KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM

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

OP 31/2021

In the matter of	:	Truing Up of accounts of M/s Kinesco Power and Utilities Private Limited for the financial year 2018-19.
Petitioner	:	M/s Kinesco Power and Utilities Private Limited (KPUPL)
Represented by	:	Sri Ajith Kumar T.N., CEO KPUPL Sri. S. N. Ashok Kumar, Manager (Finance), KPUPL Sri. Sajeev M.S., Resident Engineer, KPUPL
Date of hearing	:	27-08-2021

Order Dated 11-11-2021

1. KINESCO Power and Utilities Private Limited (hereinafter referred to as KPUPL or licensee or the petitioner), has filed the instant petition on 23.07.2021 as per the provisions of Tariff Regulations 2018 for the Truing Up of accounts for the year 2018-19. The Petitioner KPUPL is a 100% subsidiary of KINFRA which was earlier a joint venture between KINFRA and NESCL and constituted originally for the electric supply to the units in industrial parks under KINFRA. Before the formation of KPUPL, the electricity distribution licence was in the name of KINFRA Export Promotion Industrial Park (KEPIP) and this licence was transferred to the name of KPUPL on its formation by transferring the electricity distribution assets of KEPIP to KPUPL. The service area of the distribution licensee consists of four industrial parks of KINFRA and are (1) KEPIP Kakkanad, (2) Hi- Tech Park Kalamassery, (3) KIITP Kanjikode and (4) KINFRA Mega Food Park Kozhipara, Kanjikode

2. The petition was admitted as OP No. 31/2021 after condoning a delay of 593 days in filing.

Background

3. The licensee had filed the ARR petition for the Control Period 2018-19 to 2021-22 in the month of December 2019 (07.12.2019) and subsequently filed a revised petition on 15.06.2020. The Commission while hearing the ARR petition on 17.09.2020 (second hearing) observed that there is no point in issuing ARR Order

for the year 2018-19 and 2019-20 as these periods are already over and hence directed the petitioner vide Daily Order dated 01.10.2020 to file the Truing Up petitions for the year 2018-19 by 30.11.2020 and for the year 2019-20 by 31.12.2020.

4. Accordingly, KPUPL has filed the present petition for the Truing Up of Accounts for the year 2018-19 with the following prayers:

a. Approve the Truing Up of Accounts for the year 2018-19 based on the forms and annexure submitted.
b. Approve the actual T & D loss of 1.68% for the year 2018-19.
c. Compute interest on regulatory surplus to include in other income after removing the expenses that have not been approved like electricity duty u/s 3 till the year 2018-19.
d. Compute ROE on the equity and share premium account as per Commission's earlier clarification (2006).
e. Approve the revenue deficit of Rs. 206.55 lakhs for the financial year 2018-19 and the cumulative surplus of Rs. 3528.80 lakh
f. Approve the capital expenditure of Rs. 83.42 lakhs for 2018-19
g. Approve the depreciation schedule for the year 2018-19, including the reworked schedules from 2010-11 to 2017-18
h. Condone any inadvertent omissions, errors, short-comings and permit KPUPL to add/change/modify/alter this filing and make further submissions as may be required at a future date.
i. Pass such other and further order as deemed fit and proper in the facts and circumstances of the case.

5. In the Truing Up petition for 2018-19, the licensee has claimed a revenue gap of Rs. 206.55 lakhs and also submitted the details of claims under each item. As stated above, no ARR Order was issued for the year 2018-19, since the petition for ARR for the control period 2018-19 to 2021-22 was filed only in December 2019 (07.12.2019). In 2017-18, the revenue surplus approved at the time of Truing Up of accounts was Rs.359.12 lakhs. The summary of the Aggregate Revenue Requirement claims by the licensee as per the petition for Truing Up of Accounts for the year 2018-19 and 2019-20 and the various expenses approved for the year 2018-19 as per the Truing Up Order dated 29.03.2021 are shown below.

Table-1
Comparison of ARR&ERC/Trued Up for the period 2017-18 and 2018-19

Particulars	2017-18		2018-19	
	Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)	Projected in ARR&ERC Petition (Rs. lakh)	Truing Up Petition (Rs. lakh)
Power Purchase Cost	5285.12	5202.32	5664.12	5664.87
O&M Expenses				
R & M Expenses	89.01	76.11	78.11	78.11
Employee expenses	49.72	49.72	55.57	54.65
A & G Expenses	99.97	39.99	126.57	123.57
Depreciation	71.40	88.62	70.66	354.86
Interest & Finance Charges	120.39	79.84	118.51	96.72
RoE/RoNFA	45.64	2.91	4.43	45.64
Tax on RoE	0.24	0.00	0.00	15.83
Aggregate Revenue Requirement (ARR)	**5761.49**	**5539.51**	**6117.97**	**6434.25**
Revenue from sale of Power	5673.16	5663.70	6130.64	6130.64
Wheeling charges (income)	0.00	0.00	2.45	2.39
Non-tariff income	68.71	234.93	94.67	94.67
Revenue Surplus/(Gap)	**(19.62)**	**359.12**	**100.79**	**(206.55)**

Public Hearing on the Petition

6. The public hearing on the Truing Up petition was conducted on 27-08-2021 at Conference Hall, KPUPL, Kochi. Shri. Ajith Kumar T.N CEO, Shri. Ashok Kumar Manager (Finance), Sri. Sajeev M.S., Resident Engineer and Sri. Radhakrishna Pillai, Sr. Electrical Engineer participated in the hearing representing the licensee. Sri. Sajeev M.S. Resident Engineer made a presentation on the claims and explained each item in their claim. He submitted that the consumers falling under tariff category HT1A & LT IVA contributes a major portion of the total sales and the retail tariff for these consumers are less than the power purchase cost and thus adversely affects the total revenue of the licensee. He also submitted that the licensee has received Rs.2.39 lakh towards wheeling charges and cross subsidy for the short term power availed by M/s. Tata Consultancy Services Ltd. through open access.

7. In response to a query by the Commission whether the wheeling charges is beneficial when compared to the actual sale, the Resident Engineer replied that collection of wheeling charges and cross subsidy is more beneficial. Mr. Ashok Kumar, Manager (Finance) also responded to the queries of the Commission. As regard the transfer of KSEB consumers at KITP Kanjikode, Palakkad to KPUPL, the licensee submitted that the process of transfer is getting delayed due to issues

in connection with the settlement of security deposits of consumers on transfer. After hearing the licensee, the Commission directed it to submit the findings & recommendations of the energy audit conducted and also file a petition to rationalise the employee cost as per direction in Order dated 29-03-2021

8. The KSEB Ltd. in its counter statement /remarks filed on 06-09-2021 submitted the following.

a. The equity may be retained at last year level at Rs. 31.64 lakhs and RoE may be allowed accordingly as there is no equity addition during 2018-19.
b. No prior approval was taken for the capital expenditure of Rs. 83.418 lakhs.
c. The interest and finance charges may be limited to approved level.
d. R&M expenses, employee cost and A&G Expenses is higher than the trued up value for 2017-18
e. Depreciation claimed is abnormally high when compared to last year trued up level and no depreciation to be allowed for assets created out of grants
f. Slight variation is noticed in the power purchase cost.
g. Solar self generation may not be allowed as power purchase cost
h. Provision for purchase of RPO not to be considered as the license has not specified about the actual purchase of RE certificate

Analysis and Decision of the Commission

9. The Commission has carefully considered the licensee's petition and the views expressed in the public hearing held. The Commission noted that, the petitioner has not fully complied with the directions issued in the Truing Up Order for 2017-18. The Commission had issued the following directions vide Order dated 29-03-2021, while finalising the Truing Up of accounts for the year 2017-18 in OP No. 34/2020

a. to reconcile the power purchase figures with that of KSEB Ltd. and to submit the correct figures within three months of issue of the Order.

b. to pursue with KSEB Ltd for the early transfer of the existing KSEB Ltd consumers at Kanjikode to KPUPL.

c. the licensee shall file a separate petition on the required/available employee strength, qualifications, experience, scale of pay, number of employees engaged in each shift, etc based on CEA norms to arrive at an optimal employee strength not later than three months of the Order.

d. to rectify the application of incorrect rates of depreciation and to cure the defects with reference to prior periods and submit corrected depreciation along with the next Truing Up petition.

e. to submit the details of interest on security deposits actually paid within three months of the Order, if the licensee desires to claim interest on security deposit under interest and financing charges.

10. However, the petition is silent on the compliance to the directions in the Order dated 29-03-2021 except directions at (a) and (d) above.

11. Regarding the reconciliation of power purchase figures with KSEB Ltd, the licensee submitted that the reconciliation of power purchase figures with that of KSEB Ltd is in process. With regard to the application of correct rates of depreciation, the licensee submitted that the depreciation schedules for the years 2010-11 to 2017-18 have been reworked and the effect is given in the year 2018-19.

12. As part of the disposal of the Truing Up petition, the claim of the licensee towards each of the components has been analysed in detail. The Commission also considered the counter statement /remarks dated 30.08.2021 filed by KSEB Ltd on 06-09-2021 while analysing the details in the petition. The analysis and decision of the Commission are detailed below.

Sale of Power and No. of Consumers

13. The licensee in their petition has stated a sale of 864.94 lakh units for the year 2018-19. As per the Trued up figures for the year 2017-18, the total sales were Rs. 810.40 lakh units. Similarly, as per the petition, the number of consumers also increased to 380 in 2018-19 from the level of 326 in 2017-18. The comparison of number of consumers, sales in lakh units and average sales per consumer for the year 2018-19 with that of the previous year is shown below

Table 2
Comparison of Sale of power and No. of Consumers

Category	Trued Up for 2017-18			True up claim for 2018-19		
	No. of Consumers	Sales (lakh units)	Average Sales/ consumer (lakh units)	No. of Consumers	Sales (lakh units)	Average Sales/ consumer (lakh units)
HT Consumers	33	594.00	18.00	42	653.30	15.55
DHT Consumers	40	123.40	3.08	39	114.74	2.94
LT Consumers	253	93.30	0.37	299	96.90	0.32
Total	**326**	**810.40**	**2.49**	**380**	**864.94**	**2.28**

14. The licensee further stated in the petition that the retail rate of supply to HT 1A and LT IVA consumers is lower than the average purchase cost of Rs.6.44/kwh, and sales to these category of consumers comprising of 23.60% of the total sales was affecting the net revenue of the licensee adversely. The licensee also submitted that most of the new consumers are in the industrial category and IT Park at Kakkanad is almost saturated which also contributed to the reduction in the average revenue per consumer.

15. On examination of the sales data, the Commission noted that there is an increase of 54 numbers in the number of consumers as well as sales units by 54.54 lakh units in 2018-19 when compared to 2017-18. However, it is to be noted that, though there is an increase in the total sales volume in the year 2018-19, there is a reduction in the average sale per consumer in all the three categories.

16. The Commission has also examined the reasons submitted by the licensee for the reduction in average sales per consumer and notes that the majority of revenue from the sale of power comes from the HT Consumers of HT1A and HT1B category. Hence, the Commission is of the view that sales to these categories affect the total sales proceeds and the reasons submitted by the licensee to explain the reduction in average sales per consumer deserve consideration and can be accepted. ***Accordingly, considering the submissions by the petitioner, the Commission hereby approves 864.94 lakh units as energy sales for the year 2018-19 as reported by the licensee.***

Distribution Loss

17. The Commission had approved a distribution loss of 1.50% for the year 2017-18 as against a claim of 1.72% by the licensee. While restricting the distribution loss to 1.50% in the year 2017-18, the Commission had observed that that there is an efficiency loss as the distribution loss is a controllable parameter. In the year 2018-19, the licensee has achieved a distribution loss of 1.68%. Though the licensee has improved the position of distribution loss in 2018-19 compared to 2017-18, they could not achieve the distribution loss allowed by the Commission in previous years. i.e., 1.50%. The licensee has submitted that the T&D loss for the year 2018-19 is less than the theoretical no-load loss. The licensee also submitted that they could consistently improve the loss position from the level of 3.75% in 2014-15.

18. The licensee further submitted that area wise control measures have been taken to keep the distribution loss under check and for the consistent improvement and the level of 1.68% could be achieved in 2018-19 from the level of 3.75% in 2014-15 due to the following.

(a) An energy audit was conducted for the Kakkanad area during 2015-16 and corrective measures have been taken on the deviations and root cause of the high T&D loss in the system.

(b) Introduced underground cabling system for the distribution of power in the license area which itself reduces the technical losses

(c) By proper routine maintenance, preventive maintenance and shut down maintenance to ensure a safe and reliable operation of the switch gears and the distribution system.

19. According to the licensee, the present level of distribution loss of 1.68% is due to the following reasons.

(a) The power distribution area at Kakkanad (110 kV) is 280.126 acres for 260 consumers whereas at Kalamasserry (11kV) against an area of 240 acres of land there are just 32 consumers. Similarly at Palakkad (22kV), the power distribution area is 350 acres of land, but just 4 consumers.

(b) The transformers are not loaded more than 50% to ensure the back-feeding reliability.

(c) The ageing of electrical installations at Kakkanad and Kalamassery area also contributed towards a higher distribution loss.

The licensee also submitted that the distribution loss at Kalamasserry and Palakkad will improve once more consumers are added in the area and KSEB Ltd has agreed in principle to transfer its consumers at KIITP to KPUPL.

20. The details of power distribution area, voltage level, consumer strength licensee also submitted the licensee is shown below.

Table 3

Details of power distribution area, voltage level & consumer strength

Licensee Area	Details	Acres	Voltage Level	No. of Consumers
Kakkanad	1. KEPIP 2. Infopark- phase 1	180.126 acres 100 acres	110 KV	289
Kalamassery	KINFRA Hi Tech Park	240 acres	11 KV	74
Kanjikode	KINFRA Integrated Industrial and Textiles Park.	350 acres	22 KV	10
Kanjikode	Kinfra Mega Food Park	79.42 acres	22 KV	7

21. The Commission has carefully examined the submissions of the licensee and noted that number of consumers is different as per Table-7 of the petition showing

the area-wise details and in the justification given for higher distribution loss as per Para-19 above.

22. Further, the Commission noted the actions taken by KPUPL towards the reduction of distribution loss. The Commission also noted the fact that there is a marginal reduction of 0.04% in the distribution loss of 2018-19 when compared to 2017-18. As a general rule, distribution loss is a controllable parameter and any relaxation in the target will affect the efficiency of the licensee. But it is a fact that the licensee had made efforts to reduce the distribution loss. The Commission also noted the fact of vast areas at Kalamasserry, Kanjikode and in Kinfra Mega Food Park and the meagre number of consumers available there. Further, considering the issue of technical minimum, ensuring back feeding reliability, equipment ageing, etc. the Commission has decided to allow the actual distribution loss of 1.68. However, the licensee shall continue its efforts on a regular basis to increase its consumers in Kalamassery and Kanjikode and through appropriate and timely technical solutions and R&M measures strive to achieve the target set for this parameter. ***Accordingly, the Commission hereby approves the actual distribution loss of 1.68% for the year 2018-19***

Power Purchase Cost

23. The licensee in the Truing Up petition submitted that the purchase of power for 2018-19 is 879.75 lakh units. The licensee also submitted the details of solar generation and provision of Renewable Power Obligation. The details submitted by the petitioner are given below.

Table 4

Power Purchase cost for the year 2018-19 as per the claim

Particulars	Unit	Actual for the year 2017-18	True up claim for the year 2018-19
Contract Demand	KVA		21200
Maximum Demand	KVA		17224
Excess Demand (kVA)	NIL		NIL
Units Purchased	lakh units	824.70	879.75
Fixed Charges (demand charges)	Rs. In lakhs	609.16	648.73
Variable Charges (energy charges)	Rs. In lakhs	4605.80	4926.35
Cost of Purchase	Rs. In lakhs	5214.96	5575.08
Solar generation (Self)	Rs. In lakhs		0.43
Renewable Power Obligation	Rs. In lakhs	70.16	89.78
TOTAL	Rs. In lakhs	**5285.12**	**5664.87**
Average Rate	Rs. per unit	**6.41**	**6.44**

24. The licensee also requested to approve Rs.5664.87 lakh towards purchase of power for 2018-19 including the liability provision of Rs.89.78 lakh for renewable purchase obligation for 2018-19 and submitted the details of area-wise purchase. Regarding the Commission's direction to reconcile the power purchase figures of previous years with KSEB Ltd, the licensee submitted that the purchase data of the Kakkanad license area is matching with the KSEB Ltd records and the reconciliation of purchase data of Kalamasserry license area with KSEB Ltd records is in progress.

25. The area-wise details of power purchase during 2018-19 furnished by the licensee as Annexure-B of the petition is shown below.

Table 5
Area-wise Power Purchase Cost for the year 2018-19

KPUPL Licensee Area	Kakkanad, Kochi	KINFRA Hi Tech Park, Kalamassery	KINFRA IIT Park, Kanjikode	KINFRA Mega Food Park, Kozhippara, Kanjikode
Contract Demand (kVA)	18000	1000	1000	300
Maximum Demand (kVA)	17224	1436	1039	79
Excess Demand (kVA)	0	436	39	0
Demand Charges (Rs. In lakh)	579.08	35.75	30.60	2.57
Energy Charges (Rs. In lakh)	4579.67	197.32	146.24	2.70
RPO Purchase, if any (Rs. In lakh)	0	0	0	0
Any Other Charges (Rs. In lakh)	0	0	0	0
Cost of Power Purchase (Rs. In lakh)	**5158.75**	**233.07**	**176.84**	**5.27**
TOTAL	**Rs. 5573.93 lakh**			

26. A difference of Rs. 1.15 lakh is noticed in the power purchase cost mentioned in Table-5 of the petition and the area-wise details furnished in Annexure-B of the petition. The total power purchase cost as per Table-5 of the petition is Rs. 5575.08 lakhs whereas as per the area-wise details furnished in Annexure-B of the petition, the total power purchase cost is Rs. 5573.93 lakhs. This difference is required to be reconciled. Hence at present, for the purpose of this petition, the Commission has considered the sum of area-wise details of Rs.5573.93 lakhs as the claim towards power purchase cost by the petitioner for the year 2018-19.

27. The Commission also examined the claim of the licensee for the solar self generation of Rs 0.43 lakhs and Renewable power obligation of Rs. 89.78 lakhs

as part of power purchase cost. The Commission noted that in the case of solar power generation, apart from the claim under power purchase cost, the licensee has claimed depreciation, interest on loan etc for the capital expenditure incurred for the installation of solar power plant. Since the license has claimed depreciation, interest on loan and other benefits for the capital expenditure of solar power installations, the licensee is not eligible for power purchase cost for solar self generation. The licensee cannot claim both the benefits. As regards the claim towards Renewable Power Obligation, it is not clear from the petition as to whether the licensee had actually purchased any RE Certificate for meeting this obligation. Hence, this expense can be considered only on production of proof of purchase on this account.

28. ***Based on above and the approved distribution loss of 1.68%, the Commission hereby approves Rs.5573.93 lakh as power purchase cost for the year 2018-19. Regarding the reconciliation of power purchase details with KSEB Ltd., the licensee is once again directed to complete the reconciliation process of all previous years and submit a compliance report to the Commission within a period of three months from the date of issue of this Order.***

Operation & Maintenance Expense

29. As per Regulation 12(2) of the Tariff Regulations 2018, the operation and maintenance expenses are controllable expenses. Further, as per Regulation 79(4) of Tariff Regulations 2018, the KPUPL shall be allowed to recover Operation & Maintenance expenses as per the norms specified in Annexure-IX to the regulations for each year of the Control Period. The norms for operation & Maintenance expenses of the distribution business of the licensee for the year 2018-19 is Rs.144.28 lakhs. The Commission had approved Rs. 165.82 lakh towards O&M expenses in the Truing Up petition for 2017-18. Since there are no approved ARR figures, a comparison of the licensee's claim for 2018-19 with that of trued up figures of 2017-18 is shown below.

Table 6

Operation & Maintenance expenses

Particulars	As per Regulations (Rs. lakh)	Trued Up for the year 2017-18 (Rs. lakh)	True up Claim for the year 2018-19 (Rs. lakh)
Employee Expenses	38.18	49.72	54.65
A&G Expenses	37.04	39.99	123.57
R&M Expenses	69.05	76.11	78.11
Total	**144.28**	**165.82**	**256.33**

30. From the above, it can be seen that the Operation & Maintenance expenditure has increased by Rs.90.51 lakh to Rs.256.33 lakh in 2018-19 from the approved level of Rs.165.82 lakh in 2017-18. This Increase is noticed in all the three components of Operation & maintenance expenditure. Each component of the Operation & Maintenance Expense is taken up separately for analysis.

Employee Cost

31. The licensee has submitted that the employee cost during 2018-19 has increased due to the outsourcing of manpower for technical and other support function. The licensee further submitted that only Chief Executive Officer and one Accounts Officer were engaged on regular role and rest of the technical and administrative staff were outsourced to keep the employee cost on lower side. The employee cost claimed by the licensee for the year 2018-19 is shown below.

Table 7

Employee cost for the years 2017-18 and 2018-19

Particulars	Trued Up in 2017-18 (Rs. lakh)	Truing up Petition 2018-19 (Rs. lakh)
I. Employees on regular role (CEO & AO only):		
Basic Pay (AO)	1.72	2.49
Dearness allowance (AO)	4.45	4.70
Consolidated Pay (CEO)	6.00	6.00
PF, leave encashment & other allowances	1.34	3.14
Bonus	0.00	0.00
Staff Welfare Expenses	1.08	0.00
Total amount	**14.59**	**16.33**
II. Manpower outsourced for support functions	35.13	38.32
Total Employee Cost	**49.72**	**54.65**

32. The Commission while Truing Up of accounts for the year 2017-18 had given directions to licensee vide Para 53 of the Order dated 29-03-2021 to pursue with KSEB Ltd for the early transfer of the existing KSEB Ltd consumers at Kanjikode to KPUPL to make the operations more cost effective. But, the petition is silent regarding the action taken to transfer of consumers of KSEB Ltd. The licensee was also directed vide the Order dated 29-03-2021 to file a separate petition on the required/available employee strength, qualifications, experience, scale of pay, number engaged in shifts, etc. to arrive at the optimal employee strength within three months of that Order. The licensee has not so far complied with the directions of the Commission. Instead, they have submitted the instant petition stating that the licensee is in the process of manpower planning and they have requested the Government of Kerala through KINFRA to create vacancies and to fill the same with experienced and qualified personnel.

33. The Commission also noted that there is an increase of almost 10% in employee cost over the last year. Further deviations are noticed in the item-wise data of employee cost furnished in Table-10 of the petition and the data submitted in Form D.3.4 (a). ***However, the Commission notes that the licensee has not complied with the directions of the Commission regarding the number of employees. As a last opportunity, the Commission is giving the licensee an extended opportunity of three months from the date of this Order to comply with this direction. The Commission has further noted that the number of regular employees is limited to just 2, i.e., CEO and AO. All other manpower is outsourced. This is not the best of situation considering that the qualifications, experience and number of outsourced staff deployed for various functions are unknown. This has to be rectified on priority basis. Hence the Commission is provisionally approving the employee cost of Rs. 52.13 lakhs (last year approved cost of Rs.49.72 plus the escalation rate of 4.84%) for the year 2018-19.***

A&G Expenses

34. The licensee has claimed Rs.123.57 lakh towards the Administrative & General Expenses for the year 2018-19. The Commission had approved Rs. 39.99 lakh for the year 2017-18 vide Order dated 29-03-2021 against a claim of Rs. 99.97 lakhs by the licensee. A comparison of the present claim with the Trued-Up figures of 2017-18 is shown below

Table 8

Details of A&G Expenses for the year 2017-18 & 2018-19

Sl. No.	Particulars	Trued Up in 2017-18 (Rs. lakh)	Truing up Petition 2018-19 (Rs. lakh)
1	Rent Rates & Taxes	12.95	13.04
2	Insurance	1.48	1.06
3	Consultancy Charges	6.04	0.00
4	Telephone & Postage, etc.	0.43	0.35
5	Legal charges	0.64	0.01
6	Audit Fees	1.66	1.49
7	Other Professional charges	0.00	5.91
8	Conveyance / Travelling Expense	8.52	1.30
9	Vehicle Hiring Expenses	0.00	7.42
10	Electricity charges	0.00	0.93
11	Entertainment	0.00	0.72
12	Printing & Stationery	0.72	1.41
13	Contribution/Donations	0.00	20.30
14	Training expenses/ Stipend	0.00	3.63

15	Miscellaneous Expenses	2.48	0.73
16	Electricity duty u/s.3 paid	0.00	51.81
18	Purchase Related Advertisement Expenses	0.00	0.34
19	Office Expenses	0.00	0.42
20	License Fee and other related fee	0.00	11.81
21	Others	0.00	0.89
22	Advertisement	2.37	0.00
23	Loss on sale of fixed assets	2.70	0.00
	Total A&G Expenses	**39.99**	**123.57**

35. The above Table show that the claim of the licensee includes Rs. 51.81 lakhs paid as Electricity Duty u/s 3. As per Section 3(3) of the Electricity Duty Act 1963 the duty under section-3 on the sale of energy should be borne by the licensee and shall not be passed on to the consumers. Accordingly, the amount paid towards electricity duty is not admissible. Further, the donation of Rs.20.30 lakhs cannot be passed on to the consumers as this is made without the concurrence of the consumers.

36. Based on the above analysis, the admissible Administrative & General Expenses for the year 2018-19 works out as below.

Table 9

Approved A&G Expenses for the year 2018-19

Sl. No.	Particulars	Truing Up Claim (Rs. lakh)	Trued Up (Rs. lakh)
1	Rent Rates & Taxes	13.04	13.04
2	Insurance	1.06	1.06
3	Consultancy Charges	0.00	0.00
4	Telephone & Postage, etc.	0.35	0.35
5	Legal charges	0.01	0.01
6	Audit Fees	1.49	1.49
7	Other Professional charges	5.91	5.91
8	Conveyance / Travelling Expense	1.30	1.30
9	Vehicle Hiring Expenses	7.42	7.42
10	Electricity charges	0.93	0.93
11	Entertainment	0.72	0.72
12	Printing & Stationery	1.41	1.41
13	Contribution/Donations	20.30	0.00
14	Training expenses/ Stipend	3.63	3.63
15	Miscellaneous Expenses	0.73	0.73
16	Electricity duty u/s.3 paid	51.81	0.00
18	Purchase Related Advertisement Expenses	0.34	0.34
19	Office Expenses	0.42	0.42
20	License Fee and other related fee	11.81	11.81
21	Others	0.89	0.89
	Total A&G Expenses	**123.57**	**51.46**

37. ***Accordingly, the Commission approves Rs. 51.46 lakh as Administrative & General Expenses for the year 2018-19.***

R&M Expenses

38. The licensee has claimed Rs. 78.11 lakhs as Repairs & Maintenance expenses for the year 2018-19. During 2017-18, the Commission had approved an amount of Rs. 76.11 lakhs for the year 2017-18 against a claim of Rs. 89.01 lakhs by the licensee. The details of claim submitted by the licensee in Annexure-E are shown below.

Table 10

R&M expenses for the year 2018-19

Particulars	Rs. lakh
Operation and Maintenance: SS at Kakkanad	44.65
Operation and Maintenance: Kalamassery LA	19.29
Operation and Maintenance: SS at KIITP, Kanjikod	18.06
Operation and Maintenance: Kinfra MFP Kanjikode	1.23
Reversal of excess provision of expenditure	-5.16
Repair and Maintenance: Building, Office Eqpts/ Furniture & fixtures etc	0.04
Total	**78.11**

39. The licensee has submitted that, the major part of R&M Expenses was incurred for the operation and maintenance of the sub-stations and the contracts were awarded through proper tendering. As per the licensee, there are 110 kV, 22 kV and 11 kV substations spread at different locations. Hence, extra cost has to be incurred towards deploying personnel for O&M repairs. The licensee further submitted that, the operation and maintenance of substations are carried out with qualified personnel as specified in CEA Manual relating to Safety & Electric Supply Regulations 2010, and the licensee is using 11KV RMUs and UG cabling system with ring mains for supplying uninterrupted power to the areas. Further, according to licensee there has been an increasing trend of expenditure because of the limited competition in bidding for contracts of such small magnitude spread of three locations. Hence, the licensee requested to approve the claim considering the justification given.

40. The Commission has carefully examined the submissions of the licensee and noted the reduction of repairs and maintenance expenditure to Rs. 78.11 lakh from Rs. 89.01 lakh of last year. The Commission also notes that the increase of repairs & maintenance expenditure in 2018-19 from the last year trued up is within the escalation rate. However, the licensee shall continue its efforts to reduce the

repairs & maintenance cost, wherever possible by exercising proper controls as these expenses are controllable in nature. ***Hence, the Commission is of the opinion that the actual cost of Rs. 78.11 lakhs incurred by the licensee can be allowed and accordingly approves Rs.78.11 lakhs as repairs & maintenance expenditure for the year 2018-19.***

Approved Operation & Maintenance Expenses

41. Thus, based on the discussions above, the total O&M expenses admissible for the year 2018-19 are as under.

Table 11

Approved O&M Expenses for the year 2018-19

Particulars	Trued Up 2017-18 (Rs. lakh)	True up Claim 2018-19 (Rs. lakh)	Trued Up in 2018-19 (Rs. lakh)
Employee Expenses	49.72	54.65	52.13
A & G Expenses	39.99	123.57	51.46
R & M Expenses	76.11	78.11	78.11
Total	**165.82**	**256.33**	**181.70**

42. ***Accordingly, the Commission hereby approves Rs.181.70 lakh as Operation & Maintenance expenditure for the year 2018-19.***

Capital Addition

43. The licensee had filed a separate petition on 25.10.2017 before the Commission for approval of the Capital Addition Plan for the period 2017-18. The Commission, after conducting public hearing on 07.02.2018 vide Daily Order dated 21.02.2018 directed the petitioner KPUPL to submit a proper petition for capital investments, strictly as per the directions of the Regulations 72 of the Tariff Regulations, 2014 with supporting documents. Subsequently, the licensee filed a revised petition vide letter dated 20.02.2018 for the approval of Capital Investment of Rs.339.00 lakh instead of Rs.405.00 lakh in the original petition. The Commission vide Order dated 28.05.2018 had approved only the replacing of the three faulty CTs at a total cost of Rs. 4.68 lakh out of the total plan of Rs.339.00 lakh.

44. The licensee thereafter submitted before the Commission, a fresh Capital Investment plan for the MYT Control Period 2018-19 to 2021-22 in the revised ARR-ERC petition on 15.06.2020. The first hearing was conducted on 22.06.2020. The Commission during the second hearing held on 17.09.2020 observed that there is no point in issuing ARR Order for the year 2018-19 and 2019-20 as these periods are already over and hence directed the petitioner vide daily order dated

01.10.2020 to file the Truing Up petitions for the year 2018-19 by 30.11.2020 and for the year 2019-20 by 31.12.2020.

45. The Petitioner submitted in the Truing Up petition filed as per the direction above submitted that, certain essential capital expenditures were to be incurred by KPUPL to meet the technical necessities of the plant and to comply with the commitments given to the statutory authorities like Electricity Inspectorate and to KSEBL. The licensee further submitted that, as committed to the Commission on various occasions on the compliance of RPO obligation, as a first step to meet the obligation, KPUPL had taken the initiative to implement solar energy plants on roof-top of their sub-stations.

46. Accordingly, the licensee has spent Rs.83.42 lakhs and the same has been claimed as additional capital expenditure during the year 2018-19. The details of the additional capital expenditure claim by the licensee during the year 2018-19 as per the petition are shown below.

Table 12

Assets Addition clamed during the year 2018-19

Sl No	Description of Asset	UOM	Qty	Amount (Rs. lakh)
1	Spiral Binding Machine KENT 777/ B078L1B5K2 (OP-C6QF-4327) including shipping charges	No	1	0.04
2	Supply of materials for 110KWp grid connected solar plant at Palakkad (40), Kalamassery (40) & Kakkanad (30) (KELTRON) (Part payment)	kWp	110	23.25
3	Supply, installation, testing, commissioning & handing over of RMUs (ElectroFine) (Part payment)	Nos	11	56.30
4	Supply of LT panel with incomer 400A, TPN	No	1	1.23
5	Procurement of 3 Nos of 11KV indoor resin cast CT for Kakkanad	No	3	0.44
6	Fabrication & erection of a Permanent steel ladder at Kakkanad SS	No	1	1.14
7	Supply of 22KV resin cast CT(current transformer) at Mega food park	No	3	0.83
8	Calculator for KINESCO Office	No	1	0.01
9	Procurement of 11KV 3C*150Sqmm XLPE Cable for KIITP	Mtr	14.6	0.16
	Total amount			**83.40**

47. As stated above, the licensee has not obtained any prior approval from the Commission for incurring the above capital expenditure. Out of the 9 items, expenditure of Rs. 23.25 lakhs towards solar plant at Palakkad and Rs. 56.30 lakhs incurred towards supply, installation, testing and Commissioning of RMU, prior approval of the Commission was required. In the Truing Up petition, the

licensee submitted that certain essential expenditures were to be incurred by the Company on this account without the approval of the Commission to meet the technical necessities of the plant and to meet RPO obligation. The licensee further submitted that the Item at Sl No.2 i.e. installation of solar plant in three parks was an initiative to meet the obligation under RPO as directed by the Commission and to meet the requirements as per the provisions of KSERC (Renewable Energy) Regulations 2015. Further submitted that, the Item No.3 is incurred for meeting the technical requirement of Chief Electrical Inspector, Govt. of Kerala and all other items of asset addition are below the limit of Rs.5 lakhs.

48. The Licensee also submitted detailed justification for each item of capital expenditure incurred during 2018-19 in Annexure- ‘G’ of the petition. As the item No. 2 & 3 requires detailed examination, these items are taken up first for analysis.

A. Supply, installation, testing, commissioning 110KWp Grid connected PV Solar Plant

49. The licensee submitted that the installation of roof top solar plants at substations has been done to meet the RPO obligations as per the provisions of KSERC (Renewable Energy) Regulations 2015. The licensee also submitted that, as per the provisions, based on the present monthly average sale of power of 6.80 Million Units (MU) by KPUPL, the RPO obligation comes to an approximate quantity of 3,74,000 units per month and out of these 37400 units should be from solar sources. Though the licensee has mentioned in the petition 3,74,000 units per month as RPO obligations, the actual obligation comes to 7,02,764 units per month out of which 1,98,215 units from the solar source as per the Kerala State Electricity Regulatory Commission (Renewable Energy) Amendment Regulations, 2017.

50. Further, as per the submission of the licensee, Board approval was taken in the 36th meeting of the Board of Directors to install Solar panels on the roof tops of KPUPL 110KV Substation, Kakkanad, KINFRA 110KV Substation, Hi Tech Park, Kalamassery and KPUPL 22KV Substation at KIITP, Palakkad having roof areas of 300 m2, 400 m2 and 450 m2 respectively. This project implementation of grid connected renewable energy system was done in consultation with ANERT, the State Government Agency for Renewable Energy Projects.

51. The licensee further submitted that Expression of Interests (EoI) were called for from the qualified agencies as per the list provided by ANERT and the details of the budgetary offers received from the agencies are as under.

Table 13
Details of Budgetary Offers

Sl. No.	Name of Agency	Cost: Supply (Inclusive of all taxes), installation & commissioning charges)						
		Kakkanad		Kalamassery		Palakkad		
		Power (Kw)	Amount (Rs.)	Power (Kw)	Amount (Rs.)	Power (Kw)	Amount (Rs.)	Rate / Kw (Rs.)
1.	Alternate Energy Corporation	50	30,50,000/-	20	12,20,000/-	30	18,45,000	61,150/-
2.	Swelect Energy Systems Ltd	30	19,83,065/-	--	--	50	28,03,639	59,834/-
3.	R K Tech	30	30,25,500/-	40	40,34,000/-	50	50,42,500	100,850/-
4.	Soura Natural Energy Solutions	30	18,98,000/-	40	24,86,000	--	--	62,628/-

52. As per the submission of the licensee the PV solar panel system is required to give a trouble free performance for 25 years and the cost estimate of Rs. 66 lakhs (including all taxes). This proposal was approved by the Project Implementation Committee (PIC) of KINFRA headed by Addl. Chief Secretary, Industries Dept., Govt. of Kerala for approval in its 86th PIC meeting dated 30.10.2017 for the 'Supply, Installation and Commissioning of solar Project for a total capacity of 110 KW in KINFRA Parks at Kakkanad, Kalamassery and Palakkad'. Subsequently e-tenders were floated for Supply, Installation, Testing, Commissioning, handing over and O&M of Grid connected Solar PV power plants at KINESCO Licensee areas at Kakkanad, Kalamassery and Palakkad was uploaded in Government of Kerala e-Procurement website on 06-01-2018

53. The estimated value of contract (PAC) for a total capacity of 110 KW was Rs. 56 Lakhs with applicable taxes extra. Three responses were received in e-tender and the rates quoted by M/s. KELTRON is Rs. 60, 76, 957/-, i.e., 8.52 % above PAC and the rates quoted by M/s. Soura Natural Energy Solutions is Rs. 69, 37, 780/- ie. 23.89 % above PAC and the rates quoted by M/s. Solgen Energy Pvt Ltd is Rs. 72, 99,000/- i.e., 30.34 % above PAC. Thus M/s. KELTRON became the lowest among the three bidders and hence, L1 and the work was awarded to M/s. KELTRON Controls on 08.06.2018. Table below shows the details of the bidders, rate quoted and their relative position.

Table 14

Details of the Bidders

Sl. No.	Name of the Bidder	PAC (Rs.)	Amount (Rs.)	(%)	Status
1.	M/s. Soura Natural Energy Solutions	56.00 Lakhs	69, 37, 780	29.89 % (Above)	L2
2.	M/s. KELTRON Controls		**60, 76, 957**	8.52 % (Above)	**L1**
3.	M/s. Solgen Energy Pvt Ltd		72, 99,000	30.34 % (Above)	L3

54. The licensee also submitted that they had approached the Solar Energy Corporation of India (SECI) to implement this project under RESCO model as part of 'Jyothis Project. This however did not materialise as the designated agency informed their inability to take up the project. Copies of all relevant documents viz. Copy of minutes of 86th PIC meeting - (Appendix-2), Copy of e-tender page - (Appendix-3), Copy of work order, etc submitted by the licensee in support of their claim for the approval of the project and incurring the capital expenditure.

55. Regarding the funding of the project, the licensee submitted that the above capital work was proposed to be funded from internal accruals (deemed equity) of the company. The year –wise expenditure proposed to be incurred by the licensee is shown below.

Table 15

Details of year –wise expenditure

Sl. No.	Item	Qty.	Unit	Amount in Lakhs				Total Amount (Rs. in Lakhs)
				2018-19	2019-20	2020-21	2021-22	
1.	Implementation of Solar Project	1	Job	23.25	34.62	-	-	57.87

56. The Commission has examined the submissions of the licensee in detail and noted that in the Table for year wise expenditure details the total cost is shown as Rs.57.87 lakh as against the Work Order amount of Rs. 60.77 lakh. This difference has to be explained by the licensee at the time of truing up of Accounts for the year 2019-20. The Commission also notes the circumstances under which the project is implemented without the prior approval of the Commission. The Commission appreciates the fact that the licensee has taken necessary approval from the Board and prepared cost estimates by an expert committee before the project implementation. Further, the work was awarded to the Keltron Controls after observing the tender formalities. However, it is necessary to mention that

the cost estimates are higher than the benchmark cost approved by MNRE for 2018-19 i.e., Rs. 55000/- per KW for projects above 10 kWp and up to 100 kWp. The Commission also noted the fact that the tenders were floated in the month of January 2018 and the costs are within the benchmark cost approved by MNRE for the year 2017-18 (Rs. 65000/- per kWp for 10 to 100 kWp Projects). After examining the submissions, the Commission is of the view that the Capital expenditure proposal of Rs. 60.77 lakhs towards 110 KW roof top grid connected solar power plant can be approved as the cost is within the benchmark cost approved by MNRE. ***Accordingly, the Commission hereby approves the capital expenditure proposal of Rs. 60.77 lakhs towards 110 KW roof top grid connected solar power plant to meet the RPO obligation of the licensee.***

B. Supply, installation, testing, commissioning & handing over of 11KV RMUs

57. The licensee submitted that the capital works of Supply, installation, testing, commissioning of 11KV RMUs at Kanjikode was proposed as per the requirement of Electrical inspectorate, Govt. Of Kerala. The licensee further submitted that the 11 KV distribution network at KIITP, Kanjikode was set up using 11KV feeder pillars instead of Ring Main Units (RMUs) due to lack of budget during the year 2016. But, as per the control point of view as well as safety norms, feeder pillars are not allowed in the 11 KV network and hence, the Chief Electrical Inspector to Govt. (CEIG) had accorded energization approval to the 22KV substation and related 11KV distribution system, subject to the condition that the feeder pillars should be replaced with RMUs within one year. Accordingly, 8Nos of 11KV feeder pillars were to be replaced with 11KV RMUs as per the directions of CEIG

58. Regarding the replacement of RMUs at Kakkanad license area, the licensee submitted that KPUPL licensee area at Kakkanad includes KINFRA Export Promotion Industrial Park (KEPIP) and Infopark Phase-1 and both the areas are almost fully occupied by industries. KPUPL is having a well-equipped power distribution network using UG Cables and RMUs emanating from KPUPL 110 KV substation in this area. The development of power distribution network at Kakkanad licensee area was made during the year 2004 and later development was done during the year 2010.The four existing Ring Main Units (RMUs) of Merlin Gerin – Ring Master make in the power distribution network in the Kakkanad licensee area were in deteriorated condition and almost obsolete. The year of manufacture of these RMUs were 2004. The SF6 gas leak in these RMUs was very critical and hence, normal operation became very risky and difficult. Being obsolete, these RMUs were beyond repair and hence it was proposed to replace these RMUs with new ones.

59. With regard to RMUs at Kalamasserry, the petitioner submitted that, at present KPUPL is having only one 11KV radial system to cater power to the consumers at KINFRA Hi Tech Park, Kalamassery, who were distributed across a wide area in the park. As a part of strengthening the existing distribution system, it was necessary to provide ring formation for which an additional 2 nos of 11 KV RMUs had to be procured. This provides redundancy in the system and ensure uninterrupted supply in Hi Tech Park, Kalamassery.

60. Accordingly, the licensee had floated tenders for Supply, Installation, Testing and Commissioning of 11 KV Ring Main Units (RMUs) at KINESCO Licensee areas at Kakkanad, Kalamassery and Palakkad. The same was uploaded in Government of Kerala e-Procurement website after obtaining approval of the Board of Directors of the licensee. Approval of the estimates by KINFRA Project Implementation Committee (PIC) headed by Additional Chief Secretary, Industries Dept., Govt. of Kerala was also obtained. As per the submissions of the licensee, three offers were received from the bidders viz M/s. Electrofine, M/s. Delstar and M/s. Sterling & Wilson. On scrutinization of the offers, it was found that only two of them satisfied all the tendered requirements. Based on this, the price bid of the qualified bidders was opened and it is found that rates quoted by M/s. Delstar is Rs. 86, 91, 450/-, ie. 3.43 % less than PAC whereas M/s. Electro Fine had quoted Rs. 58, 24, 560/- ie. 35.29 % less than PAC. The details of the qualified bidders are given in Table below.

Table 16

Details of Qualified Bidders

Sl. No.	Name of the Bidder	Make of RMU	PAC (Rs.)	Amount	Less (%)
1.	M/s. Electro Fine	CG-Lucy	90 Lakhs	58.25 Lakhs	35.29%
2.	M/s. Delstar	ABB		86.91 Lakhs	3.43%

61. Based on the above bids, the work was awarded to L1, M/s. Electro Fine in April 2018 for the Supply, Installation, Testing, Commissioning and Handover of 11KV Ring Main Units (RMU) in the licensee areas of KPUPL at Kakkanad(2 Nos.), Kalamassery (3 Nos.) and Palakkad (11 Nos.) for an amount of Rs. 58, 24, 560/- (Rupees Fifty-Eight Lakhs Twenty-Four Thousand Five Hundred and Sixty only) with GST extra as applicable as per standard procedure of KINFRA. The Licensee also submitted copies of documents viz. Copy of CEIG sanction order, Copy of minutes of 86th PIC meeting, Copy of e-tender page, Copy of work order, etc. in support of their claim.

62. Regarding the funding of the project, the licensee submitted that the above capital work was proposed to be funded from the internal accruals (deemed equity) of the Company. The year–wise expenditure proposed to be incurred by the licensee is shown below.

Table 17

Details of year –wise expenditure

Sl. No.	Item	Qty.	Unit	Amount in Lakhs				Total Amount (Rs. in lakh)
				2018-19	2019-20	2020-21	2021-22	
1.	Supply, installation, testing, commissioning & handing over of RMUs	1	Job	56.30	1.95	-	-	58.25

63. The Commission has examined the submissions of the licensee in detail and noted the circumstances under which the project was implemented, without the prior approval of the Commission. The Commission also noted that the licensee has taken the necessary approval from the Board, prepared cost estimates by an Expert Committee and the work was awarded to L1 after observing the tender formalities. Considering the necessity of the replacement of RMUs, the Commission is of the view that the Capital expenditure proposal of Rs.58.25 lakhs towards replacement of RMUs can be approved. ***Accordingly, the Commission hereby approves the capital expenditure proposal of Rs. 58.25 lakhs towards the replacement of 16 Nos of RMUs.***

Other Assets

64. The licensee has claimed the following capital expenditure other than described above.

Table 18

Details of Assets Additions below 5 lakhs

Sl. No	Description of Asset Capitalized	Unit	Qty	Amount (Rs. lakh)	Date of Capitalization
1	Spiral Binding Machine KENT 777/ B078L1B5K2 (OP-C6QF-4327) including shipping charges	No	1	0.04	03.05.2018
2	Supply of LT panel at Kakkanad with incomer 400A, TPN	No	1	1.23	21.05.2018
3	Procurement of 3 Nos. of 11KV indoor resin cast CT for Kakkanad	No	3	0.44	28.09.2018
4	Fabrication & erection of a Permanent steel ladder at Kakkanad SS	No	1	1.14	04.12.2018
5	Supply of 22kv resin cast CT (current transformer) at Mega food park	No	3	0.83	31.12.2018

6	Calculator for KINESCO Office	No	1	0.01	21.01.2019
7	Procurement of 11KV 3C*150Sqmm XLPE Cable for KIITP	Mtr	14.6	0.16	22.02.2019

65. The Petitioner submitted that the LT panels were installed during the year 2003 and an LT panel near Vismaya Building at infopark had deteriorated and needed immediate replacement. Further, the 11KV CT at Y phase of incomer no. 1 had become faulty on 18.05.2018 followed by tripping of the incomer and thereby interrupting the power supply. The incomer no. 1 was energized and power supply was restored by replacing the faulty CT with Y phase 11KV CT of incomer no. 2, since it was in switched off condition at that time. Considering the urgency and importance of the situation, it was decided to purchase 3 nos. of 11KV, 600/5-5-5A CTs for replacing the faulty CT and keeping the remaining CTs as spare. The faulty CT was of Kappa make and the CT base dimensions and CT mould of the incomer panel was suited only for Kappa make CTs. If CTs of any other make was purchased, then KPUPL would have to make alterations in the incomer panel to fit the CTs. Hence, it was decided to purchase CTs of Kappa make for the same current ratio and dimensions.

66. Regarding the fabrication and erection of a permanent steel ladder at Kakkanad Substation, the Licensee submitted that the substation control room at KPUPL 110KV Substation at Kakkanad is a single storied building having roof area about 450 sq. m and with a car porch. There was no access to the roof top of the substation which was posing difficulties to clean the upper portion of the control room. Further, there was a plan of erecting PV solar panels on the roof top of the control room apart from water leakage through the roof slab at several points during the rains. Hence, it was decided to fabricate and erect a permanent steel ladder and fit it to the built up sections.

67. With regard to the procurement of 11KV 3C*150 Sq mm XLPE cable for KIITP, the licensee submitted that during the replacement of the existing 11KV feeder pillars with new 11KV RMUs, it was noticed that the cable terminations in the existing feeder pillars could not be used. The bus bars in the feeder pillars were of vertical formation and cable terminations were done accordingly. Hence, it became necessary to do new cable terminations in the newly installed RMUs at KIITP. Regarding the purchase of 22 KV CTs, the licensee submitted that the CTs were required at the interacting point of 22 KV overhead lines from KSEB Ltd's 110 KV substations for metering purpose. The licensee also submitted copies of documents to substantiate their claim.

Approval of Capital Expenditure for the year 2018-19

68. The Commission has carefully analysed the submissions of the licensee and the documents furnished by them in support of the capital expenditure. On examination, it is noticed that all the capital expenditure has been incurred after assessing the necessity and also after observing tender formalities. Hence the Commission is of the view that the capital expenditure of the licensee for the year 2018-19 can be allowed as per the claim of the licensee as shown below.

Table 19

Approved of Capital Expenditure for the year 2018-19

Sl No	Description of Asset	Claim for 2018-19 (Rs. lakh)	Approved for 2018-19 (Rs. lakh)
1	Spiral Binding Machine KENT 777/ B078L1B5K2 (OP-C6QF-4327) including shipping charges	0.04	0.04
2	Supply of materials for 110KWp grid connected solar plant at Palakkad (40), Kalamassery (40) & Kakkanad (30) (KELTRON) (Part payment)	23.25	23.25
3	Supply, installation, testing, commissioning & handing over of RMUs (Electro Fine) (Part payment)	56.30	56.30
4	Supply of LT panel with incomer 400A, TPN	1.23	1.23
5	Procurement of 3 Nos of 11KV indoor resin cast CT for Kakkanad	0.44	0.44
6	Fabrication & erection of a Permanent steel ladder at Kakkanad SS	1.14	1.14
7	Supply of 22KV resin cast CT (current transformer) at Mega food park	0.83	0.83
8	Calculator for KINESCO Office	0.01	0.01
9	Procurement of 11KV 3C*150Sqmm XLPE Cable for KIITP	0.16	0.16
	Total amount	**83.40**	**83.40**

69. ***Based on above, the Commission hereby approves Rs. 83.40 lakhs as Capital Expenditure for the year 2018-19***

Depreciation

70. The Commission vide Order dated 29.03.2021 had directed the petitioner to cure the defects of the depreciations claims during prior periods and submit a corrected depreciation claim as per the provisions of Tariff Regulations 2014 for the period up to 2017-18 along with the Truing Up of accounts for the year 2018-19. The Commission had allowed depreciation up to 2017-18 on a provisional basis as the claims was not in accordance with the Regulations. In the instant petition, in

compliance to the directions of the Commission, the licensee has reworked the depreciation for the period from 2010-11 to 2017-18 and claimed Rs. 354.86 lakhs as depreciation for the year 2018-19 which also includes the adjustment for the previous periods. The details of claim by the licensee are as below.

Table 20

Deprecation claimed during the year 2018-19

Depreciation Trued Up 2017-18 (Rs. in lakh) (Provisional)		Revised Depreciation claim in Truing Up petition 2018-19 (Rs. in lakh)	
Cumulative depreciation up to 2017-18	718.18	Cumulative depreciation up to 2018-19	1073.04
Cum. depreciation up to 2016-17	629.56	Cum. depreciation up to 2017-18	718.18
Depreciation for the year	88.62	Depreciation for the year	354.86

71. From the above Table, it can be seen that the licensee has not claimed separate depreciation for the year 2018-19 instead, claimed depreciation including the adjustments of the previous years. The licensee has submitted the revised depreciation claims for the period from 2010-11 to 2018-19 and also submitted the revised forms showing the revised depreciation calculation for each year from 2010-11 to 2018-19.

72. The Commission has examined in detail the revised depreciation claims of the licensee. The Commission has noted that the licensee has applied the depreciation rates as per Tariff Regulation 2014 for the period from 2010-11 to 2018-19. The Commission also noted that, the licensee has not considered the Original date of acquisition of each asset for the calculation of depreciation instead applied the rate of accelerated depreciation irrespective of the original date of acquisition. In this context, it is pertinent to mention that, the depreciation has to be calculated as per the provisions of Tariff Regulations applicable. The relevant provisions of Tariff Regulations 2014 are extracted below.

> ***"28. Depreciation. –*** *(1) The value base for the purpose of depreciation shall be the original capital cost of the asset approved by the Commission:*
> *Provided that no depreciation shall be allowed on revaluation reserve created on account of revaluation of assets.*
> *(2) The generation business/company or transmission business/licensee or distribution business/licensee shall be permitted to recover depreciation on the value of fixed assets used in their respective business, computed in the following manner:-*

(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;

(c) the generating business/company or transmission business / licensee or distribution business/licensee, shall submit all such details and documentary evidence, as may be required under these Regulations and as stipulated by the Commission from time to time, to substantiate the above claims;

(d) the salvage value of the asset shall be ten per cent of the allowable capital cost approved by the Commission and depreciation shall be a maximum of ninety per cent of the approved capital cost of the asset.

(3) The generating business/company or transmission business/licensee or distribution business/licensee shall be allowed to claim depreciation to the extent of financial contribution in the form of loan and equity, including the loan and equity contribution, provided by them:

Provided that depreciation shall not be allowed on assets funded through consumer contribution, deposit works, capital subsidies and grants.

...”

73. From the above, it is clear that the licensee is eligible for depreciation at the rate specified in the Regulations for first twelve financial years from the date of Commercial Operation, and after twelve years, the remaining depreciable value shall be spread over the balance useful life of the assets. However, the licensee has not furnished the details such as Name /class of the individual asset, Original date of acquisition, etc. of individual assets transferred from KEPIP. These details are necessary to determine the age of the asset and to identify the assets eligible for depreciation as per the rates specified in the Regulations or by spread over. Further, in the case of asset additions after the transfer, individual asset-wise cost and date of acquisition are also not furnished by the licensee. Hence, in the absence of this information, the Commission is not in a position to determine the depreciation admissible as per the provisions of Regulations.

74. ***Under these circumstances, the Commission is of the considered view that till such time, complete information on the Fixed Assets is furnished by the licensee; the approval of depreciation is to be deferred*. *The licensee is therefore directed to furnish the complete information on the Fixed Assets within a period of three months from the date of this Order for the determination of depreciation admissible as per the provisions of***

Regulations. Accordingly, the commission has decided not to allow depreciation for the year 2018-19 at present.

Interest and Finance Charges

75. The licensee has claimed an amount of Rs. 96.72 lakh towards interest and finance charges as shown below.

Table 21

Interest and Finance Charges for the year 2018-19

Particulars	Rate of interest	Rs. lakh
Interest paid on the Debt portion of the consideration for Asset Transfer, Rs.737.41 Lakhs	11.50%	64.89
Interest on loan paid to KIFRA (availed in 2014-15 for completing the Palakkad sub-station)	11.50%	22.77
Against security deposit to consumers & others	3.50%	2.56
Bank charges paid		6.50
Total amount		96.72
Less: Capitalised		0.00
Net amount of interest		**96.72**

76. The licensee has claimed Rs.87.66 lakhs (Rs.64.89 lakh+Rs.22.77 lakh) as interest on loan for the year 2018-19 as part of the Interest and finance charges. The licensee submitted that, the debt: equity ratio as per the Asset Transfer Agreement executed on 07.09.2016 and the Supplementary Agreement dated 27.10.2017 is 70:30. The effective date of transfer of the assets was considered as 01.02.2010 and the company has issued 2,16,438 equity shares of Rs.10/- each at a premium of Rs.136/- each, aggregating to an amount of Rs.3,15,99,948/-. The Company availed loan from the promoter KINFRA for an amount of Rs.7,37,40,737/-. The licensee further stated that , the total equity participation by the promoter has been changed from Rs.10,00,000/- to Rs.3,25,99,948/- and the debt portion had been revised to Rs.7,37,40,737/-.and effect of the same was brought to the books in the year 2018-19 to comply with the requirements of the Companies Act, 2013.

77. The licensee also submitted that they had earlier availed a loan of Rs.235.00 lakhs from KINFRA at an interest rate of 11.50% per annum, the rate at which KINFRA has been obtaining funds from Govt. of Kerala, for completion of the first phase of the sub-station at Kinfra Integrated Industrial & Textile Park at Palakkad. Refund of the loan of Rs.235.00 lakhs commenced at 60 equated monthly instalments (EMI) from April 2017. Refund of the loan of Rs.737.41 lakhs and the interest on loan commenced from 01.04.2018 at 180 EMIs.

78. On examination of books of accounts, it is observed that the above adjustments have been made by the licensee in the accounts of 2017-18 itself. The licensee had made the same submissions in the petition for the Truing Up for 2017-18; and the Commission had arrived at an opening balance of normative loan of Rs. 648.57 lakhs as on 01-04-2017 after examining in detail the submissions of the licensee. Further, during the Truing-Up of accounts for the year 2017-18, the licensee was also allowed interest on normative loan considering the opening balance as on 01-04-2017 and asset additions during the year after considering the cumulative depreciation as on 31.03.2017 and depreciation during 2017-18 as repayment of loan. The relevant portion of the Truing Up Order for 2017-18 dated 29-03-2021 is extracted below.

Quote

"96. Accordingly, the Commission after excluding the premium, has arrived at Rs.31.64 lakh as equity portion and the balance amount of Rs.2.84 crore is treated as normative loan as per Regulation 27 (2) of the 2014 Tariff Regulations as under.

Table 26

Computation of Loan

Rs in. lakhs

1.	*The total consideration for the Asset transfer for Kakkanad & Kalamassery-Asset transfer at book value as on 01-02-2010.* *i. Share transfer proceeds -Rs.3,15,99,948.00* *ii Deemed Loan -Rs.7,37,40,737.00* *Total Rs.10,53,40,685.00*	*Rs.1053.41*
2.	*Add: Loan from KINFRA for creation of Electrical assets at Palakkad*	*Rs.235.00*
3	*Total book value as on 01-02-2010 of Assets at Kakkanad, Kalamassery and Palakkad. (1+2)*	*Rs.1288.41*
4.	*Less: Depreciation charged from 01-02-2010 to 31-03-2017***	*Rs.345.70*
5.	*Less: Government of India Grant not considered by the licensee.*	*Rs.177.62*
6.	*Less: Difference in consumer contribution and Aside/Govt Grant between loan agreement and Order dated 31-03-2020.(Rs.701.41 L+Rs.380.82 L) – (Rs.641.66 L+Rs.355.69 L)*	*Rs.84.88*
7.	*Less: Equity portion of the consideration 216438@Rs10.00 for purchase of Assets at Kakkanad& Kalamassery*	*Rs.21.64*
8.	*Less: Existing equity (100000@Rs10/- each)*	*Rs.10.00*
9.	*Opening Normative loan as on 1-04-2017*	*Rs.648.57*

***The depreciation charged from 01-02-2010 to 31-03-2017 is computed as per tablegiven hereunder*

Table-27
Computation of depreciation from 01-02-2010 to 31-03-2017
Amt Rs Lakhs

Period	*Depreciation*	*Cumulative Depreciation from 1-02-2010*
**01-02-2010 to 31-03-2010*	*7.41*	*7.41*
01-04-2010 to 31-03-2011	*41.79*	*49.20*
01-04-2011 to 31-03-2012	*47.70*	*96.90*
01-04-2012 to 31-03-2013	*49.50*	*146.40*
01-04-2013 to 31-03-2014	*49.50*	*195.90*
01-04-2014 to 31-03-2015	*49.23*	*245.13*
01-04-2015 to 31-03-2016	*44.16*	*289.29*
01-04-2016 to 31-03-2017	*56.41*	*345.70*

**Truing up Order dated 31-03-2020*

97. The computation of interest on the above normative loan is as under;

Table-28
Interest on normative Loan

Particulars	***Rs. Lakh***
Net Asset value to be treated as opening Normative loan on 1-04 -2017	*648.57*
Add. Asset addition during the year	*32.66*
Less. Depreciation for 2017-18	*88.62*
Closing normative loan as on 31-03-2018	*592.61*
Average normative loan	*620.59*
Interest on Govt Loans	*11.50%*
Interest on normative loan for the year 2017-18	***71.37***

Unquote

79. Hence, the licensee is eligible for interest on normative loan on the normative loan balance as on 01.04.2018 and the asset additions approved during 2018-19. The interest on normative loan admissible for the year 2018-19 works out as below.

Table 22
Interest on Normative loan approved for the year 2018-19

Particulars	**Amount (Rs. lakh)**
Opening normative loan as on 01-04-2018	592.61
Add: Asset additions for 2018-19	83.40
Less: Depreciation for 2018-19 as repayment	0.00
Closing normative loan as on 31-03-2019	676.01

Average Normative Loan	634.31
Interest on Govt. loans	11.50%
Interest on normative loan for the year 2018-19	**72.95**

80. Regarding the interest on security deposit, the Commission had issued directions vide Order dated 29.03.2021 to reconcile the accounts for security deposits. The same direction was given to the licensee in Order dated 31.03.2020 also. ***However, despite of these directions, the licensee has not mentioned anything regarding the reconciliation of accounts of security deposits. Hence, the interest on security deposits is not allowed at present.***

81. Thus, after examining in detail the claim of the licensee towards interest and finance charges, the admissible amount towards interest and finance charges for the year 2018-19 is as shown below.

Table 23

Interest and Finance charges approved for the year 2018-19

Particulars	Approved 2017-18	Claim for 2018-19	Admissible for 2018-19
	Rs. lakh	Rs. lakh	Rs. lakh
Interest on long term loans	71.37	87.66	72.95
Interest on SD	0.00	2.56	0.00
Bank Charges	8.47	6.50	6.50
Total	**79.84**	**96.72**	**79.45**

82. ***Based on above, the Commission hereby approves RS. 79.45 lakh as interest and finance charges for the year 2018-19***

Return on Equity

83. The licensee has claimed return on equity of Rs. 45.64 lakhs for the year 2018-19 as shown below.

Table 24

Return on Equity claimed for the year 2018-19

Equity at the end of the year (Rs. lakh)	Rate of return	Return on Equity (Rs. lakh)
326.00	14%	45.64

84. The licensee submitted that the Commission had issued a clarification on Return on Equity as part of Tariff Regulations 2006 and as per this clarification 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 projects shall be treated as equity. The licensee further submitted that though the above clarificatory clause of the earlier regulation was omitted in the subsequent regulation and more so, in the absence of anything contradictory in the subsequent regulation, the earlier regulation stands good. The licensee also requested to consider share premium account along with equity for the purpose of calculation of ROE.

85. The licensee also cited the Hon. APTEL Order on Appeal No. 121 of 2011 dated 3rd October 2011 in support of their claim of return on equity on the share premium amount. The contention of the petitioner is that as per the Assets Transfer Agreement dated 07.09.2016 and the Supplementary Agreement dated 27.10.2017, the effective date of transfer of the assets was considered as 01.02.2010. The debt: equity ratio as per the Asset Transfer Agreement is 70:30. Accordingly, the company has issued 2,16,438 equity shares of Rs.10/- each at a premium of Rs.136/- each, aggregating to an amount of Rs.3,15,99,948/- during the year. Hence, the total equity participation by the promoter is increased from Rs.10,00,000/- to Rs.3,25,99,948/-. The Company is, therefore, eligible to get ROE of Rs.45.64 Lakhs for the year 2018-19.

86. The Commission has examined the contention of the licensee in detail vis-a-vis the provisions of Tariff Regulations. As per the submission and audited accounts of the licensee, the share premium was recognised by the company in the year 2017-18. Accordingly, the provisions of Tariff Regulations 2014 are applicable for the determination of Return on Equity. The relevant portion of Regulation is extracted below.

Quote

27. Debt-equity ratio. – *(1) For the purpose of determination of tariff, debt equity ratio as on date of commercial operation in the case of a new generating station, transmission line and distribution line or substation commissioned or capacity expanded on or after the First day of April 2015, shall be 70:30 of the capital cost approved by the Commission:*

Provided that the debt-equity ratio shall be applied only to the balance of such approved capital cost after deducting the financial support provided through consumer contribution, deposit work, capital subsidy or grant, if any

.

(2) Where equity employed is more than thirty percent of the approved capital cost, the amount of equity for the purpose of tariff shall be limited to thirty percent and the balance amount shall be considered as normative loan and interest on the same may be allowed at the weighted average rate of interest of the actual loan portfolio.

(3) Where actual equity employed is less than thirty percent of the approved capital cost, the actual equity shall be considered

29. Return on investment. – *(1) Return on equity shall be computed in rupee terms, on the paid up equity capital determined in accordance with the regulation 27 and shall be allowed at the rate of fourteen percent for generating business/companies, transmission business/licensee, distribution business/licensee and state load despatch centre:*

Provided that, return on equity for generating business/company, transmission business/licensee, distribution business/licensee and state load despatch centre, shall be allowed on the amount of equity capital approved by the Commission for the assets put to use at the commencement of the financial year and on fifty percent of equity capital portion of the approved capital cost for the investment put to use during the financial year:

Provided further that at the time of truing up for the generating business/company, transmission business/licensee, distribution business/licensee and state load despatch centre, return on equity shall be allowed on pro-rata basis, taking into consideration the documentary evidence provided for the assets put to use during the financial year.

(2) If the equity invested in the regulated business of the generating business/company or transmission business/licensee or distribution business/licensee or state load despatch centre is not clearly identifiable, return at the rate of three percent shall be allowed on the net fixed assets at the beginning of the financial year for such regulated business:

Provided that net fixed assets shall be exclusive of the assets created out of consumer contribution, deposit works, capital subsidy or grants.

Unquote

87. From a combined reading of Regulation 27 and 29, it is clear that the return on equity shall be determined on the paid-up equity capital of the licensee and it shall be the 30% of the total investment or the actual paid up equity capital whichever is less. Based on this, the Commission had taken a consistent view that the return on equity can be allowed only on paid up capital. Further, it is a generally accepted principle that the returns or dividend are paid only on the face value of the equity share and not on any other amount.

88. Regarding the applicability of clarification on Return on Equity as part of Tariff Regulations 2006, it is imperative to mention that, once the provisions of a particular Rule or Regulations is repealed by introducing a new Regulation, the provisions of the old Regulation is no longer applicable unless there is an express provision in the new Regulation regarding the applicability of the old provisions.

Accordingly, the contention of the licensee to consider the clarificatory clause to the Tariff Regulation 2006 in this case has no legal standing and deserves no merit.

89. Further, the citation of APTEL case by the licensee is not applicable to the present case as it is not related to the consideration of share premium for the calculation of Return on equity. The issue in the case was disallowance of interest in excess equity and the date from which the interest is calculated on the amount in excess of the equity. The question of law in this case was as to whether the provisions of Regulations can be applied retrospectively. In the said case the MPERC has considered normative repayments from the date of commercial operation i.e., for the period from the date of commercial operation to the date of vesting of Assets to the Madhya Pradesh Power Generating Company Limited from MPSEB for calculating interest on normative loan instead of acknowledging the excess equity as on the date of transfer as normative loan. Hon. APTEL made it very clear that the provisions of the Regulations cannot be applied retrospectively and ordered that the MPERC has to recalculate the interest on normative loan i.e., equity in excess of 30% from the date of Opening Balance Sheet. The Hon. APTEL has considered in the case the date of vesting of assets to the Madhya Pradesh Power Generating Company Limited for the calculation of interest on loan in a totally different scenario and in no way applicable in the case of KPUPL.

90. Further, in the case of KPUPL, the Asset Transfer Agreement was executed in the year 2016-17 and the Supplementary agreement was executed in the year 2017-18. Though the effective date of transfer as per these agreements was considered as 01.02.2010, the consideration for the Assets transferred was settled in the year 2017-18 by issuing 216438 equity shares of Rs.10/- each at a premium of Rs.136 per share. Further, the equity capital and the share premium were recognised in the books of Accounts of the licensee only in the year 2017-18. Considering all these facts, the Commission had allowed interest on the normative loan and Return on Equity in 2017-18 as per the provisions of Tariff Regulation 2014. The Commission had not allowed interest on loan up to the year 2016-17 as there was no actual interest liability for the licensee up to this period.

91. As discussed above, the licensee is eligible for return on equity only on the amount shown as paid up equity capital in the books of accounts. It is to be noted that the licensee was allowed return on NFA up to 2016-17 as per the provisions in the Regulations. Accordingly, the admissible return on equity for the year 2018-19 works out as under.

Table 25

Return on Equity approved for the year 2018-19

Particulars	Amount (Rs. lakh)
Opening Equity as on 01-04-2018	31.64
Add: Additions for 2018-19	0.00
Closing Equity as on 31-03-2019	31.64
Return on Equity @ 14%	**4.43**

92. ***Based on the discussions above, the Commission hereby approves Rs. 4.43 lakh as Return on Equity for the year 2018-19.***

Revenue from Sale of Power

93. The licensee has stated in the petition a revenue of Rs. 6130.64 lakh from sale of power for the year 2018-19. As per the Trued up figures for the year 2017-18, the revenue from sale of power was Rs. 5673.16 lakh. Similarly, as per the petition, the total sales in MU also increased to 86.49 in 2018-19 from 81.04 in 2017-18. The comparison of number of consumers, sales in MUs and sales value for the year 2018-19 with that of the previous year as per the petition is shown hereunder.

Table 26

Revenue from sale of Power

Category	Trued Up for 2017-18			Truing up claim for 2018-19		
	No. of Consumers	Sales in lakh units	Sales amount (Rs in lakhs)	No. of Consumers	Sales in lakh units	Sales amount (Rs in lakhs)
HT Consumers	33	594.00	3937.22	42	653.30	4418.12
DHT Consumers	40	123.40	1018.08	39	114.74	961.96
LT Consumers	253	93.30	708.41	299	96.90	726.95
Total	**326**	**810.40**	**5663.71**	**380**	**864.94**	**6107.03**
Other Revenue			9.46			23.62
Gross Revenue	**326**	**810.40**	**5673.16**	**380**	**864.94**	**6130.64**
Average Revenue per Consumer	**17.40 lakh**			**16.13 lakh**		

94. The licensee further submitted that the revenue from sale of power doesn't contain any Sec (4) duty and supply surcharge. The licensee stated in the petition that the retail rate of supply to HT 1A and LT IVA consumers is lower than the purchase cost, and sales to these category of consumers comprises 23.60% of the total sales and hence affecting the net revenue of the licensee adversely. The

licensee also submitted that most of the new consumers are in the industrial category and the IT Park at Kakkanad is almost saturated and this also contributed to the reduction in the average revenue per consumer.

95. The Commission had examined the issue of lower retail rate while finalising the Truing Up of accounts for the year 2017-18 and concluded that the issue will be addressed at the time of fixing the BST rates. However, on examination of the sales data, it is noted that there is an increase in the number of consumers as well as sales in 2018-19 when compared to 2017-18. Further, It is imperative to note that, though there is an increase in the total sale value in the year 2018-19, there is a reduction in the average revenue per consumer. The average revenue per consumer has reduced to Rs. 16.13 lakh in 2018-19 from the level of Rs.17.40 lakh of 2017-18. The licensee has also furnished the details of category-wise sale in Form D.2.1 as below.

Table 27

Details of Category-wise sales

Sl. No.	Particulars	No. of consu-mers	Units Sold (lakh units)	Sales (Rs.in lakh)	No. of consu-mers	Units Sold (lakh units)	% of total	Sales (Rs.in lakh)
		2017-18 Trued Up			2018-19			
	LT Categories							
1	LT IV A	28	7.20	52.37	43	9.32	1.08%	66.78
2	LT IV B	149	65.30	454.91	163	68.63	7.93%	475.56
3	LT VI A	2	0.70	4.84	2	0.72	0.08%	5.07
4	LT VI B	3	0.10	1.30	3	0.25	0.03%	1.97
5	LT VI C	8	0.60	7.38	15	0.92	0.11%	11.16
6	LT VI F	49	17.70	171.92	53	15.49	1.79%	151.68
7	LT VII A	10	1.40	14.62	15	1.32	0.15%	13.58
8	LT VII B	1	0	0.04	1	0.01	0.00%	0.04
9	LT VIII B	3	0.30	1.03	3	0.25	0.03%	1.00
10	LT IX	0	0	0.00	1	0.01	0.00%	0.11
		253	**93.30**	**708.41**	**299**	**96.90**		**726.95**
	HT Categories							
11	HT I A	12	172.50	1069.18	18	195.91	22.65%	1225.91
12	HT I B	17	406.80	2788.34	19	424.76	49.11%	2955.19
13	HT II A	2	6.40	42.33	2	5.62	0.65%	37.65
14	HT II B	1	1.90	13.65	1	3.15	0.36%	32.35
15	HT IIIB	1	6.40	23.73	1	5.86	0.68%	23.44
16	HT IV	0	0	0.00	1	18.00	2.08%	143.58
		33	**594.00**	**3937.23**	**42**	**653.30**		**4418.12**

	Deemed High Tension (DHT)							
17	DHT I B	38	118.00	962.77	37	110.69	12.80%	914.94
18	DHT II A	1	0.70	2.81	1	1.49	0.17%	15.62
19	DHT IV	1	4.40	52.51	1	2.56	0.30%	31.40
		40	**123.10**	**1018.09**	**39**	**114.74**		**961.96**
	TOTAL	**326**	**810.40**	**5663.71**	**380**	**864.94**		**6107.03**
	Average Realisation Rs. /kWh			**6.99**	Average Realisation Rs./kWh			**7.06**

96. The Commission has examined the reasons submitted by the licensee for the reduction in the average revenue per consumer and notes that the majority of revenue from the sale of power comes from the HT Consumers. The Sales to HT I A and I B category itself constitutes more than 70% of the sales.

97. After examining the sales data furnished and the reasons submitted for reduction in average realisation per consumer, the Commission is of the view that the sales figure as reported by the licensee can be approved as shown below.

Table 28

Approved revenue from Sale of Power for the year 2018-19

Category	True up claim for 2018-19			Approved for 2018-19		
	No. of Consumers	Sales (MU)	Sales Value (Rs in lakhs)	No. of Consumers	Sales (MU)	Sales Value (Rs in lakhs)
HT Consumers	42	653.30	4418.12	42	653.30	4418.12
DHT Consumers	39	114.74	961.96	39	114.74	961.96
LT Consumers	299	96.90	726.95	299	96.90	726.95
Total	**380**	**864.94**	**6107.03**	**380**	**864.94**	**6107.03**

98. ***Accordingly, the Commission hereby approves Rs. 6107.03 lakhs as revenue from Sale of Power for the period 2018-19.***

Non-tariff Income

A. Other Operational Income

99. The petitioner submitted that there is revenue of Rs. 23.62 lakh from other than operational income. The details furnished by the licensee in Form D.2.1 are shown below.

Table 29

Other Operational Income

Particulars	Amount in Lakhs
Revenue from late payment surcharge	1.63
Meter/metering equipment/service line rentals	1.79
Miscellaneous Charges from consumers	0.04
Application Fees	0.26
Charges for Solar Grid Connectivity	4.87
Collection Charges	2.22
Installation Charges	10.96
Supervision Charges	1.85
TOTAL	**23.62**

100. ***After examining the nature of the income and the amount, the Commission hereby approves Rs.23.62 lakh as Other Operational Income for the year 2018-19.***

B. Income from wheeling charges

101. The licensee submitted that, one of the consumer of KPUPL, M/s. TATA Consultancy Services Ltd, at Infopark, Kakkanad had obtained approval for availing power through Short Term Open Access (STOA) for 1.98 MW from State Nodal Agency, SLDC vide Reg. No. 0033/STOA/TCSIFP dated 08.03.2018. The licensee further submitted that, the wheeling charges collected by the power exchange payable to the distribution licensee is credited to the SLDC account and the amount applicable to each utility is transferred from SLDC. As per the submission of the licensee, M/s. TATA Consultancy Services Ltd started availing power through open access from April 2018 onwards. The details of wheeling charge and cross subsidy collected by the licensee are shown in the Table below.

Table 30

Income from Wheeling Charges

Period	Energy Wheeled (lakh units)	Revenue from Wheeling Charges @ Rs. 0.31/Unit at traded periphery	Revenue from Cross Subsidy @ Rs. 1.16/Unit at consumer periphery	TOTAL Revenue
2018-19	1.84	0.51	1.88	**2.39**

102. ***After examining the details furnished by he licensee, the Commission hereby approves Rs.2.39 lakh as Income from wheeling charges for the year 2018-19.***

C. Other Income

103. The licensee also furnished the details of other income during the period 2018-19. The other income received by the Company during the year 2018-19 as per the petition is detailed below.

Table 31

Other Income for the year 2017-18 and 2018-19

Particulars	Trued Up for the year 2017-18 (Rs. lakh)	True up Petition for the year 2018-19 (Rs. lakh)
Interest on Bank Fixed Deposits	67.55	94.15
Other miscellaneous receipts	1.16	0.52
Total amount	**68.71**	**94.67**

104. The Commission has examined the above submissions of the licensee. It can be seen from the above Table that a major portion of the above other income during the year 2018-19 was the interest income received by the licensee on fixed deposits with banks. The Commission also noted that the licensee has not considered the notional interest on the accumulated revenue surplus as other income. The legal position on this has already been clarified by the Commission in the Truing Up Order for 2017-18 whereby it has been made it clear that the interest on the accumulated surplus at the beginning of the year has to be accounted as other income for the concerned year.

105. The licensee in the previous Truing Up petition submitted that, the erstwhile licensee M/s KEPIP had erroneously reported the revenue from sale of power including Section 4 duty for the period from 2004-05 to 2008-09 and the revenue approved in the Order dated 06-12-2011 was inclusive of the Electricity Duty under section 4. The total amount of duty for these years was Rs.124.80 lakh. Since the said amount was already remitted to the Government, based on the request submitted by the licensee, the Commission in Order dated 31-03-2020 had decided to exclude this amount only for the limited purpose of calculating the interest on accumulated revenue surplus as a special case.

106. Accordingly, the interest on accumulated surplus to be considered as other income and works out as under.

Table 32

Interest on Accumulated Surplus approved for the year 2018-19

Particulars	Trued Up for the year 2017-18 (Rs. lakh)	Approved for the year 2018-19 (Rs. lakh)
Accumulated Surplus at the beginning of the year	3375.63	3734.75
Less: Section-4 duty	(124.80)	(124.80)
Surplus excluding the duty	3250.83	3734.75
Interest rate applicable (%)	6.90%	*6.40%
Interest on Accumulated surplus	**224.31**	**239.02**

**The retail term deposit rate of SBI for a tenor of one year as on 01-04-2018*

107. Thus, the total other income works out as below

Table 33

Other Income for the year 2017-18 and 2018-19

Particulars	Trued Up for the year 2017-18 (Rs. lakh)	True up Petition for the year 2018-19 (Rs. lakh)
Interest on Bank Fixed Deposits	67.55	94.15
Other miscellaneous receipts	1.16	0.52
Interest on accumulated surplus	0.00	239.02
Total amount	**68.71**	**333.69**

108. ***Based on above, the Commission hereby approves Rs.333.69 lakh as other income for the year 2018-19.***

109. Based on the discussions above, the non-tariff income for the year 2018-19 works out as shown in the Table below.

Table 34

Approved Non- Tariff Income for the year 2018-19

Particulars	Truing Up claim for the year 2018-19	Approved for the year 2018-19
Other Operational Income	23.62	23.62
Income from wheeling charges	2.39	2.39
Other Income	94.67	333.69
Total Non-tariff Income	**120.68**	**359.70**

110. ***Accordingly, the Commission hereby approves Rs.359.70 lakh as Non-tariff income for the year 2018-19.***

Revenue Surplus/ (Gap)

111. The Commission after detailed examination and analysis of each item of expenditure and income as described in the preceding paragraphs, has arrived at the revenue surplus/gap for the year 2018-19 as tabulated below

Table 35
Approved Truing Up of account for the year 2018-19

Particulars	Trued Up 2017-18	Truing Up claim for 2018-19	Trued Up in 2018-19
	Rs. lakh	Rs. lakh	Rs. lakh
Cost of Power Purchase	5202.32	5664.87	5573.93
Repair & Maintenance Expenses	76.11	78.11	78.11
Employee Expenses	49.72	54.65	52.13
Administration & General Expenses	39.99	123.57	51.46
Depreciation	88.62	354.86	0.00
Interest and Finance Charges	79.84	94.62	79.45
Return on Equity	2.91	45.64	4.43
Provision for Income Tax/MAT	0.00	15.83	0.00
Aggregate Revenue Requirement	**5539.51**	**6434.25**	**5839.51**
Revenue from Sale of Power	5663.70	6130.64	6107.03
Non-tariff Income*	234.93	97.06	359.70
Total Revenue	**5898.63**	**6227.70**	**6466.73**
Net Revenue Surplus/(gap)	**359.12**	**(206.54)**	**627.22**

includes income from wheeling charges

112. ***Accordingly, the Commission hereby approves Rs. 5839.51 lakh as Aggregate Revenue Requirement for the year 2018-19, Rs.6466.73 lakh as total revenue for the year 2018-19 and Rs.627.22 lakh as Net Revenue Surplus for the year 2018-19.***

Orders of the Commission

113. The Commission after considering and detailed examination of the petition of the licensee for the Truing Up of accounts for the period 2018-19, additional information submitted thereon and the comments /remarks by KSEB Ltd., approves the following.

(i) The aggregate revenue requirement for the year 2018-19 is **Rs. 5839.51 lakh**

(ii) Total revenue for the year 2018-19 is **Rs. 6466.73 lakh**

(iii) The revenue Surplus for the year 2018-19 is **Rs.627.22 lakh**

(iv) The cumulative revenue surplus up to 2018-19 after considering the opening balance of Rs. 3734.75 lakhs will be Rs. 4361.97 lakh (Rs.3734.75 lakhs+Rs.627.22 lakh). The licensee shall keep the surplus in a separate fund and utilize it as per the Orders of the Commission

Directives

114. The Commission issues the following directives for compliance by the licensee:

(i) The licensee is directed to furnish the complete information on the Fixed Assets as mentioned in Para-74 of the Order within a period of three months from the date of this Order for the determination of depreciation admissible as per the provisions of Regulations.

(ii) Regarding the reconciliation of power purchase details with KSEB Ltd., the licensee is once again directed to complete the reconciliation process of all previous years and submit a compliance report to the Commission within a period of three months from the date of issue of this Order.

(iii) The licensee is also directed to comply with all the pending directions issued by the Commission vide Order dated 29.03.2021.

115. With the above, the petition is disposed of. Ordered accordingly.

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

Sd/-
Preman Dinaraj
Chairman

Approved for issue

Sd/-
Secretary