

**KERALA STATE ELECTRICITY REGULATORY COMMISSION  
THIRUVANANTHAPURAM**

**Petition No: OP 27 / 2023**

**Present : Sri T K Jose, Chairman  
Adv. A J Wilson, Member  
Sri. B Pradeep, Member**

In the matter of : Petition for approval of Truing Up of accounts for the financial year 2021-22.

Petitioner : M/s Kanan Devan Hills Plantations Company Private Limited (KDHPCL)

Represented by : Sri. Raju Warriar, KDHPCL  
Sri. Sachin Prabhu, KDHPCL  
Sri. R. Jayaraman, KDHPCL

Respondent : M/s Kerala State Electricity Board Limited

Represented by : Sri. Rajan, Deputy Chief Engineer, TRAC, KSEB Ltd  
Sri. Ajith Kumar K.N, Executive Engineer, KSEB Ltd  
Sri. Rajesh R, Assistant Executive Engineer, KSEB Ltd  
Sri. Shine Raj, Assistant Engineer, KSEB Ltd  
Smt. Biji Christudas, Assistant Engineer, KSEB Ltd

Date of hearing : 04.07.2023 at the Court Hall, Office of the Commission

**Order Dated 23.11.2023**

1. M/s Kanan Devan Hill Plantations Company Private Limited (hereinafter referred to as KDHPCL, the petitioner or the licensee) is the distribution licensee supplying electricity in its license area at Munnar. KDHPCL procures electricity from KSEB Ltd for the supply to its consumers and for its own consumption. The licensee has filed the petition for truing up of accounts for the year 2021-22 as per the provisions of the KSERC (Terms and Conditions for determination of Tariff) Regulations 2018. The regulations are applicable for the four-year Control Period (2018-19 to 2021-22). The present petition is for the last year of the Control Period i.e. 2021-22. The Commission vide Order in OA No.6/2019 dated 11.11.2019 has approved the ARR&ERC for the Control Period. In the present petition for truing up the accounts based on audited accounts, the licensee has claimed a **revenue surplus of Rs.13.61 lakh** compared to

revenue surplus of Rs.15.93 lakh approved by the Commission in the Order on ARR&ERC.

2. A comparison of the claim made in the present petition with the ARR&ERC figures for the year 2020-21 approved by the Commission and with the previous year 2020-21 is tabulated below.

**Table 1**  
**Comparison of ARR&ERC for the period 2020-21 and 2021-22**

Particulars	2020-21		2021-22		
	Truing Up Petition	Trued Up	ARR&ERC (A)	Truing Up petition (B)	Difference (B)-(A)
Power purchase cost	2689.53	2668.62	3158.24	2665.23	-493.01
Employee Expenses	166.07	157.48	145.66	172.12	26.46
Administration & General Expenses	10.34	9.32	15.84	17.33	1.49
Repair & Maintenance Expenses	48.55	48.55	42.06	52.84	10.78
Depreciation	22.71	13.82	26.21	13.16	-13.05
Interest on Working Capital and finance charges	17.73	47.42	68.34	54.62	-13.72
Other debits	12.6	1.13	0.63	14.08	13.45
Provision for Bad debts	0.35		-	0.00	
Return on Net Fixed Assets	-	3.83	3.83	3.46	-0.37
<b>Total Expenditure/ARR</b>	<b>2967.88</b>	<b>2950.17</b>	<b>3460.81</b>	<b>2992.84</b>	<b>-467.97</b>
Revenue from Sale of Power	2884.83	2884.83	3412.93	2955.48	-457.45
Other income	11.66	81.19	63.81	50.97	-12.84
<b>Total Income/ERC</b>	<b>2896.49</b>	<b>2966.02</b>	<b>3476.74</b>	<b>3006.45</b>	<b>-470.29</b>
<b>Revenue (Gap)/Surplus</b>	<b>-71.39</b>	<b>15.85</b>	<b>15.93</b>	<b>13.61</b>	<b>-2.32</b>

3. After examining the petition, the Commission vide letter dated 22-06-2023 sought clarifications to the licensee. The licensee has furnished the details vide letter dated 30-06-2023. The Commission admitted the petition as OP No. 27/2023.

### **Public Hearing on the Petition**

4. The hearing on the petition for the Truing Up of Accounts for the year 2021-22 was conducted at the Court Hall, Office of the Commission on 04-07-2023. The licensee was represented by Sri. Raju Warriar, Sri. Sachin Prabhu, and Sri. R. Jayaraman, of KDHPCL. Sri. Sachin Prabhu presented details on the petition and responded to the queries of the Commission. The main points made by the licensee are:
  - a) The number of consumers during the year 2021-22 is 17085 and the actual sale for the year is 425.70 lakh units.

- b) The energy purchased from KSEB Ltd is 484.00 lakh units and the KSEB Energy Feedback is 46.60 lakh units. The Gross energy in the system during the year 2021-22 is 530.60 lakh units
- c) The overall distribution loss for the year 2021-22 is 10.99% and the actual cost for the purchase of 484.00 lakh units is Rs.2694.19 lakh.
- d) The Commission while approving the norms in the Tariff Regulations 2018 had approved the Operation and Maintenance Expense at Rs.203.56 lakh. The licensee in the petition has claimed total operation and maintenance expense of Rs.242.29 lakh.
- e) The Employee cost claimed for the year 2021-22 is higher than the norms approved by the Commission. The claim for the year is Rs.172.12 lakh as against the approved employee cost of Rs.145.66 lakh.
- f) The actual R&M expense for the year is Rs.52.84 lakh, which is higher than the approved R&M of Rs.42.06 lakh for the year.
- g) The A&G expenses claimed for the year is Rs.17.33 lakh as against the approved amount of 15.84 lakh. The major amount booked for the year where the major increase is in Rent Rates & Taxes, legal charges, Conveyance and vehicle hire charges etc
- h) The licensee during the year has made an asset addition of Rs.3.91 lakh which includes 36 Samsung Tablets and 2 switch meters
- i) The depreciation claimed for the year 2021-22 is Rs.13.16 lakh which is in line with the Tariff Regulations 2018.
- j) An amount of Rs.54.62 lakh is claimed as interest and finance charges which includes interest on security deposit, Bank charges, Interest on Normative Loan and Interest on Working Capital
- k) The licensee has claimed an amount of Rs. 3.46 lakh as Return on Net Fixed assets.
- l) Other debits, includes Rs.12.95 lakh towards Section 3(1) Duty under the Kerala Electricity Duty Act and Rs.1.13 lakh towards periodical inspection charges.
- m) The total expenditure incurred in 2021-22 is Rs. 2992.84 lakh.
- n) The Revenue for the sale of 425.70 lakh units in 2021-22 is Rs.2955.48 lakh.
- o) The Non-Tariff Income claimed by the licensee is Rs.50.97 lakh which is miscellaneous recoveries and interest on accumulated regulatory surplus.

- p) The total revenue for the year 2021-22 is Rs.3006.45 lakh.
- q) The petition for the truing up of accounts for the year 2021-22 is submitted with a revenue surplus of Rs.13.61 lakh.
5. KSEB Ltd, vide letter No. KSEBL/TRAC/AE1/KDHPCL-TU 2021-22/2023-24/219 dated 07.07.2023 submitted the following comments on the petition;
- a. The Commission in the licensee's ARR & ERC order dated 11-11-2019 had approved a distribution loss reduction target of 10.00% for the year 2021-22. The licensee, however, in the truing up petition claimed the distribution loss for the year at 10.99%. As per Regulation 72, distribution loss is a controllable item and its reduction is an efficiency parameter. The energy requirement and power purchase cost may be limited considering the approved distribution loss at 10.00% only.
  - b. The licensee has claimed O & M expenses higher than the norms approved by the Commission. O & M expenses being controllable expenses, this may be limited to the approved level.
  - c. The licensee has not accounted any interest on deposit with KSEBL and notional interest on accumulated surplus as part of non-tariff income for the year 2020-21 though the Commission had approved the same under other income in earlier Truing up orders.
  - d. The rate of depreciation based on norms for assets may be allowed only after due consideration of the vintage of the assets. The asset register furnished shows that for assets which have completed more than 12 years also depreciation is claimed at higher rates. It was also submitted that, depreciation corresponding to consumer contribution need to deducted.
  - e. With regard to interest and finance charges, it was submitted that interest shall not be allowed for the asset addition created utilizing regulatory surplus and interest on working capital shall be allowed only based on approved O&M norms.
  - f. The licensee has claimed Section 3(1) Electricity Duty which may be disallowed as was done in the previous Truing up orders.
  - g. The Commission had specifically directed the licensee to conduct an age wise analysis of the receivables and to take steps to realise the receivables and to write off the receivables which are bad and uncollectable against the provision already available. Similar stand may be taken this time also.
  - h. The cost for the power purchased and that claimed by the petitioner shows difference in the records of KSEB Ltd as below:

**Table 2**  
**Difference of Power Purchase**

SI No	Particulars	As per True up petition	As per records of KSEB Ltd
1	Power purchase of KDHP for the year 2021-22 (lakh units)	484.00	484.00
2	Total charges-fixed + energy charges (Rs in lakh)	2694.19	2694.82

6. The licensee vide letter dated 15.07.2023 submitted their counter statement/remarks on the comments made by KSEB Ltd on the petition. The Commission vide letter dated 20.07.2023 sought the additional clarification on the petition and the licensee submitted the reply vide letter dated 26.07.2023.

### **Analysis and decision of the Commission**

7. The Commission has carefully considered the petition for Truing Up of Accounts for the year 2021-22, the clarifications submitted by the licensee, the counter statements furnished by KSEB Ltd, the views presented by the licensee during the hearing, counter statement/remarks on the comments of KSEB Ltd and additional clarifications submitted by the licensee. The analysis and decisions of the Commission on the petition for truing up of accounts for the Financial Year 2021-22 are detailed below.

### **Energy sales and consumer mix**

8. As per the petition, the total number of consumers is 17085 and the actual sale for the year is 425.70 lakh units. Compared to the previous year there is increase in the number of consumers and sale of power. The increase in the number of consumers is on account of increase in LT I Domestic consumer category. The increase in the sale compared to the previous year is 7.20 lakh units only. The comparison of the number of consumers and the total sale of power are given below.

**Table 3**  
**Category-wise consumers and sales for 2020-21 and 2021-22**

Particulars	Truing Up 2020-21		Truing Up 2021-22	
	No. of Consumers	Sales (lakh units)	No. of Consumers	Sales (lakh units)
HT I A Industrial	22	284.20	22	281.60
HT II General	3	4.10	3	4.20
HT III Agriculture	2	3.30	2	3.40
HT IV Commercial	9	13.00	9	15.10
LT I Domestic	13538	74.30	14504	76.80
LT IV Industries	88	4.00	87	3.80
LT V Agriculture	5	0.10	6	0.10
LT VI Non-Domestic	922	14.10	954	15.00
LT VII Commercial	1179	17.90	1225	22.30

Street Lighting	253	3.40	270	3.30
LT TOD Tariff	2	0.10	3	0.10
<b>Total</b>	<b>16023</b>	<b>418.50</b>	<b>17085</b>	<b>425.70</b>

9. There is increase in the number of consumers and sales for the year. The licensee has stated that the recovery of economic activity mainly in the commercial sector from Covid 19 related lockdowns and restrictions is the main reason for the increase in the sale of power. The sales to the commercial category of consumers have increase by 21% compared to the previous year. There is also increase in the sales to other consumer categories whereas there is decrease in the sales to industrial consumers by 1% which is due to lack of growth in the sector. The total sale for the year has increased by 7.20 lakh units for the year 2021-22 compared to the previous year. **Considering the details presented and the licensee's clarifications thereof, the Commission hereby approves the sale of 425.70 lakh units for the year 2021-22.**

### Energy Requirement and Distribution Loss

10. The Commission in the licensee's ARR & ERC Order dated 11-11-2019 had approved a distribution loss reduction trajectory for the control period 2018-19 to 2021-22. For the year 2021-22, the approved distribution loss was 10.00%. The licensee in the truing up petition has claimed the distribution loss for the year 2021-22 as 10.99% which is 0.99% higher than the distribution loss target for the year. It is seen that the loss for the year is nearly same as that of the previous year. During 2020-21, the actual loss was 10.98%. Commission while issuing the Order had considered only the loss as approved in the Order of ARR & ERC. The details are tabulated below.

**Table 4**  
**Distribution loss claimed for 2020-21 and 2021-22**

Particulars	2020-21		2021-22
	For Truing up	Trued Up	For Truing up
Energy purchased (In lakh Units)	481.40	477.66	484.00
KSEB Energy Feedback (In lakh Units)	91.20	91.20	46.60
Gross energy in the system (In lakh Units)	572.60	568.86	530.60
Energy Sales (In lakh Units)	418.50	418.50	425.70
Distribution loss (In lakh Units)	62.90	59.16	58.30
<b>Distribution loss %</b>	<b>10.98%</b>	<b>10.40%</b>	<b>10.99%</b>

11. Feedback energy of KSEB Ltd wheeled through the licensee's system is 46.60 lakh units. Feedback is the energy wheeled through the system of KDHPCL for the consumers of KSEB Ltd. Since the feedback is wheeled through the distribution lines of KDHPCL, the same is considered for the computation of distribution loss. As shown above, the actual distribution loss reported by the

licensee at 10.99% is higher than the level of 10.00% fixed by the Commission in the ARR.

12. Distribution loss is a controllable parameter as per Tariff Regulations, 2018. Regulation 72(4) clearly specifies the methodology to be considered to account for any variation between the actual level of distribution loss and the approved level of the distribution loss. The relevant portions of the Regulation are as shown below:

*72. Distribution loss...*

.....

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

(a) if the actual distribution loss is higher than the approved level of distribution loss for any particular financial year of the control period, then the quantum of power purchase corresponding to the excess distribution loss for that financial year shall be disallowed at the average cost of power purchase for the respective financial year;

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

13. As per Regulation 72, distribution loss is a controllable item, and its reduction is an efficiency parameter. Hence, the licensee has to take earnest efforts to limit the distribution loss to the approved level or better it. **Accordingly, Commission is of the considered view that the distribution loss for the year 2021-22 is to be limited at the approved level of 10.00% and considering the same, the approved energy requirement for the year 2021-22 as shown below:**

**Table 5**  
**Approved Energy input & Distribution Loss for the year 2021-22**

Sl.No	Particulars	Approved in ARR for	As per Truing up petition for	Trued up
1	Energy Sales (In lakh Units)	500.20	425.70	425.70
2	KSEB Energy Feedback (In lakh Units)	97.10	46.60	46.60
3	Distribution loss	10.00%	10.99%	10.00%
4	Gross energy (In lakh Units)	663.70	530.60	524.78
5	Distribution loss (In lakh Units) (4x3)	66.40	58.30	52.48
<b>6</b>	<b>Approved Energy Input (in lakh Units) (4-2)</b>	<b>566.60</b>	<b>484.00</b>	<b>478.18</b>

## Power purchase cost

14. The licensee has claimed Rs.2694.19 lakh for the purchase of 484.00 lakh units purchased from KSEB Ltd as against Rs.2719.68 lakh for the purchase of 566.60 lakh units. As per the details given, the claim includes an excess demand of 3627 KVA for which Rs.6.17 lakh has been paid as excess demand charges. This payment is the penal charge paid by the licensee for the energy purchased over and above the contract demand. The details of Power Purchase cost is tabulated below.

**Table 6**  
**Details of the cost of power purchase claimed for 2021-22**

Sl.No	Particulars	Rs. lakh
1	Total Consumption in lakh units	530.60
2	Less: Feed Back to KSEB in lakh units	46.60
3	<b>Billed Units</b>	<b>484.00</b>
4	Demand Charges (Rs. lakh)	364.63
5	Excess Demand Charges (Rs. lakh)	6.17
6	Energy Cost (Rs. lakh)	2323.40
7	<b>Total Power purchase cost (Rs. lakh)</b>	<b>2694.19</b>
8	Disallowed in Power Purchase Cost as per Tariff Regulation	<b>28.96</b>
9	Power Purchase Cost Claimed (7-8)	<b>2665.23</b>
8	Average power purchase Cost (Rs. /kWh) (7/3)	5.57

15. KSEB Ltd in their comments on the petition had stated that the cost for the power purchased and that claimed by the petitioner shows difference of Rs.0.63 lakh in the records of KSEB Ltd. In the clarifications dated 26th July 2023, the licensee stated that they had not accounted the amount of Rs.0.39 lakh, TCS debit for the month of April and May 2021 as part of power purchase cost. The licensee has stated that TCS included in the bills of KSEB Ltd are not being accounted as part of power purchase cost as they are eligible for tax credit which can be set off against income tax liability. It was also submitted that the licensee had debited an amount of Rs.0.24 in the party ledger on account of other charges for June 2021 which was not included in the bill of KSEB Ltd.
16. As seen from Table 6 above, the power purchase cost claimed by the licensee for the year 2021-22 is Rs. 2694.19 lakh. At a distribution loss of 10.99%, the average power purchase cost works out to Rs.5.57 per kWh. Since the actual distribution loss is higher than the approved level of distribution loss, the quantum of power purchased corresponding to the excess distribution loss shall be disallowed at the average cost of power purchase. Accordingly, the power purchase cost based on the approved distribution loss of 10.00% for the year 2021-22 is as shown below;



**Table 7**  
**Details of approved power purchase cost for 2021-22**

1	Actual distribution loss (In lakh units) (Table 4)	58.30
2	Approved distribution loss (In lakh units) (Table-5)	52.48
3	Excess distribution loss (1-2) (In lakh units)	5.82
4	Average power purchase cost Rs. /kWh	5.57
5	Disallowed cost in power purchase (Rs in lakh) (3*4)	32.42
6	Actual power purchase cost (Rs. lakh)	2694.19
7	<b>Approved power purchase cost (Rs. lakh) (6-5)</b>	<b>2661.77</b>

17. **Accordingly, considering the approved distribution loss of 10.00%, the Commission hereby approves the power purchase cost as Rs.2661.77 lakh for the year 2021-22 as against as 2694.19 lakh claimed in the petition.**

### **Operation & Maintenance expenses**

18. Operation & Maintenance expenses are controllable expenses and include expenses of Employee cost, Repair & Maintenance Expenses and Administrative & General Expenses. The relevant portion of Regulation 79(6) of the Tariff Regulations 2018 is reproduced hereunder;

**79. Operation and maintenance expenses.....**  
.....

*(6) The distribution business of Kanan Devan Hills Plantations Company Private Ltd. (KDHPCL) shall be allowed to recover operation and maintenance expenses as per the norms specified in Annexure-IX to these Regulations for each financial year of the Control Period.*

19. The Commission as per the above Regulation of the Tariff Regulations, 2018 had approved the licensee to recover O&M costs of Rs.203.56 lakh as per norms for the year 2021-22. The licensee has claimed as O&M expenses Rs.242.29 lakh in the petition. The Operation and Maintenance expenditure claimed for the year 2021-22 is higher than the norms approved in the Tariff Regulations, 2018. The comparison of O&M expenses for the year 2020-21 and 2021-22 are shown below:

**Table 8**  
**Comparison of O&M expenses for 2020-21 and 2021-22 (Rs.Lakh)**

<b>Particulars</b>	<b>Truing up 2020-21</b>	<b>Trued Up 2020-21</b>	<b>ARR&amp;ERC 2021-22</b>	<b>Truing Up 2021-22</b>
Employee Expenses	166.07	157.48	145.66	172.12
Administration & General Expenses	10.34	9.32	15.84	17.33
Repair & Maintenance Expenses	48.55	48.55	42.06	52.84
<b>Total O&amp;M</b>	<b>224.96</b>	<b>215.35</b>	<b>203.56</b>	<b>242.29</b>

## Employee Cost

20. The licensee for the year 2021-22 has claimed an amount of Rs.172.12 lakh as against Rs.145.66 lakh approved in the Order on ARR &ERC. The details of the claim made by the licensee are tabulated below.

**Table 9**  
**Comparison of Employee Cost for the year 2020-21 and 2021-22 (Rs.lakh)**

Particulars	2020-21		2021-22	
	Truing Up	Trued Up	ARR Approved	Truing Up
Basic Salary	66.79	157.48	145.66	72.33
Dearness Allowance (DA)	10.02			10.80
Leave Travel Allowance	0.34			0.44
Earned Leave Encashment	1.38			1.38
Other Allowances	8.25			7.69
Medical Reimbursement	0.29			0.53
Overtime Payment	32.95			35.49
Bonus/Ex-Gratia Payments	5.42			3.43
Staff welfare expenses	0.98			1.19
Provident Fund Contribution	9.46			10.34
Salary of Manager & Executive - Electricals	15.26			14.53
Share of Directors. Mgmt. Staff Salaries	14.93			13.97
<b>Gross Employee Expenses</b>	<b>166.07</b>			<b>157.48</b>

21. As per the petition, the total number of workers/staff is 61 which include 40 technical staffs. During the previous year, the licensee had claimed an amount of Rs.166.07 lakh. The Commission after prudence check had approved only Rs.157.48 considering the norms approved by the Commission, wage revision, one time pay etc
22. The licensee in the petition has submitted that they have claimed employee expenses for 61 employees out of which 30 employees are located at various estates spread over the license area. The licensee further submitted in the truing up petition that for 25 employees out of the above said 30 employees, only 50% of their cost is charged to the distribution operations. The licensee also submitted that all the employees other than management staff are members of employees' unions and their wage/salary structures are fixed through industry wide triennial wage settlements. The licensee has also stated that the total increase in the employee costs on account of wage revision amounts to Rs.23.65 lakh. The category-wise split up of the employee costs claimed by the licensee is shown below:

**Table 10**  
**Category-wise split of the employee cost for 2020-21 and 2021-22**

Particulars	Truing up 2020-21		Truing up 2021-22	
	No.	Rs. Lakh	No.	Rs. Lakh
Junior Technical Officers	3	15.66	3	16.71
Switching Station Operations	4	16.69	4	16.86
Technical Staff	40	75.72	40	80.86
Other Workers	11	15.73	11	16.88
Non-Technical Staff	3	9.48	3	9.55
Share of Management Staff Expenses		30.18		28.50
Other Allowances, Medical & Welfare Expenses		2.61		2.74
<b>Total</b>	<b>61</b>	<b>166.07</b>	<b>61</b>	<b>172.10</b>

23. The licensee has stated that during the year 2020-21, the bonus provision was 14% on account of the good financial performance of the company, whereas, during the current year, the bonus was restricted to statutory level of 8.33%. The licensee has stated that the increase in basic DA and fixed overtime during the year by almost 9.00% on account of annual increments. Further the DA increase for the workers and non-staff category of employees was almost 12% on an average.
24. The licensee in the petition has submitted that there are two types of overtime expenses included in the employee costs which are fixed and variable overtime. Fixed overtime is paid to staff and non-staff category of workers as per Industry-wise Staff settlement purely on their attending to duty and without having to work beyond the office hours. The amount of fixed overtime during the year is Rs.24.04 lakh. Variable Overtime is paid for working beyond normal working hours and weekends, holidays which is required to restore line faults happening after working hours. The variable overtime during the year is Rs.11.45 lakh which was higher than that of the previous year (Rs.10.40 lakh) and the increase of Rs.1.05 lakh was mainly on account of substantial damage to the distribution network during the peak monsoon seasons.
25. The Commission has examined the details furnished by the licensee. The Commission notes that employee cost of Rs.172.12 lakh claimed by the licensee during the year 2021-22 is higher than Rs.157.48 lakh, the trued-up figure for 2020-21 and the ARR approved amount of Rs.145.66 lakh for 2021-22. The Commission also noted that during this period, the impact of triennial wage revision for workers amounting to Rs.23.65 lakh has also caused increase in employee cost. The increase was not reflected in the norms approved by the Commission. As per the provisions of Regulation 14(3) of Tariff Regulations 2018, expenses relating to pay revision, if any, during the control period for the same level of employees as admitted in the truing up of

accounts for the year 2016-17 of the distribution licensee may be considered as pass through after due prudence check. **Therefore, the Commission hereby allows Rs.23.65 lakh towards wage revision in addition to the amount approved in ARR Order dated 11-11-2019 as per the provisions of Tariff Regulations. 2018.**

26. **Accordingly, the Commission hereby approves the employee expenses of Rs.169.31 lakh (145.66+23.65) for the year 2021-22 against the licensee's claim of Rs.172.12 lakh.**

### **Administration & General Expenses**

27. As per the Tariff Regulation 2018, the approved A&G expense for the year 2021-22 is Rs.15.84 lakh. The licensee in the petition has claimed A&G expense of Rs.17.33 lakh. A comparison of the Administrative and General expenses claimed for over the previous years is tabulated hereunder.

**Table 11**  
**Details of A&G expenses claimed over the years (Rs.lakh)**

Particulars	2020-21		2021-22		
	Truing Up	Trued Up	ARR Approved	Truing Up	
Rent Rates & Taxes	0.40	0.40	15.84	3.63	
Insurance	0.38	0.38		0.84	
Telephone & Postage, etc.	0.05	0.05		0.01	
Legal charges	1.02	0.00		2.37	
Audit Fees	0.50	0.50		0.50	
Travelling expenses	0.07	0.07		0.25	
Conveyance and vehicle hire charges	0.89	0.89		1.45	
Electricity charges	0.46	0.46		0.29	
Printing & Stationery	0.72	0.72		0.94	
Miscellaneous Expenses	4.07	4.07		4.85	
License Fee and other related fee	0.89	0.89		0.86	
Security arrangements	0.89	0.89		1.34	
<b>Gross A&amp;G Expenses</b>	<b>10.34</b>	<b>9.32</b>		<b>15.84</b>	<b>17.33</b>

28. As shown in the table above, it is seen that there is significant increase in the A&G expense during the year compared to 2020-21. As per the details, the major increase is in Rent Rates & Taxes, legal charges, Conveyance and vehicle hire charges etc. The licensee has submitted the reason for the increase in the A&G expenses compared to the previous year. With regard to the increase in Rent Rates & Taxes, the licensee has stated they have booked the fees paid to the Commission under the head and the fee towards ARR & ERC petition has been the reason for the increase under the head. The licensee has stated that the increase in insurance is due to general escalation in the Premium charges. With regard to increase in security charges, the licensee has stated that during the period from June 2020 to November 2020, the services of the outsourced service provider were disrupted due to COVID-

19 and hence such payments were not done, whereas during the current year, payments were made for the entire period and hence the increase of Rs.0.46 lakh in the current year.

29. The licensee in the truing up petition claimed Rs.2.37 lakh as Legal Charges incurred towards fee and expenses paid to the advocates to file appeal before the Appellate Tribunal for Electricity against the orders of KSERC. During the previous year also, the licensee claimed similar expenses and the Commission has taken a consistent stand that the expenses incurred towards legal proceedings cannot be charged to the A&G expenses unless there is an order from the respective Courts regarding payment of costs. **Hence this amount of Rs.2.37 lakh is disallowed by the Commission.**

**Table 12**  
**A&G expenses approved for 2021-22 (Rs. Lakh)**

Particulars	2021-22			
	ARR Approved	Truing Up	Trued Up	
Rent Rates & Taxes	15.84	3.63	3.63	
Insurance		0.84	0.84	
Telephone & Postage, etc.		0.01	0.01	
Legal charges		2.37	0.00	
Audit Fees		0.50	0.50	
Travelling expenses		0.25	0.25	
Conveyance and vehicle hire charges		1.45	1.45	
Electricity charges		0.29	0.29	
Printing & Stationery		0.94	0.94	
Miscellaneous Expenses		4.85	4.85	
License Fee and other related fee		0.86	0.86	
Security arrangements		1.34	1.34	
<b>Gross A&amp;G Expenses</b>		<b>15.84</b>	<b>17.33</b>	<b>14.96</b>

30. **Based on the details furnished by the licensee, the Commission hereby approves Rs.14.96 lakh as the A&G expenses for the year 2021-22.**

### **Repair and Maintenance Expenses**

31. The Commission has approved an amount of Rs.42.06 lakh while approving the ARR & ERC for the year 2021-22. The licensee in the petition has claimed Rs.52.84 lakh for the repair and maintenance of plant and machinery, buildings, vehicles, lines, substations, 11 kV lines & associated works, LT line service etc. During the year 2020-21 the licensee had claimed Rs.48.55 lakh as R&M expenses which was approved while truing up the accounts for 2020-21. The comparison of the R&M expenses for the years 2020-21 and 2021-22 is as shown below.

**Table 13**  
**Details of R&M expenses claimed by the licensee (Rs. lakh)**

Particulars	2020-21	2021-22	
	Trued Up	ARR Approved	Truing Up
Plant & Machinery	1.24	42.06	1.50
Buildings	6.11		1.66
Lines & Cable Networks	27.84		33.22
Vehicles	3.29		4.45
LT Lines, Upkeeps, etc.	10.07		12.01
<b>Gross R&amp;M Expenses</b>	<b>48.55</b>	<b>42.06</b>	<b>52.84</b>

32. The licensee has submitted the detailed split up of the claims made in the petition. Compared to the previous year, the major difference is for the lines and cables and expenses towards LT Lines, Upkeeps, etc. With regard to expenses towards LT Lines, Upkeeps, etc, the licensee has stated that, during 2021-22, they had completed the standardisation of LT OH line of 8 divisions. The break-up of the R&M for lines and cable networks for the year 2021-22 is tabulated below.

**Table 14**  
**Details of expenses incurred for R&M works of cables and line works (Rs. lakh)**

Particulars	2020-21	2021-22
Transformer service charges paid to power link services	1.11	2.67
Transportation charges for transformer	-	0.97
Cost of sand & rubbles	1.17	0.49
Cost of MS Angles, Transformer oil, paint & painting charges	11.30	12.16
Under growth cutting charges	10.37	9.90
Employee's transportation charges	0.29	1.45
Cost of refreshments to workers	0.08	0.03
Transformer inspection charges	0.95	-
Additional labour from estates	2.57	5.55
<b>Total</b>	<b>27.84</b>	<b>33.22</b>

33. The licensee has clarified that increase in the transportation charges and additional labour from estates is on account of engaging estate labourers for working during line fault, LT line maintenance work which was due to increase in monsoon damages. The Commission noticed that the various items of expenses incurred for R&M works were of routine maintenance expense and there is no one-time expense which can be allowed over and above the norm. As the Commission had approved Rs.48.55 lakh towards R&M expenses while truing up the accounts for the year 2020-21, the commission is inclined to approve R&M expenses for the year 2021-22 by applying the escalation factor of 4.84 %. Accordingly, ***the Commission hereby approves the R&M expenses of Rs.50.90 lakh (48.55+4.84%) for the year 2021-22. The Commission would however advice the licensee to maintain the reliability and quality of their service and must take timely action to ensure the same.***

## Summary of O&M Expenses approved for 2021-22

34. The summary of O&M expenses approved by the Commission for the year 2021-22 is shown below.

**Table 15**  
**O&M expenses approved for 2021-22 (Rs. lakh)**

Particulars	ARR&ERC	Truing Up	Trued Up
Employee Expenses	145.66	172.12	169.31
Administration & General Expenses	15.84	17.33	14.96
Repair & Maintenance Expenses	42.06	52.84	50.90
<b>Total O&amp;M</b>	<b>203.56</b>	<b>242.29</b>	<b>235.17</b>

## Asset Addition during the year 2021-22

35. The licensee during the year 2021-22 has made an asset addition of Rs.3.91 lakh which includes 36 Samsung Tablets (Rs.3.73 lakh) and 2 switch meters (Rs.0.18 lakh). The licensee has stated that the tablets are used for spot billing of electricity consumption of the consumers and the switch meters are Transformer LT side meters used for measuring the total power through the transformer. The said assets were capitalised on 02.01.2022. **Considering the details furnished by the licensee, the Commission hereby approves the assets addition of Rs.3.91 lakh for the year 2021-22.**

## Depreciation

36. The licensee in the petition has claimed depreciation in the straight-line method as per the Tariff Regulations, 2018.

*“27. Depreciation. – (1) The value base for the purpose of depreciation shall be the original capital cost of the asset as approved by the Commission:*

*Provided that no depreciation shall be allowed on increase in the value of assetson account of revaluation of assets.*

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

*(2) The generation business/company or transmission business/licensee or distribution business/licensee shall be permitted to recover depreciation on thevalue of fixed assets used in their respective business, computed in thefollowing 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 twelvefinancial years from the date of commercial operation .....*”

37. The licensee in the truing up petition has claimed depreciation of Rs.13.16 lakh. The claim of the licensee is shown below.

**Table -16**  
**Depreciation claimed for the year 2021-22**

Asset group	GFA (Rs. lakh)	Asset Addition (Rs. lakh)	Rate of Depreciation	Deprecation (Rs. lakh)
<b>Assets over 12 years as on 31.03.2022</b>				
Transformers	163.77	-	1.14%	1.87
Distribution lines	40.16	-	1.14%	0.46
Meters	18.22	-	1.14%	0.21
Others	11.65	-	0.61%	0.07
<b>Sub-Total</b>	<b>233.80</b>	<b>-</b>		<b>2.61</b>
<b>Assets less than 12 years as on 31.03.2022</b>				
Transformers	110.90	-	5.28%	5.86
Meters	67.92	3.91	5.28%	3.64
Others	14.32	-	6.33%	0.91
IT Equipment	0.92	-	15.00%	0.14
<b>Sub-Total</b>	<b>194.06</b>	<b>3.91</b>		<b>10.55</b>
<b>TOTAL</b>	<b>427.86</b>			<b>13.16</b>

38. The licensee in the petition submitted the details of Assets over 12 years and Assets less than 12 years and has stated that depreciation has been computed at the rates specified in the Regulation and for the assets over 12 years, depreciation has been allowed at lower rate as per the methodology followed by the Commission.

39. The Commission examined the submission of the licensee and noted that, in previous Truing Up Orders the Commission has directed the licensee to claim depreciation only as per the provisions of Tariff Regulations, 2018. Accordingly, the licensee has worked out the depreciation based on the provision of Tariff Regulation and claimed in the petition. After verifying the detailed calculations, **the Commission hereby approves the depreciation of Rs.12.37 lakh for the year 2021-22 as shown below.**

**Table 17**  
**Depreciation approved for 2021-22**

Asset Group	Rate of depreciati on (%)	Gross fixed assets			Depreciation during the year
		Beginning of the year	Additions during the year	End of the year	
Transformers	5.28	274.66	0	274.66	7.73
Distribution lines	5.28	40.16	0	40.16	0.46
Others	6.33	25.97	0	25.97	0.98
Meters	5.28	86.14	3.91	90.05	3.85
IT Equipment's	15	0.92	0	0.92	0.14
<b>Gross Asset</b>		<b>427.85</b>	<b>3.91</b>	<b>431.76</b>	<b>13.16</b>
<b>Less: Consumer contribution</b>	<b>5.28</b>	<b>14.96</b>	<b>0</b>	<b>14.96</b>	<b>0.79</b>
<b>Net Asset considered for depreciation</b>		<b>419.96</b>	<b>3.91</b>	<b>423.87</b>	<b>12.37</b>



## Interest and finance charges

40. The Commission in the Order on ARR & ERC had approved Rs.68.34 lakh as interest and finance charges including interest on normative loan, interest on working capital, interest on security deposits and the Bank Charges on Bank Guarantee/L.C to KSEB. The licensee in the petition for Truing Up of accounts has claimed Rs.54.62 lakh as interest and finance charges which includes interest on security deposit, Interest on normative loan, interest on working capital, shortfall in interest on security deposit to consumers and bank charges. The claim of the licensee is tabulated below:

**Table 18**  
**Comparison of Interest & Finance charges (Rs.lakh)**

Particulars	2020-21			2021-22	
	ARR Approved	Truing Up Petition	Trued Up	ARR Approved	Truing Up Petition
Interest on Normative Loan	17.96	6.62	7.02	19.09	5.36
Interest on Working Capital	28.25	26.12	26.16	28.80	28.48
Interest on Security deposits	17.39	9.98	9.98	17.73	8.03
Bank Charges on LC to secure cost of monthly power purchase from KSEB Ltd	2.67	4.26	4.26	2.72	3.92
Bank Charges on Rs 7.18 Cr Bank Guarantee to KSEB	-	3.49	0.00	-	6.83
Shortfall in interest on security deposit to consumers	-	2.00	0.00	-	2.00
<b>Total</b>	<b>66.27</b>	<b>52.47</b>	<b>47.42</b>	<b>68.34</b>	<b>54.62</b>

41. Each of the items claimed under interest and finance charge is examined below.

### a) Interest on normative loan

42. The licensee has in this petition claimed interest on normative loan as shown below.

**Table 19**  
**Interest on Normative Loan Claimed 2021-22**

Particulars	Truing Up Petition
Net Normative loan – Opening	86.05
Increase/Decrease due to ACE/de-capitalization during the year	3.91
Less - Repayment of Normative Loan during the year	22.96
Net Normative loan – Closing	67.00
Average Normative Loan during the year	76.53
Average Base Rate of SBI during the year (%)	7.00%
<b>Interest on the normative loan for the year</b>	<b>5.36</b>

43. The licensee has stated that SBI's MCLR as on 1st April 2021 being 7.00% has been adopted for the computation of interest on normative loan. The Commission in the Order on truing up for 2020-21 has worked out the closing

normative loan for 2020-21 as Rs.86.05 lakh which has been considered as the opening normative loan for the year 2021-22.

44. The Commission has examined the licensee's submission with reference to the provisions of the Regulations. As per Regulation 29(2) the normative loan outstanding as on the First day of April 2018 shall be worked out by deducting the amount of cumulative repayment as approved by the Commission up to the Thirty First day of March, 2018, from the normative loan. As per second proviso to Regulation 29 (4) of the Tariff Regulations 2018, if there is no actual loan portfolio, interest charge is to be allowed at the base rate. The base rate is the Marginal Cost of Funds based Lending Rate (MCLR) declared by the State Bank of India as applicable on first day of April of respective financial year for a tenure of one year. Based on the asset addition for the year, the normative loan is worked out as shown below.

**Table 20**  
**Normative loan approved for 2021-22**

No	Particulars	(Rs. lakh)
1	<b>Normative loan at the beginning of the year</b>	<b>86.05</b>
2	Add: Additional Normative loan during the year	3.91
3	Less: Allowable Depreciation/ Repayment for the year	12.37
4	<b>Closing Normative loan for the year (2+3-4)</b>	<b>77.59</b>
5	Average Loan for the year (2+5)/2	81.82
6	Rate of Interest (%)	7.00*
7	<b>Interest on Normative loan for the year</b>	<b>5.73</b>

\*\*SBI 1-year MCLR of 7.00% on 01-04-2021

45. **Accordingly, the interest on normative loan approved by the Commission for the year 2021-22 is Rs.5.73 lakh.**

**b) Interest on Working Capital**

46. In the licensee's Truing up petition for 2021-22, they have claimed interest on working capital of Rs.28.48 lakh as against the ARR approved amount of Rs.28.80 lakh and the details are shown below.

**Table 21**  
**Working capital proposed by the licensee for 2021-22 (Rs. lakh)**

Particulars	Approved ARR/ERC	Truing up Petition
O & M Expenses- One month	16.96	20.19
Receivables-2 months	567.52	492.58
Less: security Deposit from consumers	283.76	196.29
Total working Capital	283.76	316.48
Interest rate (%)	10.15%	*9.00%
Interest on working capital	28.80	28.48

\*SBI 1-year MCLR 7.00% on 01-04-2021 plus 2% thereof total 9.00%

47. As per the Tariff Regulations 2018, Regulation 32 states that interest on working capital for a distribution licensee is to be computed in the following manner. The relevant portion of Regulation 32 is quoted hereunder;

*“32. Interest on working capital. – (1) The generation business/company or transmission business/licensee or distribution business/licensee or the state load despatch centre shall be allowed interest on the normative level of working capital for the financial year, computed as under:-*

.....

*(c) In the case of distribution business/licensee the working capital shall comprise of:-*

- I. operation and maintenance expenses for one month; plus*
- II. cost of maintenance spares equivalent to one-twelfth of the average of the book value of stores, materials and supplies at the beginning and end of the financial year; plus*
- III. receivables equal to the expected revenue from sale of electricity for two months at the prevailing tariff:*

*Provided that the amount, if any, held as security deposits except the security deposits held in the form of Bank Guarantee from users of the distribution system and consumers shall be reduced while computing the working capital requirement;*

*Provided further that for distribution business/licensees who supply electricity to their consumers on prepaid metering system, no interest on working capital shall be allowed.”*

48. The licensee has worked out the interest on working capital requirement as per the provisions of the Tariff Regulations 2018. Based on the approved O&M expenses and power purchase cost, **the Commission approves Rs.28.43 lakh as interest on working capital for the year 2021-22 as worked out below:**

**Table 22**  
**Interest on Working capital approved for 2021-22**

<b>Particulars</b>	<b>(Rs. lakh)</b>
Approved O & M Expenses for One month (235.17/12)	19.59
Receivables-2 months Revenue from sale of power (2995.48/12 x 2)	492.58
Less: Security Deposit from Consumers	196.29
<b>Total Working Capital</b>	<b>315.88</b>
Interest Rate (%) *	9.00%
<b>Interest on Working Capital</b>	<b>28.43</b>

\* SBI 1-year MCLR 7.00% on 01-04-2021 plus 2% thereof total 9.00%

**c) Interest on the security deposit**

49. The licensee in their petition has submitted that the interest provided on security deposit from consumers at the rate of 4.25% was Rs.8.03 lakh and claimed that as per Regulations 72 of the Kerala Electricity Supply Code 2014,

they have to pay to the consumer interest on security deposit at the bank rate. The claim for the year is lower than the previous year. The licensee has stated that lower claim is on account of decrease in interest rate from 4.50% to 4.25%. **After examining the details, the Commission hereby approves Rs.8.03 lakh being the actual interest paid on security deposit for the year 2021-22.**

**d) Bank Charges on Bank Guarantee/L.C to KSEB Ltd**

50. The licensee has claimed Bank charges amounting to Rs.10.75 lakh for the year 2021-22 out of which Rs.3.92 lakh is relating to the Letter of Credit issued in favour of KSEB Ltd to secure monthly power purchase bills and Rs.6.83 lakh is towards the bank charges on Rs.7.18 crore Bank Guarantee provided to KSEB Ltd as per the directions of the Hon. Supreme Court of India in civil appeal 2144/2011. The split up of the claim is shown below.

**Table 23  
Bank Charges Claimed**

<b>Particulars</b>	<b>(Rs. lakh)</b>
Bank Charges on LC to secure cost of monthly power purchase from KSEB Ltd	3.92
Bank Charges on Rs 7.18 Cr Bank Guarantee to KSEB Ltd	6.83
<b>Total</b>	<b>10.75</b>

51. The licensee has submitted that the claim of Rs.3.92 lakh is towards the bank charges for opening the letter of credit to KSEB Ltd as per the power purchase agreement. **Considering the same, the Commission hereby approves the bank charges of Rs. 3.92 lakh for opening letter of credit.**
52. With regard to the bank guarantee provided to KSEB Ltd as per the Orders of Hon. Supreme Court, the Commission in the previous orders has specifically directed the licensee that bank guarantee charges for the above purpose shall not be included in the allowable expenses. This is because the licensee has filed first appeal against the order of the Commission approving the arrear amount payable to KSEB Ltd. In the first Appeal, Hon. APTEL has upheld the order of the Commission. The licensee has filed second appeal before the Hon. Supreme Court and Hon. Supreme Court in the interim order, directed to provide bank guarantee for the said amount. **The Commission is of the opinion that pending the outcome of the case before the Hon'ble Supreme Court, this amount shall not be considered at present.**
53. **Accordingly, the Commission approves only Rs.3.92 lakh, i.e., the Bank Charges on L.C to KSEB Ltd. as part of interest and finance charges.**

### e) Prior period Expense

54. The licensee in the petition has claimed an amount of Rs.2.00 lakh as shortfall in interest on security deposit to consumers. The licensee in the petition has stated that during the previous year, interest on security deposit from customers was provided and paid at 4.50%. However, based on the prevailing bank rate as at 1st April 2020, the same was required to be paid at 5.40%. This shortfall in the payment of interest on security deposit from consumers in the previous year amounting to Rs.2.00 lakh has been paid during the year along with current year interest.
55. The Commission during the previous year had disallowed the claim while truing up the accounts for the year 2020-21 as the licensee had not made the payment, but now the licensee clarified that they paid the amount during the current year. **Accordingly, the Commission hereby approves the shortfall amount of Rs.2.00 lakh for interest on security deposit from Consumers for the previous year 2020-21.**

### Summary of the interest and finance charges

56. The interest and finance charges approved for the year 2021-22 in the process of truing up is detailed below.

**Table 24**  
**Interest & Finance charges approved for the year 2021-22**

Particulars	ARR Approved	Truing Up Petition	Trued Up
Interest on Normative Loan	19.09	5.36	5.73
Interest on Working Capital	28.80	28.48	28.43
Interest on Security deposits	17.73	8.03	8.03
Bank Charges on LC to secure cost of monthly power purchase from KSEB Ltd	2.72	3.92	3.92
Bank Charges on Rs 7.18 Cr Bank Guarantee to KSEB	-	6.83	-
Shortfall in interest on security deposit to consumers	-	2.00	2.00
<b>Total</b>	<b>68.34</b>	<b>54.62</b>	<b>48.11</b>

### Other Debits

57. The licensee in form D.4.3 has claimed Rs.12.95 lakh under other debits which includes Section 3(1) Duty under the Kerala Electricity Duty Act and periodical inspection charges. The details of the claim is tabulated below;

**Table 25**  
**Details of Any other items (Rs.lakh)**

Particulars	2020-21		2021-22	
	Truing Up Petition	Trued Up	ARR approved	Truing Up Petition
Section 3 Duty	11.47	0.00	0.00	12.95
Inspection Charges	1.13	1.13	0.63	1.13
Provision for doubtful Debt	0.35	0.00		0.00
<b>Total</b>	<b>12.95</b>	<b>1.13</b>	<b>0.63</b>	<b>14.08</b>

58. As shown above, the licensee has included Section III duty, inspection charges and provision for doubtful debts under other debits. The Commission has not been admitting Section 3(1) Duty as a revenue expenditure since as per the Kerala Electricity Duty Act, the Electricity Duty under this Section on the sales of energy should be borne by the Licensee and shall not be passed on to the consumers.
59. The Commission has, in its previous orders also, consistently pointed out that the Electricity Duty payable by the licensee under Section 3 (1) of the Kerala Electricity Duty Act cannot be passed on to the consumers and it cannot be admitted as an item of expenditure in the Truing Up Petition. **Hence, the Commission disallows the licensee's claim of Rs.12.95 lakh as Section 3(1) duty.**
60. The licensee has also claimed Rs.1.13 lakh as periodical inspection charges under other debits. Commission considers the same and approves Rs.1.13 lakh, the periodical inspection charges under other debits. **Accordingly, the Commission after disallowing the claim under Section 3(1) duty, approves an amount of Rs.1.13 lakh as Other debits for the year 2021-22.**

### Return on Net Fixed Assets

61. The Commission while approving the ARR & ERC for the year 2021-22 had approved Rs.3.83 lakh as RoNFA. The licensee has claimed Rs.3.46 lakh as RoNFA in the petition and the details are tabulated below:

**Table 26**  
**Computation of RONFA claimed for 2021-22**

Sl.No.	Particulars	Rs. lakh
1.	GFA as on 01-04-2021	427.85
2	Less: Accumulated Depreciation	218.57
3	Less: Consumer Contribution	7.89
4	Less: GFA for which Interest charges are allowed on normative basis	86.05
5	Balance Value of NFA at the beginning of the year	115.34
6	Rate of Return	3%
7	<b>Eligible Return</b>	<b>3.46</b>

62. The Commission while truing up the accounts for 2020-21 had approved return on NFA amounting to Rs.3.83 lakh @ 3% on Rs.127.76 lakhs as eligible return. Adopting the same method of calculation, **the Commission hereby approves Rs. 3.83 lakh as RoNFA for the year 2021-22** as tabulated below:

**Table 27**  
**Approved RoNFA for 2021-22**

Sl.No.	Particulars	Rs. lakh
1.	GFA as on 01-04-2021	427.85
2	Less: Accumulated Depreciation (185.26+13.82)	199.08
3	Less: Consumer Contribution	14.96
4	Less: GFA for which Interest charges are allowed on normative basis	86.05
5	Balance Value of NFA at the beginning of the year	127.76
6	Rate of Return	3.00%
7	<b>Return on Net Fixed Assets</b>	<b>3.83</b>

### Revenue from Sale of Power

63. For the year 2021-22 the revenue from sale of power is Rs.2955.48 lakh from the sale of 425.70 lakh units. There is increase in the revenue compared to the previous year due to increase in sale. The average revenue realisation for the year is 6.94/unit. A comparison of the category wise revenue from sale of power for the years 2020-21 and 2021-22 is as shown below:

**Table 28**  
**Revenue from sale of power for 2020-21 and 2021-22**

Particulars	2020-21				2021-22			
	No. of Consumers	Sales in lakh units	Total Revenue	Average Realization	No. of Consumers	Sales in lakh units	Total Revenue	Average Realization
HT IA Industrial	22	284.20	1979.27	6.96	22	281.60	1980.03	7.03
HT II (Non Ind/Comm)	3	4.10	36.63	8.93	3	4.20	37.59	8.95
HT III Agriculture	2	3.30	14.06	4.69	2	3.40	15.82	4.65
HT IV Commercial	9	13.00	169.87	9.65	9	15.10	139.18	9.22
LT I Domestic	13538	74.30	345.44	4.65	14504	76.80	358.84	4.67
LT IV Industries	88	4.00	29.43	7.36	87	3.80	29.51	7.77
LT V Agriculture	5	0.10	0.35	3.50	6	0.10	0.36	3.60
LT VI Non-Domestic	922	14.10	130.29	9.24	954	15.00	136.39	9.09
LT VII Commercial	1179	17.90	196.37	10.97	1225	22.30	234.34	10.51
LT VIII Public Lighting	253	3.40	17.13	5.04	270	3.30	16.81	5.09
LT TOD Tariff	2	0.10	0.80	8.00	3	0.10	0.98	9.80
<b>Sub Total</b>	<b>16023</b>	<b>418.50</b>	<b>2876.65</b>	<b>6.87</b>	<b>17085</b>	<b>425.70</b>	<b>2949.85</b>	<b>6.93</b>
Electricity Duty Recovery			114.46				123.65	
Other state Levies Recovery/Fuel Surcharge & Excess Over quota			4.91				-	

Miscellaneous Charges from Consumers								
(i) Fuse off calls/New Application Fee			0.03				0.02	
(ii) Reconnection fee			0.28				0.28	
(iii) Public lighting			0.01				0.02	
(iv) Maintenance charge			0.03				0.08	
(vi) Delayed payment Charges			6.91				4.92	
(vii) Other receipts- Power Theft. Etc.			0.92				0.31	
<b>Gross Revenue From Sale of Power</b>			<b>3004.20</b>				<b>3079.13</b>	
Less: i) Electricity Duty Payable to Govt. (Contra)			114.46				123.65	
ii) Other State Levies Payable to Govt. (Contra)			4.91				-	
<b>Net Revenue from Sale of Power</b>	<b>16023</b>	<b>418.50</b>	<b>2884.83</b>		<b>17085</b>	<b>425.70</b>	<b>2955.48</b>	<b>6.94</b>

64. As per the above table, the majority of sales pertain to the HT category which consists of 36 consumers. It is seen that the actual sale for the year is higher than the previous year and there is visible increase in the sales of the commercial category of consumers. There is also increase in the total number of consumers. All these shows signs of recovery from the general industrial slowdown due to the Covid-19 pandemic. In the petition licensee has included revenue from other operations of Rs.5.63 lakh as part of Revenue from sale of power. ***The same is to be considered as part of other operational income under Non-Tariff Income and is treated accordingly. As such, the Commission hereby approves the revenue from sale of power at Rs.2949.85 lakh for the purpose of Truing Up of Accounts for the year 2021-22.***

### Non-Tariff Income

65. The licensee has claimed an amount of Rs.50.97 lakh as non-tariff income which is miscellaneous recoveries. A comparison of the non-tariff income is tabulated hereunder.

**Table 29  
Details of Non-Tariff income claimed**

Particulars	2020-21		2021-22
	For Truing Up	Trued Up	Truing Up Petition
Interest on Deposit with KSEB Ltd	-	14.84	-
Miscellaneous recoveries	11.66	11.66	5.33
Interest on accumulated Surplus	-	54.69	48.06
Less: Writeback of excess provision for doubtful debts			(2.42)
<b>Total</b>	<b>11.66</b>	<b>81.19</b>	<b>50.97</b>



66. Compared to the claim of the previous year, the non-tariff income has reduced by Rs.6.33 lakh which is on account of decrease in miscellaneous receipts. The licensee has stated that the miscellaneous receipts include excess advance received for electrification written back. During 2021-22, the write back was only Rs.2.89 lakh compared to Rs.8.47 lakh in the previous year of which Rs.4.25 lakh is received for 11kV re-routing work done for General Hospital. It is further stated that during the current year, an amount of Rs.2.42 lakh is claimed as excess provision for doubtful debts reversed on account of recovery.
67. The Commission noted that, an amount of Rs.2.42 lakh is claimed as excess provision for doubtful debts created during earlier years but reversed during current year reversed on account of recovery. In previous Truing Up Orders with regard to the licensee's claim of provision for doubtful debts as an expense, the Commission had disallowed the claim and directed the licensee to conduct an age wise analysis of the receivables and to take steps to realise the receivables and to write off the receivables which are bad and uncollectable against the provisions already available. As the provision for doubtful debts was not approved by the Commission in previous years when it was created, the reversal of the excess provision cannot be treated as income under Miscellaneous recoveries. **Accordingly, the Commission approves the amount of Rs.2.42 lakh claimed as reversal of amount recovered from doubtful debts due to inclusion of this item under the category of Miscellaneous recoveries.**
68. The Commission notes that the licensee has not considered the Interest on Deposit with KSEB as part of non-tariff income. During the previous year also, the licensee has not claimed the Interest on Deposit with KSEB as part of non-tariff income stating that KSEB Ltd is not paying the amount to the licensee. It was also submitted that another reason for non-inclusion of interest on security deposit was non-inclusion of the amount of Security deposit provided to KSEB Ltd as working capital for working out interest on working capital. The security deposit to KSEB Ltd was a one-time payment which would be increased only when the contract demand was increased by the licensee.
69. The Commission, on scrutiny of the audited accounts, had noted that during the year there is no cash outflow by way of security deposit to KSEB Ltd and found no merit in the claim of inclusion of the amount of security deposit for working out interest on working capital. Accordingly, the Commission had consistently adopted the view that interest on security deposit with KSEB Ltd has to be reckoned as Non-tariff income. For the current year also, the Commission is of the same view and approves Rs.14.84 lakh which was approved during the

previous year. Regarding the issue of non-receipt of interest on security deposit from KSEB Ltd, the Commission reiterates the direction to take up the matter with KSEB Ltd for appropriate action. **Therefore, the Commission is approving Rs.14.84 lakh being the amount of interest on security deposit worked out by the licensee and Rs.5.33 lakh claimed by the licensee as miscellaneous recoveries.**

70. The Commission further notes that the licensee has accounted the interest on accumulated surplus as part of the non-tariff income in the Truing Up petition. The cumulative regulatory surplus at the end of the year 2020-21 as per the Truing Up Order dated 03-07-2022 is Rs.975.36 lakh. The Commission has been approving the notional interest on accumulated revenue surplus at the SBI retail term deposit rate for a tenure up to one year prevailing at the beginning of 2021-22, which is 5.00%. Accordingly, the interest for the accumulated revenue surplus of Rs.975.36 lakh is Rs.48.77 lakh at the rate of 5.00%. The licensee further stated that the Commission had approved an additional amount of Rs.13.22 lakh towards employee costs for the year 2018-19 in paragraph 45 of the Truing Up Order 2019-20. Due to this approval, the interest on accumulated surplus for the year 2019-20 mentioned in paragraph 99 of the Order dated 12.05.2021 for that year would be Rs.62.50 lakh (6.80% of Rs.919.19 lakh) instead of Rs.63.40 lakh originally approved in Truing Up Order 2019-20. **Considering this argument, the Commission hereby adjust the differential amount of Rs.0.90 lakh in the interest on accumulated surplus for the current year and approves the amount of Rs.47.87 lakh (48.77-0.90) as interest on accumulated surplus for the year 2021-22.**
71. **As stated in the Para 64 above, the Commission considered other operational income of Rs.5.63 lakh under Non-Tariff Income. Thus, the Commission approves a total Non-tariff income of Rs.71.25 lakh during the year 2021-22 as tabulated below.**

**Table 30**  
**Non-Tariff Income approved for 2021-22 (Rs lakh)**

Particulars	Truing Up Petition	Trued Up
Interest on Deposit with KSEB	-	14.84
Miscellaneous recoveries	5.33	5.33
Interest on accumulated Surplus	48.06	47.87
Other Operational Income	-	5.63
Less: Writeback of excess provision for doubtful debts	(2.42)	(2.42)
<b>Total</b>	<b>50.97</b>	<b>71.25</b>

## Revenue Surplus/Gap for 2021-22

72. Based on the above, the approved expenditure and revenue for the year 2021-22 after truing up is as shown below.

**Table 31**  
**Trued Up Income and Expenditure for the Year 2021-22 (Rs. lakh)**

Particulars	ARR&ERC	Truing Up Petition	Trued Up
Power purchase cost	3158.24	2665.23	2661.77
Employee Expenses	145.66	172.12	169.31
Administration & General Expenses	15.84	17.33	14.96
Repair & Maintenance Expenses	42.06	52.84	50.90
Depreciation	26.21	13.16	12.37
Interest and Finance charges	68.34	54.62	48.11
Other debits	0.63	14.08	1.13
Return on Net Fixed Assets	3.83	3.46	3.83
<b>Total Expenditure/ARR</b>	<b>3460.81</b>	<b>2992.84</b>	<b>2962.38</b>
Revenue from Sale of Power	3412.93	2955.48	2949.85
Other income	63.81	50.97	71.25
<b>Total Income/ERC</b>	<b>3476.74</b>	<b>3006.45</b>	<b>3021.10</b>
<b>Revenue (Gap)/Surplus</b>	<b>15.93</b>	<b>13.61</b>	<b>58.72</b>

## Orders of the Commission

73. The Commission after considering the petition filed by M/s. KDHPCL for Truing up of accounts for the year 2021-22, and the clarifications and details provided by the licensee approves the following.

- a) **Total revenue is Rs.3021.10 lakh.**
- b) **Total expenditure is Rs.2962.38 lakh.**
- c) **The revenue surplus for the year is Rs.58.72 lakh.**
- d) **The cumulative revenue surplus till 2021-22 will be Rs.1034.08 lakh (Rs.975.36 lakh + Rs.58.72 lakh). The licensee shall keep the surplus arrived at after the truing up process in a separate fund and utilize it as per orders of the Commission.**

74. The petition is disposed of. Ordered accordingly.-

Sd/-  
**Sri. T.K Jose**  
**Chairman**

Sd/-  
**Adv. A. J. Wilson**  
**Member**

Sd/-  
**Sri. B. Pradeep**  
**Member**

Approved for issue  
Sd/-  
**C.R.Satheesh Chandran**  
**Secretary**