, Government of India, in the year 1994 as per the provisions in the Electricity (Supply) Annual Accounting Rules, 1985 (ESAAR-1985). However, since the year 2005-06, the Commission has been approving the depreciation as per the CERC norms, in the orders on aggregate revenue requirements and also while approving the applications for truing up of accounts. However, while processing the application for truing up of accounts for the year 2009-10 and 2010-11, KSEB Ltd has not submitted necessary and sufficient details, including the vintage of assets for approving the depreciation as per 2009-14 CERC norms. In the absence of sufficient details, the Commission had relied on the depreciation rates as per the CERC norms specified for the tariff period, 2004-09, which had does not taken in to account the vintage of assets. Accordingly while approving the truing up of accounts, the Commission had approved the gross depreciation for the year 2010-11 at Rs 330.88 crore as against Rs 473.42 crore claimed by KSEB Ltd as per the audited accounts.



25. Further, the Commission vide its order dated 13-4-2012, had decided that, depreciation on assets created out of contribution and grants shall not be allowed from the year 2010-11 onwards. The Commission had estimated the depreciation on the assets created out of consumer contribution and grants for the year 2010-11 at Rs 111.53 crore. Accordingly, in the process of truing up, the Commission in the order dated 30-10-2012 the approved depreciation for the year 2010-11 excluding the depreciation on assets created out of consumer contribution/grant was of Rs 216.35 crore (Rs 330.88 crore minus Rs 111.53 crore).
26. In the appeal petition 1 of 2013, filed by KSEB before Hon'ble APTEL against the order of the Commission dated 30-10-2012 in the matter of truing up of accounts for the year 2010-11, this issue was also raised before the Hon'ble APTEL. In this matter, Hon'ble APTEL vide the judgment dated 10-11-2014 decided as follows.

*"21. Summary of our findings: A) Issues common to Appeal no. 1 of 2013 and Appeal no. 19 of 2013*

*v) Depreciation:*

*In the absence of the data to be furnished by the Appellant, the State Commission has allowed the depreciation as per the 2004 Tariff Regulations. The State Commission has also estimated the consumer contribution in the absence of the separate data. Therefore, we are not inclined to interfere with the impugned orders of the State Commission. However, we grant liberty to the Appellant to file the complete data as per the CERC Regulations 2009 and the State Commission shall reconsider the same as per the Central Commission's 2009 Regulations."*

27. KSEB Ltd, in its remand petition dated 05-08-2016 had estimated the depreciation as per the provisions of CERC regulations, 2009, applicable for the period 2009-14. KSEB Ltd has estimated the depreciation as per the provisions of CERC regulations applicable for the period 2009-14, by following a the methodology used in the previous years duly considering the vintage of assets. The methodology adopted by KSEB Ltd is given below.
28. KSEB Ltd had segregated the total assets as on 31-03-2010 into two parts.
- (i) Part-1: The assets created during the last 12 years from 1998-99 to 2009-10 and
  - (ii) Part-2: The assets created prior to 1998-99.
- KSEB Ltd has submitted the details as Annexure to the application for truing up.

29. As per the details submitted by KSEB Ltd, the Gross Fixed Assets (GFA) as on 31-03-1998, i.e., (the assets having age more than 12 years) is Rs 2275.14 crore and the GFA created during the last 12 years during the period between 1998-99 to 2009-10 is Rs 7909.89 crore. The year wise details of depreciation claimed on the assets created prior to the year 1998-99 (i.e., assets having age more than 12 years) and the balance value of the assets to be depreciated from the year 2010-11 are also given. The year wise details of the depreciation claimed on the assets created since 1998-99 are also given. The assets created in each year are treated separately for arriving depreciation. The summary of the gross depreciation claimed by KSEB Ltd for the year 2010-11 is given below.

Table-13  
Depreciation on the total assets for the year 2010-11 claimed by KSEB Ltd

Sl. No.	Particulars	Old assets created prior to 1998-99	Depreciation on assets created every year (Rs. Cr)											Total (Rs. Cr.)	
			1998-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09		09-10
1	Buildings	4.00	0.38	0.92	1.84	0.64	1.55	1.21	1.11	1.14	0.89	0.68	0.34	1.31	16.02
2	Hydraulic works	4.56	5.36	4.17	2.05	1.00	2.64	1.92	0.74	6.31	1.01	1.61	0.64	3.98	36.00
3	Other civil works	0.74	0.37	0.44	0.45	0.39	1.39	0.86	1.04	1.62	0.82	0.69	0.97	0.78	10.55
4	Plant & machinery	0.00	6.21	17.60	8.46	37.00	9.24	27.41	7.25	7.21	8.13	6.23	10.44	16.55	161.75
5	Lines cables and networks	0.00	7.84	10.09	10.99	9.99	24.69	17.49	14.37	13.45	13.84	14.41	15.14	23.86	176.15
6	Vehicles	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.03	0.01	0.00	0.11	0.05	0.23
7	Furniture & fixtures	0.00	0.00	0.00	0.02	0.02	0.06	0.06	0.07	0.02	0.03	0.03	0.05	0.07	0.44
8	Office equipment	0.00	0.00	0.00	0.02	0.03	0.02	0.41	0.11	0.11	0.85	0.10	0.18	0.34	2.17
	Total	9.30	20.15	33.22	23.83	49.08	39.59	49.36	24.72	29.88	25.59	23.76	27.86	46.95	403.30

30. However, KSEB Ltd has not submitted the details of the depreciation to be dis-allowed on the assets created out of consumer contribution and grants.
31. The Commission has examined the details submitted by KSEB Ltd, on the depreciation claimed a per CERC 2009 regulations, duly considering vintage of assets. The details given by KSEB Ltd is only a gross approximation of the depreciation as per the CERC norms duly considering vintage of assets. The Commission vide the order dated 28<sup>th</sup> October 2013 in petition RP No. 1/2013 had approved the depreciation for the year 2009-10 based on the similar

methodology proposed by KSEB Ltd. Accordingly, the depreciation on the Gross Fixed Asset including the asset created out of consumer contribution is adopted as Rs 403.30 crore. The depreciation so arrived is apportioned among generation, transmission and distribution in the ratio of the GFA at the beginning of the year 2010-11 and is not backed by proper Fixed Assets Registers which shows details of vintage of assets commissioned/created.

32. As per the audited accounts of KSEB Ltd for the year 2010-11, the total assets created out of the consumer contribution, grants received from Government etc amounts to Rs 2953.91 crore. KSEB Ltd is not eligible to claim depreciation on the assets created out of consumer contribution, in view of the order of the Commission dated 13<sup>th</sup> April-2012. Accordingly, the depreciation to be approved based on the remand petition is given below.

**Table-14**  
Depreciation approved for the year 2010-11 as per the remand petition

Functional area	GFA as on 31-03-2010	Depreciation claimed for the year 2010-11 apportioned on GFA basis	Assets created out of consumer contribution	Depreciation on the Assets created out of consumer contribution	Net Depreciation approved for the year 2010-11
	(Rs. Cr)	(Rs. Cr)	(Rs. Cr)	(Rs. Cr)	(Rs. Cr)
Generation	3401.75	134.70			134.70
Transmission	3253.94	128.85			128.85
Distribution	3529.34	139.75	2953.91	116.97	22.79
Total	10185.03	403.30			286.33

33. The summary of the depreciation approved for the year 2010-11 as per the remand petition is detailed below.

**Table-15**  
Depreciation approved for the year 2010-11 as per the remand petition filed by KSEB Ltd based on the judgment of the Hon'ble APTEL dated 10-11-2014

Particulars	Actual as per accounts	Allowed in True UP order dated 30-10-2012	Approved in the remand petition
	(Rs. Cr)	(Rs. Cr)	(Rs. Cr)
Depreciation	473.42	216.35	286.33

### **Return on Equity**

34. While approving the application for approval of truing up of accounts for the year 2010-11 vide its order dated 30-10-2012 in OP No. 34 of 2012, the Commission had approved the RoE at Rs 217.42 crore, on the equity capital of Rs 1553.00

crore @14.00%. KSEB Ltd has challenged above order before the Hon'ble APTEL as appeal petition No. 1 of 2013. Hon'ble APTEL vide the order dated 10<sup>th</sup> November 2014 has directed the Commission to allow the return on equity at the rate of 15.50% as per Central Commissions Regulations. The relevant portion of the judgment of the Hon'ble APTEL dated 10-11-2014 is extracted below.

*“11.3 We find that the State Commission has allowed ROE at the rate of 14% in its Tariff Regulations for generation and transmission. No Tariff Regulations have been framed by the State Commission. Section 61 of the Electricity Act, 2003 provides that the State Commission in specifying the terms and conditions for determining the tariff will be guided by the principles and methodologies specified by the Central Commission for determination of the tariff applicable to the generating companies and transmission licensees. The Central Commission's Regulations provide for ROE of 15.5%. In the absence of State Commission's own Regulations, the State Commission should have followed the Central Commission's Regulations and allowed ROE of 15.5%. However, the State Commission has decided ROE of 14% without giving any reason. Learned Counsel for the State Commission is now giving reasons for not allowing ROE of 15.5% which is not permissible at appellate stage.*

*Accordingly, we direct the State Commission to allow ROE of 15.5%, as per the Central Commission's Regulations.*

35. The Commission vide the notification 11 KSERC-2005/ XII dated 23<sup>rd</sup> March-2006 has notified the KSERC (Terms and Conditions of Tariff for Retail Sale of Electricity) Regulations, 2006. The Regulation-13 of the said regulation provides the rate base, which is extracted below.

**13. Rate Base.-** (1) The Commission shall determine appropriate rate base for computing returns by considering debt and equity separately.

(2) The Commission shall decide the rate of return to the licensees from time to time depending on the need to promote investment and safeguard consumer interest.

36. The Commission vide the notification 1/1/KSERC-2006/ XVI dated 12<sup>th</sup> October-2006 has notified the KSERC (Terms and Conditions for Determination of Tariff for Distribution and Retail Sale of Electricity under MYT framework) Regulations, 2006. The Regulation-20 of the said regulation provides for Return on Equity, which is extracted below.

**20. Return of Equity.-** Return on equity shall be computed on the equity base determined in accordance with clause 17 above and shall be @ 14% per annum. For the purpose of return on equity, any cash resources available to the licensee from its share premium account or from its internal resources that are used to

fund the equity commitments of the project under consideration shall be treated as equity subject to limitation contained in clause 17 above.

37. However, duly considering the Regulation-13 of the KSERC (Terms and Conditions of Tariff for Retail Sale of Electricity) Regulations, 2006 and Regulation-20 of the KSERC (Terms and Conditions for Determination of Tariff for Distribution and Retail Sale of Electricity under MYT framework) Regulations, 2006, the Commission has been allowing the RoE at the rate of 14% since the year 2006-07 onwards.
38. It is held by the Hon'ble Supreme Court and Hon'ble APTEL in various judgments that, once the Commission notifies a regulation, it shall be binding on all licensees and stakeholders unless its operation is stayed by Hon'ble High Court or Hon'ble Supreme Court. As per the records available with the Commission, the operation of the KSERC (Terms and Conditions of Tariff for Retail Sale of Electricity) Regulations, 2006 and KSERC (Terms and Conditions for Determination of Tariff for Distribution and Retail Sale of Electricity under MYT framework) Regulations, 2006 was not challenged by KSEB/ KSEB Ltd or other interested parties before the Hon'ble High Court and Hon'ble Supreme Court, till the above regulations were repealed by the KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2014, which was notified on 14-11-2014. Hence the above regulations including the RoE provided in the said regulations is applicable to KSEB /KSEB Ltd and other interested parties.
39. However, in view of the direction of the Hon'ble APTEL vide the judgment dated 10-11-2014, the Commission hereby allows the RoE @15.50% on the equity of Rs 1553.00 crore, amounts to Rs 240.70 crore for the year 2010-11. The details are given below.

Table-16  
RoE approved in the remand petition

Particulars	Actual as per accounts	Allowed in True UP order dated 30-10-2012	Approved in the remand petition
	(Rs. Cr)	(Rs. Cr)	(Rs. Cr)
Return on Equity	240.71	217.42	240.71

### Government subsidy

40. The Commission vide its order dated 05-04-2010 has ordered to impose fuel surcharge @Rs 0.25/unit for six months from April-2010. The State Government has ordered to exempt domestic consumers having monthly consumption up to 120 units from payment of the above fuel surcharge and ordered to provide the revenue shortfall as subsidy from Government. KSEB had estimated a revenue

shortfall of Rs.54.16 crore for exempting the domestic consumers having monthly consumption up to 120 units from payment of fuel surcharge.

41. During the year 2010-11, the Government has released Rs 54.16 crore as subsidy for exempting domestic consumers having consumption below 120 units per month from payment of fuel surcharge. As per the audited accounts submitted by KSEB Ltd, the subsidy amount released by the Government amounts to Rs 54.16 crore was accounted under Schedule-4 of the accounts. The schedule-4 is for accounting subsidies and grant received from Government from time to time. Accordingly, the Commission, vide its order dated 30-10-2012, in the matter of the truing up of accounts for the year 2010-11, had considered the Rs 54.16 crore released by the Government as additional income received from the Government.
42. KSEB Ltd has also raised this issue in the Appeal petition No. 1 of 2013, filed against the order of the Commission dated 30-10-2012 in the matter of truing up of accounts of KSEB for the year 2010-11. The issue raised by the KSEB Ltd before the Hon'ble APTEL and the decision therein is extracted below.

**15. Subsidy from Government : (Appeal no. 1 of 2013)**

*15.1 According to the Appellant, the State Commission vide order dated has allowed to impose fuel surcharge @ Rs. 0.25 per unit on all consumers from 1st April, 2010 to 30th September, 2010. However, the State Government has ordered to exempt domestic consumers with monthly consumption upto 120 units from payment of fuel surcharge and provided Rs. 54 crores as subsidy. However, as ordered by the State Commission, while issuing the demand notice, the Board had been raising the bills at the tariff approved by the State Commission and out of the total demand, a part was shown as subsidy provided by the State Government and the balance only collected from the consumers. The Board had been preparing the accounts on accrual basis and accordingly the total demand raised as per the bills at the tariff approved by the State Commission was shown as revenue from tariff. The gross demand of the domestic consumers as per the annual accounts for FY 2010-11 was Rs. 1363.44 crores which is inclusive of the subsidy provided by the State Government. While approving the true-up petition, the State Commission has considered the total demand of domestic categories as per the audited accounts i.e. Rs. 1366.44 crores, as revenue. In addition, the State Commission has wrongly considered the subsidy amount provided by the State Government amounting to Rs. 54 crores as additional revenue.*

*15.2 We find that the State Commission in the impugned order has mentioned that if the Appellant approaches the State Commission with full details, the matter will be considered.*

*15.3 Accordingly, we grant liberty to the Appellant to approach the State Commission with full details and the State Commission shall consider the same to examine if there has been double accounting of the Government subsidy of Rs. 54 crores, and if it is so, necessary adjustment will be carried out in the ARR of the subsequent year with carrying cost.”*

43. KSEB Ltd, in the remand petition had submitted that, it had been preparing the revenue accounts on accrual basis. Accordingly irrespective of whether the tariff is (a) being collected from consumers directly or (b) as subsidy from the Government, the total demand raised is as per the invoice at the tariff approved by the Commission is shown as revenue from tariff. In other words, the total demand to the domestic consumers having monthly consumption up to 120 units is inclusive of the subsidy provided by the Government and amount directly collected from consumers. The gross demand of the domestic consumers as per the annual accounts for the year 2010-11 was Rs.1363.44 crore, which is inclusive of the subsidy provided by the State Government for exempting domestic consumers with monthly consumption up to 120 units and amount directly collected from consumers. KSEB Ltd had also submitted a copy of the billing instruction/accounting instructions issued, in accordance with the directions issued by the Commission.
44. KSEB Ltd further submitted that, while approving the truing up petition, the Commission has considered the total demand of the domestic categories as per the C&AG accounts, ie Rs.1363.44 crore as revenue, which is inclusive of Government subsidy. In addition, the Commission has considered the same subsidy amount provided by the Government amounting to Rs.54.16 crore as additional revenue. This amounts to double counting of the same subsidy while truing up the accounts.
45. However, KSEB Ltd has further clarified that, the actual subsidy booked for the year 2010-11 on account of exempting domestic consumers from payment of fuel surcharge was Rs 37.52 crore only, as against the estimated amount of Rs 54.16 crore. This was reflected in the Schedule 29 of the annual accounts. Hence KSEB Ltd requested before the Commission to rectify the double accounting of the Government subsidy to the extent of Rs 37.52 crore.
46. The Commission has examined the submission of KSEB Ltd in this regard. KSEBL submitted that the revenue from sale of power from domestic consumers is inclusive of the subsidy for fuel surcharge and including the subsidy received from Government on this account separately will leads to double counting. As per the details submitted by KSEB Ltd, out of the total demand of Rs 1363.44 crore from domestic consumers for the year 2010-11, Rs 37.52 crore only is

accounted towards the as the subsidy amount for exempting domestic consumers having monthly consumption up to 120 units from payment of fuel surcharges. Hence, out of the Rs.54.16 crore subsidy received by the KSEB from government, only Rs.37.52 was utilized as subsidy towards fuel surcharge applicable to domestic consumers having monthly consumption upto 120 units. After considering the details furnished by the KSEBL, the Commission decides to admit Rs.37.52 crore only towards subsidy for fuel surcharge and the balance amount will be treated as additional income. Thus, the balance Rs 16.64 crore (Rs.54.16 crore- Rs.37.52 crore)is accounted as additional income received from the Government.

## Summary of the Decisions

47. Accordingly, after considering the directions contained in the judgment of the Hon'ble APTEL dated 10-11-2014 in appeal petitions No. 1 of 2013 and 19 of 2013, the details submitted by KSEB Ltd in its remand petition dated 5-08-2016, the Commission modifies the order dated 30-10-2012 in petition OP No. 34 of 2011, as detailed below. Accordingly, the revenue gap approved for the year 2010-11 for the purpose of truing up is Rs 670.99 crore against the revenue gap of Rs 466.29 crore approved vide the order dated 30-10-2012.

**Table-17**

**ARR&ERC for the year 2010-11 after final truing up as per the judgment of the Hon'ble APTEL**

Particulars	As per the True up order dated 30-10-2012	Re-considered in this remand petition	Additional amount provided	Final approval on the application for truing up of accounts for the year 2010-11
	(Rs.Cr)	(Rs. Cr)		(Rs.Cr)
Generation Of Power	237.39			237.39
Purchase of power	3721.59			3721.59
Interest & Finance Charges	259.43			259.43
Depreciation	216.35	286.33	69.98	286.33
Employee Cost	1462.00	1535.91	73.91	1535.91
Repair & Maintenance	167.91			167.91
Administration & General Expenses	73.78			73.78
Other Expenses	-28.39			-28.39
<b>Gross Expenditure (A)</b>	<b>6110.06</b>			<b>6253.95</b>
Less : Expenses Capitalized	95.84			95.84
Less : Interest Capitalized	23.96			23.96
<b>Net Expenditure (B)</b>	<b>5990.26</b>			<b>6134.15</b>
Statutory Surplus/ RoE (C)	217.42	240.71	23.29	240.71
<b>ARR (D) = (B) + (C)</b>	<b>6207.68</b>			<b>6374.86</b>



Less Non-Tariff Income	442.74			442.74
Less : Revenue from Tariff				
(a) Within the State	5058.49			5058.49
(b) Outside the State	140.03			140.03
Revenue from subsidy on account of fuel surcharge	54.16	16.64	37.52	16.64
Revenue subsidy	45.97			45.97
<b>Total Income</b>	<b>5741.39</b>			<b>5703.87</b>
<b>Revenue Gap</b>	<b>466.29</b>		<b>204.70</b>	<b>670.99</b>

### Order of the Commission

48. The Commission, in view of the directions of the Hon'ble APTEL in the judgment dated 10-11-2014 in appeal petitions No. 1 of 2013 and 19 of 2013, the details submitted by KSEB Ltd in its remand petition dated 5-08-2016, modify the order dated 30-10-2012 in petition No. 34 of 2011, to the extent as detailed in the Table-17 above. Accordingly, the revenue gap approved for the year 2010-11 for the purpose of truing up is Rs 670.99 crore against the revenue gap of Rs 466.29 crore approved vide the order dated 30-10-2012.

Petition disposed of. Ordered accordingly.

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

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

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