

KERALA STATE ELECTRICITY REGULATORY COMMISSION

THIRUVANANTHAPURAM

Petition No: OP 08/2023

Present : **Adv. A. J. Wilson, Member**
Sri. B. Pradeep, Member

In the matter of : Petition filed by Rubber Park India (P) Limited for approval of ARR & ERC for the Control Period 2022- 23 to 2026-27

Petitioner : M/s. Rubber Park India (P) Limited

Represented by : Sri. George.V.James, Managing Director
Sri. M S Samuel, CFO & CS
Sri. Anees T.M, Asst. Manager (Electrical)

Respondent : M/s Kerala State Electricity Board Limited

Represented by : Sri. Rajan, Deputy Chief Engineer,
TRAC, KSEB Ltd
Smt. Biji Christudas, Assistant Engineer,
KSEB Ltd

Date of Hearing: : 13.02.2023 at the Conference Hall,
Office of Rubber Park India (P) Limited,
Valayanchirangara

Order Dated 23.11.2023

1. M/s.Rubber Park India (P) Limited (hereinafter referred to as RPIL or the licensee), is a distribution licensee under the Electricity Act, 2003. RPIL is a joint venture of Kerala Industrial Infrastructure Development Corporation (Kinfra) and Rubber Board. The Company was incorporated in 1997 under the Companies Act 1956 for establishing industrial parks, exclusively for rubber and rubber wood-based industries with world class infrastructure. The first park was set up in 107 acres at Irapuram in Kunnathunadu Taluk, near Perumbavoor, in Ernakulam Dist. The work of second park in 45 acres of land at Piravanthoor in Pathanapuram Taluk, near Punalur in Kollam District is progressing.
2. Government of Kerala, vide G.O. (P) No.20/2003/PD dated 17-06-2003 notified as Gazette Extra Ordinary No.1199 dated 05-07-2003, granted license to RPIL,

under the provisions of Indian Electricity Act, 1910, for distribution of power at Rubber Park, Irapuram. The licensee owns a 110/11 kV, 25 mVA capacity substation and well-established ring main power distribution network for supply of power to various consumers in the park. There are 2 ring main distribution system with 11 kV underground Cables, two numbers of 11 kV dedicated feeder supply and 9 unitized Substations. Since inception RPIL adopted prepaid billing system for the consumers. RPIL receives power from KSEB at 110 kV through 110 kV double circuit Kalamassery–Muvattupuzha feeder drawn from Kalamassery Sub Station. The area of operation is limited to the boundaries of the Rubber Park. In addition to serving the consumers inside the park, the licensee has provided open access facility to one of the consumers of KSEB Ltd at 11 kV voltage level.

3. The Commission had notified the KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2021 (hereinafter referred to as Tariff Regulations, 2021) on 16-11-2021 for the five-year Control Period starting from the first day of April 2022 and ending on the thirty first day of March 2027 (hereinafter referred to as Control Period). As per Regulation 10(1) of the said regulations, every distribution business/licensee shall file, on or before the thirty first day of December 2021, the petition for approval of Aggregate Revenue Requirement and determination of tariff for each year of the Control Period.
4. The licensee filed the present petition for the approval ARR & ERC for the control period from 2022-23 to 2026-27 on 15.02.2022 with a delay of 46 days. The licensee had also filed petition for condonation of the delay stating reasons for the delay. Commission had considered the submission made by the licensee and condoned the delay vide Order dated 16.03.2022 in OP No.17/2022. The licensee has filed the present petition for the approval ARR & ERC for the control period from 2022-23 to 2026-27 as per the Tariff Regulation, 2021 in the Multi Year Tariff Framework.
5. The Commission vide Order dated 25th June 2022 in OP 11/2020 had approved the ARR & ERC of KSEB Ltd for the Control Period and the Tariff Order applicable to the consumers and other distribution licensees. M/s RPIL has submitted vide letter dated 23.12.2022 their revised ARR&ERC based on the Tariff Order dated 25th June 2022. The licensee further submitted the revised projection vide letter dated 07.02.2023 rectifying the mistake, due to oversight, in the projection of demand charges for the HT consumers from 26.06.2022 to 31.03.2023 for 86 days instead of 279 days in the revised tariff. Based on this, the comparison of ARR&ERC for the Control Period as per the petition and Truing Up petition claim and Trued Up amount for the previous years is shown in Table 1 and Table 2 below.

Table 1
Projections for the Control Period

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
	Projected	Projected	Projected	Projected	Projected
Cost of own power generation/power purchase	2078.11	2220.95	2298.74	2381.64	2441.19
Employee Expenses	87.73	91.63	95.71	99.96	104.45
Administration & General Expenses	56.45	58.68	61.00	63.40	65.91
Repair & Maintenance Expenses	45.09	47.10	49.20	51.39	53.68
Depreciation	35.04	35.67	36.51	36.08	36.00
Interest and finance charges	0.93	0.98	1.03	1.08	1.13
Interest on Normative Loan	55.47	53.18	50.83	48.51	46.25
Return on Equity /Net Fixed Assets	46.72	47.24	47.76	48.33	48.9
Tax on ROE	17.15	17.34	17.53	17.74	17.95
Aggregate Revenue Requirement	2422.71	2572.77	2658.31	2748.13	2815.46
Less: Wheeling income, Other Income & non-Tariff income	4.13	4.2	4.21	4.23	4.25
Net Aggregate Revenue Requirement from Retail Tariff	2418.58	2568.58	2654.11	2743.91	2811.21
Revenue from sale of power	2281.4	2390.46	2466.24	2545.49	2609.22
Net Revenue gap/Surplus	-137.18	-178.12	-187.87	-198.42	-201.99

Table 2
Income and Expenditure for the previous years

Particulars	2019-20		2020-21		2021-22	
	Truing Up Petition	Trued Up	Truing Up Petition	Trued Up	Truing Up Petition	Trued Up
	(Rs. lakh)	(Rs. lakh)	(Rs. lakh)	(Rs. lakh)	(Rs. lakh)	(Rs. lakh)
Purchase of Power	1442.16	1442.16	1646.11	1646.11	1825.07	1831.09
Employee Cost	71.12	51.19	67.21	42.03	61.68	60.55
R&M Expenses	37.41	37.41	47.50	47.50	48.01	45.81
A&G Expenses	47.11	28.35	73.54	32.20	57.37	32.70
Prior Period A&G Expenses	-	12.13	-	-	-	-
Depreciation	30.12	0.00	44.41	24.44*	27.66	27.66
Bank Charges	0.77	0.77	0.75	0.75	0.52	0.52
Interest on Normative Loan	59.03	6.11	56.85	4.55	59.19	13.20
Return on Equity	43.31	37.80	43.67	37.80	44.46	37.80
Tax on ROE	11.63	0.00	16.03	0.00	11.67	-
Total Expenditure	1742.67	1615.92	1996.07	1835.48*	2135.64	2049.33
Revenue from Sale of Power	1734.05	1734.05	1958.17	1958.17	2173.56	2173.56
Income from wheeling charges	2.66	2.66	7.75	7.75	3.47	3.47
Non-Tariff Income	2.24	29.78	3.60	37.76	10.52	35.86
Total Income	1738.95	1766.49	1969.52	2003.68	2187.55	2212.89
Net Surplus/(Deficit)	-3.72	150.57	-26.55	168.20*	51.92	163.56

*Revised based on review petition order dated 28.02.2023

Hearing on the Matter

6. The public hearing on the petition was conducted on 13-02-2023 at the Conference Hall, Office of RPIL, Valayanchirangara, Ernakulam. The licensee was represented by Sri.George.V.James, Managing Director, Sri. M S Samuel, CFO & CS and Sri. Anees T.M, Asst. Manager (Electrical) and other officers of the licensee. Sri. Rajan, Deputy Chief Engineer, TRAC and Smt. Biji Christudas, Assistant Engineer representing KSEB Ltd, consumers in the license area and other stakeholders also participated in the hearing. Sri. Anees T.M presented the petition before the Commission and Sri. George.V.James and Sri. Anees T.M clarified the queries of the Commission.
7. The main points of the petition for approval of ARR & ERC are briefed below.
 - a) The sales for the control period are projected after duly considering the trend of past five years. 3% increase in the energy sales and increase in contract demand is proposed for each year of the control period. The licensee expects increase in the sales of HT I and LT IV consumer category.
 - b) The licensee proposes a distribution loss of 1.90% for each year of the Control Period.
 - c) With regard to Renewable Purchase Obligation of the licensee, it is stated that the company is not having sufficient area to install renewable energy sources for generation and hence company intends to purchase the renewable energy from KSEB Ltd itself.
 - d) Power purchase cost increases year on year, duly considering the increase in sales and contract demand.
 - e) The licensee submitted that O&M expenses may be allowed, as proposed in the petition as against the norms prescribed in the Tariff Regulations 2021. The licensee submitted that the provisions of Bureau of Energy Efficiency (Manner and Intervals for Conduct of Energy Audit in electricity distribution companies) Regulations, 2021 leads to additional expense towards Energy Audit and posting of additional officers as prescribed in the regulations.
 - f) The licensee has proposed a total capital expenditure of Rs.64.90 lakh during the Control Period and depreciation is claimed as per the provisions of the Tariff Regulations.
 - g) The licensee also has proposed for interest on normative loan.
 - h) The licensee submitted that RoE may be allowed for the equity share capital approved by the Commission for the assets put to use at the

commencement of the financial year and on fifty percent of equity share capital portion of the capital cost for the investment put to use during the financial year.

- i) It was further submitted that Tax on RoE may be allowed.
 - j) The revenue from sale of power is proposed based on the revised tariff as approved by the Commission. The licensee has projected an increase in the Non-Tariff Income and Income from wheeling of energy for each year of the Control Period.
 - k) The licensee, for each year of the Control Period, proposes a Revenue Gap which increases year on year and presented the petition with the following prayers;
 - I. The Employee Cost projected for the control period may kindly be approved. In addition, the cost of full time Energy Manager and Electrician may kindly be approved.
 - II. The R&M Cost including the Statutory Annual Energy Audit cost may kindly be approved.
 - III. The ROE & Tax on ROE projected for the control period may kindly be approved.
 - IV. The interest on the accumulated surplus may kindly be excluded from Non-Tariff income.
 - V. The interest on normative loan may kindly be approved.
 - VI. The bulk supply tariff for RPO from the buyer licensee may kindly be introduced as part of BST.
8. Sri. Rajan, Deputy Chief Engineer, TRAC and Smt. Biji Christudas, Assistant Engineer represented KSEB Ltd. Smt. Biji Christudas submitted the views of KSEB Ltd on the petition before the Commission which are briefed below.
- a) As per provisions of the Tariff Regulations, 2021, the licensee shall propose distribution loss reduction targets for each year of the control period. The licensee has not proposed any loss reduction targets and has proposed a distribution loss of 1.90% for each year of the Control Period.
 - b) The projections of Energy sales and revenue from sale of power is having errors which is to be corrected.
 - c) O&M expenses projected is significantly higher than the norms approved by the Commission. The O&M expenses may be limited to the norms fixed as the same comes under controllable expense.
 - d) The licensee has claimed Electricity Duty under Section 3 of the Kerala Electricity Duty Act, 1963, as part of A&G expense. It was submitted that

electricity duty under Section 3 is to be borne by the licensee and cannot be passed on to the consumers and it was requested that the Commission shall take a uniform approach regarding the same.

- e) Interest on normative loan may be allowed only after verifying the asset details and exercising prudence checks.
 - f) RoE shall be allowed only after prudence check as the practice followed is to be considered in line with the provisions of Supply Code and Tariff Regulations.
 - g) The projections made for non-tariff income is to be reviewed as the licensee has proposed the same income year on year.
9. During the hearing, the Commission sought various clarifications on the petition. With regard to the capital investment proposal in the petition, Commission directed the licensee to submit detailed analysis, justifying the necessity of the proposed capital expenditure. The Commission noted that the asset additions proposed are for the replacement of equipment and directed the licensee to submit the details such as the age of the assets proposed to be replaced along with depreciation claimed over the years and the balance WDV of the same.
10. The Commission vide Daily Order dated 15.02.2023 directed KSEB Ltd to submit their opinion/stand with regard to KSEB Ltd meeting the RPO of RPIL and RPIL was directed to submit their various clarifications and counter, if any on the written comments of KSEB Ltd.
11. KSEB Ltd vide letter No. KSEBL/TRAC/AE2 General/License-RPO/2022-23/19 dated 10.04.2023 submitted the details with regard to the anticipated renewable energy. KSEB Ltd is willing to meet the shortage in meeting the renewable purchase obligations of RPIL after accounting their own RE generation as per the existing targets fixed by the Commission, either by own generation or through purchase, with a suitable mechanism to pass the additional expenditure incurred by KSEB Ltd for meeting the RPO.
12. The licensee vide letters dated 24.02.2023 submitted the reply to clarifications sought by the Commission and rejoinder to the comments of KSEB Ltd. Based on the direction on public hearing and daily order the licensee revised their claim towards employee expenses for all the years of the Control Period. Considering the revised submission, the revenue Surplus/Gap for the Control period are shown below.

Table 3
Revised estimates of ARR & ERC for the Control Period by licensee

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
	(Projected)	(Projected)	(Projected)	(Projected)	(Projected)
Cost of power purchase	2078.11	2220.95	2298.74	2381.64	2441.19
Employee Expenses	89.21	100.90	105.39	110.07	115.01
Administration & General Expenses	56.45	58.68	61.00	63.40	65.91
Repair & Maintenance Expenses	45.09	47.10	49.20	51.39	53.68
Depreciation	35.04	35.67	36.51	36.08	36.00
Interest and finance charges	0.93	0.98	1.03	1.08	1.13
Interest on Normative Loan	55.47	53.18	50.83	48.51	46.25
Total Revenue Expenditure	2360.31	2517.46	2602.70	2692.17	2759.17
Return on Equity	46.72	47.24	47.76	48.33	48.90
Tax on ROE	17.15	17.34	17.53	17.74	17.95
Aggregate Revenue Requirement	2424.18	2582.04	2667.99	2758.24	2826.02
Less: Wheeling income, Other Income & non-Tariff income	4.13	4.20	4.21	4.23	4.25
Net Aggregate Revenue Requirement from Retail Tariff	2420.05	2577.84	2663.78	2754.01	2821.77
Revenue from sale of power	2281.40	2390.46	2466.24	2545.49	2609.22
Net Revenue gap/Surplus	-138.65	-187.38	-197.54	-208.52	-212.55

Analysis and decision of the Commission

13. The Commission considered the application for approval of ARR & ERC for the Control Period 2022-23 to 2026-27, the additional clarifications vide letters dated 07.02.2023 and 24.02.2023 and submissions furnished by the licensee along with the comments of KSEB Ltd vide letters dated 10.02.2023 and 10.04.2023. The analysis and decisions of the Commission on the application for approval of ARR & ERC for the Control Period are detailed below:

No. of Consumers & Sale of power

14. As per Regulation 10(8) of Tariff Regulations 2021, the distribution licensee shall develop the forecast of expected revenue from existing charges based on the estimates of contract demand and quantum of electricity to be supplied to the consumers and to be wheeled on behalf of the users of the distribution system for each financial year of the control period. Further, Regulation 72 provides as follows:

72.Sales Forecast. –

- (1) The distribution business/ licensee shall file, along with the petition for approval of Aggregate Revenue Requirement and determination of tariff, a forecast of the expected demand and sale of electricity to different categories of consumers and to each consumption slab within each tariff category, in its area of supply for the Control Period.*

(2) Sale of electricity, if any, to electricity traders or other distribution licensees shall be separately indicated.

(3) The Commission shall examine the forecasts for its reasonableness based on the proposed growth in number of consumers and proposed consumption per consumer, the demand for electricity in the preceding financial years, anticipated growth in the succeeding financial years and any other factor, which the Commission may consider relevant and thereafter approve the distribution licensee's forecast of sale of electricity to the consumers, with such modifications as deemed appropriate.

15. The licensee has projected an increase in the number of consumers and increase in the sales for each year of the control period. The licensee has stated that the trend of past five years is considered and the projections are made for the years of the Control Period. The licensee has projected 3% year on year increase sales for the Control Period. 98 % of the total energy sales of Rubber Park are contributed by the HT-1 industrial consumers and LT-IV industrial consumers. The energy sale for the control period was forecasted on the following basis.

Table 4
Approach for sales projection for the Control Period

2022-23	The energy sale for the year was estimated based on the actual sales up to December 2021.
2023-24	3% increase in the energy sales to HT-1 and LT IV industrial consumers. The company was expecting an additional contract demand of 400 kVA in HT and 75 kVA in LT.
2024-25	3% increase in the energy sales to HT-1 and LT IV industrial consumers. The company was expecting an additional contract demand of 400 kVA in HT and 75 kVA in LT.
2025-26	3% increase in the energy sales to HT-1 and LT IV industrial consumers. The company was expecting an additional contract demand of 400 kVA in HT and 150 kVA in LT.
2026-27	The company had anticipated an increase of 3% in the energy sales to HT-1 and LT IV industrial consumers which is the average yearly increase of the past 5 years, during the year 2026-27.

16. The licensee further stated that, the licensee has adopted a trend analysis method of the past five years for projecting the sales for the control period 2022-23 to 2026-27. The energy sales of the licensee were showing an average increase of 2.89% during the 5-year period starting from the year 2015-16 to 2020-21. The energy sale of 328.00 lakh units for the FY 2021-22 was estimated based on the actual sales up to December 2021. As the energy sales estimated for the FY 2021-22 was the highest energy sales since inception, RPIL had not projected any increase from the estimated energy sales of FY 2021-22 for the FY 2022-23. The actual energy sales during the

year 2021-22 was 326.70 lakh units (0.4% less than estimated) and the estimated energy sales for the FY 2022-23 based on the actual energy sales up to December 2022 is 317.40 lakh units which is 3.23% less than the projected energy sales in the ARR & ERC petition. It is justified from the same that the projection of RPIL for the FY 2022-23 without any increase from the estimated energy sales of 2021-22 was realistic. The company had expected additional consumers from the FY 2023-24 and considering the past 5-year average increase in the energy sales, projected an increase of 3% every year in the energy sales to the HT and LT industrial consumers till the FY 2026-27.

17. Accordingly, the sales projection and the number of consumers for the years of the control period are tabulated below.

Table 5
Number of Consumers for the control period

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
LT Categories					
LT IV	23	24	25	27	27
LT VI B	1	1	1	1	1
LT VI F	2	2	2	2	2
LT VII A	17	17	17	17	17
Street Light	6	6	6	6	6
HT Categories					
HT-1	20	22	24	26	26
Total	69	72	75	79	79

Table 6
Category wise Energy sales for the Control Period (lakh Units)

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
LT Categories					
LT IV	25.40	26.10	26.90	27.70	28.60
LT VI B	0.10	0.10	0.10	0.10	0.10
LT VI F	0.90	0.90	0.90	0.90	0.90
LT VII A	2.70	2.70	2.70	2.70	2.70
Street Light	0.30	0.30	0.30	0.30	0.30
HT Categories					
HT-1	298.60	307.60	316.80	326.30	336.10
Total Sales	328.00	337.70	347.70	358.00	368.70

18. The Commission noted that, the licensee has not anticipated any significant increase in the energy sales for the year 2022-23. The company had allotted certain lands to the industries during the year 2021-22 and the full-fledged commercial operation will be expected in the financial year 2022-23. As such, the licensee has taken the average increase of 3.00% during the years 2023-24, 2024-25 and 2025-26. However, the actual sales as per the Truing Up Petition for the year 2021-22 is only 330.81 lakh units, which includes 4.10 lakh units of wheeled energy. Based on the details, it is seen that the increase in the sales units projected for the control period is between 2.93% to 2.99%. The

licensee has proposed a total increase in the number of consumers between 4.00% to 5.50% for each year of the Control Period. **Considering the increase in the sales proposed for the control period, the Commission hereby approves the sales units as projected by the licensee for the Control Period.**

Energy requirement & Distribution Loss:

19. As per Regulation 73, the licensee is to provide voltage level distribution loss and distribution loss reduction trajectory for the Control Period with supporting studies along with the application. The Commission has to approve the target level of losses based on the opening level of losses, the figures filed by licensee and other relevant factors. The licensee has not proposed any loss reduction target for the years of the Control Period. The licensee proposes 1.90% loss for each year of the Control Period. The licensee has also considered wheeled energy units for the calculation of distribution loss. The distribution loss proposed by the licensee is as shown below.

**Table 7
Distribution loss and energy input projected for the Control Period**

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Energy Input*	337.90	347.80	358.00	368.50	379.30
Energy Output*	331.50	341.20	351.20	361.50	372.10
Distribution Loss	6.40	6.60	6.80	7.00	7.20
Distribution Loss%	1.90%	1.90%	1.90%	1.90%	1.90%

*including Wheeled Energy

20. Distribution loss Reduction is a factor which having direct impact on power purchase cost and available energy for distribution; it is a criterion that the licensees should continuously strive to improve upon. During the previous Control Period, the Commission had approved a distribution loss of 1.90% as against the proposal of 2.00% for each year of the Control Period. The details of the distribution loss of the previous Control Period are tabulated below.

**Table 8
Actual Distribution loss for the previous Control Period**

Particulars	2018-19	2019-20	2020-21	2021-22
ARR Projection	2.00%	2.00%	2.00%	2.00%
ARR Approval	1.90%	1.90%	1.90%	1.90%
Truing Up Petition	1.87%	1.98%	1.24%	1.50%
Trued Up	1.89%	1.98%	1.24%	1.50%

21. It is seen that the actual distribution loss for the years of the previous Control Period is low. The Commission had sought clarification in the matter. The licensee has stated that the consumers in the distribution area of RPIL are

solely depending on the power from the 110/11 kV EHT Substation of the company. Since, the consumers inside the licensed area of RPIL are industrial consumers, quality and reliable power supply is their primary requirement. As the reliable power supply to the consumers cannot be maintained with one power transformer, the substation of RPIL is designed with two numbers of 110/11 kV, 10/12.5 MVA capacity Power Transformers and both are used simultaneously to ensure N-1 System security.

22. The licensee in the clarifications further submitted that one of the two Power Transformers in the EHT substation had failed on 09.04.2020 and was under repair at the factory of the OEM, M/s. Telk during the rest of 2020-21, which has resulted in reduced loss level of 1.24% during the year 2020-21. The Commission had also considered the same and had mentioned the matter in the Order on Truing Up of accounts for 2020-21 and had approved the distribution loss of 1.24% as a one-time measure on account of the transformer failure.
23. The licensee has further stated that the average distribution loss during the years 2018-19 and 2019-20 was 1.94%. The company has been periodically monitoring the hot spots in the substation and distribution network with the help of Thermal Image Camera for ruling out the unwanted energy losses and breakdowns. As the licensee is already using underground cables and 100% metered connections, the energy efficiency improvement measures are very limited. The further reduction in distribution loss can only be achieved with the replacement of existing Power & Distribution Transformers with higher energy efficiency transformers and which requires huge capital investment and requested the Commission to approve the projected T&D loss of 1.90% in the ARR & ERC petition for the Control Period 2022-23 to 2026-27.
24. As per the truing up petition for the year 2021-22, the actual loss of the licensee is 1.50%. Since, reduction in distribution loss is an important parameter which has a direct impact on power purchase cost and available energy for distribution; it is a criterion that the licensees should continuously strive to improve upon. In the instant case, taking into consideration the limited geographical area of its operation and the nature of infrastructure build up, the Commission is of the opinion that distribution loss is to be reduced. Accordingly, the Commission fixes the distribution loss for the Control Period target at 1.50% being the distribution loss level already achieved by the licensee. Thus, the level of distribution loss and the energy requirement approved for the Control Period are shown below.

Table 9
Approved Distribution loss for the Control Period

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Energy Purchase from KSEB Ltd (lakh units)	333.08	342.93	353.08	363.54	374.40
Wheeled Energy (M/s. M Fuel) (lakh units)	3.47	3.47	3.47	3.47	3.47
Total Energy Input (lakh units)	336.55	346.40	356.55	367.01	377.87
Energy Sales (lakh units)	328.00	337.70	347.70	358.00	368.70
Wheeled Energy (M/s. M Fuel)	3.50	3.50	3.50	3.50	3.50
Total Energy Output (lakh units)	331.50	341.20	351.20	361.50	372.20
Distribution Loss (lakh units)	5.05	5.20	5.35	5.51	5.67
Distribution Loss%	1.50%	1.50%	1.50%	1.50%	1.50%

Renewable Purchase Obligation

25. The land in the Rubber Park is primarily intended for promoting industries. The licensee has stated that the company is not having sufficient area to install renewable energy sources for generation of power and hence company intends to purchase the renewable energy from KSEB Ltd itself. The licensee has also stated that the company is ready to reimburse KSEB Ltd the additional cost incurred as approved by the Commission for the generation or purchase of renewable energy to meet the renewable purchase obligation of the company. As per the Regulation 4(6) of the KSERC (Renewable Energy and Net Metering) Regulations, 2020,

“A distribution licensee which is engaged in bulk purchase of electricity from another licensee shall not have separate obligation for purchase of renewable energy if, -(i) the seller licensee meets the renewable purchase obligation for the energy sold to the licensee or (ii) The licensee reimburses to the seller licensee the additional cost incurred as approved by the Commission by the seller licensee for the generation or purchase of renewable energy to meet the renewable purchase obligation of the licensee.”

26. The power supplied by KSEB Ltd to other distribution licensee is a mix up of energy from various sources inclusive of renewable sources, the cost for meeting the renewable power purchase obligation of the buyer licensees through KSEB Ltd will always be lower than directly meeting the RP obligation. The licensee has stated that a renewable energy plant of at least 3 MW of capacity is required to meet the entire RP Obligation of RPIL.

27. KSEB Ltd vide letter No. KSEBL/TRAC/AE2 General/License-RPO/2022-23/19 dated 10.04.2023 submitted the details with regard to the anticipated renewable energy. KSEB Ltd further stated that, it is willing to meet the shortage in the renewable purchase obligations of RPIL after accounting their own RE generation as per the existing targets fixed by the Commission, either by own generation or through purchase, with a suitable mechanism to pass the additional expenditure incurred by KSEB Ltd for meeting the RP Obligations.
28. The Commission considered the above submissions by the licensee and KSEB Ltd and noticed that KSEB Ltd is willing to meet the RP Obligations of RPIL also with a suitable mechanism to pass through the additional expenditure and RPIL is ready to reimburse the additional cost to KSEB Ltd. As such, the **Commission hereby orders KSEB Ltd to meet the RP obligation of RPIL also and directs RPIL to pay the additional cost to KSEB Ltd at the rates as may be fixed by the Commission from time to time.**

Power Purchase Cost

29. The licensee has proposed the power purchase cost for each year of the Control Period. The licensee has projected the power purchase cost considering the increase in energy input, maximum demand and the applicable tariff for the relevant years of the Control Period. The Commission vide Order dated 25.06.2022 in OP No.11/2020 has approved the Tariff Order and based on this the licensee has revised the power purchase cost in line with revised BST applicable to M/s.Rubber Park India (P) Limited. The details of the power purchase cost are tabulated hereunder.

Table 10
Power purchase cost projected for the control period

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Energy Input (lakh units)	337.90	347.80	358.00	368.50	379.30
Open Access (lakh units)	3.50	3.50	3.50	3.50	3.50
Energy purchased from KSEB Ltd (lakh units)	334.40	344.30	354.50	365.00	375.80
Maximum Demand (kVA)	6700	7175	7650	8200	8200
Demand Charge (Rs)	340/380	380	380	380	380
Total Demand Charge (Rs. lakh)	297.94	327.18	348.84	373.92	373.92
Energy Charge (Rs)	4.75/5.50	5.50	5.50	5.50	5.50
Total Energy Charge (Rs. lakh)	1780.17	1893.77	1949.90	2007.72	2067.27
Total Power Purchase Cost	2078.11	2220.95	2298.74	2381.64	2441.19

30. Considering the power purchase from KSEB Ltd at the distribution loss reduction targets approved for the Control Period, the increase in the contract demand and the relevant tariff applicable for the years of the Control Period, the power purchase cost approved is shown below. It is clarified that, for the

purpose of approval, the BST rates applicable for 2022-23 alone is factored in and any change thereafter will be considered during truing up of accounts of the relevant financial years.

Table 11
Power purchase cost approved for the control period

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Energy purchased from KSEB Ltd (lakh units)	333.08	342.93	353.08	363.54	374.40
Maximum Demand	6700.00	7175.00	7650.00	8200.00	8200.00
Demand Charge (Rs)	340/380	380.00	380.00	380.00	380.00
Total Demand Charge (Rs. lakh)	297.94	327.18	348.84	373.92	373.92
Energy Charge (Rs)	4.75/5.50	5.50	5.50	5.50	5.50
Total Energy Charge (Rs. lakh)	1773.08	1886.12	1941.94	1999.47	2059.20
Total Power Purchase Cost	2071.02	2213.30	2290.78	2373.39	2433.12

Operation and Maintenance

31. Operation and Maintenance expenses consist of three components. Employee Cost, Repair and Maintenance Expenses and Administration and General Expenses. The Commission as per Regulation 80(2) of the KSERC (Terms and conditions for determination of tariff) Regulations, 2021, has approved the operation & maintenance cost for the Control Period. Commission has taken an escalation of 4.454% for the years of the Control Period considering 2020-21 as the base year. The licensee has projected the Operation and maintenance expenses over and above the normative limit specified in the regulation. A comparison of the projected O&M expenses as against the approved norms is tabulated below.

Table 12
Comparison of Operation & Maintenance Expenses as per norms and projected by the licensee
(Rs. lakh)

Particulars	2022-23		2023-24		2024-25	
	Projected	As per norms	Projected	As per norms	Projected	As per norms
Employee Expenses	89.21	71.68	100.90	74.87	105.39	78.21
Repair & Maintenance Expenses	45.09	42.87	47.10	44.78	49.20	46.78
Administrative & General Expenses	56.45	19.48	58.68	20.34	61.00	21.25
Total	190.75	134.03	206.68	139.99	215.59	146.24

(Rs. lakh)

Particulars	2025-26		2026-27	
	Projected	As per norms	Projected	As per norms
Employee Expenses	110.07	81.69	115.01	85.33
Repair & Maintenance Expenses	51.39	48.86	53.68	51.04
Administrative & General Expenses	63.40	22.20	65.91	23.18
Total	224.86	152.75	234.60	159.55

32. Based on the projections made by the licensee, the per unit O&M cost is tabulated hereunder.

Table 13
Per unit O&M cost based on projections

	2022-23	2023-24	2024-25	2025-26	2026-27
Sales (Lakh units)	328.00	337.70	347.70	358.00	368.70
Employee Expenses	89.21	100.90	105.39	110.07	115.01
Repair & Maintenance Expenses	45.09	47.10	49.20	51.39	53.68
Administrative & General Expenses	56.45	58.68	61.00	63.40	65.91
Total O&M Expense	190.75	206.68	215.59	224.86	234.60
Per Unit Employee Expense	0.27	0.30	0.30	0.31	0.31
Per Unit R&M Expense	0.14	0.14	0.14	0.14	0.15
Per Unit A&G Expense	0.17	0.17	0.18	0.18	0.18
Per Unit Operation & Maintenance	0.58	0.61	0.62	0.63	0.64

33. The analysis of each head under operation and maintenance expense projected by the licensee for each year of the Control Period is detailed below.

Employee cost

34. The employee cost projected for each year of the Control Period is higher than the norms approved by the Commission. A comparison of the employee cost projected for the years of the Control Period and previous years is tabulated below.

Table 14
Comparison of Employee cost

Particulars	Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)
2019-20	71.12	51.19
2020-21	67.21	42.03
2021-22	61.68	60.55
	Projected (Rs. lakh)	As per norms (Rs. lakh)
2022-23	89.21	71.68
2023-24	100.90	74.87
2024-25	105.39	78.21
2025-26	110.07	81.69
2026-27	115.01	85.33

35. The major portion of the Employee Cost is towards Basic salary, DA, Earned leave encashment, Medical Reimbursement and Provident fund contribution etc. The licensee in the petition has stated that additional expense in employee cost towards payments to Electrician and Energy Manager in view of Energy Audit. The detailed split up of the employee expenses claimed for the Control Period is tabulated below.

Table 15
Split up of Employee expenses claimed for the Control Period

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
	Projected	Projected	Projected	Projected	Projected
Basic Salary	32.49	33.94	35.45	37.03	38.68
Dearness Allowance	27.49	28.71	29.99	31.33	32.73
House Rent Allowance	2.09	2.18	2.28	2.38	2.49
Conveyance Allowance	2.09	2.18	2.28	2.38	2.49
Earned Leave Encashment	6.01	6.28	6.56	6.85	7.16
Other Allowances	0.16	0.17	0.18	0.19	0.20
Medical Reimbursement	5.43	5.67	5.92	6.18	6.46
Staff welfare expenses	0.31	0.32	0.33	0.34	0.36
Payment to Electrician	3.95	4.13	4.31	4.50	4.70
Payment to Energy Manager	-	7.72	8.06	8.42	8.80
Net Employee Costs	80.02	91.30	95.36	99.60	104.07
Provident Fund Contribution	6.06	6.33	6.61	6.90	7.21
Gratuity Payment	3.13	3.27	3.42	3.57	3.73
Gross Employee Expenses	89.21	100.90	105.39	110.07	115.01

36. The licensee in the petition has stated that, the Manner and Intervals for Conduct of Energy Audit in electricity distribution companies, Regulations, 2021 published by Bureau of Energy Efficiency mandates to create a centralized energy accounting and audit cell comprising of qualified Energy Manager, Nodal officer in the rank of Chief Engineer, IT manager and Finance manager. The licensee stated that they had availed the service of Energy Manager on professional engagement basis from Kerala State Productivity Council during the year 2021-22 in the absence of in house Energy Manager. The licensee had also stated that the projected employee cost is estimated based on the actual cost for the year 2021-22 inclusive of the cost of Energy Manager on professional engagement basis.
37. The licensee has stated that the company is restricted to utilizing the services of the Energy Manger solely for the purpose of filing quarterly reports to BEE and is prohibited from using their services for any other statutory purposes. Even though the company is having only 69 number of consumers and no complaints received in the CGRF in the past three years, in order to fulfill the statutory duties of Authorized Officer, Assessing Officer, CGRF Chairperson, CGRF Member, Energy Manager, IT Manager and Nodal Officer reporting to BEE, a minimum of three Electrical Engineers are required. Accordingly, considering the mandate to create a centralized energy accounting and audit cell comprising a Nodal Officer, Energy Manager, IT Manager and Finance Manager, the licensee has sought additional expenditure which is not incurred in the previous years as shown below.

Table 16
Additional Employee expenses claimed for the Control Period

Particulars	2021-22 (Rs. lakh)	2022-23 (Rs. lakh)	2023-24 (Rs. lakh)	2024-25 (Rs. lakh)	2025-26 (Rs. lakh)	2026-27 (Rs. lakh)
	(Estimated)	Escalated (4.454%)				
General Employee Cost	83.98 (Excl. DA Arrear)	85.26	89.05	93.02	97.15	101.51
Energy Manager (full time)		0.00	7.72	8.06	8.42	8.80
Electrician		3.95	4.13	4.31	4.50	4.70
Total (Revised)		89.21	100.90	105.39	110.07	115.01

38. The Commission has analysed the submissions made by the licensee. It is pertinent to note that the area of operation of the licensee is very limited and there are no major complaints/issues with regard to supply of electricity. Further, the BEE Regulations do not envisage creation of an exclusive energy accounting and audit cell by fresh recruitment of technically and professionally qualified personnel by all small licensees; instead the licensee can assign the responsibility to any of the existing qualified employees of the licensee. **Considering the limited area and activity of the licensee and the fact that the area is ring fenced, the Commission is of the view that the duties as mandated in the BEE Regulations and the additional cost thereof, if any can be considered at the time of Truing Up of accounts in accordance with the provisions in the regulations.**

Repair & Maintenance Expense

39. The Repair and Maintenance expenses projected for the Control Period is in line with the normative expense approved by the licensee. The amount is booked for the R&M of lines and cable network. In addition to the normative amount, the licensee has claimed an additional amount for conducting Energy Audit for each year of the Control Period. The R&M claimed for the years of the Control Period is tabulated below;

Table 17
R&M claimed for the years of the Control Period

Year	2022-23	2023-24	2024-25	2025-26	2026-27
As per norms	42.87	44.78	46.78	48.86	51.04
Energy Audit cost escalated at 4.454%	2.22	2.32	2.42	2.53	2.64
Total	45.09	47.10	49.20	51.39	53.68

40. As per Bureau of Energy Efficiency (Manner and Intervals for Conduct of Energy Audit in electricity distribution companies) Regulations, 2021 published by the BEE vide notification No. 18/1/BEE/DISCOM/2021 dated 06.10.2021, it is mandatory to carry out annual energy auditing by an accredited energy auditor. Accordingly, all the distribution companies governed under various

provisions of Electricity Act, are required to conduct energy audit by an accredited energy auditor within 6 months i.e., by 6th April, 2022. The licensee has submitted that the Kerala State Productivity Council had quoted an amount of Rs.2.12 lakh for carrying out the annual energy auditing for the year 2021-22. The licensee has also stated that an escalation of 4.454% has been considered year on year for the cost for conducting Energy Audit.

41. The licensee has also stated that the expenses on account of the change in law, judicial pronouncements and orders of the Central Government, the Kerala State Government or the Commission has been classified as uncontrollable expenses as per the Regulation 12 of the Tariff Regulations 2021 and requested the Commission to approve the revised R&M cost inclusive of the mandatory energy audit cost for the Control Period.

Table 18
Comparison of R&M

Particulars	Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)
2019-20	37.41	37.41
2020-21	47.50	47.50
2021-22	48.01	45.81
	Projected (Rs. lakh)	As per norms (Rs. lakh)
2022-23	42.87 + 2.22*	42.87
2023-24	44.87 + 2.32*	44.87
2024-25	46.78 + 2.42*	46.78
2025-26	48.86 + 2.53*	48.86
2026-27	51.04 + 2.64*	51.04

* Additional expense towards Energy Audit

42. Compared to the previous year, the repair and maintenance cost projections of the licensee is significantly high, which is mainly due to incorporating of high projections of controllable expenses. ***The Commission is of the view that the licensee should take all efforts to limit the R&M expenses within the normative level and any expenses relating to uncontrollable factors or one-time expenses can be considered in Truing Up of accounts by the Commission only after prudence check.***

Administrative & General Expenses

43. The A&G Expenses proposed for the Control Period includes Insurance, telephone, audit charge, vehicle expenses, security charges, licensee fee, Electricity Duty under Section 3 etc. The licensee has also stated that 50% of the common expenses are considered in the ARR projections. A split up of the administrative and general expenses projected for the Control Period is tabulated hereunder.

Table 19
Split up of Administrative and General Expenses

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
	Projected	Projected	Projected	Projected	Projected
Rent Rates & Taxes	0.47	0.49	0.51	0.53	0.55
Insurance	3.34	3.49	3.65	3.81	3.98
Telephone & Postage, etc.	0.42	0.44	0.46	0.48	0.50
Legal charges	1.10	1.15	1.20	1.25	1.31
Audit Fees	2.32	2.42	2.53	2.64	2.76
Other Professional charges	2.09	2.18	2.28	2.38	2.49
Conveyance	1.04	1.09	1.14	1.19	1.24
Vehicle Running Expenses Truck / Delivery Van	8.88	9.28	9.69	10.12	10.57
Electricity charges	1.57	1.64	1.71	1.79	1.87
Water charges	0.78	0.81	0.85	0.89	0.93
Printing & Stationery	0.68	0.71	0.74	0.77	0.80
Advertisements, exhibition publicity	0.52	0.54	0.56	0.58	0.61
Training expenses	0.10	0.10	0.10	0.10	0.10
Miscellaneous Expenses	2.61	2.73	2.85	2.98	3.11
Office Expenses	1.57	1.64	1.71	1.79	1.87
License Fee and other related fee	1.88	1.96	2.05	2.14	2.24
V-sat, Internet and related charges	0.16	0.17	0.18	0.19	0.20
Security arrangements	7.31	7.64	7.98	8.34	8.71
Gross A&G Expenses	36.84	38.48	40.19	41.97	43.84
Ele. Duty u/s 3(I), KED Act	19.61	20.20	20.81	21.43	22.07
Net A&G Expenses	56.45	58.68	61.00	63.40	65.91

44. The A&G expenses projected by the licensee is higher than the norms specified by the Commission. As per the detailed split up, the major share of the claim is for security arrangements, Vehicle Running Expenses Truck / Delivery Van and the other major claim is the Electricity Duty under section 3 of the Kerala Electricity Duty Act 1963. A comparison of the A&G expenses incurred during the previous years is tabulated below.

Table 20
Comparison of Administrative and General Expenses

Particulars	Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)
2019-20	47.11	28.35
2020-21	73.54	32.20
2021-22	57.37	32.70
	Projected (Rs. lakh)	As per norms (Rs. lakh)
2022-23	56.45	19.48
2023-24	58.68	20.34
2024-25	61.00	21.25
2025-26	63.40	22.20
2026-27	65.91	23.18

45. In the projections made by the licensee, about Rs.20.00 lakh is claimed towards Section 3 duty and Other Major expenses are towards Vehicle Running Expense and Security Expense amounting to almost Rs.20.00 lakh for each year of the Control Period.
46. The Commission in the previous Orders had already taken a considered stand and had decided 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. If considered appropriate, the licensee may approach the Government of Kerala with regard to the Duty under section 3 for an appropriate decision on the matter. Until then Section 3 Duty cannot be considered as a pass-through as part of ARR. The administrative and general expenses excluding the section 3 duty is tabulated hereunder.

Table 21
A&G Expenses excluding Section 3 Duty

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
	Projected	Projected	Projected	Projected	Projected
A&G Expenses excluding Section 3 Duty	36.84	38.48	40.19	41.97	43.84

O&M Expenses Approved

47. The Commission has fixed the normative O&M expense in the Tariff Regulations, 2021 by applying the escalation rate of 4.454%. While fixing the norms relying on historical inflation data, the Commission decided that actual escalation rates based on the actual inflation existing for each year of the Control Period would be considered at the time of Truing Up of the concerned financial year. As per the Regulation 80(2) of the Tariff Regulations, 2021 all components of O&M expenses are controllable expenses and as per Regulation 14 (2), the aggregate loss on account of controllable factors shall be borne by the distribution licensee and shall not be passed on to the consumer in any manner. ***The Commission is of the view that the licensee should take all efforts to limit the O&M expenses within the normative level and any additional expenses relating to uncontrollable factors or one-time expenses can be considered at the time of Truing Up of accounts only after prudence check by the Commission. Accordingly, the Commission is of the considered view that the O&M expense is to be approved only in line with Regulation 80(2) and details are shown below.***

Table 22
Approved Operation & Maintenance Expenses for the Control Period

Particulars	2022-23		2023-24		2024-25		2025-26		2026-27	
	Projected	Approved Norms	Projected	Approved Norms	Projected	Approved Norms	Projected	Approved Norms	Projected	Approved Norms
Employee Expenses	89.21	71.68	100.90	74.87	105.39	78.21	110.07	81.69	115.01	85.33
R&M Expenses	45.09	42.87	47.10	44.78	49.20	46.78	51.39	48.86	53.68	51.04
A&G Expenses	56.45	19.48	58.68	20.34	61.00	21.25	63.40	22.20	65.91	23.18
Total	190.75	134.03	206.68	139.99	215.59	146.24	224.86	152.75	234.60	159.55

Capital Investment plan for the Control Period

48. In the petition, the licensee has submitted a capital investment plan of Rs.64.90 lakh for the Control Period. The licensee has stated that all the capital investments are proposed to be financed from the equity of the company and the projected costs is based on the market rate. It is seen that the proposed capital investments are mainly for replacement of old/outdated equipment. The details as submitted are shown below.

Table 23
Capital Investment plan for the Control Period

Particulars		Quantity	Rs. Lakh	Total Rs. Lakh	Funding
2022-23	HT TOD Energy Meter	6	2.40	12.30	Equity
	Desktop & Laptop	3	3.40		
	11 kV retrofit Vacuum Circuit Breaker in place of SF6 Circuit Breaker	1	6.50		
2023-24	Retrofit breaker for the 110 kV EHT Circuit Breaker Alstom FX 11	1	12.00	12.00	
2024-25	11 kV retrofit Vacuum Circuit Breaker in place of VD4 VCB	1	5.00	13.00	
	11 kV retrofit Vacuum Circuit Breaker in place of SF6 Circuit Breaker	1	6.50		
	Printer	1	1.50		
2025-26	11 kV SF6 Ring Main Units in place of Oil RMU	2	6.80	13.60	
2026-27	11 kV retrofit Vacuum Circuit Breaker in place of SF6 Circuit Breaker	2	7.00	14.00	
Total				64.90	

49. The licensee has submitted the necessity of the investments for the Control Period which is discussed below;

A. Capital Investment plan for 2022-23

a. HT TOD Energy Meter – Rs.2.40 lakh

50. The licensee has stated that the present meters installed in the EHT substation are 0.5s class accuracy and very old. The EHT side metering of the Substation

is already 0.2s class ABT meters and most of the consumer meters are also 0.2s class accuracy. Accordingly, the proposal is to replace the existing meters with 0.2s HT TOD meters.

b. One Desktop & Two Laptops – Rs.3.40 lakh

51. Most of the computers (both laptop and desktop) used by the company are more than 10 years old. The present configurations of the computers are outdated. The operating systems of the present computers are older versions of Windows. Most of the new applications require computers with Windows 10 or higher operating systems. Due to the outdated configuration, the systems will not support high end operating systems like Windows 10. Accordingly, the company has planned to replace the computers in a phased manner. The company is proposing to purchase 2 numbers of laptops and 1 number of desktop during the year 2022-23.

c. 11 kV Retrofit Vacuum Circuit Breaker – Rs. 6.50 lakh

52. The proposal is for replacing 11 kV SF6 Circuit Breaker with 11 kV retrofit Vacuum Circuit Breaker. The company is having 9 numbers of 11 kV feeder circuit breakers in the EHT substation for providing supply to the consumers. Out of which, 5 of the 11 kV Circuit Breakers are vacuum type circuit breakers (model: VD4) and 4 of them are SF6 type 11 kV Circuit breakers of ABB make. The manufacturer had stopped the production of both models of circuit breakers and hence the spare parts for repair are also not easily available. As such the company has planned to replace the 11 kV Circuit Breakers in a phased manner. The company is proposing to purchase one number of 11 kV retrofit Vacuum Circuit Breaker in place of existing 11 kV SF6 Circuit Breaker during the year 2022-23.

B. Capital Investment plan for 2023-24

a. 11 kV Retrofit Circuit Breaker – Rs.12.00 lakh

53. The proposal is for replacing 110 kV EHT Circuit Breaker Alstom FX 11 with 11 kV retrofit Circuit Breaker. The company is having two numbers of Power transformers and two numbers of EHT circuit breakers for the protection of the Power transformers of which one of the circuit breakers is of ABB make and another one is of Alstom make. The model of Alstom make EHT circuit breaker is FX 11. Currently Alstom is not manufacturing circuit breakers and hence spare parts for repair is also not easily available. Accordingly, the company is proposing a retrofit Circuit Breaker in place of the existing EHT circuit breaker Alstom FX 11.

C. Capital Investment plan for the year 2024-25

a. 11 kV retrofit Vacuum Circuit Breaker - Rs. 5 Lakh.

54. The proposal is for replacing VD4 Circuit Breaker with 11 kV retrofit Vacuum Circuit Breaker. The company is having 9 numbers of 11 kV feeder circuit breakers in the EHT substation for providing supply to the consumers. Out of which 5 of the 11 kV Circuit Breakers are vacuum type circuit breakers (model: VD4) and 4 of them are SF6 type 11 kV Circuit breakers of ABB make. The manufacturer has stopped the production of both models of circuit breakers and hence the spare parts for repair are also not easily available. As such the company has planned to replace the 11 kV Circuit Breakers in a phased manner. The company is proposing to purchase 1 number of 11 kV retrofit Vacuum Circuit Breaker in place of existing 11 kV VD4 model Vacuum Circuit Breaker during the year 2024-25.

b. 11 kV retrofit Vacuum Circuit Breaker - Rs. 6.5 Lakh.

55. The proposal is for replacing SF6 Circuit Breaker with 11 kV retrofit Vacuum Circuit Breaker. The company is having 9 numbers of 11 kV feeder circuit breakers in the EHT substation for providing supply to the consumers. Out of which 5 of the 11 kV Circuit Breakers are vacuum type circuit breakers (model: VD4) and 4 of them are SF6 type 11 kV Circuit breakers of ABB make. The manufacturer has stopped the production of both models of circuit breakers and hence the spare parts for repair are also not easily available. As such the company has planned to replace the 11 kV Circuit Breakers in a phased manner. The company is proposing to purchase 1 number of 11 kV retrofit Vacuum Circuit Breaker in place of existing 11 kV SF6 Circuit Breaker during the year 2024-25.

c. Printer - Rs. 1.5 Lakh

56. The licensee has stated that the existing printers of the company are very old and hence proposes the purchase of one new printer for general office purposes.

D. Capital Investment plan for the year 2025-26

a. 11 kV SF6 Ring Main Units - Rs.13.6 Lakh

57. The proposal is for replacing the Oil RMUs with 11 kV SF6 Ring Main Units. The company is having 9 numbers of unitised substation for providing low tension power supply to the consumers and in which oil type Ring Main Units are used for tapping the 11 kV power from the HT distribution network of the company. The oil type Ring Main units are of old type technology and now a days SF6 type Ring main units are commonly used. As such the company has planned to replace two numbers of the 11 kV oil type RMU units with SF6 type Ring main units during 2025-26.

E. Capital Investment plan for the year 2026-27

a. 11 kV retrofit Vacuum Circuit Breaker - Rs. 14 Lakh.

58. The proposal is to replace SF6 Circuit Breaker with 11 kV retrofit Vacuum Circuit Breaker. The company is having 9 numbers of 11 kV feeder circuit breakers in the EHT substation for providing supply to the consumers. Out of which 5 of the 11 kV Circuit Breakers are vacuum type circuit breakers (model: VD4) and 4 of them are SF6 type 11 kV Circuit breakers of ABB make. The manufacturer had stopped the production of both models of circuit breakers and hence the spare parts for repair are also not easily available. As such the company has planned to replace the 11 kV Circuit Breakers in a phased manner. The company is proposing to purchase 2 numbers of 11 kV retrofit Vacuum Circuit Breaker in place of existing 11 kV SF6 Circuit Breaker during the year 2024-25.
59. After the hearing, the licensee vide letter dated 24.02.2023 submitted the revised proposal of assets additions during the year. The licensee further stated that, the licensee would lose the balance depreciated value (WDV) while replacing the equipment's before the expiry of their approved life as per the MYT Regulation 2021. The licensee has also observed that the company will incur a loss in the form of the written down value of the assets as we replace the equipment's, prior to the end of the assets designated lifespan as pointed out by the Hon. Commission. In this context, the licensee has decided to step back from our earlier proposal in the petition and instead submitting the revised proposal to procure one spare for each equipment as an emergency backup in line with the suggestion of the Hon. Commission. The details are submitted below.

Table 24
Revised Capital Investment plan for the Control Period

Particulars		Quantity	Rs. Lakh	Total Rs. Lakh
2022-23	HT TOD Energy Meter	6	2.40	12.30
	Desktop & Laptop	3	3.40	
	11 kV retrofit Vacuum Circuit Breaker in place of SF6 Circuit Breaker	1	6.50	
2023-24	Retrofit breaker for the 110 kV EHT Circuit Breaker Alstom FX 11	1	12.00	12.00
2024-25	11 kV retrofit Vacuum Circuit Breaker in place of VD4 VCB	1	5.00	6.50
	Printer	1	1.50	
2025-26	11 kV SF6 Ring Main Units in place of Oil RMU	1	6.80	6.80
Total				37.60

60. The Commission observed that, all the capital investments are proposed to be financed from the equity of the company and the projected costs is based on

the market rate. After examining the proposal for its necessity, the Commission is convinced that there exists a requirement for the addition of distribution assets. However, the Commission is not convinced regarding the cost estimates of the proposal. ***The Commission hereby directs that the licensee shall adopt transparent tendering procedure and shall finalise the contracts only when responsive and competitive bids are received in sufficient numbers.***

61. The licensee has proposed that the funding of the proposal is from their equity source of fund. However, the licensee fails to substantiate the additional equity fund of the business. The Commission in its Order dated 19-10-2020 confirmed that the licensee is eligible for the return on equity on 30% of Rs.900 lakhs only and not on any additions unless there is an increase in the paid-up equity capital corresponding to the GFA additions claimed. Therefore, the ROE on increased equity can be allowed only when there is an increase in equity share capital and corresponding issue of shares to the shareholders. The Commission has already allowed interest on normative loan for the entire portion of the cost of assets additions from 2015-16 onwards. Therefore, the licensee is only eligible for interest on normative loan for the entire portion of the cost of assets additions during Control period.
62. ***Accordingly, the Commission provisionally approve the capital investment plan for the control period and hereby directs the licensee to submit the supporting documents before the Commission while claiming the assets additions in Truing Up of accounts for the Control Period. The approval of asset addition will be considered only after the prudence check by the Commission. Accordingly, the capital expenditure approved for the control period is as shown below:***

**Table 25
Approved Capital Investment plan for the Control Period**

Particulars		Quantity	Rs. Lakh	Total Rs. Lakh
2022-23	HT TOD Energy Meter	6	2.40	12.30
	Desktop & Laptop	3	3.40	
	11 kV retrofit Vacuum Circuit Breaker in place of SF6 Circuit Breaker	1	6.50	
2023-24	Retrofit breaker for the 110 kV EHT Circuit Breaker Alstom FX 11	1	12.00	12.00
2024-25	11 kV retrofit Vacuum Circuit Breaker in place of VD4 VCB	1	5.00	6.50
	Printer	1	1.50	
2025-26	11 kV SF6 Ring Main Units in place of Oil RMU	1	6.80	6.80
Total				37.60

Depreciation

63. Depreciation is claimed as per the provisions of the Regulations. The Capital additions are also considered for claiming depreciation. The depreciation for the asset additions can be considered based on approval of the same for the Control Period. The asset additions proposed are mainly for replacement of old/outdated equipment.

Table 26
Depreciation proposed to Control Period 2022-23

Assets	Rate (%)	At the beginning of the year	Additions during the year	At the end of the year	Depreciation
Land & land rights	0.00	26.85		26.85	-
Civil works for EHT Substation	3.34	9.26		9.26	0.42
HV Distribution system/Transmission line	5.28	99.00		99.00	1.80
HT Distribution lines	5.28	122.03		122.03	2.62
Sub-station equipments	5.28	489.05	6.50	495.55	16.15
Switchgears, Control gear & Protection	5.28	16.31		16.31	0.90
Others (Testing Equipments)	5.28	23.37		23.37	1.23
Distribution lines	5.28	0.28		0.28	
Sub-station equipments	5.28	35.86		35.86	1.89
Switchgears, Control gear & Protection	5.28	40.56		40.56	1.56
Batteries	5.28	0.44		0.44	0.02
Meters	5.28	1.18	2.40	3.58	0.24
Furniture & fixtures for Substation	6.33	0.77		0.77	0.04
IT Equipments	15.00	5.19	3.40	8.59	1.67
Any other items		230.58	0.00	230.58	6.49
Asset considered for depreciation		1100.74	12.30	1113.04	35.04
Work in progress		5.75		5.75	
Net Assets		1106.49	12.30	1118.79	35.04

Table 27
Depreciation proposed to Control Period 2023-24

Assets	Rate (%)	At the beginning of the year	Additions during the year	At the end of the year	Depreciation
Land & land rights	0.00	26.85		26.85	-
Civil works for EHT Substation	3.34	9.26		9.26	0.42
HV Distribution system/Transmission line	5.28	99.00		99.00	1.80
HT Distribution lines	5.28	122.03		122.03	2.62
Sub-station equipments	5.28	495.55	12.00	507.55	16.79
Switchgears, Control gear & Protection	5.28	16.31		16.31	0.90
Batteries	5.28	0.00		0.00	
Others (Testing Equipments)	5.28	23.37		23.37	1.23
Distribution lines	5.28	0.28		0.28	
Sub-station equipments	5.28	35.86		35.86	1.89
Switchgears, Control gear & Protection	5.28	40.56		40.56	1.56
Batteries	5.28	0.44		0.44	0.02
Meters	5.28	3.58		3.58	0.24
Furniture & fixtures for Substation	6.33	0.77		0.77	0.04

IT Equipments	15.00	8.59		8.59	1.67
Any other items		230.58		230.58	6.49
Asset considered for depreciation		1113.04	12.00	1125.04	35.04
Work in progress		5.75		5.75	
Net Assets		1118.79	12.00	1130.79	35.67

Table 28
Depreciation proposed to Control Period 2024-25

Assets	Rate (%)	At the beginning of the year	Additions during the year	At the end of the year	Depreciation
Land & land rights	0.00	26.85		26.85	
Civil works for EHT Substation	3.34	9.26		9.26	0.42
HV Distribution system/Transmission line	5.28	99.00		99.00	1.80
HT Distribution lines	5.28	122.03		122.03	2.62
Sub-station equipments	5.28	507.55	11.50	519.05	17.39
Switchgears, Control gear & Protection	5.28	16.31		16.31	0.90
Others (Testing Equipments)	5.28	23.37		23.37	1.23
Distribution lines	5.28	0.28		0.28	
Sub-station equipments	5.28	35.86		35.86	1.89
Switchgears, Control gear & Protection	5.28	40.56		40.56	1.56
Batteries	5.28	0.44		0.44	0.02
Meters	5.28	3.58		3.58	0.24
Furniture & fixtures for Substation	6.33	0.77		0.77	0.04
IT Equipments	15.00	8.59	1.50	10.09	1.89
Any other items		230.58		230.58	6.49
Asset considered for depreciation		1130.79	13.00	1143.79	36.51
Work in progress		5.75		5.75	
Net Assets		1130.79	13.00	1143.79	36.51

Table 29
Depreciation proposed to Control Period 2025-26

Assets	Rate (%)	At the beginning of the year	Additions during the year	At the end of the year	Depreciation
Land & land rights	0.00	26.85		26.85	
Civil works for EHT Substation	3.34	9.26		9.26	0.42
HV Distribution system/Transmission line	5.28	99.00		99.00	1.80
HT Distribution lines	5.28	122.03		122.03	2.62
Sub-station equipments	5.28	519.05	13.60	532.65	18.11
Switchgears, Control gear & Protection	5.28	16.31		16.31	0.90
Others (Testing Equipments)	5.28	23.37		23.37	1.23
Distribution lines	5.28	0.28		0.28	
Sub-station equipments	5.28	35.86		35.86	1.89
Switchgears, Control gear & Protection	5.28	40.56		40.56	1.56
Batteries	5.28	0.44		0.44	0.02
Meters	5.28	3.58		3.58	0.24
Furniture & fixtures for Substation	6.33	0.77		0.77	0.04
IT Equipments	15.00	10.09		10.09	0.75
Any other items		230.58		230.58	6.49
Asset considered for depreciation		1138.04	13.60	1151.64	36.08
Work in progress		5.75		5.75	
Net Assets		1143.79	13.60	1157.39	36.08

Table 30
Depreciation proposed to Control Period 2026-27

Assets	Rate (%)	At the beginning of the year	Additions during the year	At the end of the year	Depreciation
Land & land rights	0.00	26.85		26.85	
Civil works for EHT Substation	3.34	9.26		9.26	0.42
HV Distribution system/Transmission line	5.28	99.00		99.00	1.80
HT Distribution lines	5.28	122.03		122.03	2.62
Sub-station equipments	5.28	532.65	14.00	546.65	18.78
Switchgears, Control gear & Protection	5.28	16.31		16.31	0.90
Others (Testing Equipments)	5.28	23.37		23.37	1.23
Distribution lines	5.28	0.28		0.28	
Sub-station equipments	5.28	35.86		35.86	1.89
Switchgears, Control gear & Protection	5.28	40.56		40.56	1.56
Batteries	5.28	0.44		0.44	0.02
Meters	5.28	3.58		3.58	0.24
Furniture & fixtures for Substation	6.33	0.77		0.77	0.04
IT Equipments	15.00	10.09		10.09	
Any other items		230.58		230.58	6.49
Net Asset considered for depreciation		1151.64	14.00	1165.64	36.51
Work in progress		5.75		5.75	
Net Assets		1157.39	14.00	1171.39	36.51

64. The Commission noted that, the licensee has claimed depreciation for assets addition during the year based on the original claim, i.e. Rs.64.90 lakh. However, the email dated 16.10.2023 the licensee submitted the revised submission. In the revised submission, the licensee has not submitted any details of assets they have dismantled in view of the replacement of existing assets. ***The Commission has directed that, the assets which are dismantled due to the replacement of existing assets is to be withdrawn from the books of accounts when new assets are commissioned/replaced and carryout necessary changes in the books of accounts in the petition for Truing Up of Accounts.***
65. The Commission has considered the calculation of depreciation based on the revised submission of the licensee and the opening balance of assets as per the Truing Up Order dated 01.09.2023 for the year 2021-22. ***Considering the provisional approval on proposed capital expenditure in para 62 for Control Period and the provisions and rates specified in the Tariff Regulations 2021, depreciation approved for the Control Period is tabulated below.***

**Table 31
Depreciation Approved for the Control Period 2022-23**

Asset Group	Rate (%)	Gross Fixed Assets			Depreciation		
		At the beginning of the year	Additions during the year	At the end of the year	Beginning of the year	Additions during the year	At the end of the year
Land & land rights	0	26.85	-	26.85	-	-	-
Civil works for EHT Substation	3.34	11.84	-	11.84	6.46	0.67	7.13
HV Distribution system/Transmission line	5.28	99.00	-	99.00	56.80	1.80	58.60
HT Distribution lines	5.28	172.24	-	172.24	70.41	3.75	74.16
Sub-station equipments	5.28	497.29	6.50	503.79	212.31	15.07	227.38
Others (Testing Equipments)	5.28	19.88	-	19.88	4.04	1.05	5.09
LT Distribution system	5.28	0.28	-	0.28	0.16	0.01	0.17
Switchgears, Control gear & Protection	5.28	34.70	-	34.70	18.93	0.75	19.68
Batteries	5.28	0.44	-	0.44	0.08	0.02	0.10
Others	5.28	0.62	-	0.62	0.12	0.06	0.18
Meters	5.28	0.00	2.40	2.40	0.00	0.13	0.13
Furniture & fixtures for Substation	6.33	0.77	-	0.77	0.45	0.03	0.48
IT Equipments	15	6.69	3.40	10.09	1.66	1.43	3.09
Any other items		228.00		228.00	126.01	4.40	130.41
Gross Asset		1098.61	12.30	1110.91	497.44	29.17	526.60

**Table 32
Depreciation Approved for the Control Period 2023-24**

Asset Group	Rate (%)	Gross Fixed Assets			Depreciation		
		At the beginning of the year	Additions during the year	At the end of the year	Beginning of the year	Additions during the year	At the end of the year
Land & land rights	0	26.85	-	26.85	-	-	-
Civil works for EHT Substation	3.34	11.84	-	11.84	7.13	0.67	7.80
HV Distribution system/Transmission line	5.28	99.00	-	99.00	58.60	1.80	60.40
HT Distribution lines	5.28	172.24	-	172.24	74.16	3.75	77.91
Sub-station equipments	5.28	503.79	12.00	515.79	227.38	15.70	243.09
Others (Testing Equipments)	5.28	19.88	-	19.88	5.09	1.05	6.14
LT Distribution System	5.28	0.28	-	0.28	0.17	0.01	0.18
Switchgears, Control gear & Protection	5.28	34.70	-	34.70	19.68	0.75	20.43
Batteries	5.28	0.44	-	0.44	0.10	0.02	0.12
Others	5.28	0.62	-	0.62	0.18	0.06	0.24
Meters	5.28	2.40	-	2.40	0.13	0.13	0.25
Furniture & fixtures for Substation	6.33	0.77	-	0.77	0.48	0.03	0.51
IT Equipments	15	10.09	-	10.09	3.09	1.43	4.52
Any other items		228.00	-	228.00	130.41	4.40	134.81
Gross Asset		1110.91	12.00	1122.91	526.60	29.80	556.41

Table 33
Depreciation Approved for the Control Period 2024-25

Asset Group	Rate (%)	Gross Fixed Assets			Depreciation		
		At the beginning of the year	Additions during the year	At the end of the year	Beginning of the year	Additions during the year	At the end of the year
Land & land rights	0	26.85	-	26.85	-	-	-
Civil works for EHT Substation	3.34	11.84	-	11.84	7.80	0.67	8.47
HV Distribution system/Transmission line	5.28	99.00	-	99.00	60.40	1.80	62.20
HT Distribution lines	5.28	172.24		172.24	77.91	3.75	81.66
Sub-station equipments	5.28	515.79	5.00	520.79	243.09	15.97	259.05
Others (Testing Equipments)	5.28	19.88	-	19.88	6.14	1.05	7.19
LT Distribution System	5.28	0.28	-	0.28	0.18	0.01	0.19
Switchgears, Control gear & Protection	5.28	34.70	-	34.70	20.43	0.75	21.18
Batteries	5.28	0.44	-	0.44	0.12	0.02	0.14
Others	5.28	0.62	-	0.62	0.24	0.06	0.30
Meters	5.28	2.40	-	2.40	0.25	0.13	0.38
Furniture & fixtures for Substation	6.33	0.77	-	0.77	0.51	0.03	0.54
IT Equipments	15	10.09	1.50	11.59	4.52	1.66	6.18
Any other items		228.00	-	228.00	134.81	4.40	139.21
Gross Asset		1122.91	6.50	1129.41	556.41	30.29	586.70

Table 34
Depreciation Approved for the Control Period 2025-26

Asset Group	Rate (%)	Gross Fixed Assets			Depreciation		
		At the beginning of the year	Additions during the year	At the end of the year	Beginning of the year	Additions during the year	At the end of the year
Land & land rights		26.85	-	26.85	0.00	-	-
Civil works for EHT Substation	3.34	11.84	-	11.84	8.47	0.67	9.14
HV Distribution system/Transmission line	5.28	99.00	-	99.00	62.20	1.80	64.00
HT Distribution lines	5.28	172.24	-	172.24	81.66	3.75	85.41
Sub-station equipments	5.28	520.79	6.80	527.59	259.05	16.33	275.38
Others (Testing Equipments)	5.28	19.88	-	19.88	7.19	1.05	8.24
LT Distribution System	5.28	0.28	-	0.28	0.19	0.01	0.20
Switchgears, Control gear & Protection	5.28	34.70	-	34.70	21.18	0.75	21.93
Batteries	5.28	0.44	-	0.44	0.14	0.02	0.16
Others	5.28	0.62	-	0.62	0.30	0.06	0.36
Meters	5.28	2.40	-	2.40	0.38	0.13	0.51
Furniture & fixtures for Substation	6.33	0.77	-	0.77	0.54	0.03	0.57
IT Equipments	15	11.59	-	11.59	6.18	1.66	7.84
Any other items		228.00	-	228.00	139.21	4.40	143.61
Gross Asset		1129.41	6.80	1136.21	586.70	30.65	617.35

Table 35
Depreciation Approved for the Control Period 2026-27

Asset Group	Rate (%)	Gross fixed assets			Current year depreciation		
		At the beginning of the year	Additions during the year	At the end of the year	Beginning of the year	Additions during the year	At the end of the year
Land & land rights	0	26.85	-	26.85	-	-	-
Civil works for EHT Substation	3.34	11.84	-	11.84	9.14	0.67	9.81
HV Distribution system/Transmission line	5.28	99.00	-	99.00	64.00	1.80	65.81
HT Distribution lines	5.28	172.24	-	172.24	85.41	3.75	89.16
Sub-station equipments	5.28	527.59	-	527.59	275.38	16.33	291.70
Others (Testing Equipments)	5.28	19.88	-	19.88	8.24	1.05	9.29
LT Distribution System	5.28	0.28	-	0.28	0.20	0.01	0.21
Switchgears, Control gear & Protection	5.28	34.70	-	34.70	21.93	0.75	22.68
Batteries	5.28	0.44	-	0.44	0.16	0.02	0.18
Others	5.28	0.62	-	0.62	0.36	0.06	0.42
Meters	5.28	2.40	-	2.40	0.51	0.13	0.63
Furniture & fixtures for Substation	6.33	0.77	-	0.77	0.57	0.03	0.60
IT Equipments	15.00	11.59	-	11.59	7.84	1.66	9.50
Any other items		228.00	-	228.00	143.61	4.40	148.01
Gross Asset		1136.21	-	1136.21	617.35	30.65	648.00

66. Accordingly, the depreciation approved for each year of the control period is shown below.

Table 36
Approved Depreciation for the Control Period (Rs. Lakh)

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Depreciation	29.17	29.80	30.29	30.65	30.65

Interest and Finance Charges

67. The licensee has projected interest and finance charges for each year of the Control Period which includes interest on normative loan and bank charges for the security provided to KSEB Ltd. The details of the projections made by the licensee for each year are shown below.

Table 37
Interest and Finance Charges proposed for the control period

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Finance and Bank charges	0.93	0.98	1.03	1.08	1.13
Interest on Normative Loan	55.47	53.18	50.83	48.51	46.25
Total	56.40	54.16	51.86	49.59	47.38

A. Finance and Bank Charges

68. The licensee has projected bank guarantee and letter of credit charges as demanded by KSEB Ltd for each year of the Control Period. The claim is for the double security mechanism for executing the PPA as required by KSEB Ltd. The licensee has stated that though they had approached KSEB Ltd to relax the double security mechanism proposed in Article 8.9 and 8.12 of the power purchase agreement, KSEB Ltd had insisted for double security mechanism. The licensee has stated that the same has been projected at the escalation rate of 4.454% from the actual expenditure incurred during the year 2020-21.

Table 38
Finance and Bank Charges proposed for the control period

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
LC & BG Charges	0.79	0.83	0.87	0.91	0.95
Bank Charges	0.14	0.15	0.16	0.17	0.18
Total	0.93	0.98	1.03	1.08	1.13

69. The Commission noticed that, the escalation rate of 4.454% was arrived at based on the increase in Consumer Price Index and Wholesale Price Index which is relevant for O&M Expenses comprising employee cost, Repair and Maintenance expenses and the A&G expenses. That rate cannot be applied for LC and Bank Charges, which is purely finance charges. Therefore, the Commission is not in a position to accept the escalation applied by the licensee in their petition. As the security amount and LC amount remains the same during the Control Period, ***the Commission hereby approves the interest and finance charge claimed by the licensee for the first year of the Control Period and apply the same during the Control Period without any escalation.***

Table 39
Finance and Bank Charges proposed for the control period

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
L C & BG Charges	0.79	0.79	0.79	0.79	0.79
Bank Charges	0.14	0.14	0.14	0.14	0.14
Total	0.93	0.93	0.93	0.93	0.93

B. Interest on Normative Loan

70. The licensee has stated that the business of Rubber Park is entirely funded by the equity contribution from Kinfra and Rubber Board and they have not availed any loans. The interest on normative loan projected by the licensee for the years of the Control Period is tabulated below.

Table 40
Interest on normative loan proposed for the Control Period

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
	Projected	Projected	Projected	Projected	Projected
Gross Normative loan - Opening	1,106.49	1,118.79	1,130.79	1,143.79	1,157.39
Net Additions during the Year	12.30	12.00	13.00	13.60	14.00
Net Additions during the year on pro- rata basis	6.15	6.00	6.50	6.80	7.00
70% Capital cost approved by Commission	778.85	787.35	796.10	805.41	815.07
Cumulative repayment of Normative Loan up to previous year	110.35	145.39	181.06	217.57	253.65
Net Normative loan - Opening	664.20	637.77	610.49	583.08	556.52
Increase/Decrease due to ACE/de-capitalization during the Year	6.15	6.00	6.50	6.8	7.00
Repayments of Normative Loan during the year	35.04	35.67	36.51	36.08	36.00
Net Normative loan - Closing	633.46	606.29	578.53	551.76	525.43
Average Normative Loan	648.83	622.03	594.51	567.42	540.98
Weighted average Rate of Interest of actual Loans	8.55	8.55	8.55	8.55	8.55
Interest on Normative loan	55.47	53.18	50.83	48.51	46.25

71. The Commission examined the submission of the licensees and observed that, the licensee has claimed the opening balance of gross fixed assets of Rs.1106.49 lakh as opening gross normative loan. In this context, the directions in the Order of the Hon. APTEL dated 18-06-2020 in Appeal No.114 of 2018 filed by M/s Rubber Park India (P) Ltd against the Orders dated 26-07-2017 and 13-12-2017 of the Commission in the matter of Truing up of Accounts for the year 2015-16 and the Review thereof is relevant.
72. In the said appeal, the appellant, RPIL raised two issues, (1) Disallowance of interest on normative loan for the existing assets for the year 2015-16 (2) Disallowance of Return on Equity for the addition of assets during 2015-16, in connection with the Truing Up of Accounts of the licensee for the year 2015-16. The Hon. APTEL in its remand Order dated 18-06-2020 directed remission of the issues to the State Commission for re-consideration and fresh adjudication in accordance with law. After examining the matter in detail in the light of directions by Hon. APTEL and based on the material placed before the Commission as well as the provisions of the Tariff Regulation 2006 and 2014, the Commission vide Order dated 19-10-2020 ordered that the interest charges for the assets created from the year 2015-16 alone can be allowed. The relevant portion of the Order is given below.

“48. After examining the matter in detail in the light of directions by Hon. APTEL vide its Order dated 18.06.2020 and the material placed before the Commission and the provisions of the Tariff Regulation 2006 and 2014, the Commission came to the conclusion;

- i. that the interest charges for the assets created during the year 2015-16 alone can be allowed, considering the fact that the licensee could not produce any material evidence for funding of the said assets using paid up equity capital.*
- ii. Asset addition of Rs.66.49 lakh during 2015-16 is here by treated as normative loan and interest is allowed on pro rata basis as mentioned in Para 40 ibid.*
- iii. Regarding the contention of interest on normative loan for the existing assets as on 01.04.2015, considering the provisions of Tariff Regulation 2006 & Tariff Regulations 2014 and other facts as explained in para 29 to 37, interest charges on normative basis is not allowed. However, the same is subject to the observations mentioned in para 21 above.”*

“21. Thus, there were no provisions for treatment of funding of existing assets as on 01.04.2007 in a normative manner, and the only treatment mentioned in the Regulation is on allowing actual basis or as approved by the Commission in case there is any loans. In other words, in the case of existing assets, whatever is approved in the previous occasions are to be taken as a base. On the other hand, the future addition of assets that is assets added after 01.04.2007 can be treated with normative debt -equity ratio of 70:30. Hence, normative treatment is possible for the addition of assets from 01.04.2007 to 31.03.2014 as per Regulations and interest charges on the said loan is allowable.”

- 73. In the Truing Up Order for the previous years, the Commission adopted the practice of allowing normative interest on additions to fixed assets from 2015-16 onwards. Accordingly, in 2021-22 vide Truing Up Order dated 01.09.2023, the Commission has allowed interest on normative loan of Rs.9.36 lakh on the average normative loan balance of Rs.80.82 lakh. In the same Order the Commission has arrived the closing normative loan value as on 31.03.2022 as Rs.178.67 lakh. Considering this, the Commission hereby adopt the same methodology followed in the Truing Up Order 2021-22 and allowing the Interest on normative loan accordingly.
- 74. As per second proviso to Regulation 29(4) of Tariff Regulations, 2018, if the licensee does not have any actual loan portfolio, interest charges shall be calculated at Base rate. The base rate as per Tariff Regulation, 2018 is External Benchmark based Lending Rate (EBLR) as on 01.04.2022. Accordingly, the Commission considers the assets created during the Control

Period for computation of interest on normative loan. The approved amount is shown below.

Table 41
Approved Interest on normative loan (Rs. lakh)

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Opening Normative loan	178.67	161.80	144.00	120.21	96.36
Additional Normative loan during the year	12.30	12.00	6.50	6.80	
Allowable depreciation as repayment	29.17	29.80	30.29	30.65	30.65
Closing Normative loan	161.80	144.00	120.21	96.36	65.71
Average Normative Loan	170.24	152.90	132.11	108.29	81.04
Rate of Interest (%)	6.65%	6.65%	6.65%	6.65%	6.65%
Interest on Normative loan	11.32	10.17	8.78	7.20	5.39

75. The Interest and Finance charges approved for the Control Period is shown below.

Table 42
Interest and Finance Charges approved for the control period (Rs. lakh)

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Finance and Bank charges	0.93	0.93	0.93	0.93	0.93
Interest on Normative Loan	11.32	10.17	8.78	7.20	5.39
Total	12.25	11.10	9.71	8.13	6.32

Return on Equity

76. The licensee states that the business of Rubber Park is entirely funded by the equity contribution from Kinfra and Rubber Board. The Commission in its order on ARR & ERC for the previous Control Period and truing up of accounts had allowed RoE @14% of the normative equity. Regulation 28 of the Tariff Regulations, 2021 provides for Return on equity share capital or net fixed assets.

28. Return on Paid up Equity or Net Fixed Assets. –

(1). Return on equity shall be computed in rupee terms, on the paid-up equity share capital and shall be allowed at the rate of fourteen percent (14%) per annum:

Provided that in the case of increase in the equity share capital of the generating business/ company, transmission business/ licensee, distribution business/ licensee and State Load Despatch Centre, the additional amount of equity share capital infused into the generating business/ company, transmission business/ licensee, distribution business/ licensee and State Load Despatch Centre, and approved by the Commission for the assets put to its intended use shall be provided with ROE at 14% per annum on pro rata basis from the date of issuance of the equity shares:

Provided further that the generating business/ company, transmission business/ licensee, distribution business/ licensee and State Load Despatch Centre shall provide the complete details of the source of funding for such equity share capital.

(2). If there is no equity share capital invested in the business or the equity invested in the regulated business of the generating business/ company or transmission business/ licensee or distribution business/ licensee or State Load Despatch Centre or such equity share capital is not clearly identifiable, return at the rate of 5.50 percent shall be allowed on the net fixed assets at the beginning of the financial year for such regulated business:

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

77. The claim made by the licensee for the years of the Control Period is tabulated below.

Table 43
Return on Equity Claimed for the Control Period (Rs. lakh)

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
	(Projected)	Projected)	Projected)	Projected)	(Projected)
Equity at the beginning of the year	1,106.49	1,118.79	1,130.79	1,143.79	1,157.39
Capitalisation during the year	12.00	12.00	13.00	13.60	14.00
Gross Equity at the end of the year after Capital addition	1,118.49	1,130.79	1,143.79	1,157.39	1,171.39
Equity portion of capitalisation on pro- rata basis	6.00	6.00	6.50	6.80	7.00
Equity at the end of the year on pro rata	1,112.49	1,124.79	1,137.29	1,150.59	1,164.39
Normative Equity Closing	333.75	337.44	341.19	345.18	349.32
Return on Equity at the beginning of the year	46.47	46.99	47.49	48.04	48.61
Return on Equity portion of additional capitalisation	0.25	0.25	0.27	0.29	0.29
Total Return on Equity	46.72	47.24	47.76	48.33	48.90

78. The Commission in its Order dated 19-10-2020 confirmed that the licensee is eligible for the return on equity on 30% of Rs.900 lakh only and not on any additions unless there is an increase in the paid-up equity capital corresponding to the GFA additions claimed. This was on account of the fact that the licensee had not produced any document to establish that the Board had approved and enhanced the paid-up capital after due approval of MCA and CLB to the extent of increase in value of assets. The Commission had therefore approved an amount of Rs.37.80 lakh towards Return on Equity for the year 2015-16 at the time of truing up considering Rs.900.00 lakh as the share of total paid up capital for the distribution business.

79. The licensee has now claimed Rs.1106.49 lakh as opening gross equity value at the beginning of the year 2022-23. As mentioned above RoE on increased equity can be allowed only when there is an increase in equity share capital and corresponding issue of shares to the shareholders. Here, no such documents to substantiate any such increase has been produced by the licensee. Further the Commission had considered for return on equity 30% of Rs.900 lakh which according to the licensee is the segregated portion of the paid-up capital for distribution business. The Commission has already allowed interest on normative loan for the entire portion of the cost of assets additions from 2015-16 onwards. In Truing Up Orders, the Commission admitted ROE on this basis only. Since the licensee has not been able to produce any documents to prove the increase in paid up equity, the licensee is only eligible for the RoE for the actual capital employed of Rs.900.00 lakh. RoE of 14% shall be applicable for 30% of the equity i.e., Rs.900.00 lakh. **Considering this, an amount of Rs.37.80 lakh (Rs.900.00 lakh X 30% X 14%) is approved as Return on Equity for the entire Control Period.**

Tax on RoE

80. The licensee in the petition has projected Tax on ROE for the years of the Control Period. As per the Regulation 31 of the Tariff Regulations 2021 “*The Commission shall provisionally approve the Income Tax payable for the appropriate years of the Control Period, if any, based on the permissible return on equity share capital or return on net fixed assets, as approved by the Commission relating to the generating business/ company or transmission business/ licensee or distribution business/ licensee or the State Load Despatch Centre, as the case may be and included in the Aggregate Revenue Requirements:*”
81. The licensee has stated that during 2019-20 and 2020-21, the income tax paid was apportioned on the basis of ratio between ‘Profit before tax as per audited P&L Statement’ and ‘ROE’ for arriving the tax on returns. The net profit for the year 2020-21 according to the statement of the profit and loss account of the company prepared for the purpose of statutory audit is Rs.306.99 lakh. The company has paid a total of Rs.112.69 lakhs as income tax based on the Net profit of the company for the year 2020-21. The ROE arrived for the year 2020-21 is Rs.43.94 lakh. Accordingly, tax on return for the year 2020-21 has been taken in the ratio of ROE to Net profits which amount to Rs.16.13 lakhs.

Table 44
Tax on Return on Equity

Return on Equity for the FY 2020-21	Tax on Return for the FY 2020-21	Tax on return as a percentage of ROE
43.94	16.13	36.71

82. The tax on return for the year 2020-21 is 36.71% of the Return on equity claimed for the year. In order to project the tax on return for the control period, the licensee had considered the percentage of tax on return to the ROE claimed for the year 2020-21. The tax on RoE claimed for the control period is tabulated below;

Table 45
Tax on Return on Equity (Rs. Lakh)

Year	ROE Claimed	Tax on ROE (36.71% of ROE)
2022-23	46.72	17.15
2023-24	47.24	17.34
2024-25	47.76	17.53
2025-26	48.33	17.74
2026-27	48.90	17.95

83. The Commission has carefully examined the licensee's claim in the petition and the audited financial statements of the Company. The audited financial statements reveal that the Company is not maintaining any separate or segment accounts for the electricity distribution business and the licensee has not categorically established as to whether any income tax has actually been paid on the claimed return on equity. The Commission in its Truing Up Order dated 01.09.2023 confirmed that, the claim of tax on return on equity can be considered only when the licensee produces documentary evidence to prove that income tax on account of the electricity distribution business has actually been paid. ***The Commission is of the considered view that the claim of Tax on Return on Equity can be considered while truing up the accounts of the relevant financial years, based on submission of documentary evidence to prove that income tax on account of the electricity distribution business has actually been paid while filing the petition for Truing Up of accounts. Accordingly, the present projection made by the licensee for Tax on Return on Equity is deferred.***

Revenue from Sale of Power

84. The licensee has projected the Revenue from Sale of Power based on the revised Tariff Order dated 23.12.2022. The licensee further stated that, the Commission had implemented the new RST from 26.06.2022, RPIPL had estimated the revenue from energy charges up to 25.06.2022 (86 days) in the pre revised tariff and for the remaining 279 days in the revised tariff for the year 2022-23. The licensee has projected the demand charges for the HT consumers from 26.06.2022 to 31.03.2023 for 86 days instead of 279 days in the revised tariff sheets submitted vide the letter dated 23.12.2022. RPIPL had submitted the corrected sheets vide the letter dated 07.02.2023. The category wise expected revenue from sale of power as per the prevailing Retail Supply Tariff for each year of the control period is tabulated as below.

Table 46
Revenue from sale of Power for the year 2022-23

Tariff Category	Number of Consumers	Connected Load (kVA/KW)	Units Sold (lakh units)	Demand Charge (Rs.lakh)	Energy Charge (Rs. lakh)	PF Incent/ penalty (Rs. lakh)	Total (Rs. lakh)	Average realisation
LT IV	23	1445	25.40	31.47	147.84	-0.62	178.69	7.04
LT VI B	1	35	0.10	0.36	0.42		0.78	11.95
LT VI F	2	25.942	0.90	0.49	8.52		9.01	9.72
LT VII A	17	147	2.70	2.70	19.96		22.66	8.49
Street Light	6		0.30	0.05	1.44		1.49	4.76
HT-1	20	8715	298.60	296.66	1797.10	-24.98	2068.77	6.93
Total	69	10367.94	328.00	331.72	1975.28	-25.60	2281.40	

Table 47
Revenue from sale of Power for the year 2023-24

Tariff Category	Number of Consumers	Connected Load (kVA/KW)	Units Sold (lakh units)	Demand Charge (Rs.lakh)	Energy Charge (Rs. lakh)	PF Incent/ penalty (Rs. lakh)	Total (Rs. lakh)	Average realisation
LT IV	24	1520.00	26.10	33.74	152.90	-0.64	186.00	7.12
LT VI B	1	35.00	0.10	0.38	0.42		0.80	12.30
LT VI F	2	25.94	0.90	0.53	8.57		9.10	9.82
LT VII A	17	147.00	2.70	2.78	20.02		22.80	8.54
Street Light	6		0.30	0.05	1.47		1.53	4.87
HT-1	22	9115.00	307.60	319.94	1876.38	-26.08	2170.23	7.06
Total	72	10842.94	337.70	357.42	2059.76	-26.72	2390.46	

Table 48
Revenue from sale of Power for the year 2024-25

Tariff Category	Number of Consumers	Connected Load (kVA/KW)	Units Sold (lakh units)	Demand Charge (Rs.lakh)	Energy Charge (Rs. lakh)	PF Incent/ penalty (Rs. lakh)	Total (Rs. lakh)	Average realisation
LT IV	25	1595.00	26.90	35.41	157.48	-0.66	192.23	7.14
LT VI B	1	35.00	0.10	0.38	0.42		0.80	12.30
LT VI F	2	25.94	0.90	0.53	8.57		9.10	9.82
LT VII A	17	147.00	2.70	2.78	20.02		22.80	8.54
Street Light	6		0.30	0.05	1.47		1.53	4.87
HT-1	24	9515.00	316.80	333.98	1932.67	-26.86	2239.78	7.07
Total	75	11317.94	347.70	373.13	2120.64	-27.53	2466.24	

Table 49
Revenue from sale of Power for the year 2025-26

Tariff Category	Number of Consumers	Connected Load (kVA/KW)	Units Sold (lakh units)	Demand Charge (Rs.lakh)	Energy Charge (Rs. lakh)	PF Incent/ penalty (Rs. lakh)	Total (Rs. lakh)	Average realisation
LT IV	27	1745.00	27.70	38.74	162.21	-0.68	200.26	7.22
LT VI B	1	35.00	0.10	0.38	0.42		0.80	12.30
LT VI F	2	25.94	0.90	0.53	8.57		9.10	9.82
LT VII A	17	147.00	2.70	2.78	20.02		22.80	8.54
Street Light	6		0.30	0.05	1.47		1.53	4.87
HT-1	26	9915.00	326.30	348.02	1990.65	-27.67	2310.99	7.08
Total	79	11867.94	358.00	390.50	2183.34	-28.35	2545.49	

Table 50
Revenue from sale of Power for the year 2026-27

Tariff Category	Number of Consumers	Connected Load (kVA/KW)	Units Sold (lakh units)	Demand Charge (Rs.lakh)	Energy Charge (Rs. lakh)	PF Incent/ penalty (Rs. lakh)	Total (Rs. lakh)	Average realisation
LT IV	27	1745	28.60	38.74	167.07	-0.70	205.11	7.18
LT VI B	1	35	0.10	0.38	0.42		0.80	12.30
LT VI F	2	25.942	0.90	0.53	8.57		9.10	9.82
LT VII A	17	147	2.70	2.78	20.02		22.80	8.54
Street Light	6		0.30	0.05	1.47		1.53	4.87
HT-1	26	9915	336.10	348.02	2050.37	-28.50	2369.88	7.05
Total	79	11867.94	368.70	390.50	2247.93	-29.20	2609.22	

85. The licensee has projected increase in number of consumers only in the category of LT IV and HT-1. The major revenue realisation is from HT-1 category for each year of Control Period. The above tables indicate that, the projected HT-1 consumption as a percent of the total consumption ranges between 91.04% to 91.16%, whereas the average tariff realised from this category ranges from Rs.6.93/kWh to Rs.7.08/kWh. The overall revenue realisation from existing tariff projected by licensee is given below.

Table 51
Overall- Average realisation from existing tariff

Year	Energy Sales (lakh units)	Revenue from existing tariff (Rs. lakh)	Average Tariff (Rs. kWh)
2022-23	328.00	2281.4	6.96
2023-24	337.70	2390.46	7.08
2024-25	347.70	2466.24	7.09
2025-26	358.00	2545.49	7.11
2026-27	368.70	2609.22	7.08

86. After due consideration of all facts, figures and comments, ***the Commission provisionally approves the revenue from sale of power as estimated by the licensee for the Control Period on the condition that, the actuals only be allowed at the time of Truing up of accounts of the respective years.***

Wheeling charges

87. The licensee has also projected wheeling charges for each year of the control period. The licensee has projected that the open access consumer M/s. M Fuels to wheel 3.47 lakh units of power through the distribution network of Rubber Park. The forecast is based on the actual wheeling charge received up to December 2021. The licensee has not proposed any increase in the wheeling charges for the control period. The projection of the licensee is tabulated below.

Table 52
Income from Wheeling Charge

Year	Energy Wheeled (lakh units)	Wheeling Charge (Rs. lakh)
2022-23	3.47	2.07
2023-24	3.47	2.12
2024-25	3.47	2.12
2025-26	3.47	2.12
2026-27	3.47	2.12

88. The Commission noted that, the licensee has not proposed any increase in the wheeling charges for the Control Period. The Commission noted that, as per the Order on ARR&ERC and Tariff Order dated 25.06.2022 pertaining to KSEB Ltd, the wheeling charge at HT level of KSEB Ltd shall also be applicable to other distribution licensees. In the above said Order, the Commission had approved Rs.0.61/unit as wheeling charge at the HT level for the year 2022-23 and the approved rate is applicable only up to 31.03.2023. **After considering this, the Commission hereby provisionally approves the wheeling charges as projected by the licensee for each year of the control period subject to the changes in wheeling charges as approved by the Commission from time to time.**

Other Income

89. The licensee has projected only a minimal increase in the Non-Tariff Income for each year of the Control Period. The projection for the control period includes Interest on investments, fixed and call deposits and bank balances, Miscellaneous receipts and Commission for collection of electricity duty. The projection of the licensee is tabulated below;

Table 53
Other Income

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Interest on investments, fixed and call deposits and bank balances	1.34	1.34	1.34	1.34	1.34
Miscellaneous receipts	0.17	0.17	0.17	0.17	0.17
Commission for collection of electricity duty	0.55	0.57	0.58	0.60	0.62
Total	2.06	2.08	2.09	2.11	2.13

90. The Commission however notes that the petitioner has not indicated any receipt on account of interest on deposit with KSEB Ltd. Hence, the licensee vide letter dated 24.02.2023 submitted that, as directed by the Hon. Commission in the Truing Up order 2020-21, the said income is being booked as non-tariff income from the Truing Up petition 2021-22 onwards. However, as

the ARR & ERC petition was filed prior to the order of Truing Up for the FY 2020-21, the interest on security deposit with KSEB Ltd was not projected as Non-Tariff income in the petition. As the company had met the cash security deposit of Rs.173.53 lakh with KSEB Ltd from the surplus of the company, and the licensee request that the Hon. Commission may kindly deduct the same from the accumulated surplus while arriving the interest on accumulated surplus.

91. The Commission noted that as per Audited Accounts of RPIL, cash security deposit with KSEBL is Rs.173.37 lakh. Based on the direction of the Commission while truing up of accounts for 2020-21, an amount of Rs.8.06 lakh has been accounted as part of non-tariff income in 2021-22 Truing Up petition as interest on security deposits with KSEB Ltd. ***Considering this the Commission provisionally approves the interest on security deposit of Rs.7.37 lakh for the Control Period based on the bank rate (Standard rate notified by the RBI) of 4.25% as on 01.04.2022.***
92. The licensee after the Truing Up of Accounts for the year 2021-22 has an accumulated surplus of Rs.704.55 lakh. In the projections for the control period, the interest on the accumulated surplus is not shown as part of the proposed income for the control period. As per Regulation 83 of Tariff Regulations, 2018, the other income includes normative interest income calculated based on accumulated regulatory surplus. The relevant portion of the Regulation is shown below.

83. Other Income. –

(1) The receipts of other income of the distribution business/ licensee, as approved by the Commission, shall be deducted from the Aggregate Revenue Requirement while determining the tariff of the distribution business/ licensee.

(2) The indicative list of items to be considered as other income includes, -

- (i) interest on staff loans and advances;*
- (ii) income from statutory investments;*
- (iii) income from trading;*
- (iv) income from rent of land or buildings;*
- (v) income from sale of scrap;*
- (vi) income from staff welfare activities;*
- (vii) rental from staff quarters;*
- (viii) excess found on physical verification;*
- (ix) interest on investments, fixed and call deposits and the bank balances;*
- (x) interest on the advances to suppliers/ contractors;*
- (xi) income from hire charges from the contractors and others;*
- (xii) income due to right of way granted for laying fibre optic cables/ coaxial cables on the distribution system;*
- (xiii) income from advertisements etc.;*
- (xiv) miscellaneous receipts;*
- (xv) commission for the collection of electricity duty;*

- (xvi) interest received on delayed or deferred payment on the bills;
- (xvii) rebate from central generating stations;
- (xviii) interest income earned from security deposits;
- (xix) normative interest income calculated based on accumulated regulatory surplus;
- (xx) Any other receipts.

93. Considering the above Regulation, the Commission hereby considers the interest on accumulated surplus as part of non-tariff income based on the Bank Rate of 4.25% prevailing as on 01-04-2022. As per the Order on OP 28/2023 dated 01.09.2023 with regard to the Truing Up Order for the year 2021-22, the licensee is holding an accumulated surplus of Rs.704.55 lakh at the end of the year 2021-22. Accordingly, the interest on the revenue surplus is approved at a rate of xx.00% per annum (Standard rate notified by the RBI as on 01-04-2022) for an amount of Rs.704.55 lakh amounting to Rs.29.94 lakh (Rs.704.55 lakh*4.25%) is to be provided. As against this, the licensee has claimed Rs.1.34 lakh in the petition as interest on investment, fixed and call deposits for the Control Period. After deducting the same, the Commission hereby approves Rs.28.60 lakh (Rs.29.94 lakh-Rs.1.34 lakh) as interest on accumulated Surplus each year of the Control Period. Accordingly, the other income approved for the Control Period is shown below.

**Table 54
Other Income**

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Interest on investments, fixed and call deposits and bank balances	1.34	1.34	1.34	1.34	1.34
Miscellaneous receipts	0.17	0.17	0.17	0.17	0.17
Commission for collection of electricity duty	0.55	0.57	0.58	0.60	0.62
Interest on Security Deposit held with KSEB Ltd	7.37	7.37	7.37	7.37	7.37
Interest on the Accumulated Surplus	28.60	28.60	28.60	28.60	28.60
Total	38.03	38.05	38.06	38.08	38.10

94. Based on the discussions above, the Commission hereby approves the following amount as Non-tariff income for the control period as shown below.

**Table 55
Approved Non-Tariff Income**

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Income from Wheeling Charge	2.07	2.12	2.12	2.12	2.12
Other Income	38.03	38.05	38.06	38.08	38.10
Total	40.10	40.17	40.18	40.20	40.22

Revenue Surplus/Gap:

95. Based on the above, the revenue surplus/gap for the control period estimated by the licensee and that approved by the Commission are as follows.

Table 56
Revenue Surplus/ Gap, projected by the licensee and Approved by the Commission for the Control Period

(Rs. lakh)

Particulars	2022-23		2023-24	
	Projected	Approved	Projected	Approved
Cost of power purchase	2078.11	2071.02	2220.95	2213.30
Employee Expenses	89.21	71.68	100.90	74.87
Administration & General Expenses	56.45	19.48	58.68	20.34
Repair & Maintenance Expenses	45.09	42.87	47.10	44.78
Depreciation	35.04	29.17	35.67	29.80
Finance and Bank charges	0.93	0.93	0.98	0.93
Interest on Normative Loan	55.47	11.32	53.18	10.17
Total Revenue Expenditure	2360.31	2246.47	2517.46	2394.28
Return on Equity	46.72	37.80	47.24	37.80
Tax on ROE	17.15	-	17.34	-
Aggregate Revenue Requirement	2424.19	2284.27	2582.04	2431.99
Less: Non-Tariff income	4.13	40.10	4.20	40.17
Net Aggregate Revenue Requirement from Retail Tariff	2420.06	2244.17	2577.85	2391.82
Revenue from sale of power	2281.40	2281.40	2390.46	2390.46
Net Revenue gap/Surplus	-138.66	37.23	-187.39	-1.36

Table 57
Revenue Surplus/ Gap, projected by the licensee and approved by the Commission for the Control Period

(Rs. lakh)

Particulars	2024-25		2025-26	
	Projected	Approved	Projected	Approved
Cost of power purchase	2298.74	2290.78	2381.64	2373.39
Employee Expenses	105.39	78.21	110.07	81.69
Administration & General Expenses	61.00	21.25	63.40	22.20
Repair & Maintenance Expenses	49.20	46.78	51.39	48.86
Depreciation	36.51	30.29	36.08	30.65
Finance and Bank charges	1.03	0.93	1.08	0.93
Interest on Normative Loan	50.83	8.78	48.51	7.20
Total Revenue Expenditure	2602.70	2477.02	2692.17	2564.92
Return on Equity	47.76	37.80	48.33	37.80
Tax on ROE	17.53	-	17.74	-
Aggregate Revenue Requirement	2667.99	2514.82	2758.24	2602.72
Less: Non-Tariff income	4.21	40.18	4.23	40.20
Net Aggregate Revenue Requirement from Retail Tariff	2663.79	2474.64	2754.02	2562.52
Revenue from sale of power	2466.24	2466.24	2545.49	2545.49
Net Revenue gap/Surplus	-197.55	-8.40	-208.53	-17.03

Table 58
Revenue Surplus/ Gap, projected by the licensee and approved by the
Commission for the Control Period (Rs. lakh)

Particulars	2026-27	
	Projected	Approved
Cost of power purchase	2441.19	2433.12
Employee Expenses	115.01	85.33
Administration & General Expenses	65.91	23.18
Repair & Maintenance Expenses	53.68	51.04
Depreciation	36.00	30.65
Finance and Bank charges	1.13	0.93
Interest on Normative Loan	46.25	5.39
Total Revenue Expenditure	2759.17	2629.64
Return on Equity	48.90	37.80
Tax on ROE	17.95	-
Aggregate Revenue Requirement	2826.02	2667.44
Less: Non-Tariff income	4.25	40.22
Net Aggregate Revenue Requirement from Retail Tariff	2821.77	2627.22
Revenue from sale of power	2609.22	2609.22
Net Revenue gap/Surplus	-212.55	-18.00

Order of the Commission

96. The Commission considered the petition for approval of ARR & ERC for the Control Period 2022-23 to 2026-27, the additional clarifications and submissions furnished by the licensee along with the comments of KSEB Ltd. ***Accordingly the approved ARR & ERC for the Control Period 2022-23 to 2026-27 are as shown below.***

Table 59
Revenue Surplus/ Gap approved by the Commission for the Control Period
(Rs. lakh)

Particulars	2022-23		2023-24		2024-25	
	Projected	Approved	Projected	Approved	Projected	Approved
Total Revenue Expenditure	2424.17	2284.27	2582.04	2431.99	2667.99	2514.82
Total Income	2285.53	2321.50	2394.66	2430.63	2470.45	2506.42
Net Surplus/Gap	-138.66	37.23	-187.38	-1.36	-197.54	-8.40

Table 59
Revenue Surplus/ Gap approved by the Commission for the Control Period
(Rs. lakh)

Particulars	2025-26		2026-27	
	Projected	Approved	Projected	Approved
Total Revenue Expenditure	2758.24	2602.72	2826.02	2667.44
Total Income	2549.72	2585.69	2613.47	2649.44
Net Surplus/Gap	-208.52	-17.03	-212.55	-18.00

Directives of the Commission

97. In view of the facts and reasons explained in earlier paragraphs, the Commission gives the following directives.
- a) The licensee shall adopt transparent tendering procedure and shall finalise the contracts only when responsive and competitive bids are received in sufficient numbers for the Capital Investment.
 - b) The assets which are dismantled due to the replacement of existing assets is to be withdrawn from the books of accounts when new assets are commissioned/replaced and carryout necessary changes in the books of accounts in the petition for Truing Up of Accounts.
 - c) The licensee to submit the supporting documents before the Commission while claiming the assets additions in Truing Up of accounts for the Control Period. The approval of asset addition will be considered only after the prudence check by the Commission.
98. With the above, the petition is disposed of. Ordered accordingly.

Sd/-
Adv. A. J. Wilson
Member

Sd/-
Sri. B. Pradeep
Member

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