

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

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

**OP 28/2023**

In the matter of : Truing Up of Accounts of M/s Rubber Park India Private Limited for the Financial Year 2021-22.

Petitioner : M/s Rubber Park India Private Limited (RPIL)

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  
Sri. Ajith Kumar K.N, Executive Engineer, KSEB Ltd  
Sri. Rajesh R, Assistant Executive Engineer, KSEB Ltd  
Sri. Shine Raj, Assistant Engineer, KSEB Ltd  
Smt.Biji Christudas, Assistant Engineer, KSEB Ltd

Date of hearing : 04-07-2023

**ORDER DATED 01-09-2023**

1. M/s. Rubber Park India (P) Limited (hereinafter referred to as RPIL or the licensee or petitioner), is a distribution licensee regulated by the Kerala State Electricity Regulatory Commission (herein after referred to as the Commission) under the Electricity Act, 2003 for distribution of electricity to the Industrial units within the industrial park at Valayanchirangara near Perumbavoor in Ernakulam District.
2. The licensee has filed the instant petition as per the provisions of KSERC (Terms and Conditions for Determination of Tariff) Regulations 2018 (hereinafter referred to as the Tariff Regulations, 2018) for the Truing Up of accounts for the year 2021-22. The Commission had approved the ARR & ERC of the licensee for the Control Period from 2018-19 to 2021-22 as per Order dated 08-11-2019. In the present petition for truing up the accounts, the licensee has claimed a revenue surplus of Rs.45.61 lakh compared to revenue surplus of Rs.141.04 lakh approved by the Commission in the Order on ARR&ERC. A comparison of the claim made in the present petition with the ARR&ERC approved by the Commission and with the previous year is tabulated below.

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

Particulars	2020-21		2021-22		Deviation (Actual – Approved)
	For Truing Up	Trued Up	ARR&ERC Approved	For Truing Up	
Purchase of power	1646.11	1646.11	1955.81	1825.07	-130.74
Employee Cost	67.21	42.03	123.24	61.68	43.82
A & G Expenses	73.54	32.30		57.37	
R & M Expenses	47.50	47.50		48.01	
Depreciation	44.41	24.44	43.73	34.55	-9.18
Interest & Fin Charges/ bank Charges	0.75	0.75	2.19	0.52	-1.67
Interest on normative loan	56.85	4.55	1.91	58.60	56.69
ROE	43.67	37.80	42.35	44.47	2.12
Tax on ROE	16.03	0.00	-	11.67	11.67
<b>Total Expenditure</b>	<b>1996.07</b>	<b>1835.48</b>	<b>2169.23</b>	<b>2141.94</b>	<b>-27.29</b>
Revenue from sale of Power	1958.17	1958.17	2297.40	2173.56	-123.84
Wheeling Charges	7.75	7.75	0.21	3.47	3.26
Non-Tariff income	3.60	37.76	12.69	10.52	-2.17
<b>Total Income</b>	<b>1969.52</b>	<b>2003.68</b>	<b>2310.30</b>	<b>2187.55</b>	<b>-122.75</b>
<b>Revenue surplus (+) / gap (-)</b>	<b>(-)26.55</b>	<b>(+)168.20</b>	<b>(+)141.04</b>	<b>(+)45.61</b>	<b>-95.43</b>

3. The Commission vide letter dated 22-06-2023 sought clarifications to the licensee. The licensee has furnished the details vide letter No. RP/F/04/16533 dated 30-06-2023. The Commission admitted the petition as OP No. 28/2023.

### Public Hearing on the Petition

4. The hearing on the petition was conducted at the Court Hall, Office of the Commission on 04-07-2023. Sri George V James, Managing Director, Sri. M S Samuel, CFO & CS and Sri Anees T M, Asst. Manager (Electrical) participated in the hearing representing the licensee.
5. Sri. Anees, presented the details of the petition on the Truing Up of Accounts for the year 2021-22. The important submissions made by licensee during the hearing are summarized below.
- The energy sale for the year 2021-22 as per the petition is 330.81 lakh units, the power purchased during the year is 335.70 lakh units and the distribution loss for the year is 1.50%.
  - The power purchase cost incurred for the year 2021-22 is Rs.1825.07 lakh for the purchase of 335.70 lakh units.
  - The employee cost booked for the year 2021-22 amounts to Rs.61.68 lakh.
  - The Repair and maintenance cost claimed for the year 2021-22 amounts to Rs.48.01 lakh which includes Rs.6.42 lakh as one-time expense. The licensee also claimed Rs.0.95 lakh towards increase in outsourced R&M cost due to implementation of GST.
  - The A&G expense booked by the licensee during the year 2021-22 is Rs.57.37 lakh which includes Rs.19.52 lakh as Section 3 duty.

- f. The licensee has claimed an asset addition of Rs.99.38 lakh for the year and the depreciation claimed is Rs. 34.55 lakh.
  - g. The licensee has claimed Rs.59.12 lakh towards interest and finance charges in the Truing Up petition for 2021-22 including Rs.58.60 lakh as interest on normative loan and Rs.0.52 lakh as bank charges for the security provided to KSEB Ltd.
  - h. The return on equity claimed by the licensee amounts to Rs 44.47 lakh which is calculated at the rate of 14% on 30% of the equity at the beginning of the year and on pro rata basis for the assets put to use during the financial year.
  - i. The tax on RoE claimed by the licensee for the year is Rs. 11.67 lakh
  - j. The total revenue from sale of 330.81 lakh units accounted by the licensee is Rs.2177.03 lakh. The licensee has also accounted wheeling charge of Rs. 3.47 lakh for wheeling power to M/s M Fuel.
  - k. The non-tariff income booked by the licensee amounts to Rs.10.52 lakh which includes interest income, miscellaneous receipts and commission for collection of Electricity Duty.
  - l. There is a revenue surplus of Rs.45.61 lakh for the year 2021-22.
6. KSEB Ltd submitted their comments on the petition and the details are shown below.
- a. The quantum of energy purchased and the cost of purchase for 2021-22 claimed by the licensee tally with records of KSEB Ltd.
  - b. The O&M expenses claimed by the licensee is higher than the norms approved by the Commission. O&M being a controllable expense shall be limited to the norms.
  - c. With regard to claim on employee expenses, it was submitted that medical reimbursement amount claimed be limited to the dependent family members only.
  - d. Under R&M, the licensee has claimed an amount of Rs 6.42 lakh as one time repair and maintenance, which include Rs 0.66 lakh for oil filtration. It was submitted that Oil filtration is done yearly and the same cannot be considered as a one-time maintenance expense.
  - e. Electricity Duty under section 3(1) is also claimed in the A&G expenses. The Commission may adopt uniform approach regarding sec 3(1) duty.
  - f. With regard to asset addition, it was submitted that the Commission had not approved the proposal for Unitised Substation in the Order on ARR in OA 10/2019 dated 08.11.2019. The licensee has claimed an amount of Rs 53.87 lakhs towards construction of 800kVA USS. It is submitted that the amount may only be approved after prudence check.

- g. The depreciation of Rs.34.55 lakh claimed in the petition may be allowed only after prudence check as the Commission had approved only Rs 24.44 lakh as depreciation for the year 2020-21 in RP 08/2022.
- h. Interest on normative loan may be allowed only after finalization of asset addition and depreciation.
- i. RoE may be allowed based on the decision of the Commission allowing return for the actual capital employed of Rs. 900 lakhs.
- j. The non-tariff income for the year may be allowed considering the accumulated surplus of the licensee.
7. The licensee vide letter dated 03.07.2023 submitted the revised claim on depreciation and normative loan for the year 2021-22 as per review petition Order dated 28.02.2023. Considering the revised submission, the revenue surplus for the year is Rs.51.92 lakh. The details are show below.

Table 2  
Revised Truing Up claim during the year 2021-22

Particulars	2021-22		Revised Truing Up petition
	ARR & ERC Approved	For Truing Up	
Purchase of power	1955.81	1825.07	1825.07
Employee Cost		61.68	61.68
A & G Expenses	123.24	57.37	57.37
R & M Expenses		48.01	48.01
Depreciation	43.73	34.55	27.66
Interest & Fin Charges/ bank Charges	2.19	0.52	0.52
Interest on normative loan	1.91	58.60	59.19
ROE	42.35	44.47	44.46
Tax on ROE	-	11.67	11.67
<b>Total Expenditure</b>	<b>2169.23</b>	<b>2141.94</b>	<b>2135.64</b>
Revenue from sale of Power	2297.40	2173.56	2173.56
Wheeling Charges	0.21	3.47	3.47
Non-Tariff income	12.69	10.52	10.52
<b>Total Income</b>	<b>2310.30</b>	<b>2187.55</b>	<b>2187.55</b>
<b>Revenue surplus (+) / gap (-)</b>	<b>(+)141.04</b>	<b>(+)45.61</b>	<b>(+)51.92</b>

### Analysis and decision of the Commission

8. The Commission considered the petition of the licensee for Truing Up of Accounts for the year 2021-22 along with the additional clarifications furnished by the licensee dated 30-06-2023, the clarifications provided in the public hearing and the comments of KSEB Ltd vide letter dated 13.07.2023. The analysis and decisions of the Commission as per the provisions of the Tariff Regulations, 2018 on the petition for Truing Up of Accounts for the year 2021-22 are detailed below.

## Sales and Consumer mix

9. The total energy sale as per the petition for Truing Up of Accounts for 2021-22 is 330.81 lakh units including open access sales units of 4.10 lakh. A comparison of the actual sale of power and category wise number of consumers for the year 2020-21 and 2021-22 is given below.

Table 3  
Comparison of Energy Sales and No of Consumers for 2020-21 and 2021-22

Category	2020-21 – Trued Up		2021-22 – Truing Up	
	Number of Consumers	Sales in Lakh Units	Number of Consumers	Sales in Lakh Units
LT IV A	23	22.33	23	25.80
LT VI B	1	0.09	1	0.10
LT VI F	2	0.85	2	0.90
LT VII A	17	2.22	15	2.90
Street Light	6	0.35	6	0.30
HT-1 A	17	265.96	18	296.71
<b>Sub Total</b>	<b>66</b>	<b>291.80</b>	<b>65</b>	<b>326.71</b>
Open Access KSEB Ltd (M/s. M Fuel)		1.69		4.10
Open Access M/s. Classic Auto tubes Ltd		4.09		-
<b>Total</b>		<b>297.58</b>		<b>330.81</b>

10. The Commission examined in detail the submission of the licensee and noted that the actual sale has increased compared to the previous year. The Commission noted that during the previous year there was general industrial slowdown due to COVID pandemic which resulted in lower energy sales whereas there is sign of recovery.
11. The Commission notes that the major increase in sales of 30.75 lakh units (296.71 lakh units - 265.96 lakh units) was under the category of HT-1 consumers which indicates the impact of recovery from the COVID pandemic slowdown. M/s M Fuel is a consumer of KSEB Ltd and is located outside the area of the license of M/s RPIL. Thus, the sale of energy to M/s M fuel cannot be considered as part of the sales of M/s RPIL. However, the said sale volume can be considered for arriving at the distribution loss in the area and the charges received as wheeling charges for providing open access in the distribution system of RPIL shall form part of revenue of the licensee. **After examining the details furnished by the licensee, the Commission hereby approves the energy sales of 326.71 lakh units excluding open access to meet the sales outside license area, for the year 2021-22 as claimed by the licensee.**

## Distribution loss

12. The distribution loss as per the petition for Truing up of Accounts for the year 2021-22 is 1.50%. The Commission had approved a distribution loss of 1.90% for the

year 2021-22 as per the Order dated 08-11-2019 on ARR&ERC. As per the petition, the total energy input including wheeled energy is 335.70 lakh units and the actual energy output including wheeled energy sale for the year 2021-22 is 330.81 lakh units. The details as per the petition are tabulated below:

Table-4  
Comparison of Distribution loss

Particulars	2020-21			2021-22	
	ARR Approved	Truing up	Trued up	ARR Approved	Truing up
Energy Requirement (In lakh Units)	329.40	301.31	301.30	345.80	335.70
Energy Sales (In lakh Units)	323.10	297.59	297.58	339.20	330.81
Distribution loss (In lakh Units)	6.30	3.72	3.72	6.60	4.89
<b>Distribution loss %</b>	<b>1.90%</b>	<b>1.24%</b>	<b>1.24%</b>	<b>1.90%</b>	<b>1.50%</b>

13. The Commission notes that the distribution loss for the year 2021-22 is higher than the loss in the previous year. While truing up the accounts for the year 2020-21, the distribution loss was 1.24%. The licensee had submitted that one out of the two 10/12.5 MVA power transformers in their 110/11 kV EHT substation became faulty on 09-04-2020 which was repaired and energized after fault rectification on 10-04-2021 which had resulted in lower distribution loss in 2020-21. With regard to higher loss in 2021-22, during the hearing, the licensee had stated that higher loss is on account of the two 10/12.5 MVA power transformers in their 110/11 kV EHT substation.
14. The Commission further notes that, the loss for the year 2021-22 is lower than the loss level approved by the Commission in the Order on ARR & ERC. Reduction of distribution loss is an important performance parameter which has a direct impact on power purchase cost and energy available for distribution; it is a criterion that the licensee should continuously strive to improve upon. Regulation 12 of the Tariff Regulations, 2018 require that, if the actual distribution loss is higher than the approved level of distribution loss, then the quantum of power purchased corresponding to the excess distribution loss shall be disallowed at the average cost of power purchase as per the provisions of Clause 72(4) of the Tariff Regulations 2018. The relevant portion of the Regulations is shown below:

“72. Distribution loss: .....

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

*a) If the actual distribution loss is higher than the approved level of distribution loss for any particular financial year of the Control Period, then the quantum of power purchased corresponding to the excess distribution for that financial year shall be disallowed at the average cost of power purchase for the respective financial year”*

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

15. Hence, efficiency gain on the controllable parameters has to be shared in the ratio of 2:1 i.e., 2/3rd of gain is to be retained by the licensee and 1/3rd is allowed to be passed on to the consumers. As seen from the above Regulation, the licensee is required to adhere to the distribution loss as approved by the Commission in the ARR & ERC Order for the respective year. **Accordingly, the Commission hereby approves the actual distribution loss of 1.50% for the year 2021-22 for the purpose of Truing Up of Accounts as shown below:**

Table 5  
Approved distribution loss for 2021-22

Particulars	ARR Approved	Truing up	Trued Up
Energy Input plus energy wheeled (In lakh Units)	345.80	335.70	335.70
Energy Sales plus energy wheeled (In lakh Units)	339.20	330.81	330.81
Distribution loss (In lakh Units)	6.60	4.89	4.89
<b>Distribution loss %</b>	<b>1.90%</b>	<b>1.50%</b>	<b>1.50%</b>

### Power Purchase Cost

16. The power purchase cost claimed by the licensee as per the Truing Up petition is Rs.1825.07 lakh for the purchase of 331.40 lakh units from KSEB Ltd. The Commission in the ARR&ERC Order dated 08-11-2019 had approved the cost of power purchase of Rs.1955.81 lakh for a purchase of 345.80 lakh units. The details of the claim made by the licensee are shown below.

Table 6  
Power Purchase Cost claimed for 2021-22

Particulars	Approved in ARR 2021-22	As per Truing Up Petition 2021-22
Energy purchase (lakh units) (A)	345.80	331.40
Demand Charge (Rs in lakh) (B)	313.26	251.12
Energy Charge (Rs/kWh) (C)	4.75	4.75
Energy Charges (Rs in lakh) (D)	1642.55	1573.95
<b>Total Power Purchase Cost (Rs in lakh) (E)= (B)+(D)</b>	<b>1955.81</b>	<b>1825.07</b>
Average Power Purchase Cost (Rs. /Per unit) (F)= (E)/ (A)	5.66	5.51

17. It is seen that the actual energy sales for the year is slightly less than the projected sales for the year 2021-22. As such, the actual power purchase cost during the year

2021-22 is also lower than the power purchase cost approved for the year.

18. As mentioned in para 13 above, as per 72(4) of the Tariff Regulations, 2018, the licensee has to pass on 1/3rd of the efficiency gain to the consumers and balance can be retained. Accordingly, the power purchase cost for the year 2020-21 duly considering the Regulation 72(4) is as shown below.

Table 7  
Approved Power Purchase Cost for 2021-22

Sl No	Particulars	Trued Up
1	Actual Energy sales (lakh units)	326.71
2	Approved Distribution loss (%)	1.90%
3	Power purchase unit required from KSEB Ltd at approved distribution loss (lakh units) $(326.71/98.10*100)$	333.04
4	Actual Power Purchase Units (lakh units)	331.40
5	Efficiency Gain (lakh units (5-6))	1.64
6	Efficiency gain at average power purchase cost (Rs. lakh) $(1.64 \text{ lakh units} \times \text{Rs.}5.51/\text{unit})$	9.04
7	Efficiency gain to be retained by licensee (2/3rd) (Rs. lakh)	6.02
8	Actual Power purchase cost (Rs. lakh)	1825.07
9	<b>Approved Power purchase cost (Rs. lakh) (7+8)</b>	<b>1831.09</b>

19. **Accordingly, the Commission hereby approves Rs.1831.09 lakh as power purchase cost for the year 2021-22.**

### **Operation & Maintenance expenses**

20. Operation & Maintenance expenses are controllable items of expenditure and include expenses like Employee Cost, Repair & Maintenance Expenses and Administrative & General Expenses. The admissibility of Operation & Maintenance expenses to RPIL are governed by Regulation 79(5) of Tariff Regulations 2018 and the relevant portion of the regulation is extracted below:

*“79. Operation & Maintenance expenses.....*

*(5) The distribution business of Rubber Park of India (P) Ltd (RPIL) shall be allowed to recover operation and maintenance expenses as per the norms specified in Annexure-IX to these Regulations for each financial year of the Control Period.”*

21. The Commission as per Regulation 79(5) of the Tariff Regulations, 2018 had approved the Operation & Maintenance cost of RPIL for the Control Period in the ARR Order dated 08-11-2019 and Rs.123.24 lakh was approved for the year 2021-22. In the Truing Up petition for 2021-22, the licensee has claimed Rs.167.06 lakh as Operation & Maintenance expenses. A comparison of the claim made by the licensee and the amount approved by the Commission is shown below.



Table 8

Comparison of the O&amp;M expenses for the year 2020-21 and 2021-22 (Rs. lakh)

Particulars	2020-21		2021-22	
	For Truing Up	Trued Up	ARR & ERC Approved	For Truing Up
Employee Cost	67.21	42.03	58.70	61.68
A & G Expenses	73.54	32.20	24.03	57.37
R & M Expenses	47.50	47.50	40.50	48.01
<b>Total O&amp;M</b>	<b>188.25</b>	<b>121.73</b>	<b>123.23</b>	<b>167.06</b>

22. An analysis of the three items constituting the head O&M expenses indicates the nature of each of the three items of expenditure and its relevance to the actual operational requirement of the Electricity distribution business. Each component of the Operation & Maintenance Expense is taken up separately for analysis.

### Employee cost

23. As per the Tariff Regulations, 2018, the approved employee cost for the year 2021-22 is Rs.58.70 lakh. As against this, the licensee has claimed an amount of Rs.61.68 lakh as employee cost. The major portion of the employee cost is towards Basic salary, DA, Earned leave encashment, Medical Reimbursement, Provident fund contribution etc. During the previous year, the licensee had claimed an amount of Rs.67.21 lakh. The Commission after prudence check had approved only Rs.42.03 lakh. A comparison of the claim made by the licensee is tabulated below.

Table 9

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

Particulars	2020-21 Truing Up	2020-21 Trued Up	2021-22 ARR Approved	2021-22 Truing Up
Basic Salary	29.61			23.40
Dearness Allowance (DA)	18.91			18.59
House Rent Allowance	1.91			1.97
Conveyance Allowance	1.57			1.35
Earned Leave Encashment	5.49			6.96
Other Allowances	0.15	42.03	58.70	0.13
Medical Reimbursement	3.81			3.69
Staff welfare expenses	0.13			0.45
<b>Net Employee Costs</b>	<b>61.58</b>			<b>56.54</b>
Provident Fund Contribution	5.62			4.85
Gratuity Payment	0.00			0.28
<b>Gross Employee Expenses</b>	<b>67.21</b>	<b>42.03</b>	<b>58.70</b>	<b>61.68</b>

24. The Commission while truing up the accounts in 2020-21 had analyzed the claims under employee cost in detail and had directed the licensee to stop forthwith the deployment of inappropriately qualified officers and technicians in the electricity distribution business. The Commission had also disallowed the Salary and related expenses of Manager Technical from the employee cost and with regard to the salary and allowances of the Accounts Officer had allowed only 80% to the Electricity Distribution business. The licensee has now in the petition apportioned the employee cost as follows:

Table 10  
Apportionment of Employee Cost for 2021-22

Designation	Percentage apportioned to electricity distribution	Actual Employee Cost during FY 2021-22	Employee Cost apportioned to Truing Up during FY 2021-22
MD	50%	16.50	8.25
CFO& CS	60%	22.42	13.45
Asst Manager (Adm.)	50%	23.22	11.61
Asst Manager (Electrical)	100%	14.87	14.87
Asst. Resident Engineer	100%	6.93	6.93
Accounts Officer	80%	7.30	5.84
<b>Total</b>		<b>91.24</b>	<b>60.95</b>
General Administrative Expenses	50%	0.90	0.45
Premium for Gratuity	50%	0.57	0.28
<b>Total Expenses for Truing Up</b>		<b>92.71</b>	<b>61.68</b>

25. The licensee has claimed an amount of Rs.1.85 lakh towards increase in the salary of Managing Director which is not reflected in normative employee cost. The licensee during the previous year had claimed an amount of Rs.1.76 lakh for the same and has stated that the salary of MD actually paid for the year 2015-16 was only for 9 months (i.e., Rs.4.23 lakh) which was reckoned by the Commission while arriving at the normative amount. This uncovered salary of Rs.1.41 lakh (3-month Salary) is claimed by the licensee by escalating the same at the escalation rate of 4.84% up to 2021-22. The licensee worked out the amount of Rs.1.85 lakh and claimed in the petition. The Commission considered the statement of the licensee regarding the increase in the salary of MD proportionate to three months' salary which the Commission did not reckon while working out the normative employee cost. The Commission approves the same over and above the normative employee cost for the year 2021-22.
26. After examining the details furnished by the licensee, ***the Commission hereby approves the employee cost of Rs.60.55 lakh (Rs.58.70 lakh + Rs.1.85 lakh) for the year 2021-22.***

Table – 11  
Employee cost approved for the year 2021-22

Particulars	As per Regulations (Rs lakh)	As per Truing Up Petition (Rs lakh)	Trued Up (Rs lakh)
Employee Cost	58.70	61.68	60.55

### R & M Expenses

27. The actual amount of Repair and Maintenance cost claimed by the licensee is Rs.48.01 lakh as against the approved amount of Rs.40.05 lakh for the year 2021-22 as per the Tariff Regulation, 2018. The comparison of R&M expenses for the years 2020-21 and 2021-22 as shown below.

Table – 12  
Details of R&M expenses for the years 2020-21 and 2021-22

Particulars	2020-21			2021-22	
	As per Regulations (Rs lakh)	As per Truing Up Petition (Rs. lakh)	Trued up (Rs. lakh)	As per Regulations (Rs lakh)	As per Truing Up Petition (Rs. lakh)
Lines & Cable Networks	38.63	39.52	39.52	40.05	41.59
One-time repair and maintenance	-	7.08	7.08	-	5.47
Differential GST	-	0.90	0.90	-	0.95
<b>Total</b>	<b>38.63</b>	<b>47.50</b>	<b>47.50</b>	<b>40.05</b>	<b>48.01</b>

28. The actual claim made by the licensee is higher by Rs.7.96 lakh (Rs.48.01 lakh-Rs.40.05 lakh) when compared to the norms in Tariff Regulations, 2018. The licensee has submitted that the R&M expenses include one- time expenditure of Rs.5.47 lakh towards Overhauling of PT, Repair of Distribution Transformer, Oil filtration of Power Transformer etc which are not carried out every year. The licensee has also claimed Rs.0.95 lakh towards increase in taxes due to introduction of GST which does not form part of the normative R&M expenses arrived at by the Commission. The Commission while truing up the accounts for 2020-21 had approved Rs.47.50 lakh as claimed by the licensee.
29. The split-up details of the repair and maintenance expenses claimed by the licensee is tabulated below;

Table – 13  
Split up of R&M expenses for the year 2021-22

Particulars	Actual (Rs. in Lakhs)
General repair & maintenance including service of O&M of substation	41.59
<b>Sub Total</b>	<b>41.59</b>
<b>One time Repair &amp; maintenance</b>	
Overhauling of PT (M/s. TELK)	2.68
Oil filtration of Power Transformer	0.66
Overhauling of Battery	0.55
Repair of Distribution Transformer	1.07
110 kV SF6 breaker service	0.51
GST one time	0.95
<b>Sub Total</b>	<b>6.42</b>
<b>Total R&amp;M Expenses</b>	<b>48.01</b>

30. As per the details submitted by the licensee with regard to One Time R&M of Rs.6.42 lakh, the expense is towards Overhauling of PT (Rs.2.68 lakh), repair of distribution transformer (Rs.1.07 lakh), Oil filtration of Power Transformer (Rs.0.66 lakh) etc. The licensee has stated that they had carried out the overhauling of one of the Potential Transformer (PT) with the manufacturer M/s. TELK due to low IR values during the year 2021-22. With regard to oil filtration of the Power Transformer,

the licensee had invited quotations and the work was awarded to the lowest bidder M/s.Power Tech Equipment and services. The licensee has stated that the company had carried out overhauling of the batteries with the manufacturer M/s. Exide Batteries as the battery installed in the substation showed precipitations in the bottom. The licensee has further stated that the repair of three number of distribution transformers for arresting the oil leakage was done after inviting quotations and the work of repair of three numbers distribution transformers was awarded to M/s. Unitech Electrical Industries. The 110 kV Circuit Breaker installed in the EHT Substation failed during the year and the company had carried out the repair of the Circuit Breaker with the manufacturer M/s. ABB.

31. It is pertinent to note that KSEB Ltd in their comments on the petition had stated that the licensee has claimed an amount of Rs 6.42 lakh as one-time repair and maintenance, which include Rs 0.66 lakh for oil filtration which is done yearly and the same cannot be considered as a one-time maintenance expense.
32. After examining the details and explanations furnished by the licensee and the comments of KSEB Ltd in the matter, the Commission approves the one-time repair and maintenance charges of Rs.5.76 lakh (Excluding the cost of Rs.0.66 lakh for oil filtration of Power Transformer) for the year 2021-22. ***The Commission after considering the details in the petition and clarifications submitted by the licensee as well as comments of KSEB Ltd, hereby approves Rs.45.81 lakh (Rs.40.05 lakh+ Rs.5.76 lakh) as R&M expenses for the year 2021-22 as shown below. -***

Table-14  
R&M expenses approved for truing up 2021-22

Particulars	As per Regulations (Rs lakh)	As per Truing Up Petition (Rs lakh)	Trued Up (Rs lakh)
R&M expenses	<b>40.05</b>	<b>48.01</b>	<b>45.81</b>

### **Administration & General expenses**

33. The A&G expenses claimed by the licensee as per the petition for truing up of Accounts is Rs.57.37 lakh as against the approved amount of Rs.24.03 lakh in Tariff Regulations, 2018. The Commission while truing up the accounts for the year 2020-21 had approved an amount of Rs.32.20 lakh as against the claim of Rs.73.54 lakh. The claim under A&G expenses include various items such as rent, rates and taxes, insurance, legal charges, vehicle running expenses, license fee, security arrangement and electricity duty payable etc. A comparison of the Administrative and General expenses claimed for over the previous years is tabulated hereunder.

Table 15  
Comparison of A&G expenses for the year 2020-21 and 2021-22 (Rs. lakh)

Particulars	2020-21		2021-22		
	Truing Up claim	Trued Up	Approved in Regulations	Truing Up claim	
Rent Rates & Taxes	0.43	0.43	24.03	0.81	
Insurance	3.01	3.01		3.13	
Telephone & Postage, etc.	0.33	0.33		0.37	
Legal charges	4.55	0.00		0.00	
Audit Fees	1.48	1.48		1.59	
Consultancy charges (Energy Audit)	0.00	0.00		1.18	
Other Professional charges	1.67	1.67		1.67	
Conveyance	0.86	0.86		0.34	
Vehicle Running Expenses Truck / Delivery Van	8.05	5.84		8.03	
Electricity charges	1.24	1.24		0.57	
Water charges	0.65	0.65		0.76	
Printing & Stationery	0.59	0.59		0.51	
Advertisements, exhibition publicity	1.50	1.50		1.29	
Training expenses	0.03	0.03		0.00	
Miscellaneous Expenses	1.73	1.73		2.05	
Office Expenses	1.37	1.37		1.41	
License Fee and other related fee	1.62	1.62		2.04	
V-sat, Internet and related charges	0.10	0.10		0.01	
Security arrangements	12.34	9.75		6.94	
Others	14.37	0.00		5.15	
<b>Gross A&amp;G Expenses</b>	<b>55.92</b>	<b>32.20</b>			<b>37.85</b>
<b>Ele. Duty u/s 3(I), KED Act</b>	<b>17.62</b>	<b>0.00</b>			<b>19.52</b>
<b>Net A&amp;G Expenses</b>	<b>73.54</b>	<b>32.20</b>		<b>24.03</b>	<b>57.37</b>

34. The licensee submitted that the BEE vide notification No. 18/1/BEE/DISCOM/2021 dated 06.10.2021 published Bureau of Energy Efficiency (Manner and Intervals for Conduct of Energy Audit in electricity distribution companies) Regulations, 2021. As per the said Regulation, the BEE had mandated the distribution licensees to submit quarterly periodic energy accounting report signed by the Energy Manager of the Distribution licensee. Since the company doesn't have any employee having the minimum qualification specified in the Energy conservation Rules 2006 to be designated as Energy Manager, the company had availed the services of a qualified Energy Manager on a temporary arrangement from Kerala State Productivity Council. An amount of Rs.1.18 lakh (inclusive of GST) was paid to Kerala State Productivity Council and is shown as Consultancy Charges in A & G Expenses. **The Commission is of the opinion that this expense is admissible beyond the norms fixed.**

35. The licensee as part of A&G expense has claimed an amount of Rs.5.15 lakh under the head others which the licensee has stated the same to be the written down value of a failed power transformer. Further, the licensee has not considered the resale value of assets written off i.e., unserviceable assets and claimed the entire WDV of assets as 'Others (WDV of PT failed' of Rs.5.15 lakh). **The Commission is of the considered view that claiming the balance value of a failed asset as an expense is not a correct/prudent practice and disallows the claim.**
36. The licensee has booked Rs.19.52 lakh towards Electricity Duty under A&G expenses. The Commission in the previous orders had stated that Duty under section 3 cannot be passed on to the consumers in view of the statutory provisions of the Kerala Electricity Duty Act, 1963. **Hence, the claim of Rs.19.52 lakh is disallowed.**
37. The Commission noticed that while fixing the norms, trued up expenses up to 2016-17 was available which was escalated at the rate of 4.84%. At the same rate, the Commission escalated the trued-up A&G expenses for the year 2020-21 to arrive at the maximum admissible amount. Accordingly, the trued-up A&G expenses of Rs.32.20 lakh for 2020-21 is escalated at 4.84% which works out to Rs.33.76 lakh. The actual amount of A&G expenses claimed for 2021-22 excluding section 3 duty and written down value of failed Power Transformer works out to Rs.32.70 lakh. **Therefore, the Commission hereby approves Rs.32.70 lakh as A&G expenses for the year 2021-22 as against Rs.57.37 lakh claimed by the licensee.**

### O&M Expenses Approved

38. The O&M expenses, which includes Employee costs, R&M expenses and A&G expenses, totaling into Rs.139.06 lakh is approved by the Commission for the year 2021-22 as shown in Table below.

Table-17  
O&M Expenses approved for 2021-22

Particulars	2021-22		
	ARR & ERC Approved (Rs lakh)	For Truing Up (Rs lakh)	Trued Up (Rs lakh)
Employee Cost	58.70	61.68	60.55
A & G Expenses	24.03	57.37	32.70
R & M Expenses	40.50	48.01	45.81
<b>Total O&amp;M</b>	<b>123.23</b>	<b>167.06</b>	<b>139.06</b>

### Asset Additions during the year 2021-22

39. In the petition for truing up for the year 2021-22, the licensee has claimed asset addition of Rs.99.38 lakh. The licensee has stated that the expenditure for the investments is met from the equity of the company. The split-up details of the asset additions during the year 2021-22 are shown below.

Table 18  
Assets additions during the year 2021-22

Sl. No	Asset	Rs.lakh	Date of Commissioning
A	Construction of 800KVA USS	45.52	22-Nov-21
B	Ring Main Unit	4.68	22-Nov-21
C	Power transformer (Refurbishment)	35.85	10-Apr-21
D	11kV Retrofit VCB	8.66	13-Oct-21
E	Desktop & Laptop	2.54	11-Nov-21
F	Website	2.13	07-Mar-22
	<b>Total</b>	<b>99.38</b>	

40. Out of these capital expenditures the Commission had already approved the capital investment plan of the items (B, E and F of the above Table) in the ARR&ERC Order dated 08.11.2019. Regarding the item 'A' of the above table, the Commission vide Order dated 25.09.2020 (OA No.14/2020) had approved the Construction of 800 kVA Unitized Substation subject to the condition that, the licensee shall take up the work only through competitive bidding process for procurement of materials and execution so as to ensure least cost execution of the proposal. The licensee in the petition has submitted detailed write up with regard to the asset additions made during the year and subsequently has furnished tendering documents/vouchers and other details substantiating the investments.

**A. Construction of 800 kVA USS**

41. The Commission had approved the proposal for Construction of 800 kVA USS for the year 2020-21. The company had incurred an actual expenditure of Rs. 45.52 Lakhs towards the construction of 800 kVA USS. The company had invited separate tenders for RMU and Construction of USS through the e-tender site of Govt. of Kerala and had received 7 bids for the construction of USS and 3 numbers of bids for the supply of RMU. The licensee awarded the work of Supply, Erection, Installation, testing and commissioning of 800 kVA USS to the lowest bidder M/s. Electro Fine Electrical Engineers & Contractors and the work of Supply of 12 KV,630 Amps, 21KA extensible type SF6 Ring Main Unit to M/s. Imperial Engineering Company. The company had incurred an actual cost of Rs. 45.52 Lakh towards the construction of 800 kVA USS.

**B. Ring Main Unit**

42. The Commission in the Order on ARR&ERC had approved Rs. 7.50 lakh towards the purchase of one number of spare Ring Main Unit (RMU). The licensee had invited tender for the supply of RMU through the e-tender site of Govt. of Kerala. The work for the supply of RMU was awarded to M/s. Imperial Engineering Company. The company had incurred an actual cost of Rs.4.68 lakh towards the purchase of RMU during the year 2021-22.

### C. Refurbishment of Power Transformer

43. The licensee is having two numbers of 110/11 kV, 10/12.5 MVA Power transformers manufactured by M/s. TELK in the 110/11 kV EHT substation. The licensee has stated that the power transformer-1 tripped with heavy fault on 09/04/2020 with differential and Buchholz relay action and splash out of transformer oil through pressure release valve and top cover. Since the pressure release valve was activated and oil splashed out from the transformer, the licensee had informed the fault to the manufacturer M/s. TELK for inspection. It was concluded that some mechanical damage had occurred in the coil of the transformer. Accordingly, the main body of the transformer was transported to the factory of TELK for further inspection and repair. M/s TELK after inspection reported that all the three phase coils (HV, LV and tap windings of each phase) of the transformer has to be replaced. The company had incurred the following expenditures in connection with the repair of the Power transformer.

Table 19  
Expenditures in connection with the repair of the Power transformer

Sl. No.	Particulars	Amount (Rs. in Lakhs)
1	Repair Charges of Power Transformer	77.66
2	Less Insurance received from Machinery Breakdown policy	41.81
3	Total Cost incurred for the repair of Power transformer	35.85

44. The licensee has also stated that they had incurred Rs.77.66 lakh, but have received Rs.41.81 lakh as insurance claim. Accordingly, the balance Rs.35.85 lakh has been claimed as net expenditure.

### D. 11 kV Retrofit VCB

45. The licensee is having 5 numbers of 11 kV vacuum and 5 numbers SF6 indoor circuit breakers in the 110/11 kV EHT substation. The licensee has stated that the existing models of 11 kV Breakers are obsolete models and spare parts are not available with ABB. During the month of August 2021, one of the 11 kV Vacuum Circuit breaker in the Substation had failed. The 11 kV panels in the Substation which are manufactured by M/s. ABB, only the retrofit models of beaker of ABB will suit the existing panels. As such, the company had collected the offer from the channel partner of ABB for the retrofit model of the said breaker and had purchased the retrofit breaker suitable for the existing 11 kV Vacuum CB for Rs. 4.12 lakh. As the licensee is not having any spares for the SF6 type 11 kV breakers for emergency replacement and the delivery time of the retrofit breakers are more than 2 months, they had collected offers from the channel partner of ABB for Kerala M/s. Brown Electricals and purchased one number of spare 11 kV retrofit VCB suitable for the existing 11 kV SF6 CB for Rs. 4.54 lakh.



## **E. Desktop and Laptop**

46. The Commission had approved Rs.2.70 lakh towards 3 no's of Desktop and Laptop in the Order on ARR & ERC. The licensee had invited the quotations and tender was awarded to M/s. Technoline Systems for the supply of 2 nos of Laptop and one number of Desktop and had incurred actual cost of Rs. 2.54 lakh towards the purchase of Desktop and Laptop.

## **F. Website**

47. The Commission had approved Rs. 3 lakh towards the Website in the Order on ARR & ERC. The company had invited the request for proposal for the website development and work was awarded for Website development to the lowest bidder M/s. INI Technologies and had incurred an actual cost of Rs. 2.13 lakh
48. The Commission examined the justification and supporting documents for the assets addition during the year 2021-22 and further observed that, the source of funding of asset additions are mainly from equity fund of the licensee. 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 the year 2021-22.
49. ***Accordingly, based on the approval in the Order on ARR&ERC, documents submitted to substantiate the expenses, emergency works done for uninterrupted power supply and other supporting documents to justify the capital expenditure, the Commission hereby approves Rs.99.38 lakh for inclusion in the asset base, and allows the licensee the eligible depreciation and interest on normative loan for the approved assets.***

## **Depreciation**

50. The depreciation claimed by the licensee in the revised submission for Truing Up of Accounts for the year 2021-22 is Rs.27.66 lakh as against Rs.43.73 lakh approved in the Order on ARR&ERC. The licensee has claimed an asset addition of Rs.99.38 lakh for the year 2021-22. The details of claim made by the licensee are shown below.

Table 20  
Depreciation claimed for the year 2021-22

Asset Group	Rate of depreciation (%)	Gross fixed assets				Depreciation
		At the beginning of the year	Additions during the year	Adjustment & deductions	At the end of the year	Additions during the year
Land & land rights		26.85			26.85	
Civil works for EHT Substation	3.34	11.84			11.84	0.67
HV Distribution system/Transmission line	5.28	99.00			99.00	1.80
HT Distribution lines	5.28	122.04	50.21		172.25	5.80
Sub-station equipment's	5.28	496.69	44.51	43.91	497.29	12.68
Others (Testing Equipment's)	5.28	19.88			19.88	1.05
LT Distribution system	5.28	0.28			0.28	0.01
Switchgears, Control gear & Protection	5.28	34.70			34.70	0.75
Batteries	5.28	0.44			0.44	0.02
Others	5.28	0.62			0.62	0.06
Communication equipment	6.33					
Furniture & fixtures for Substation	6.33	0.77			0.77	0.03
IT Equipment's	15.00	2.02	4.67		6.69	0.39
Any other items		228.00			228.00	4.40
Gross Asset (Total (1) to (15))		1043.13	99.39	43.91	1098.61	27.66

51. The Commission while truing up the accounts for the year 2019-20 and 2020-21 had deferred depreciation and had directed the licensee to file a separate petition for allowing depreciation of Fixed Assets along with the complete information on the Fixed Assets indicating therein, the Assets category, procurement date and cost, salvage value, useful life of assets, date of asset capitalization, completed years as on 01-04-2020, remaining life of the assets, depreciation claimed till date etc. with two category viz. (a) Assets below 12 years of age and (b) Assets with more than 12 years of age. The licensee submitted the details and the Commission subsequently in the Order on RP 08/22 dated 28.02.2023 with regard to the review petition filed against Order on the truing up of accounts for the year 2020-21 had approved an amount of Rs.24.44 lakh as depreciation for the year 2020-21.
52. The licensee is eligible for depreciation as per the provisions of Tariff Regulations, 2018. The relevant provisions are extracted below.

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

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

*Provided further that depreciation shall not be allowed on assets funded*

*through consumer contribution, deposit works, capital subsidies and grants.*

*(2) The generation business/company or transmission business/licensee or distribution business/licensee shall be permitted to recover depreciation on the value of fixed assets used in their respective business, computed in the following manner: -*

*(a) depreciation shall be computed annually based on the straight line method at the rates specified in the Annexure-I to these Regulations for the first twelve financial years from the date of commercial operation;*

*(b) the remaining depreciable value as on the Thirty First day of March of the financial year ending after a period of twelve financial years from the date of commercial operation shall be spread over the balance useful life of the assets as specified in Annexure- I;*

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

*(d) the salvage value of the asset shall be ten per cent of the allowable capital cost as approved by the Commission excluding cost of assets created out of contributions and grants and depreciation shall be a maximum of ninety percent of such approved capital cost of the asset.*

*(3) In the case of existing assets, the balance depreciable value as on the First day of April, 2018, shall be worked out by deducting the cumulative depreciation approved by the Commission up to the Thirty First day of March, 2018, from the gross depreciable value of the assets.*

*(4) Depreciation shall be chargeable from the first financial year of commercial operation:*

*Provided that in the case of commercial operation of the asset for part of the financial year, depreciation shall be charged on pro-rata basis:*

*Provided further that depreciation shall be re-calculated for assets capitalised during the financial year at the time of truing up, based on documentary evidence for capitalization of assets submitted by the applicant, subject to the prudence check of the Commission, in such a way that the depreciation is calculated proportionately from the date of capitalisation.*

*(5) In case a single tariff needs to be determined for all the units of the generating station, the depreciation shall be computed from the effective date of commercial operation of each of the unit taking into consideration the depreciation of individual generating units thereof.*

53. From the above, it is clear that the licensee is eligible for depreciation at the rate specified in the Regulations for first twelve financial years from the date of Commercial Operation, and after twelve years, the remaining depreciable value shall be spread over the balance useful life of the assets. The salvage value of the asset

is ten per cent and depreciation shall be a maximum of ninety per cent of the asset. Accordingly, the depreciation approved for the year 2021-22 is tabulated below.

**Table- 21**  
**Depreciation approved for the year 2021-22 (Rs.lakh)**

Asset Group	Rate (%)	Gross fixed assets				Depreciation			
		At the beginning of the year	Additions during the year	Adjustment & deductions	At the end of the year	Cumulative upto beginning of the year	Additions during the year	Adjustment during the year	Cumulative at the end of the year
Land & land rights	0	26.85			26.85	0.00	0.00		0.00
Civil works for EHT Substation	3.34	11.84			11.84	5.79	0.67		6.46
HV Distribution system/Transmission line	5.28	99.00			99.00	55.00	1.80		56.80
HT Distribution lines	5.28	122.04	50.21	0.00	172.25	64.61	5.80		70.41
Sub-station equipments	5.28	496.69	44.51	43.91	497.29	238.39	12.68	38.76	212.31
Others (Testing Equipments)	5.28	19.88			19.88	2.99	1.05		4.04
LT Distribution system	5.28	0.28			0.28	0.15	0.01		0.16
Switchgears, Control gear & Protection	5.28	34.70			34.70	18.18	0.75		18.93
Batteries	5.28	0.44			0.44	0.06	0.02		0.08
Others	5.28	0.62			0.62	0.06	0.06		0.12
Communication equipment	6.33	1.18		1.18		0.62		0.62	0.00
Furniture & fixtures for Substation	6.33	0.77	0.00		0.77	0.42	0.03		0.45
IT Equipments	15	2.02	4.67		6.69	1.27	0.39		1.66
Any other items		228.00	0.00		228.00	121.61	4.40		126.01
<b>Total</b>		<b>1044.31</b>	<b>99.39</b>	<b>45.09</b>	<b>1098.61</b>	<b>509.15</b>	<b>27.66</b>	<b>39.38</b>	<b>497.43</b>

**54. Accordingly, the Commission hereby approves the depreciation of Rs.27.66 lakh for the purpose of truing up of accounts for the year 2021-22.**

### **Interest and Finance Charges**

55. The licensee has claimed Rs.59.71 lakh towards interest and finance charges in the Truing Up petition for 2021-22 including Rs.59.19 lakh as interest on normative loan and Rs.0.52 lakh as bank charges for the security provided to KSEB Ltd. The details are given below:

**Table-22**  
**Interest and Finance Charges claimed for the years 2020-21 and 2021-22 (Rs. lakh)**

Particulars	2020-21			2021-22	
	ARR Approved	As per Truing Up Petition	Trued Up	ARR Approved	As per Truing Up Petition
Interest on Normative Loan	1.70	56.85	4.55	1.91	59.19
Bank Charges	2.19	0.75	0.75	2.19	0.52
<b>Total</b>	<b>3.89</b>	<b>57.60</b>	<b>5.30</b>	<b>4.10</b>	<b>59.71</b>

## Interest on Normative Loan

56. The licensee has claimed the normative interest of Rs.59.19 lakh for the year 2021-22, which is inclusive of interest on the additional capitalization made during the year. The interest charges claimed by the licensee are shown below.

Table-23  
Interest on normative loan claimed for 2021-22

Particulars	Rs. lakh
Gross Normative loan - Opening	1043.13
Net Additions during the Year	99.39
Net Additions during the year on pro- rata basis	59.48
70% Capital cost approved by Commission	771.83
Cumulative repayment of Normative Loan up to previous year	21.19
Net Normative loan - Opening	750.64
Increase/Decrease due to ACE/de-capitalization during the Year	30.73
Repayments of Normative Loan during the year	27.66
Net Normative loan - Closing	692.24
Average normative loan	721.44
Weighted average Rate of Interest.	8.55%
<b>Interest on Normative loan</b>	<b>59.19</b>

57. The licensee has claimed the opening balance of gross fixed assets of Rs.1043.13 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.
58. 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.
59. 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.”*

60. In previous years, the Commission adopted the practice of allowing normative interest on additions to fixed assets from 2015-16 onwards. Accordingly, in 2018-19 vide truing up order dated 22-04-2021, the Commission has allowed interest on normative loan of Rs.6.59 lakh on the average normative loan balance of Rs.80.82 lakh. Similarly, the Commission, vide truing up order dated 26-03-2022, has allowed interest on normative loan of Rs.6.11 lakh during the year 2019-20 on the Average normative loan balance of Rs.71.45 lakh without considering the asset additions during 2019-20 as loan addition and the depreciation for the year 2019-20 as the repayment of normative loan.
61. The Commission while truing up the accounts for the years 2019-20 and 2020-21 had deferred depreciation and had directed the licensee to file a separate petition for allowing depreciation of Fixed Assets along with the complete information on the Fixed Assets. The licensee submitted the details together with a review petition. The Commission subsequently in the Order on RP 08/22 dated 28.02.2023 with regard to the review petition filed against Order on the truing up of accounts for the year 2020-21, has approved an amount of Rs.23.49 lakh for 2019-20 and Rs.24.44 lakh for the year 2020-21 towards depreciation.

62. Based on the depreciation approved in RP Order 08/022 dated 28.02.2023, the Commission hereby revises the interest on normative loan for the period up to 2020-21. 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 interest on normative loan approved for the year 2021-22 and revised interest on normative loan for the years 2019-20 and 2020-21 are shown below;

Table- 24  
Interest on normative loan (Rs. lakh)

Particulars	2019-20	2020-21	2021-22
Opening Normative loan	86.53	90.29	88.86
Additional Normative loan during the year	9.47	7.35	99.38
Deduction of Normative loan during the year	-	-	-
Allowable depreciation as repayment	5.71	8.78	9.57
Closing Normative loan	90.29	88.86	178.67
Average Normative Loan	88.41	89.58	133.77
Rate of Interest (%)	8.55	7.75	7.00
<b>Interest on Normative loan</b>	<b>7.56</b>	<b>6.94</b>	<b>9.36</b>

63. As mentioned in pervious paras, the Commission while truing up the accounts for 2019-20 and 2020-21 had approved the interest on normative loan of Rs.6.11 lakh for the year 2019-20 and Rs.4.55 lakh for the year 2020-21. In view of the Review Petition Order, the interest on normative loan to be allowed up to 2020-21 and adjustments required in the year 2021-22 are shown below;

Table - 25  
Interest on Normative Loan – Adjustment (Rs.lakh)

Particulars	2019-20	2020-21	2021-22	Total
Revised Interest on Normative loan (A)	7.56	6.94	9.36	23.86
Interest on Normative loan allowed in Truing Up Order for 2019-20 and 2020-21 (B)	6.11	4.55	0.00	10.66
<b>Additional Interest on Normative Loan (A)-(B)</b>	<b>1.45</b>	<b>2.39</b>	<b>9.36</b>	<b>13.20</b>

64. **Accordingly, Commission approves Rs.9.36 lakh as interest on normative loan for the year 2021-22 and an additional amount of Rs.3.84 lakh as prior period interest on normative loan for the years 2019-20 and 2020-21. Thus, the Commission hereby approves a total amount of Rs.13.20 lakh (Rs.9.36 lakh + Rs.3.84 lakh) as interest on normative loan for the year 2021-22.**

### Bank charges

65. The licensee has claimed an amount of Rs.0.52 lakh during the year 2021-22 on account of bank guarantee and letter of credit charges as demanded by KSEB Ltd and other bank charges. The claim of charges for bank guarantee and letter of credit is for the double security mechanism proposed in Article 8.9 and 8.12 of the PPA. The licensee has stated that KSEB Ltd has insisted double security mechanism i.e.,

one in the form of LC equivalent to 1.05 times the average billing demand and the second one in the form of security deposit equivalent to two months' electricity charges. Hence the licensee had provided both security deposit and opened LC in favour of KSEBL incurring bank charges of Rs.0.52 lakh during the year.

66. **After examining the details and clarification furnished by the licensee, the Commission hereby approves Rs.0.52 lakh as Bank Charges for the year 2021- 22 as claimed by the licensee.**

67. The Interest and Finance charges approved for the year 2021-22 is shown below.

Table-26  
Interest and Finance Charges approved for the year 2021-22

Particulars	As per Truing up petition (Rs. lakh)	Trued Up (Rs. lakh)
Interest on Normative Loan	59.19	13.20
Bank Charges	0.52	0.52
<b>Total</b>	<b>59.71</b>	<b>13.72</b>

68. **Accordingly, the Interest and Finance charges approved by the Commission for the year 2021-22 is Rs.13.72 lakh as against Rs.59.71 lakh claimed by the licensee.**

### Return on Equity

69. The licensee has claimed Return on Equity of Rs.44.47 lakh in the petition for Truing Up of Accounts for the year 2021-22. The Commission had approved a return on equity of Rs.42.35 lakh for the year 2021-22 in the Order on ARR&ERC which was 14% of 30 % of the equity share capital. While Truing Up of Accounts for the year 2020-21, the Commission had approved an amount of Rs.37.80 lakh as against Rs.43.67 lakh claimed by the licensee. The licensee worked out return on equity for the year 2021- 22 as shown below:

Table-27  
Return on Equity claimed for the year 2021-22

Particulars	(Rs. Lakh)
Opening level of GFA/Equity at the beginning of the year	1043.78
Capitalisation during the year	99.39
Capitalisation on pro rata basis	59.48
Decrease due to decapitalization during the year	44.56
Equity at the end of the year on pro rata basis	1058.70
Return on equity at the beginning of the year	43.84
Return on equity portion of capitalization	0.63
<b>Total Return on equity</b>	<b>44.47</b>

70. As per Regulation 28, Return on equity is to be "computed in rupee terms, on the paid-up equity share capital determined in accordance with the Regulation 26 and shall be allowed at the rate of fourteen per cent for generating business/companies,



transmission business/licensee, distribution business/licensee and State Load Despatch Centre”.

71. 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 lakhs as the share of total paid up capital for the distribution business. The licensee has now claimed RoE for the year 2021-22 an amount of Rs.44.47 lakh, which is calculated at the rate of 14% on 30% of the GFA of Rs.1058.70 lakh at the end of the year.
72. 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 the previous 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 lakh. RoE of 14% shall be applicable for 30% of the equity i.e., Rs.900 lakh. **Thus, an amount of Rs.37.80 lakh (Rs.900 lakh X 30% X 14%) is approved as Return on Equity for the year 2021-22 as against Rs.43.67 lakh claimed by the licensee.**

### **Tax on Return on Equity**

73. The licensee has claimed Rs.11.67 lakh as tax on RoE for the year 2021-22. The licensee has stated that the profit before tax according to the statement of the profit and loss account of the company prepared for the purpose of statutory audit is Rs.1933.52 lakh. The company has paid a total of Rs 507.46 lakh as income tax based on the Net profit of the company. Accordingly, tax expenditure for truing up has been taken in the ratio of ROE to Net profits (44.47: 1933.52) which amounts to Rs.11.67 lakh. The Commission over the years has disallowed the claim, directing the licensee to produce documentary evidence to prove that income tax on account of the electricity distribution business has actually been paid.
74. Regulation 31(2) of the Tariff Regulations, 2018, states that the difference between

the Income Tax on regulated business actually paid and that approved by the Commission in the Aggregate Revenue Requirement can be allowed subject to prudence check in the Truing Up process. The Commission noted that the licensee has not claimed any amount as Tax on Returns from Equity in the ARR&ERC petition. Hence, the Commission approved the licensee's ARR & ERC for 2021-22 without any tax on return on equity. Further the Commission noted that, as per Regulation 31(3), the tax on any income other than from the regulated business, shall not in any circumstances be allowed to be recovered through Aggregate Revenue Requirements.

75. The Commission has carefully examined the licensee's claim in the petition and the audited financial statements of the Company and Form D P&L Profit & Loss Account of the Distribution Business. 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 authentically established as to whether any income tax has actually been paid on the claimed return on equity. **Accordingly, the Commission provisionally disallows the claim of Rs.11.67 lakh towards Tax on Return on Equity. In order to establish this payment, the Commission hereby directs that the licensee shall produce documentary evidence to prove that income tax on account of the electricity distribution business has actually been paid.**

### Revenue from Sale of Power

76. As per the petition, the licensee has claimed total revenue from sale for power of Rs.2173.56 lakh for a sale of 326.71 lakh units against approved amount of Rs.2297.40 lakh for a sale of 339.10 lakh units in the Order on ARR. During the previous year the licensee had claimed a total revenue of Rs.1958.17 lakh for a sale of 291.80 lakh units. A category wise comparison of the revenue from sale of power for the years 2020-21 and 2021-22 is as shown below:

Table-28  
Details of Revenue from Sale of Power for 2020-21 & 2021-22

Particulars	2020-21				2021-22			
	Trued Up				For Truing Up			
	No. of Consumers	Energy Sales (Lakh Units)	Revenue Rs.Lakh	Avg. realisation (Rs/kWh)	No. of Consumers	Energy Sales (Lakh Units)	Revenue Rs.Lakh	Avg. realisation (Rs/kWh)
LT IV A	23	22.33	155.17	6.95	23	25.80	176.21	6.83
LT VI B	1	0.09	0.93	10.55	1	0.10	1.07	10.67
LT VI F	2	0.85	8.09	9.51	2	0.90	8.89	9.88
LT VII A	17	2.22	22.79	10.25	15	2.90	28.76	9.92
Street Light	6	0.35	1.49	4.31	6	0.30	1.29	4.29
HT-1	17	265.96	1769.70	6.55	18	296.71	1957.34	6.60
<b>Total</b>	<b>66</b>	<b>291.80</b>	<b>1958.17</b>		<b>65</b>	<b>326.71</b>	<b>2173.56</b>	

77. As per the above table, the majority of sales pertain to the HT category which consists of 18 consumers. It is seen that the actual sale for the year is higher than the previous year. The increase in sales shows signs of recovery from the general industrial slowdown due to the Covid-19 pandemic. **Accordingly, the Commission hereby approves the revenue from sale of power at Rs.2173.56 lakh as claimed by the licensee for the purpose of Truing Up of Accounts for the year 2021-22.**

### Wheeling Charges

78. The licensee has claimed wheeling charge of Rs.3.47 lakh for wheeling power of 4.10 lakh units to M/s M Fuel in the petition. The licensee has also stated that no consumers of RPIL have availed open access energy during the year. **Accordingly, the Commission hereby approves the actual wheeling charges of Rs.3.47 lakh received for the year 2021-22 as claimed by the licensee.**

### Non-tariff Income

79. The non-tariff income claimed during the year 2021-22 is Rs.10.52 lakh. The split-up details of Non-Tariff income claimed are shown below.

Table-29  
Details of Non-Tariff Income for the years 2020-21 and 2021-22 (Rs. lakh)

Particulars	2020-21		2021-22
	For Truing Up	Trued Up	For Truing Up
Miscellaneous recoveries	0.49	0.49	0.21
Commission for collection of electricity duty	0.48	0.48	0.54
Interest on investments, fixed and call deposits	0.69	0.69	1.71
Interest on Deposit with KSEB	-	11.58	8.06
Income from insurance claim	1.94	1.94	0.00
Interest on accumulated Surplus	-	22.58	0.00
<b>Total</b>	<b>3.60</b>	<b>37.76</b>	<b>10.52</b>

80. While truing up the accounts of the previous year, the licensee had not indicated any receipt on account of interest on deposit with KSEB Ltd. The Commission had obtained clarification in the matter and had approved Rs.11.58 lakh as the interest on deposit with KSEB Ltd. The licensee has now in the petition claimed an amount of Rs.8.06 lakh as interest on deposit with KSEB Ltd.
81. As per the Order on RP 08/22 dated 28.02.2023 with regard to the review petition filed against Order on the truing up of accounts for the year 2020-21, the licensee is holding an accumulated surplus of Rs.540.99 lakh at the end of the year 2020-21. Accordingly, the interest on the revenue surplus is approved at a rate of 5.00% per annum (the retail term deposit rate of SBI for a tenure of one year as on 01-04-2021) for an amount of Rs.540.99 lakh amounting to Rs.27.05 lakh (Rs. 540.99 lakh\*5.00%) is to be provided. As against this, the licensee has claimed Rs.1.71 lakh

in the petition as interest on investment, fixed and call deposits. After deducting the same, the Commission approves Rs.25.34 lakh (Rs. 27.05 lakh-Rs.1.71 lakh) as interest on accumulated Surplus. Accordingly, the total amount to be considered as Non-tariff income works out as under.

Table-30  
Details of Non-Tariff Income approved for 2021-22 (Rs. lakh)

Particulars	2021-22	
	For truing Up	Trued Up
Miscellaneous recoveries	0.21	0.21
Commission for collection of electricity duty	0.54	0.54
Interest on investments, fixed and call deposits	1.71	1.71
Interest on Deposit with KSEB	8.06	8.06
Interest on Accumulated Surplus (Rs.396.18 lakh*5.00%)	0.00	25.34
<b>Total</b>	<b>10.52</b>	<b>35.86</b>

82. **Accordingly, the total non-tariff income of Rs.35.86 lakh is approved for the year 2021-22 as against Rs.10.52 lakh claimed by the licensee.**
83. Based on the above, the approved expenditure and revenue for the year 2021-22 after Truing Up of Accounts is as shown below:

Table-31  
Total Income and Expenditure after Truing Up for 2021-22 (Rs. lakh)

Particulars	2021-22		
	ARR & ERC Approved	Revised Truing Up	Trued Up
Purchase of power	1955.81	1825.07	1831.09
Employee Cost	123.24	61.68	60.55
A & G Expenses		57.37	32.70
R & M Expenses		48.01	45.81
Depreciation	43.73	27.66	27.66
Bank Charges	2.19	0.52	0.52
Interest on normative loan	1.91	59.19	13.20
ROE	42.35	44.46	37.80
Tax on ROE	-	11.67	-
<b>Total Expenditure</b>	<b>2169.23</b>	<b>2135.64</b>	<b>2049.33</b>
Revenue from sale of Power	2297.40	2173.56	2173.56
Wheeling Charges	0.21	3.47	3.47
Non-Tariff income	12.69	10.52	35.86
<b>Total Income</b>	<b>2310.30</b>	<b>2187.55</b>	<b>2212.89</b>
<b>Revenue surplus (+) / gap (-)</b>	<b>(+)141.04</b>	<b>(+)51.92</b>	<b>(+)163.56</b>

### Orders of the Commission

84. The Commission after considering the petition filed by M/s. RPIL for Truing Up of Accounts for the year 2021-22 and the clarifications and details provided by the licensee approves the following:

- a. Total income is Rs.2212.89 lakh
- b. Total expenditure is Rs.2049.33 lakh
- c. The revenue surplus for the year is Rs.163.56 lakh
- d. The accumulated revenue surplus up to 2020-21 is Rs.540.99 lakh. Total accumulated revenue surplus till 2021-22 will be Rs.704.55 lakh (Rs. 540.99 lakh + Rs.163.56 lakh)

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

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

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

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

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