

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

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

**OP 79/2022**

In the matter of : Truing Up of accounts of M/s KINESCO Power and Utilities Private Limited for the financial year 2020-21.

Petitioner : M/s Kinesco Power and Utilities Private Limited (KPUPL)

Date of hearing : 23.01.2023

Represented by : Sri. Ajith Kumar T.N., CEO KPUPL  
Sri. S. N. Ashok Kumar, Manager (Finance), KPUPL  
Sri. Sajeev M.S., Resident Engineer, KPUPL  
Sri. Radhakrishna Pillai, Sr. Electrical Engineer

**Order Dated 20.06.2023**

1. KINESCO Power and Utilities Private Limited (hereinafter referred to as KPUPL or licensee or the petitioner) 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 KPUPL has filed the instant petition on 17.06.2022 as per the provisions of KSERC (Terms and Conditions for Determination of Tariff) Regulations 2018 (hereinafter referred to as the Tariff Regulations, 2018) for the Truing Up of accounts for the year 2020-21. As per the Regulation 10(1) of the Tariff Regulations, 2018, the petition for Truing Up of Accounts for the year 2020-21 has to be filed by 30-11-2021. Hence, the licensee filed the petition for Condonation of Delay (OP 39/2022). The Kerala State Electricity Regulatory Commission (hereinafter referred to as the Commission) considered the matter OP 39/2022 and vide Order dated 29.06.2022, the delay of 202 days was condoned and the petition was admitted as OP No.79/2022.

3. The licensee had filed the ARR&ERC (Aggregate Revenue Requirement and Expected Revenue from Tariff and Charges) 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&ERC petition on 17-09-2020 (second hearing) observed that there is no point in issuing ARR&ERC 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 petitions for truing up the accounts for the year 2018-19 by 30-11-2020 and 2019-20 by 31-12-2020. The Commission further directed the licensee to submit the Mid Term Performance Review for the remaining Control Period based on the Truing Up of accounts for the period 2018-19 and 2019-20 by 31st January 2021. The licensee has not yet furnished details for Mid Term review.
4. KPUPL has filed the present petition for the Truing Up of Accounts for the year 2020-21 with the following prayers:
  - a) Approve the true up petition based on the Forms and Annexures submitted herewith for the financial year 2020-21.
  - b) Approve the actual T&D loss of 1.77% for the year 2020-21.
  - c) Compute interest on the regulatory surplus to include in other income, after removing the expenses that have not been approved by the Hon'ble Commission like Electricity duty under Section 3 till the year 2020-21.
  - d) Compute ROE on the equity and share premium account as per Commission's earlier (2006) clarification.
  - e) Approve the revenue surplus of Rs.452.15 lakh for the financial year 2020-21 and the cumulative revenue surplus of Rs.5498.71 lakh.
  - f) Approve the capital expenditure of Rs.3.20 lakh for 2020-21.
  - g) Approve the depreciation schedule for the year 2020-21.
  - h) Condone any inadvertent omissions, errors, shortcomings 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 petition for Truing Up of Accounts for the year 2020-21, the licensee has claimed a revenue surplus of Rs.452.15 lakh. As there is no Order approving the ARR&ERC for the year 2020-21, the comparison of amount claimed by the licensee as per the present petition and the expenses and revenue approved in the Truing Up Orders for the year 2018-19 and 2019-20 are shown below.

**Table 1**  
**Comparison of ARR&ERC for the period 2018-19, 2019-20 and 2020-21**

Particulars	2018-19		2019-20		2020-21	Increase/ Decrease over P.Y (Rs. lakh) (C)=(B)- (A)
	Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)	Truing Up Petition (Rs. lakh) (A)	Trued Up (Rs. lakh)	Truing Up Petition (Rs. lakh) (B)	
Purchase of Power	5664.87	5573.93	6330.51	6209.42	4449.97	-1880.54
R&M Expenses	78.11	78.11	88.61	88.61	76.32	-12.29
Employee Cost	54.65	52.13	76.05	73.62	59.57	-16.48
A &G Expenses	123.57	51.46	108.81	53.27	86.86	-21.95
Depreciation	354.86	0.00	110.27	0.00	101.05	-9.22
Interest & Finance Charges	96.72	79.45	101.01	86.13	71.99	-29.02
Return on Equity	45.64	4.43	45.64	4.43	45.64	0
Tax on RoE	15.83	0.00	92.58	0.00	-	-92.58
Adjustment of profit on a/c of loss due to write-off of assets	-	-	67.19	0.00	-	-67.19
<b>Total Expenditure</b>	<b>6434.25</b>	<b>5839.51</b>	<b>7020.67</b>	<b>6515.48</b>	<b>4891.40</b>	<b>-2129.27</b>
Revenue from Sale of Power	6130.64	6107.03	6988.74	6967.66	5181.25	-1807.49
Wheeling Charge Income	2.39	2.39	28.31	28.31	56.21	27.90
Other Income	94.67	357.31	125.26	306.23	106.09	-19.17
<b>Total Income</b>	<b>6227.70</b>	<b>6466.73</b>	<b>7142.31</b>	<b>7302.20</b>	<b>5343.55</b>	<b>-1798.76</b>
<b>Net Surplus/(Deficit)</b>	<b>(206.55)</b>	<b>627.22</b>	<b>121.64</b>	<b>786.72</b>	<b>452.15</b>	<b>330.51</b>

6. After examining the petition, the Commission has sought several clarifications on the petition vide letter dated 19-01-2023 for furnishing the required details. The licensee vide letter No.Kineso/KSERC/TU/2022-23/203 dated 24-01-2023 furnished the reply to the clarifications sought by the Commission.

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

7. The public hearing on the Truing Up petition was conducted at the Conference hall, KPUPL on 23-01-2023. Sri. Ajith Kumar T.N, CEO, Sri. Ashok Kumar Manager (Finance), Sri. Sajeev M.S., Resident Engineer and Sri. Radhakrishna Pillai, Sr. Electrical Engineer represented the licensee. Sri. Sajeev M.S. Resident Engineer made a presentation on the Truing Up petition and responded to the queries of the Commission. The main points made by the licensee are:
- a) Major portion of the sale comprises HT & DHT consumers. The impact of Covid-19 pandemic and subsequent nationwide lockdown has adversely affected the licensee business of KPUPL for the year 2020-21.
  - b) There is reduction in sale of power to the extent of 32.25% and reduction in revenue from sale of power to the extent of 25.87% during the year 2020-21

compared to previous year. The increase in the number of LT consumers does not contribute much in the revenue from sale of power.

- c) Due to the outbreak of Covid-19 pandemic in the nation and the subsequent impact on the business of our consumers, there is fall in consumption of energy in the industrial parks since March 2020 and KPUGL requested KSEB Ltd to reduce the contract demand at Kakkanad License area from 18000 KVA (18 MVA) to 13000 KVA (13 MVA). Commission vide Order dated 07.01.2021 in OP No. 49/2020 approved the draft PPA duly initialed by both parties.
  - d) The actual distribution loss incurred by the licensee during the year 2020-21 excluding energy wheeled is 10.37 lakh units whereas the loss incurred in KPUGL network due to energy wheeled through STOA is 1.54 lakh units.
  - e) The distribution loss before considering the energy wheeled through open access is 1.63 % whereas the distribution loss after considering the energy wheeled through open access is 1.77 %.
  - f) The Chief Executive Officer and the Accounts Officer were engaged on regular role and all technical and administrative functions were outsourced through man power agency.
  - g) Major part of R&M Expenses for the years were incurred for the operation and maintenance contract (Rs. 76.09 lakh) in the license areas of KPUGL.
  - h) The distribution areas under KPUGL are spread over at different locations at Kakkanad, Kalamassery and Palakkad which cause more administrative expenses. On the other side, the company has taken all the effective measures to limit the A&G expenses under control.
  - i) Due to Covid-19 pandemic and subsequent lockdown, no major investment was realised during the year 2020-21. Certain essential expenditures were to be incurred by the Company to meet the technical necessities of power distribution and maintenance.
8. The KSEB Ltd. vide their letter No. KSEB/TRAC/AE2/KPUGL True/2022-213/662 dated 27.01.2023 filed the following comments on the Truing Up petition.
- i. The distribution loss claimed by the licensee for the year 2020-21 is 1.77%. The Commission had approved a loss level of 1.71 % in the True Up Order for the year 2019-20. The cost incurred for additional power procurement due to higher loss may be disallowed.
  - ii. In the Truing Up petition the R&M expenses for the year 2020-21 is 0.55% higher than norms as per tariff Regulations, 2018.

- iii. Regarding employee cost, it is submitted that the employee cost for the year 2020-21 is 41.93% higher than the norms as per tariff Regulations, 2018.
- iv. A&G expenses claimed is 113.36% higher than the norms as per tariff Regulations, 2018. Electricity Duty under section 3(1) is also claimed in the A&G expenses. The Commission may adopt uniform approach regarding sec 3(1) duty.
- v. The licensee has claimed an amount of Rs 101.05 lakh as depreciation. The Commission has deferred the approval of depreciation for the year 2019-20, directing the licensee to submit the complete asset details. The depreciation for the assets created out of governments grants is to be deducted from the depreciation amount. Depreciation may be allowed only after verifying the asset details and exercising prudence checks.
- vi. The licensee has claimed interest and finance charges as Rs 71.99 lakh, against the trued-up value of Rs.86.13 lakh for 2019-20. Percentage of interest claimed is 11.5%, which is on the higher side. Further capital expenditure for 2020-21 is not approved and interest cannot be claimed for the assets capitalized without the approval of the Commission.
- vii. The licensee has claimed ROE as 14% of the equity of Rs 326.00 lakh, this amount comes to Rs 45.64 lakh. It can be seen that no further equity is added during 2020-21. Hence equity may be limited to Rs.31.64 lakh and ROE may be allowed accordingly.
- viii. The licensee has sought approval for capital expenditure of Rs.3.20 lakh incurred in 2020-21. It is mentioned in the petition that approval of the capital expenditure plan is pending. The prior approval is to be sought for capital expenditure.
- ix. There is slight variation in the energy charges (Rs.3732.89 lakh as per petition and Rs.3723.63 lakh as per KSEB Ltd records). But the units purchased tally with that of KSEB Ltd records.
- x. The solar self-generation cost is also added in the power purchase cost. If the licensee claims depreciation, interest on loan etc for the cost of installation of solar generation, the cost of self-generation cannot be included in power purchase cost. Even if the purchase cost from any source is to be included, the cost of that power is to be approved by the Commission. Such approval is also not obtained by KPUPL. Hence self-generation cost cannot be included in power purchase cost.
- xi. The liability provision of Rs.87.48 lakh is claimed for RPO in 2020-21. It is not specified whether KPUPL has purchased RE certificates. In true up process, the actual amount spent is to be taken. As such, the provision for RPO shall not be taken in power purchase cost.

## Analysis and decision of the Commission

9. The Commission considered the petition of the licensee for Truing Up of Accounts for the year 2020-21 along with the additional clarifications furnished by the licensee vide letter dated 24.01.2023, the clarifications provided in the public hearing and the comments of KSEB Ltd vide letter dated 27.01.2023. The analysis and decisions of the Commission as per the provisions of the Tariff Regulations, 2018 on the petition for Truing Up of Accounts for the year 2020-21 are detailed below.

### Energy Sales and Consumer Mix

10. The actual sale of energy as per the Truing Up of accounts is 627.41 lakh units for the year 2020-21. During 2019-20, the total sales were Rs.926.07 lakh units. A comparison of the actual sale of power and category wise number of consumers for the year 2019-20 and 2020-21 is given below.

**Table-2**  
**Comparison of number of consumers and sales during 2019-20 and 2020-21**

Particulars	2019-20		2020-21	
	Number of consumers	Units Sold (lakh units)	Number of consumers	Units Sold (lakh units)
HT Categories	48	703.58	55	485.64
Deemed High Tension (DHT)	47	118.20	49	76.14
LT Categories	333	104.30	338	65.63
<b>Total</b>	<b>428</b>	<b>926.08</b>	<b>442</b>	<b>627.41</b>

11. Compared to the previous year, there is an increase in the number of consumers, however, the sales during the year is lower when compared to the sales in 2019-20. The sales volume of the licensee has reduced by 32% compared to the previous year. The licensee in the petition has stated that the sales have reduced due to Covid-19 pandemic and subsequent nation-wide lockdown. The licensee has also stated that most of the consumers opted for work from home due to Covid-19, which has been the reason for drastic drop in sales compared to 2019-20.
12. ***After analyzing the details and duly considering the impact of Covid 19 and the change in the consumption pattern, the Commission hereby approves the actual energy sales of 627.41 lakh units as per petition for the purpose of Truing Up of Accounts for the financial year 2020-21.***

### Energy Requirement and Distribution loss

13. As per the Truing Up petition, the total energy input during the year 2020-21 is 637.78 lakh units. Out of this energy input, 636.51 lakh units was purchased from

KSEB Ltd and 1.27 lakh units was from self-solar generation. The licensee has claimed a distribution loss of 1.77% for the year 2020-21, which also includes the wheeled energy through their distribution network. The Commission while truing up the accounts for the year 2019-20 had approved distribution loss of 1.71% (including wheeled energy loss).

14. The details of the distribution loss for the year 2020-21 as per the petition are as shown below.

**Table-3**  
**Distribution loss for the year 2019-20 and 2020-21**

Sl. No.	Particulars	2019-20 (Actual)	2020-21 (Actual)
1.	Energy Purchased from KSEB Ltd and Self-Solar generation (lakh units)	941.71	637.78
2.	Energy Sales (lakh units)	926.08	627.53*
3.	(1)-(2): Distribution Loss (lakh units)	15.63	10.25
4.	Distribution Loss % [(3/1) *100]	<b>1.66%</b>	<b>1.61%</b>
5.	Wheeled Energy input (lakh units)	14.75	30.07
6.	(1)+(5) Total Energy Input (lakh units)	956.46	667.85
7.	Wheeled Energy Sales (lakh units)	14.00	28.53
8.	(2)+(7) Total Energy Output (lakh units)	940.08	656.06
9.	<b>(6)-(8) Distribution Loss (lakh units)</b>	<b>16.38</b>	<b>11.80</b>
10.	<b>Net Distribution Loss % [(9/6) *100]</b>	<b>1.71%</b>	<b>1.77%</b>

\*In the petition the licensee claimed Energy sales as 627.53 lakh units whereas in Form D 7.1 they claimed 627.41 lakh units.

15. In the petition, the licensee has stated the reasons for the increasing trend in the distribution loss compared to the previous years. The increasing trend of distribution loss above 1.50% is due to the following reasons.

- The actual distribution loss based on the total energy input and output excluding energy wheeled through Short Term Open Access is only 1.63% during the year 2020-21 and 1.66% as in 2019-20. The loss incurred in the wheeling of energy through open access cannot be controlled by the licensee.
- The area of distribution of power at Kakkanad (110 kV) is 280.126 acres for 303 consumers, at Kalamasserry (11kV) it is 240 acres of land to feed about 86 consumers (estimated), the same is around 350 acres of land at Palakkad (22kV) to feed only 18 consumers and around 79.42 acres of land to feed only 25 consumers at Palakkad at 22KV at Mega Food Park.

- The transformers are not loaded more than 50% to ensure the back-feeding reliability.
- The distribution loss also increased due to the ageing of electrical installations at Kakkanad and Kalamassery area.

16. The following table shows the area wise distribution loss of the licensee for the year 2019-20 and 2020-21 without considering the wheeled energy through open access.

**Table 4**  
**Area wise distribution loss for the year 2019-20 and 2020-21**

	Infopark & KEPIP, Kakkanad		KINFRA Hi Tech Park, Kalamassery		KIITP, Kanjikode, Palakkad		KINFRA Mega Food Park, Palakkad		Station Auxiliary (Kakkanad & Palakkad)		Total	
	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21
Land Area (Acres)	280.13		240		350		79.42					
KSEBL (lakh units)	850.23	538.28	47.88	42.58	40.66	52.66	1.55	2.99	-	-	940.32	636.51
Solar Generation (lakh units)	0.42	0.42	0.47	0.38	0.50	0.47			-	-	1.40	1.27
Total Energy Input (lakh units)	850.66	538.70	48.34	42.96	41.16	53.13	1.55	2.99	-	-	941.71	637.78
Sale (lakh units)	839.87	533.53	45.57	40.64	39.03	50.44	1.41	2.80	0.20	-	926.08	627.41
Loss (lakh units)	<b>10.58</b>	<b>5.17</b>	<b>2.78</b>	<b>2.32</b>	<b>2.13</b>	<b>2.69</b>	<b>0.14</b>	<b>0.19</b>	-	-	<b>15.63</b>	<b>10.37</b>
Loss (%)	<b>1.24%</b>	<b>0.96%</b>	<b>5.80%</b>	<b>5.44%</b>	<b>5.24%</b>	<b>5.10%</b>	<b>9.12%</b>	<b>6.55%</b>	-	-	<b>1.66%</b>	<b>1.63%</b>

17. The Commission has carefully examined the submissions of the licensee and also noted that energy sales units as per the petition (627.53 lakh units) varies from the details as per Form D 7.1 (627.41 lakh units) submitted by the licensee. Therefore, the Commission recalculated distribution loss considering the sales units as 627.41 lakh units. Based on the information furnished by the licensee, the distribution loss is reworked by the Commission as shown below.

**Table 5**  
**Revised distribution loss for the year 2020-21**

Sl. No.	Particulars	2020-21 (Actual)
1.	Energy Purchased from KSEB Ltd and Self-Solar generation (lakh units)	637.78
2.	Energy Sales (lakh units)	627.41
3.	Distribution Loss (lakh units) (1) - (2)	10.37
4.	Distribution Loss % [(3/1) *100]	<b>1.63%</b>
5.	Wheeled Energy input (lakh units)	30.07



6.	Total Energy Input (lakh units) (1) + (5)	667.85
7.	Wheeled Energy Sales (lakh units)	28.53
8.	Total Energy Output (lakh units) (2) + (7)	655.94
9.	<b>Distribution Loss (lakh units) (6)-(8)</b>	<b>11.91</b>
10.	<b>Net Distribution Loss % [(9/6) *100]</b>	<b>1.78%</b>

18. The Commission notes that, about 81% of the total sale of power is in Kakkanad area and the T&D loss is only 0.96% whereas in other areas it ranged from 5.10% to 6.55%. The Commission further notes that M/s. Nitta Gelatine (I) Ltd is drawing energy from the traded periphery through KPUPL distribution system as open access consumer. As per clarification dated 24-03-2023 submitted by the licensee, the input wheeled energy in the KPUPL periphery is 30.07 lakh units for M/s. Nitta Gelatine (I) Ltd. The licensee has also stated that, the wheeled energy in the Consumer periphery is 28.53 lakh units for M/s. Nitta Gelatine (I) Ltd. The Commission vide Truing Up Order dated 18.02.2022 directed that, licensee shall maintain the phase wise/ area wise details of energy input and output (including wheeled energy) for regulatory purposes.
19. The revised distribution loss (including wheeled energy) calculated by the Commission for the year is 1.78%, whereas the loss approved by the Commission for the year 2019-20 was 1.71%. The distribution loss without considering the wheeled energy input is 1.66% for the year 2019-20 and 1.63% for the year 2020-21. The Commission notes that the distribution loss on wheeled energy is accounted as 5.13% which is on the higher side compared to the approved overall distribution loss of the licensee. The licensee has not provided any justification for considering the said figure for accounting open access transactions. **Therefore, the Commission directs the licensee to ascertain from SLDC the method of calculating the wheeled energy at the licensee's periphery as well as the consumer's periphery and get the assessment done in a realistic manner in line with the approved T&D loss of the system.** As a general rule, distribution loss is a controllable parameter and any relaxation in the target will affect the efficiency of the licensee.
20. The licensee vide letter dated 24.01.2023 submitted the action taken report on energy audit for minimizing the T&D loss at KPUPL Kakkanad license area. The Commission examined the submission and observed that, the loss in the switch gear is considered as 0.25%, equivalent to 1.35 lakh units. This is very high and cannot occur and same is not acceptable. Switchgear loss occur in isolators due to improper contacts, loss in lightning arrester, if any, and loss in other equipment insulators due to dust and creepage. These losses can very well be brought near

to zero with proper maintenance. **Hence it is better to consider such loss as less than 0.025%. The total loss of the licensee may be revised accordingly.**

21. It is seen that the licensee had made efforts to reduce the distribution loss. Commission notes the fact that the distribution areas of the licensee are spread over vast areas at Kalamassery, Kanjikode and Kinfra Mega Food Park. It is also pertinent to note that there is only a meagre number of consumers at Kinfra Mega Food Park which in turn triggers to a higher loss. The Commission further notes that due to the outbreak of Covid-19 pandemic in the nation and the subsequent impact on the business of the licensee, there is a fall in consumption of energy in the industrial parks since March 2020. **Accordingly, considering the impact of Covid-19 pandemic, the issue of technical minimum, ensuring back feeding reliability etc. the Commission has decided to allow the distribution loss of 1.78%.**

### Power Purchase Cost

22. The power purchase cost as per the petition for Truing Up of accounts is Rs.4449.97 lakh for 2020-21 which includes Rs.4357.86 lakh for power purchased from KSEB Ltd, Rs.4.63 lakh for solar generation and Rs.87.48 lakh for provision for Renewable Power Obligation. The details of Power purchase cost claimed by the licensee is shown below;

**Table 6**  
**Power Purchase cost for the year 2019-20 and 2020-21**

Particulars	2019-20 Truing Up Petition (Rs. lakh)	2020-21 Truing Up Petition (Rs. lakh)
Contract Demand (kVA)	21200	16200
Maximum Demand (kVA)	21003	13342
Excess Demand (kVA)	NIL	193
Units Purchased (lakh units)	940.32	636.52
Solar generation (Self) (lakh units)	1.39	1.27
Fixed Charges (Rs. lakh)	775.71	624.97
Variable Charges (Rs. lakh)	5433.71	3732.89
Sub Total	6209.42	4357.86
Solar generation (Self) (Rs. lakh)	5.11	4.63
Renewable Power Obligation (Rs. lakh)	115.98	87.48
TOTAL (Rs. lakh)	6330.51	4449.97
Average Rate (Rs. per unit)	6.72	6.98

23. The licensee has stated that there is a fall in consumption of energy in the industrial parks since March 2020 due to the outbreak of Covid-19 pandemic in the nation and the subsequent impact on the business due to the pandemic. The licensee had also reduced the contract demand in the PPA with KSEB Ltd from 18000 KVA to 13000 KVA at 110 KV. Commission had approved the draft PPA vide Order dated 07.01.2021 in OP.49/2020.
24. The licensee has claimed Rs.4.63 lakh as power purchase cost for self-solar generation of 1.27 lakh units. The variable cost is booked at a rate of Rs.3.66/ unit which is the generic tariff for the solar generated power as per KSERC (Renewable Energy and Net Metering) Regulations 2020. It is to be noted that the licensee had already claimed capital expenditure for the Solar panels of Rs.23.25 lakh in 2018-19 and Rs.35.68 lakh in 2019-20 respectively which was approved by the Commission while Truing Up the accounts for the respective years. It is pertinent to note that the licensee has claimed depreciation, interest on loan and other benefits for the capital expenditure of solar power installations and thus the licensee is not eligible for notional power purchase cost for solar self-generation as the licensee cannot claim both the benefits. **Hence the licensee's claim of Rs.4.63 lakh towards cost of solar self-generation is not approved.**
25. The Commission in the KSERC (Renewable Energy and Net Metering) Regulations 2020 has specified the capacity utilisation factor (CUF) as 19% and the auxiliary consumption as 0.25% for Solar PV projects with capacity below 5MW. Commission notes that the solar generation is lower than the approved levels. The licensee shall make sure that the generation from the plant is properly monitored and necessary steps are to be taken to maximise the generation.
26. With regard to the claim of Rs.87.48 lakh as part of power purchase cost towards meeting the Renewable Power Obligation, it is further clarified that no expenditure on purchase of RE Certificate for meeting this obligation has been incurred by the licensee during the year. Hence, this expense can be considered only on production of proof of purchase on this account. **Accordingly, the Commission has considered only the actual power purchase cost of Rs.4357.86 lakh (excluding the provision of RPO obligation and the claim towards the solar generation cost) incurred for the power purchased from KSEB Ltd for the year 2020-21.**

#### **Operation & Maintenance Expenses**

27. Operation and Maintenance expenses are controllable expenses which include Employee cost, Repair & Maintenance expenses and Administrative & General expenses. The Operation and Maintenance expenditure claimed for the year 2020-21 is higher than the norms approved in the Tariff Regulations, 2018.

The Commission while approving the norms in the Tariff Regulations, 2018 had approved the Operation and Maintenance expense of Rs.158.58 lakh for 2020-21. The licensee in the petition has claimed total operation and maintenance expense of Rs.222.75 lakh. During the year 2019-20, the actual O&M claimed was Rs.273.47 lakh. The Commission had considered the submission and after prudence check had approved Rs.215.50 lakh as total O&M expense for 2019-20. A comparison of the expenses in 2019-20 and 2020-21 is tabulated below.

**Table 7**  
**Comparison of the O&M expenses for 2019-20 and 2020-21 (Rs. Lakh)**

Particulars	2019-20			2020-21	
	Approved Norms	For Truing Up	Trued Up	Approved Norms	For Truing Up
Employee cost	40.03	76.05	73.62	41.97	59.57
R&M Expenses	72.40	88.61	88.61	75.90	76.32
A&G Expenses	38.83	108.81	53.27	40.71	86.86
<b>Total</b>	<b>151.26</b>	<b>273.47</b>	<b>215.50</b>	<b>158.58</b>	<b>222.75</b>

### Employee cost

28. The employee cost claimed by the licensee for the year 2020-21 is Rs.59.57 lakh. The Commission in the Tariff Regulations, 2018 had approved an amount of Rs.41.97 lakh as the employee cost for the year. The licensee has submitted that the Chief Executive Officer and an Accounts Officer were engaged on regular role and all technical and administrative functions were outsourced to keep the employee cost on lower side. The details of employee cost for the year 2019-20 and 2020-21 shown below.

**Table 8**  
**Employee Cost for the year 2019-20 and 2020-21 (Rs. lakh)**

Particulars	2019-20 As per Truing Up Petition	2020-21 As per Truing Up Petition
Basic Pay	27.30	10.75
Dearness allowance (AO)	5.58	5.63
House Rent Allowance	0.09	0.13
Conveyance Allowance	0.27	0.08
Earned leave encashment	0.59	3.83
Other Allowance	0.16	1.12
Medical Reimbursement	1.08	1.43
Staff Welfare Expense	1.51	1.10
Training Expense	0.03	-
Provident Fund Contribution	0.88	1.21
Manpower outsourced for support functions	38.56	34.29
<b>Total Employee Cost</b>	<b>76.05</b>	<b>59.57</b>

29. Compared to the previous year, there is decrease in the actual employee cost. The licensee in the petition has stated that, the CEO has been paid a consolidated pay of Rs.50,000/- per month since 21.12.2015, pending fixation of pay by Government of Kerala. Now, GOK has fixed the pay of CEO as Rs. 87,509/- per month and accordingly, the arrears from 01.04.2020 to 10.06.2020 has been worked out and included in the basic pay.
30. It is seen that there is increase in the Earned leave encashment of Rs.3.24 lakh (93%) compared to the previous year. Commission had sought clarification in the matter. The licensee submitted that same is the earned leave encashment of the preceding CEO of KPUPL which was paid on 27.10.2021.
31. Regarding the Commission's direction to file a separate petition showing the employee details, the petitioner submitted that, Govt. of Kerala was requested through KINFRA to create vacancies and to fill the same with experienced and qualified personnel. It was also stated that, in view of additional license area and other expansion work, the licensee is in the process of man power planning. It was further stated that the licensee is in the process of compiling the data of the required/available employee strength, qualifications, experience, scale of pay, number engaged in shifts etc based on CEA norms.
32. As per Tariff Regulations 2018, the normative employee expense approved for the year 2020-21 is Rs.41.97 lakh. The Commission observes that the Tariff Regulations were notified in 2018 whereas the order on truing up of accounts for the years 2010-11 to 2014-15 was issued only on 31.03.2020. As such it is evident that while finalizing the Tariff Regulations 2018, the actual employee expense for the year 2014-15 was not available with the commission. Further the licensee is having only two regular employees, ie. the CEO and AO and all other manpower is outsourced.
33. Considering all these aspects the Commission adopted the methodology of escalating the trued up employee cost of 2017-18 by 4.84% every year and approving the same as the trued up employee cost since 2018-19. In addition to the above, any additional expenses due to pay revision arrears etc are also allowed. Adopting the same methodology the employee cost for the year 2020-21 works out to Rs.57.30 lakh (104.84% of Rs.54.65 lakh approved for 2019-20). It is pertinent to note that, the Commission had not considered the actual expenses while finalising the norms for the Control period as the same was not available with the Commission.

34. The licensee in the petition has clarified that during the year 2020-21 Rs.3.83 lakh was incurred towards leave encashment for the former CEO. Thus the total admissible amount works out to be Rs 61.13 lakh. The actual expense claimed by the licensee is only Rs.59.57 lakh.
35. **Considering all these, the Commission hereby approves the employee expenses of Rs.59.57 lakh as claimed by the licensee for the year 2020-21.**

### R & M Expenses

36. The petitioner has claimed Rs.76.32 lakh towards R&M expenses for the year 2020-21. The Commission while truing up the accounts for the year 2019-20 had approved the actual amount of Rs.88.61 lakh as claimed by the petitioner. Major part of R&M Expenses is incurred for the operation and maintenance of the sub-stations which are awarded through proper tendering process. There are 110 KV and 22KV Substations and 11KV station spread at different locations. A comparison of the R&M for the year 2019-20 and 2020-21 is tabulated below. The details of claim submitted by the licensee in Annexure-F are shown below.

**Table 9**  
**R&M expenses for the year 2019-20 and 2020-21 (Rs. Lakh)**

Particulars	2019-20	2020-21
Operation and Maintenance: SS at Kakkanad	42.88	35.59
Operation and Maintenance: Kalamassery LA	18.66	17.16
Operation and Maintenance: SS at KIITP, Kanjikod	16.18	14.75
Operation and Maintenance: Kinfra MFP Kanjicode	2.47	2.47
Repairs/ Break-down maintenance:		
Kakkanad	4.41	2.55
Kalamassery	0.99	1.12
KIITP, Palakkad	1.97	1.07
Kinfra Mega Food Park, Kanjicode	-	1.24
Spares & Consumables	1.03	1.34
<i>Sub Total</i>	8.40	6.12
Repair and Maintenance: Building, Office Equipment/ Furniture & fixtures etc	0.03	0.23
<b>Total</b>	<b>88.61</b>	<b>76.32</b>

37. There are 110 KV and 22KV Substations and 11KV station spread at different locations. Hence, KPUPL is incurring transmission and distribution O&M cost. The operation and maintenance of substations are carried out with qualified personnel as specified in CEA manual relating to Safety & Electric Supply Regulations 2010. The licensee has also stated that, for supplying uninterrupted power to the areas,

KPUPL is using 11KV RMUs and UG cabling system with ring mains. It was further stated that in spite of limited competition for bidding contracts of such small magnitude, there has been a decrease of expenditure for operation and maintenance contract for the year 2020-21.

38. The Commission examined the argument of the licensee along with submission of details towards O&M contract. The Commission notices that in 2018-19, the O&M contract was awarded to M/s. Geresh Electricals Pvt Ltd after final negotiation at Rs.69.42 lakh. In 2019-20 work was awarded to M/s. Sterling & Wilson Pvt Ltd, being the lowest bidder, at Rs.67.60 lakh and in 2020-21 work was awarded to M/s. Electroteck Engineers at Rs.144.93 lakh for two years (Average rate per year Rs.72.46 lakh). In 2019-20 Truing Up Order, the Commission had directed the licensee to explore the possibility of floating a joint/consolidated O&M tender with the other licensees located at Kakkanad. The licensee has not mentioned about this matter in the petition/clarifications.
39. As per the provisions of the Regulations, the norm fixed for R&M expense for the year 2020-21 is Rs.75.90 lakh. R&M expenses being controllable expenses, the licensee is bound to limit the actual expenses within the norm fixed. The Commission has examined the submission of the licensee and observed the fact that the licensee has also claimed Rs.6.12 lakh towards repair and break down maintenance. Ideally, such expenses which are routinely incurred in every year shall be captured in the O&M norms specified by the Commission and only one time expenses, if any, that can be treated as force majeure events can be considered above the normative expenses. However, taking a lenient view, on consideration of the fact that the latest trued up figures were not available at the time of specifying O&M norms, the Commission is inclined to approve the actual R&M expense incurred by the licensee. **Considering this, the Commission approves Rs.76.32 lakh as Repairs & Maintenance expenditure for the year 2020-21.**

### **A & G Expenses**

40. The licensee has claimed an amount of Rs.86.86 lakh as A & G expense for the year 2020-21 as against Rs.40.71 lakh approved in the Tariff Regulations, 2018. The major claim booked under A&G expense are towards Rents & taxes, other professional charges, vehicle running expenses, Electricity Duty under Section 3 of the Kerala Electricity Duty Act, 1963 and license fee and other related fee. The professional charges include fees to internal auditor, cost auditor, Company Secretary, etc. The details of A&G expenses for the year 2019-20 and 2020-21 are shown below.

**Table 10**  
**Administrative & General Expenses for the year 2019-20 and 2020-21**

Particulars	2019-20		2020-21
	As per Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)	As per Truing Up Petition (Rs. lakh)
Rent Rates & Taxes	13.03	13.03	11.83
Insurance	1.54	1.54	0.93
Telephone & Postage, etc.	0.66	0.66	0.57
Legal charges	3.30	3.30	0.49
Audit Fees	1.62	1.62	1.56
Other Professional charges	6.13	6.13	3.75
Conveyance / Travelling Expense	0.93	0.93	0.25
Vehicle Hiring Expenses Truck / Delivery Van	7.12	7.12	6.47
Electricity charges	0.72	0.72	0.77
Entertainment	0.46	0.46	0.48
Printing & Stationery	0.98	0.98	0.75
Contribution/Donations	0.30	0.30	-
Training expenses/ Stipend	2.90	2.90	1.07
Miscellaneous Expenses	1.54	1.54	0.44
Purchase Related Advertisement Expenses	-	-	1.60
Bank Charges	-	-	3.32
Office Expenses	0.68	0.68	2.67
License Fee and other related fee	10.31	10.31	10.99
Others	1.05	1.05	1.26
Ele. Duty u/s 3(I), KED Act	55.54	-	37.66
<b>Net A&amp;G Expenses</b>	<b>108.81</b>	<b>53.27</b>	<b>86.86</b>

41. The licensee has submitted that the distribution areas under KPUPL are spread over at different locations at Kakkanad, Kalamassery and Palakkad which resulted in more administrative expenses due to nearly 150km distance from Head office to Palakkad license area. The licensee in the petition has submitted that they have taken all possible measures to keep the A & G expenses to the minimum. The measures are following:

- (a) Non-payment of sitting fees to the Board members.
- (b) Avoided expenses for conducting meeting of the Board of Directors by shifting the venue to KINFRA office.
- (c) Non-payment of Dividend to shareholders in spite of making profit.

42. While truing up the accounts for the year 2019-20, the licensee had claimed an amount of Rs.108.81 lakh which included Electricity Duty u/s 3. Commission had allowed the actual expense incurred after disallowing the claim on Electricity Duty under Section 3 of the Kerala Electricity Duty Act, 1963.



43. The Commission had sought clarification on the reasons for increase in office expense from Rs.0.68 lakh to Rs.2.67 lakh, details of the advertisement expenses of Rs.1.60 lakh and the reason for decrease in Rent Rates & Taxes. The licensee submitted the clarifications wherein it was stated that office expense includes the cost for dis-infecting the office, payment for developing the website, man power for office work etc. With regard to advertisement expense, the licensee has stated the expenditure is towards notice on public hearing for grant of distribution license for Petro Chemical Park, in print media. The licensee further stated about the reason for reduction for rent is that an amount of Rs.1.20 lakh was reversed in rent account towards GST Input Tax Receivable for 2020-21.
44. It is seen that the rent claimed by the licensee for the years 2018-19 and 2019-20 was higher when compared with the present claim. It is not clear whether the claim during the previous years was inclusive of the component 'GST Input Tax Receivable'. **Therefore, the Commission hereby directs the licensee to submit details to clarify whether the GST input Tax receivable was reflected in the claim during 2018-19 and 2019-20.**
45. As per Regulations, the norm for A&G expenses for the year 2020-21 is Rs. 40.71 lakh. The Commission notes that the Palakkad license area was added during the year 2017-18. The licensee also clarified that the vehicle hiring expenses amounting to Rs.6.47 lakh is the expense of Palakkad license area . This amount is admissible over and above the norms approved by the Commission. The licensee vide additional clarifications dated 24-01-2023 stated that they have incurred Rs.0.45 lakh towards expenses for disinfecting office due to Covid-19 which is a force majeure item and Rs.1.60 lakh towards issuing notice on public hearing of Petro Chemical Park published in news dailies, which is a new area of license. These expenses can be considered over and above the norms already specified.
46. The Commission has analyzed the claim made by the licensee. The A&G expenses excluding Section 3 Duty of Rs.37.66 lakh is only Rs.49.20 lakh which has inturn decreased by 7.64 % compared to previous year tried up value of Rs.53.27 lakh, i.e., by Rs.4.07 lakh (Rs.53.27 lakh – Rs.49.20 lakh). The Commission in the previous Truing Up Orders had stated that duty under Section 3 cannot be passed on to the consumers in view of the statutory provisions of the Kerala Electricity Duty Act, 1963. As such, the amount paid towards Electricity Duty is not admissible.
47. Thus the total admissible amount works out to Rs.49.23 lakh (40.71 lakh + 0.45 lakh + 1.60 lakh + 6.47 lakh). As against this, the actual expenses incurred by the licensee, excluding Section 3 duty is only Rs.49.20 lakh. **Accordingly, the Commission hereby approves the amount of Rs.49.20 lakh as the Administrative and General expenses for the year 2020-21.**

## Asset Addition

48. The licensee claimed an amount of **Rs.3.20 lakh as asset additions during the period 2020-21**. Out of the total capital expenditure of Rs.3.20 lakh the major amount of Rs.1.05 lakh is towards purchase of Battery and Battery Charger for 11KV TIC Building Ele. Room. The licensee has stated that, due to Covid-19 pandemic and subsequent lockdown, no major investments were carried out during this financial year and all items of asset addition are within the limit of Rs.5 lakh. The assets addition made during the year 2020-21 are shown below:

**Table 11**  
**Assets Addition for the year 2020-21**

No	Description of Asset Capitalized	Unit	Qty	Amount (Rs.lakh)	Date of Capitalization	Source of Fund
1	Purchase of 2 Nos Almirah (KINESCO Office)	Nos	2	0.43	26.08.2020	Accrued Surplus of KPUPL
2	Purchase of Modem and Fibre Cable for BSNL Optical Fibre Net Connection at KINESCO Office	No	2	0.08	31.03.2020	Accrued Surplus of KPUPL
3	Purchase of Battery and Battery Charger for 11KV TIC Building Ele. Room	LS	1	1.05	31.03.2021	Accrued Surplus of KPUPL
4	Purchase of Battery Bank for 22KV Substation, KIITP	LS		0.71	10.02.2021	KINFRA Fund
5	Purchase of 22KV Lightning Arrestors for KIITP	LS		0.10	31.03.2020	Accrued Surplus of KPUPL
6	LT Cable - 120 sq.mm at Admin Block at KMFP	LS		0.83	13.07.2020	Accrued Surplus of KPUPL
	<b>Total Amount</b>			<b>3.20</b>		

49. The Kerala State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) (First Amendment) Regulations, 2020 specifies the 'Guidelines for in principle clearance of investment scheme'. The relevant portion of Regulations is stated below.

*“ C. Submission of Detailed Project Reports: The distribution licensees shall submit separate capital investment schemes with Detailed Project Reports for the approval of the Commission, if the capital investment of each of the schemes exceeds the limits specified below against the licensees concerned.*

*(i) KSEB Ltd. Rs. 10 Crore*

*(ii) KDHPCL, TCED and CPT Rs 25 lakh*

*(iii) Other distribution licenses Rs 15 lakh*

.....

*Provided further that the works undertaken by the licensee within the financial limits as mentioned above and without getting prior approval of the Commission shall be approved in the truing up of accounts after conducting their prudence check by the Commission.”*

50. The Regulations clearly states that, the licensee should submit supporting documents and justification for the assets additions at the time of Truing Up of Accounts to enable the Commission to conduct prudence check of the investment. In the Truing Up petition 2020-21, the licensee submitted the detailed justification for substantiating the claims. It is seen that the source of funding of assets additions are mainly from accrued surplus of KPUPL, except for the purchase of Battery Bank for 22KV Substation amounting to Rs.0.71 lakh. The Commission had sought clarifications vide letter dated 19.01.2023 on the funding of KINFRA for the asset additions. The licensee vide letter dated 24.01.2023 submitted that, the battery bank for 22KV Substation at Palakkad for Rs.70,880/- was procured with the fund of KINFRA which was part of Grant received by KINFRA. KPUPL, being the beneficiary of the asset, has included the same in the capital addition.
51. The Regulation 25 of Tariff Regulations, 2018 clearly states about Consumer contribution, deposit work, capital subsidy or grant. The relevant portion of Regulations is reproduced below.

*“25. Consumer contribution, deposit work, capital subsidy or grant. –*

*(1) Works of the following nature carried out by the generation business/company, transmission business/licensee or distribution business/licensee shall be classified under the categories of consumer contribution, deposit work, capital subsidy or grant: -*

*(a) capital works undertaken after obtaining a part or all of the funds from the users/consumers;*

*(b) capital works undertaken by utilising capital subsidies or grants received from the State and/or Central Governments or any other sources;*

*(c) any other capital subsidy or grant of similar nature received without any obligation to return the same and with no interest costs attached to such subvention.*

*(2) The expenses on such capital assets created out of contribution or grants or deposit works or capital subsidy shall be treated as follows: -*

*(a) O&M expenses as specified in these Regulations shall be allowed;*

*(b) provisions for depreciation, as specified in Regulation 27, shall not be allowed to the extent of financial support provided through consumer contribution, deposit work, capital subsidy or grant; and*

(c) provisions related to return on equity share capital or net fixed assets as applicable, as per Regulation 28 shall not be allowed to the extent of financial support provided through consumer contribution, deposit work, capital subsidy or grant.”

52. Considering the above provisions of the Tariff Regulations, 2018 and other documents submitted by the licensee **the Commission hereby approves the assets addition of Rs.3.20 lakh for the year 2020-21. Out of this assets addition of the licensee, Rs.2.49 lakh (3.20-0.71) is only eligible for Depreciation, Interest and Finance charges and Return on NFA/Return on Equity.**

### Depreciation

53. The depreciation claimed for the year 2020-21 is Rs. 101.05 lakh. The depreciation is claimed under straight line method. During 2020-21, the licensee has incurred a capital expenditure of Rs.3.20 lakh and depreciation has been claimed for the same. Details of the depreciation claimed for the year 2020-21 is shown below.

**Table 12**  
**Depreciation claimed for the year 2020-21**

Asset Group (as per notification in respect of depreciation)	Rate of depreciation (%)	Gross fixed assets			Cumulative depreciation	
		At the beginning of the year	Additions during the year	At the end of the year	At the beginning of the year	Additions during the year
		Rs. lakh	Rs. lakh	Rs. lakh	Rs. lakh	Rs. lakh
Land & land rights	3.33%	239.11		239.11	78.27	7.96
Other Civil works	3.34%	139.80		139.80	22.95	4.67
<b>HV Distribution system</b>						
Distribution lines	5.28%	282.34		282.34	200.55	14.91
Sub-station equipments	5.28%	75.42		75.42	59.19	3.98
Transformers	5.28%	245.84		245.84	128.68	12.98
Switchgears, Control gear & Protection	5.28%	407.54		407.54	170.92	21.52
Batteries	5.28%	3.87	1.75	5.62	2.27	0.30
Others(Sub-station assets)	5.28%	101.85		101.85	55.36	5.38
<b>LT Distribution system</b>						
Distribution lines	5.28%	310.60	0.83	311.43	154.98	16.44
Sub-station equipments	5.28%	58.94	0.11	59.05	4.34	3.12
Others	9.50%	6.01		6.01	5.10	0.57
Meters	5.28%	138.15		138.15	69.81	7.29
Furniture & fixtures	6.33%	8.67	0.43	9.10	2.52	0.58
Office Equipments	6.33%	0.83	0.08	0.91	0.46	0.06
Assets of Partnership projects etc (a)	5.28%	177.92		177.92	173.27	0.00

Capital spares of HV & LT transmission (b)		380.82		380.82		0.00
Assets taken over & pending final valuation		1492.77	38.50	1531.27		0.00
IT Equipments	15.00%	6.40		6.40	5.22	0.96
Any other items	15.00%	2.23		2.23	2.12	0.33
<b>Gross Asset</b>		<b>4079.12</b>	<b>41.70</b>	<b>4120.82</b>	<b>1136.00</b>	<b>101.05</b>
Less: Consumer contribution		1492.77	38.50	1531.27		0.00
Less: Government grants		558.74		558.74		0.00
<b>Net Asset considered for depreciation (20-21)</b>		<b>2027.61</b>	<b>3.20</b>	<b>2030.81</b>	<b>1136.00</b>	<b>101.05</b>

54. The Commission while truing up the accounts for 2017-18, had provisionally reworked the depreciation of Rs.94.98 lakh for the year and had directed the licensee to rectify incorrect rates applied for working out depreciation and cure defects with reference to prior periods and submit updated workings with all necessary details. Accordingly, the Commission had worked out the amount of Rs.94.98 lakh for the entire assets and approved depreciation of Rs.88.62 lakh after excluding the depreciation of Rs.6.36 lakh for the assets created out of Government grants of Rs.177.62 lakh.
55. While truing up the accounts for the years 2018-19 and 2019-20, the Commission had deferred the approval of depreciation due to insufficient information and had further directed the licensee to submit the complete assets details i.e., name of assets, year of acquisition, cost, accumulated depreciation etc. within 3 months of the date of issue of the Order. The licensee vide letter dated 29.05.2023 submitted complete assets details to the Commission.
56. Regulation 27 of the Tariff Regulations, 2018 clearly specifies that the depreciation shall be computed annually based on straight line method for the first twelve years from the date of commercial operation as per the rates specified in the regulations, and the remaining depreciable value shall be spread over the balance useful life of the assets. The salvage value of the asset shall be ten percent of the allowable capital cost excluding the cost of assets created out of contributions and grant. The depreciation shall be a maximum of ninety per cent.
57. On scrutiny of the details furnished by the licensee, the Commission noticed some differences in the closing figures compared to the figures approved in the Order on truing up for the year 2016-17. As the difference amount is not significant, the Commission decides not to reopen the earlier truing up orders and to accept the value of Gross Fixed Assets and cumulative depreciation on 01.04.2017 as final. Accordingly depreciation amount has been reworked from the year 2017-18 as below.

**Table 13**  
**Revised Depreciation for the year 2017-18**

S. No	Asset Group	Rate of depreciation (%)	Gross fixed assets				Depreciation			
			Beginning of the year	Additions during the year	Adjustment & deductions	End of the year	Beginning of the year	Additions during the year	Adjustment & deductions	End of the year
1	Land & land rights	3.33%	239.11			239.11	53.93	8.03		61.96
2	Other Civil works - Building	3.34%	141.80			141.80	13.15	4.65		17.80
3	HV Distribution system									0
a)	Distribution lines	5.28%	289.30			289.30	165.78	4.30		170.08
b)	Sub-station equipments									0
i)	Transformers	5.28%	221.75	18.41	3.64	236.52	84.21	8.72	2.09	90.84
ii)	Switchgears, Control gear & Protection	5.28%	372.47	0.23		372.70	127.82	14.83		142.65
iii)	Batteries	5.28%	2.01			2.01	1.59	0		1.59
iv)	Others (Sub-station assets)	5.28%	169.23	1.68		170.91	64.45	8.02		72.47
4	LT Distribution system									0
a)	Distribution lines	5.28%	290.35	4.53		294.88	90.48	11.88		102.36
b)	Sub-station equipments- IPD	5.28%	82.45			82.45	21.72	4.35		26.07
c)	Others (AC, Safty equipments, Refrigerator)	5.28%	3.29			3.29	0.63	0.18		0.81
5	Meters	5.28%	130.65	5.70		136.35	49.48	10.22		59.70
6	Furniture & fixtures	6.33%	8.55	0.05		8.60	0.61	0.54		1.15
7	Office Equipments	6.33%	0.81	0.06		0.87	0.29	0.05		0.34
8	Capital spares of HV & LT transmission/ ASIDE Grant		380.82			380.82				0
9	Assets taken over & pending final valuation		1189.87	81.56		1271.43				0
10	IT Equipments	15.00%	4.86	0.89		5.75	2.02	0.42		2.44
11	Any other items (Computer Software)	15.00%	1.14	1.09		2.23	0.92	0.12		1.04
12	<b>Gross Asset (Total (1) to (11))</b>		<b>3528.46</b>	<b>114.20</b>	<b>3.64</b>	<b>3639.02</b>	<b>677.08</b>	<b>76.31</b>	<b>2.09</b>	<b>751.30</b>
13	Less: Consumer contribution		1189.87	81.56		1271.43				
14	Less: Government grants		380.82			380.82				
15	Less: Share of GOI Grants		177.62			177.62	44.52	6.36		50.88
16	<b>Net Asset considered for depreciation (2017-18)</b>		<b>1780.15</b>	<b>32.64</b>	<b>3.64</b>	<b>1809.15</b>	<b>632.56</b>	<b>69.95</b>	<b>2.09</b>	<b>700.42</b>

**Table 14**  
**Depreciation for the year 2018-19**

S. No.	Asset Group	Rate of depreciation (%)	Gross fixed assets			Depreciation		
			Beginning of the year	Additions during the year	End of the year	Beginning of the year	Additions during the year	End of the year
1	Land & land rights	3.33%	239.11		239.11	61.96	8.03	69.99
2	Other Civil works - Building	3.34%	141.80		141.80	17.80	4.65	22.45
3	HV Distribution system				0.00			0.00
a)	Distribution lines	5.28%	289.30		289.30	170.08	4.30	174.38
b)	Sub-station equipments							0.00
i)	Transformers	5.28%	236.52	1.27	237.79	90.84	9.08	99.92
ii)	Switchgears, Control gear & Protection	5.28%	372.70	57.54	430.24	142.65	15.53	158.18
iii)	Batteries	5.28%	2.01		2.01	1.59		1.59
iv)	Others (Sub-station assets)	5.28%	170.91	1.14	172.05	72.47	7.91	80.38
4	LT Distribution system				0.00	0.00		0.00
a)	Distribution lines	5.28%	294.88	0.16	295.04	102.36	11.95	114.31
b)	Sub-station equipments- IPD	5.28%	82.45		82.45	26.07	4.35	30.42
i)	Others (AC, Safety equipments, Refrigerator)	5.28%	3.29		3.29	0.81	0.18	0.99
5	Meters	5.28%	136.35		136.35	59.70	10.43	70.13
6	Solar Plants			23.25	23.25	0.00	0.26	0.26
7	Furniture & fixtures	6.33%	8.60		8.60	1.15	0.54	1.69
8	Office Equipments	6.33%	0.87	0.05	0.92	0.34	0.06	0.40
9	Capital spares of HV & LT transmission/ ASIDE Grant		380.82		380.82			0.00
10	Assets taken over & pending final valuation		1271.43	163.63	1435.06			0.00
11	IT Equipments	15.00%	5.75		5.75	2.44	0.49	2.93
12	Any other items (Computer Software)	15.00%	2.23		2.23	1.04	0.16	1.20
13	Gross Asset (Total (1) to (12))		<b>3639.02</b>	<b>247.04</b>	<b>3886.06</b>	<b>751.30</b>	<b>77.92</b>	<b>829.22</b>
14	Less: Consumer contribution		1271.43	163.63	1435.06			
15	Less: Government grants		380.82		380.82			
16	Less: Share of GOI Grants		177.62		177.62	50.88	6.36	57.24
17	<b>Net Asset considered for depreciation (2018-19)</b>		<b>1809.15</b>	<b>83.41</b>	<b>1892.56</b>	<b>700.42</b>	<b>71.56</b>	<b>771.98</b>

**Table 15**  
**Depreciation for the year 2019-20**

S. No	Asset Group	Rate of depreciation (%)	Gross fixed assets				Depreciation			
			Beginning of the year	Additions during the year	Adjustment & deductions	End of the year	Beginning of the year	Additions during the year	Adjustment & deductions	End of the year
1	Land & land rights	3.33%	239.11			239.11	69.99	8.03		78.02
2	Other Civil works - Building	3.34%	141.80	12.17	1.62	152.35	22.45	5.00	0.14	27.31
3	HV Distribution system		0.00			0	0.00			0
a)	Distribution lines	5.28%	289.30			289.30	174.38	4.30		178.68
b)	Sub-station equipments		0.00			0	0.00			0
i)	Transformers	5.28%	237.79	0.48	11.81	226.46	99.92	8.65	6.58	101.99
ii)	Switchgears, Control gear & Protection	5.28%	430.24	15.72	31.75	414.21	158.18	17.24	14.14	161.28
iii)	Batteries	5.28%	2.01			2.01	1.59			1.59
iv)	Others (Sub-station assets)	5.28%	172.05	0.73	77.07	95.71	80.38	4.31	46.01	38.68
4	LT Distribution system		0.00			0	0.00			0
a)	Distribution lines	5.28%	295.04			295.04	114.31	11.96		126.27
b)	Sub-station equipments- IPD	5.28%	82.45			82.45	30.42	4.35		34.77
i)	Others (AC, Safety equipments, Refrigerator)	5.28%	3.29		0.44	2.85	0.99	0.15	0.27	0.87
5	Meters	5.28%	136.35	1.55	0.58	137.32	70.13	7.32	0.4	77.05
6	Solar Plants	5.28%	23.25	37.51	1.82	58.94	0.26	3.06	0.02	3.30
7	Furniture & fixtures	6.33%	8.60	0.11	0.04	8.67	1.69	0.54	0.02	2.21
8	Office Equipments	6.33%	0.92	0.01	0.09	0.84	0.40	0.05	0.05	0.40
9	Capital spares of HV & LT transmission/ ASIDE Grant		380.82			380.82	0.00			0
10	Assets taken over & pending final valuation		1435.06	57.71		1492.77	0.00			0
11	IT Equipments	15.00%	5.75	1.55	0.03	7.27	2.93	0.58	0.01	3.50
12	Any other items (Computer Software)	15.00%	2.23			2.23	1.20	0.16		1.36
13	Gross Asset (Total (1) to (12))		<b>3886.06</b>	<b>127.54</b>	<b>125.25</b>	<b>3888.35</b>	<b>829.22</b>	<b>75.70</b>	<b>67.64</b>	<b>837.28</b>
14	Less: Consumer contribution		1435.06	57.71		1492.77				
15	Less: Government grants		380.82			380.82				
15	Less: Share of GOI Grants		177.62			177.62	57.24	6.36		63.60
16	<b>Net Asset considered for depreciation (2019-20)</b>		<b>1892.56</b>	<b>69.83</b>	<b>125.25</b>	<b>1837.14</b>	<b>771.98</b>	<b>69.34</b>	<b>67.64</b>	<b>773.68</b>



**Table 16**  
**Depreciation for the year 2020-21**

S. No.	Asset Group (as per notification in respect of depreciation)	Rate of depreciation (%)	Gross fixed assets			Depreciation		
			Beginning of the year	Additions during the year	End of the year	Beginning of the year	Additions during the year	End of the year
1	Land & land rights	3.33%	239.11		239.11	78.02	8.03	86.05
2	Other Civil works - Building	3.34%	152.35		152.35	27.31	5.00	32.31
3	HV Distribution system							
a)	Distribution lines	5.28%	289.30		289.30	178.68	4.30	182.98
b)	Sub-station equipments	5.28%						
i)	Transformers	5.28%	226.46		226.46	101.99	8.65	110.64
ii)	Switchgears, Control gear & Protection	5.28%	414.21		414.21	161.28	17.54	178.82
iii)	Batteries	5.28%	2.01	1.76	3.77	1.59	0.01	1.60
iv)	Others (Sub-station assets)	5.28%	95.71	0.10	95.81	38.68	4.27	42.95
4	LT Distribution system							
a)	Distribution lines	5.28%	295.04	0.83	295.87	126.27	11.75	138.02
b)	Sub-station equipments- IPD	5.28%	82.45		82.45	34.77	4.35	39.12
i)	Others (AC, Safty equipments, Refrigerator)	5.28%	2.85		2.85	0.87	0.15	1.02
5	Meters	5.28%	137.32		137.32	77.05	7.26	84.31
6	Solar Plants	5.28%	58.94		58.94	3.30	3.11	6.41
7	Furniture & fixtures	6.33%	8.67	0.43	9.10	2.21	0.56	2.77
8	Office Equipments	6.33%	0.84	0.08	0.92	0.40	0.05	0.45
9	Capital spares of HV & LT transmission/ ASIDE Grant		380.82		380.82			
10	Assets taken over & pending final valuation		1492.77	38.50	1531.27			
11	IT Equipments	15.00%	7.27		7.27	3.50	0.71	4.21
12	Any other items (Computer Software)	15.00%	2.23		2.23	1.36	0.16	1.52
13	Gross Asset (Total (1) to (12))		<b>3888.35</b>	<b>41.70</b>	<b>3930.05</b>	<b>837.28</b>	<b>75.90</b>	<b>913.18</b>
14	Less: Consumer contribution		1492.77	38.50	1531.27			
15	Less: Government grants		380.82		380.82			
16	Less: Share of GOI Grants		177.62		177.62	63.30	6.36	69.96
17	Less: Additions during the year from KINFRA Fund			0.71	0.71			
18	Net Asset considered for depreciation (2020-21)		<b>1837.14</b>	<b>2.49</b>	<b>1839.63</b>	<b>773.68</b>	<b>69.54</b>	<b>843.22</b>

58. On the basis of the above detailed calculation, depreciation allowed for each year (based on the revised submission submitted by the licensee) is tabulated below;

**Table 17**  
**Total depreciation approved for the Years** (Rs. lakh)

Year	Opening GFA	Closing GFA	Depreciation for the Year	Closing Accumulated Depreciation	Closing NFA
2017-18	1780.15	1809.15	69.95	700.42	1108.73
2018-19	1809.15	1892.56	71.56	771.98	1120.58
2019-20	1892.56	1837.14	69.34	773.68	1063.46
2020-21	1837.15	1839.63	69.54	843.22	996.41

59. **Accordingly, the Commission hereby approves depreciation of Rs. 69.54 lakh for the year 2020-21 and Rs.122.23 lakh (69.95+71.56+69.34-88.62) as prior period depreciation for the years 2017-18 to 2019-20, after duly adjusting depreciation allowed in 2017-18 Truing Up Order dated 29.03.2021.**

### Interest and Finance Charges

60. The licensee has claimed an amount of Rs.71.99 lakh towards Interest and Finance charges. The details as per the petition are furnished below.

**Table 18**  
**Interest on loan for the year 2020-21**

Debt at the end of the year	Rate of interest	As per Truing Up Petition (Rs. lakh)
Interest paid on the Debt portion of the consideration for Asset Transfer, Rs.737.41 lakh	11.50%	71.99
Total amount		71.99
Less: Capitalised		(0.00)
<b>Net amount of interest</b>		<b>71.99</b>

61. The licensee submitted in the petition 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 2019-20 to comply with the requirements of the Companies Act, 2013.
62. The licensee also submitted that they had earlier availed a loan of Rs.235.00 lakh 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 lakh commenced at 60 equated monthly instalments (EMI) from April 2017. Refund of the loan of Rs.737.41 lakh and the interest on loan commenced from 01.04.2018 at 180 EMIs.

63. In the Order on Truing Up of accounts for the year 2017-18, the Commission has examined the matter and observed that the above adjustments have been made by the licensee in the accounts for 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 lakh as on 01-04-2017.
64. As per Regulation 29 of Tariff Regulations, 2018 and Regulation 30 of KSERC (Terms and Conditions for Determination of Tariff) Regulations 2014 (hereinafter referred to as the Tariff Regulations, 2014), interest is to be allowed based on normative loan. The Tariff Regulations states that, the normative loan outstanding as on the First day of April of the relevant financial year, shall be worked out by deducting the amount of cumulative repayment as approved by the Commission up to the Thirty First day of March of the year, from the normative loan. Based on the revised submission of Fixed Assets Register, the Commission hereby revises the calculation for interest on normative loan for the years 2017-18, 2018-19, 2019-20 and 2020-21 as below:

**Table 19**  
**Normative loan approved for the Years 2017-18 to 2020-21 (Rs. lakh)**

Particulars	2017-18	2018-19	2019-20	2020-21
Opening Normative Loan	648.57	609.97	621.83	581.17
Add: Assets Additions during the year	32.66	83.42	69.84	2.49
Less: Value of Assets dismantled/removed	1.31	0.00	41.16	0.00
Less: Depreciation for the year as repayment	69.95	71.56	69.34	69.54
Closing Normative Loan	609.97	621.83	581.17	514.12
Average Normative Loan	629.27	615.90	601.50	547.65
Rate of Interest	11.50%	11.50%	11.50%	11.50%
<b>Interest on normative loan</b>	<b>72.37</b>	<b>70.83</b>	<b>69.17</b>	<b>62.98</b>
<b>Allowed in Previous Trued Up Orders</b>	<b>71.37</b>	<b>72.95</b>	<b>81.65</b>	<b>0.00</b>
<b>Excess/shortage</b>	<b>1.00</b>	<b>-2.12</b>	<b>-12.48</b>	<b>62.98</b>

65. **Accordingly, the Commission hereby approves Rs.62.98 lakh as interest on normative loan for the year 2020-21 and claws back an amount of Rs.13.60 lakh as prior period interest on normative loan for the years 2017-18 to 2019-20.**
66. The licensee has not claimed any amount as interest on security deposit for the year 2020-21. 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 and 18.02.2022 also.

67. In the clarification dated 24.01.2023 the licensee stated that, security deposit against pre-paid energy meters as on 31.03.2021 is duly reconciled and copy of the schedule of Security deposit is attached here with for perusal of the Commission. Security Deposit against meters has been merged with the Security Deposit for supply of electricity as per Cl.67 (1) of Kerala Electricity Supply Code, 2014, as on 31.03.2022.
68. As per proviso to Regulation 67(6)(b) of the Supply Code, the consumer shall not be required to furnish any security for supply of electricity, if the consumer opts to take supply through pre-payment meter. From the clarifications and explanations given, the Commission notices that the licensee is having consumers with pre-paid metering system as well as post paid metering system. As per the provisions of the Supply Code, security deposit shall not be collected from consumers opting prepaid metering system. Therefore, ***the Commission hereby directs the licensee to segregate the amount of security deposit collected from consumers opting prepaid metering and to refund the same. In respect of consumers opting post paid metering, the licensee has to pay interest to the consumers at the bank rates of RBI applicable for the relevant years.***

### Return on Equity

69. The licensee has claimed return on equity of Rs. 45.64 lakh for the year 2020-21. The details of claim made by the licensee are shown below.

**Table 20**  
**Return on Equity claimed for the year 2020-21**

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

70. The licensee in the petition has 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 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.

71. The licensee has 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 lakh for the year 2019-20.
72. The Commission has examined the contention of the licensee in detail vis-a-vis the provisions of Tariff Regulations and had addressed the matter while issuing the Orders on truing up of accounts in OP 34.2020 dated 29.03.2021. As such the issue is settled and the Commission does not intend to re-open the same.
73. The Tariff regulations, 2018 provides as quoted below;
- 28. 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 26 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:*
74. Accordingly, the licensee is eligible for return on equity only on the amount shown as paid-up equity capital and not for the share premium amount. It is to be noted that the licensee was allowed return on NFA up to 2016-17 as per the provisions in the Regulations. However, in the present petition, since the licensee has claimed ROE on the basis of equity contribution, the admissible return on equity for the year 2020-21 works out as under.

**Table 21**  
**Return on Equity approved for the year 2020-21**

Particulars	Amount (Rs. lakh)
Opening Equity as on 01-04-2020	31.64
Add: Additions for 2020-21	0.00
Closing Equity as on 31-03-2021	31.64
<b>Return on Equity @ 14% (Rs.31.64 lakh *14%)</b>	<b>4.43</b>

## Revenue from Sale of Power

75. The actual revenue realised from the sale of 627.41 lakh units for the year 2020-21 is Rs.5164.98 lakh. In the petition licensee has included revenue from other operations of Rs.16.27 lakh as part of Revenue from sale of power. The same is to be considered as part of other operational income and is treated accordingly. As per the petition, the major revenue is from sale to the HT category, i.e., Rs.4574.89 lakh. A category wise detail of the revenue from sale of power for the year 2020-21 is shown below.

**Table 22**  
**Details of Revenue from Sale of Power for the year 2020-21**

Particulars	Number of consumers	Units Sold (lakh Units)	Sales (Rs.lakh)	Avg. realisation per KWh
HT I A	26	201.61	1382.16	6.86
HT I B	20	258.13	2109.97	8.17
HT II A	3	2.54	24.66	9.73
HT II B	3	2.22	35.84	16.18
HT III B	1	0.93	6.61	7.10
HT IV A	1	0.88	14.44	16.31
HT IV B	1	19.33	176.14	9.11
DHT I A	1	0.12	1.94	16.28
DHT I B	43	70.75	728.68	10.30
DHT II A	1	1.89	26.86	14.24
DHT II B	2	1.56	22.21	14.24
DHT IV A	2	1.82	45.37	24.89
LT IV A	54	10.10	85.81	8.50
LT IV B	150	36.08	296.99	8.23
LT VI A	1	0.83	5.70	6.84
LT VI B	6	0.70	5.95	8.49
LT VI C	21	3.07	29.09	9.49
LT VI F	75	12.58	144.78	11.51
LT VII A	26	1.88	19.95	10.63
LT VII B	0	0.00	0.00	0.00
LT VIII B	4	0.40	1.75	4.36
LT IX	1	0.00	0.07	0.00
	<b>442</b>	<b>627.41</b>	<b>5164.98</b>	

76. The Commission noted that, major share of the sale is to the HT I B (258.13 lakh units) and HT I A (201.61 lakh units) category which consists of 46 consumers and constitutes about 73.27% of total sale of power. ***After examining the details furnished by the licensee, the Commission hereby approves the revenue from energy sales of Rs.5164.98 lakh for 627.41 lakh units for the year 2020-21 as per the petition.***

## Non-tariff Income

### A. Other Operational Income

77. The petitioner submitted that there is revenue of Rs.16.27 lakh from other than operational income. The details furnished by the licensee in Form D.2.1 are shown below:

**Table 23**  
**Other Operational Income for 2020-21**

Particulars	2020-21
	(Rs.in lakh)
Meter/metering equipment/service line rentals	5.52
Application Fees	0.22
Charges for Solar Grid Connectivity	1.66
Collection Charges	1.75
Installation Charges	6.65
Supervision Charges	0.47
<b>Total</b>	<b>16.27</b>

78. ***After examining the nature of the income and the amount, the Commission hereby approves Rs.16.27 lakh as Other Operational Income for the year 2020-21 as claimed by the licensee.***

### B. Income from wheeling charges

79. The licensee submitted that, M/s. TATA Consultancy Services Ltd and M/s. Nitta Gelatine (I) Ltd, at Infopark, Kakkanad have 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 and Reg. No. 0040/STOA/NGIFP dtd. 19-07-2019, respectively. 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. Nitta Gelatine have only availed power through open access in 2020-21. The details of wheeling charge and cross subsidy collected by the licensee for the year 2020-21 is shown in the Table below.

**Table 24**  
**Income from wheeling charges**

Period	Open Access Consumer	Energy Wheeled (lakh units)	Revenue from Wheeling Charges (Rs.in lakh)	Revenue from Cross Subsidy (Rs.in lakh)	Total Revenue (Rs.in lakh)
2020-21	M/s. Nitta Gelatine (I) Ltd	32.05	16.27	39.94	56.21
	<b>TOTAL</b>	<b>32.05</b>	<b>16.27</b>	<b>39.94</b>	<b>56.21</b>

80. ***After examining the details furnished by the licensee, the Commission hereby approves Rs.56.21 lakh as Income from wheeling charges for the year 2020-21.***

### C. Other Income

81. The licensee has claimed a Non-tariff income of Rs. 106.09 lakh for the year 2020-21 which includes Interest on Bank Fixed Deposits, interest on delayed payments and other miscellaneous receipts. The claim of the licensee is tabulated below:

**Table 25**  
**Other Income** (Rs in Lakhs)

Particulars	As per Truing Up Petition 2019-20	As per Truing Up Petition 2020-21
Interest on Bank Fixed Deposits/others	121.29	97.54
Interest on delayed payments	0.56	8.07
Other miscellaneous receipts	3.41	0.48
<b>Total amount</b>	<b>125.26</b>	<b>106.09</b>

82. As per the details submitted in the petition, there is a 20% decrease in the Interest on Bank Fixed Deposits compared to the year 2019-20. The Commission had sought clarifications for the decrease. The licensee has stated that as part of containing inflation, RBI had decreased the interest rates for repo and reverse repo which consequently led to decrease in the interest rates on deposits on an average 1% which is the reason for decrease.
83. The Commission while truing up the accounts for the year 2019-20 had approved a non- tariff income of Rs.285.15 lakh which included the interest on accumulated revenue surplus. The licensee in the current petition has also not accounted the interest on accumulated surplus as part of non- tariff income. The legal position on this has already been clarified by the Commission in the previous Truing Up Orders whereby it has been made clear that interest on the accumulated surplus at the beginning of the year has to be accounted as other income for the concerned year.
84. 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. The rate of interest considered for the year is the SBI retail term deposit rate for tenure up to one year prevailing at the beginning of 2020-21, which is 5.70%. Accordingly, the interest on accumulated surplus to be considered as other income works out as under.



**Table 26**  
**Interest on Accumulated Surplus for 2020-21**

Particulars	Rs. in lakh
Accumulated Surplus at the beginning of the year	5046.56
Less: Section-4 duty	124.80
Surplus excluding the duty	4921.76
Interest rate applicable (%)	5.70%
Interest on Accumulated surplus	280.54

85. The total interest applicable for the balance surplus is Rs.280.54 lakh. The licensee has already accounted Rs.97.54 lakh towards interest on Bank FD and others. Thus, the balance amount of Rs.183.00 lakh (Rs.280.54 lakh – Rs.97.54 lakh) is accounted as interest on accumulated surplus. Based on above, the Commission hereby approves Rs.183.00 lakh as interest on accumulated surplus for the year 2020-21. **Accordingly, the Commission hereby approves Rs.289.09 lakh as other income for the year 2020-21.**

**Table 27**  
**Approved Other Income**

Particulars	Rs. lakh
Interest on Bank Fixed Deposits/others	97.54
Interest on delayed payments	8.07
Other miscellaneous receipts	0.48
Interest on Accumulated Surplus	183.00
<b>Total amount</b>	<b>289.09</b>

86. Based on the details as above, ***the Commission hereby approves Rs.361.57 lakh as Non-tariff income for the year 2020-21*** as shown below.

Table 28  
Approved Non- Tariff Income for the year 2020-21

Particulars	Truing Up claim for the year 2020-21	Approved for the year 2020-21
Other Operational Income	16.27	16.27
Income from wheeling charges	56.21	56.21
Other Income	106.09	289.09
<b>Total Non-tariff Income</b>	<b>178.57</b>	<b>361.57</b>

### **Revenue (Gap)/Surplus after Truing Up of Accounts for 2020-21**

87. 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 of Rs.738.02 lakh for the year 2020-21. The approved Total Expenditure and Total Revenue for the year 2020-21 after truing up is as shown below.

**Table 29**  
**Approved Truing Up of Accounts for the year 2020-21**

Particulars	2020-21	
	Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)
Purchase of Power	4449.97	4357.86
Employee Cost	59.57	59.57
R&M Expenses	76.32	76.32
A &G Expenses	86.86	49.20
Depreciation	101.05	69.54
Prior Period Depreciation	-	122.23
Interest & Finance Charges	71.99	62.98
Prior Period Interest (claw back)	-	-13.60
Return on Equity	45.64	4.43
<b>Total Expenditure</b>	<b>4891.40</b>	<b>4788.53</b>
Revenue from Sale of Power	5181.25	5164.98
Non-Tariff Income	162.30	361.57
<b>Total Income</b>	<b>5343.55</b>	<b>5526.55</b>
<b>Net Surplus/(Deficit)</b>	<b>452.15</b>	<b>738.02</b>

### Orders of the Commission

88. The Commission after considering and detailed examination of the petition of the licensee for the Truing Up of accounts for the period 2020-21, additional information submitted thereon and the comments /remarks by KSEB Ltd., approves the following.

- (i) The Income for the year 2020-21 is **Rs.5526.55 lakh**
- (ii) Total Expenditure for the year 2020-21 is **Rs.4788.53 lakh**
- (iii) The revenue Surplus for the year 2020-21 is **Rs.738.02 lakh**
- (iv) The cumulative revenue surplus up to 2020-21 is **Rs.5784.58 lakh** (Rs.5046.56 lakh+ Rs.738.02 lakh). The licensee shall keep the surplus in a separate fund and utilize it as per the Orders of the Commission

### Directives

89. The Commission issues the following directives for compliance of the licensee
- i. The distribution loss on wheeled energy being higher compared to the overall distribution loss, the licensee is to ascertain from SLDC the methodology adopted for calculating the wheeled energy at the licensees periphery as well as the consumer's periphery and get the assessment done in a realistic manner in line with the actual T&D loss of the system.

- ii. The licensee shall ensure the generation from the solar plant considering the CUF as per the KSERC (Renewable Energy and Net Metering) Regulations 2020, properly monitor and take necessary steps to maximise the generation.
  - iii. The licensee shall submit details to clarify whether the GST input Tax receivable was reflected in the claim during 2018-19 and 2019-20.
  - iv. The licensee shall segregate the amount of security deposit collected from consumers opting prepaid metering and to refund the same and for the consumers opting post paid metering, the licensee has to pay interest to the consumers at the bank rates of RBI applicable for the relevant years
90. The petition is disposed of. Ordered accordingly.

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

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

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

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