

**KERALA STATE ELECTRICITY REGULATORY
COMMISSION
THIRUVANANTHAPURAM**

Petition No: OP 72 / 2021

Present : **Adv. A. J. Wilson, Member (Law)**

In the matter of : Petition filed by M/s Thrissur Corporation Electricity Department for the truing up of accounts for the financial year 2020-21

Petitioner : M/s Thrissur Corporation Electricity Department

Date of Hearing: : 08-11-2022 at Government Guest House Ramanilayam, Thrissur

Represented by : Shri. M.K Varghese, Hon'ble Mayor
Smt. Rajasree Gopan, Deputy Mayor
Shri.Krishnakumar, Asst.Secretary
Shri. T.S Jose, Electrical Engineer

Order Dated 16.01.2023

1. M/s Thrissur Corporation Electricity Department under Thrissur Municipal Corporation (*hereinafter referred as TCED or the Licensee*) is a deemed distribution licensee under the Electricity Act, 2003. TCED has filed the instant petition for the Truing up of accounts for the Financial Year 2020-21 (third year of the Control Period 2018-19 to 2021-22) vide their letter dated 26-11-2021. The petition has been filed in accordance with the provisions of the KSERC (Terms and conditions for determination of Tariff) Regulations, 2018 (*hereinafter referred to as Tariff Regulations 2018*). The Commission after examining the petition admitted the petition as OP 72/2021.
2. The Commission vide Order dated 08-11-2019 in OA 09/2019 had issued the Order on the ARR & ERC of the licensee for the Control Period from 2018-19 to 2021-22. The Commission had approved a revenue surplus of Rs.793.84 lakh in the said ARR Order against the revenue deficit of Rs.864.44 lakh proposed by the licensee. The revenue deficit as per the present Truing up petition filed by the licensee for the year 2020-21 is Rs.885.52 lakh. A comparison of the ARR approved in the Order dated 08-11-2019 and the Truing up claim for the

financial year 2020-21 as per the petition along with the trued-up figures for the year 2019-20 is shown below:-

Table 1
Comparison of the Truing up of accounts for the period 2019-20 & 2020-21
(Amount Rs.in lakhs)

Particulars	2019-20		2020-21		
	Truing Up Petition (A)	Trued Up (B)	ARR&ERC Approved (C)	Truing Up Petition (D)	Variance (D)-(C)
Revenue from sale of power	12,625.06	12,625.06	13230.11	10269.74	-2960.37
Other income	716.13	1,215.69	1179.22	643.85	-535.37
Total income	13,341.19	13,840.75	14409.33	10913.59	-3495.74
Power Purchase Cost	11,035.30	11,035.30	11731.91	8886.06	-2845.85
R&M Expenses	106.09	579.20	90.15	89.91	-0.24
Employee cost	1,244.82	1251.42	1200.92	1267.37	66.45
A&G Expenses	354.06	93.07	87.56	217.24	129.69
Provision for Pay revision and loss due to theft	-	-	-	796.98	796.99
Depreciation	265.80	265.80	198.81	264.95	66.14
Interest and Finance Charges	236.17	195.08	244.57	179.80	-64.77
Return on NFA	94.41	94.41	61.57	96.80	35.23
Total Expenditure	13,336.65	13,514.28	13615.49	11799.11	-1816.38
Revenue Surplus (+)/ Gap (-)	(+)4.54	(+)326.47	(+)793.84	(-)885.52	-1679.36

Hearing on the Petition

3. The public hearing on the petition was conducted at the Government Guest House, Ramanilayam, Thrissur on 08-11-2022 at 11.00 A.M. Shri. M.K Varghese, Hon'ble Mayor, Smt. Rajasree Gopan, Deputy Mayor, Shri. Krishnakumar, Asst. Secretary, Shri. T.S Jose, Electrical Engineer and other officers of the Municipal Corporation & licensee participated in the public hearing. Shri. M.K Varghese, Hon'ble Mayor of Thrissur Corporation in his introductory remarks submitted before the Commission to consider allowing the actual expenses claimed by the licensee in the petition. TCED presented the petition before the Commission and replied to the queries of the Commission. The main points mentioned in the presentation are briefed below.

- a) The number of consumers during the year was 40436 and the actual sales is 1211.90 lakh units.
- b) The energy purchased from KSEB Ltd was 1293.30 lakh units, the energy generated by the solar PV of the licensee was 5.60 lakh units and purchase of energy from prosumers was 2.50 lakh units. The actual distribution loss claimed is 6.87%.

- c) The licensee has claimed the power purchase cost as Rs.8886.06 lakh for 1295.80 lakh units.
 - d) The employee cost claimed by the licensee for the year is Rs. 1267.37 lakh including Rs.155.89 lakh towards Pay Revision Arrears paid to retired employees.
 - e) The R&M expenses claimed for the year is Rs.89.91 lakh as against Rs.90.15 lakh approved in the ARR.
 - f) The A&G expenses claimed by the licensee is Rs.217.24 lakh. The licensee has claimed Rs.50.58 lakh as rent for the building and Rs.71.52 lakh as Section 3(1) duty.
 - g) The licensee during the year has made total asset addition of Rs.35.10 lakh towards Plant & Machinery, Furniture and Fittings, Cables etc.
 - h) The licensee has booked depreciation of Rs.264.95 lakh for the year in the straight-line method as per the provisions of the regulations.
 - i) The licensee has claimed interest and finance charges of Rs. 179.80 lakh for the year 2020-21 towards interest on security deposits calculated at the interest rate of 4.65%.
 - j) Rs.96.80 lakh has been claimed as Return on NFA for the financial year 2020-21.
 - k) The licensee has claimed Rs.49.26 lakh as provision for loss asset due to theft which is the value of 11.04 MT of scrapped copper wire found short.
 - l) The revenue from sale of power of 1211.90 lakh units is Rs.10269.74 lakh. The major sale of power and revenue realisation is from LT I A, LT VII A, HT II B and HT IV category of consumers.
 - m) The non-tariff income booked by the licensee for the year is Rs.643.85 lakh.
 - n) The licensee has claimed a revenue deficit of Rs.885.52 lakh for the year 2020-21 as against the revenue surplus of Rs.793.84 lakh approved in the ARR.
4. KSEB Ltd vide letter dated 07.11.2022 submitted their written comments. The major points raised by KSEB Ltd are the following:
- a) The T&D loss approved by the commission was 6.50%. As against this, the licensee has claimed T&D loss of 6.87% and hence the additional power purchase cost be disallowed.
 - b) The O&M expenses claimed in truing up petition is higher than the approved cost. KSEB Ltd submitted that these are controllable expenses, and requested the Commission to limit these expenses.

- c) The R&M Charges claimed by the petitioner is Rs.89.91 lakh against the approved amount of Rs 90.15 lakh which is lower by 0.27% against the approved amount.
 - d) Employee cost of Rs.1267.37 lakh was claimed by the petitioner against the approved amount of Rs.1200.92 lakh and is higher by 5.53%.
 - e) The A&G expenses claimed by the petitioner is Rs.217.24 lakh as against the approved amount of Rs.87.56 lakh. The claim is higher by 148.12%.
 - f) The Commission may take uniform approach regarding Section 3 Duty and the claim of the licensee on Electricity Duty may be disallowed.
 - g) It was pointed out that the energy accounted as part of energy sale in street light is lower than that in the previous year which needs prudence check.
 - h) The licensee has not considered any interest on the accumulated surplus which need to be considered as part of the non-tariff income.
 - i) The Return on capital claimed by the petitioner is Rs.96.80 lakh against the approved amount of Rs.61.57 lakh. It may be limited to the approved level.
 - j) The quantum of the energy purchased from KSEB Ltd and the claim made by the licensee under power purchase tally with the records of KSEB Ltd.
 - k) TCED has not yet executed the power purchase agreement with KSEB Ltd. The intervention of the Commission is sought for completion of the formalities of signing the PPA with KSEB Ltd.
5. After examining the petition and the details briefed during the hearing, the Commission sought clarifications vide letter dated 14.11.2022. The licensee furnished their clarifications vide letter dated 28.11.2022.

Analysis and decision of the Commission

6. As per the provisions of the Tariff Regulations,2018 and the KSERC (Condition of licence for Existing Distribution Licensees) Regulation 2006, the licensee is to submit the petition for truing up of accounts along with the audited accounts of the relevant financial year. The relevant portion of the Tariff Regulations,2018 and the KSERC (Condition of licence for Existing Distribution Licensees) Regulation 2006 are given below.

Tariff Regulations, 2018

15. Truing up of Aggregate Revenue Requirement and expected revenue from tariff and charges. –

.....

Provided that the generating business/company or transmission business/licensee or distribution business/licensee or State Load Despatch

Centre, as the case may be, shall submit to the Commission, the information for the respective year and for the previous year in such form as specified in Annexure-XII mutatis mutandis, together with the audited accounts and such other details as the Commission may require to assess the reasons for and the extent of variation in financial performance if any, from the Aggregate Revenue Requirement and expected revenue from tariff and charges as approved by the Commission:

Provided further that the petition for truing up shall be with reference to figures approved for the respective financial years

KSERC (Condition of licence for Existing Distribution Licensees) Regulation 2006

9. Accounts-

(2) The distribution licensee shall, in respect of the licensed business and any other business,

.....

(b) prepare on a consistent basis from such accounting records and deliver to the Commission,

(i) the accounting statements;

.....
(iii) in respect of the accounting statements prepared, an auditor's report for each financial year, stating whether in their opinion the statements have been properly prepared and give a true and fair view of the revenues, costs, assets, liabilities, reserves and provisions of, or reasonable attributable to such business to which the statements relate;

.....

7. The Thrissur Corporation being a municipal corporation coming within the meaning of 'State' as defined under Article 12 of the Constitution of India, the Annual Accounts of the power distribution business carried out by Thrissur Corporation Electricity Department (TCED) is coming under the audit purview of the Comptroller & Auditor General of India (CAG).
8. As is evident from the above regulations and provisions, the licensee has to furnish to the Commission, along with every Truing up petition, a copy of the Audited Annual Accounts for the respective year. The Commission hereby directs the licensee to attach a copy of the audited accounting statements together with audit certificate thereon along with the petition for Truing up of Aggregate Revenue Requirement and expected revenue from tariff and charges every year. **Petitions hereafter filed without the audited accounts shall be**

rejected by the Commission and punitive actions shall be initiated against the licensee for non-compliance of the Regulations/ Orders issued by the Commission.

9. The Commission considers the petition submitted by the licensee, the comments and arguments during the hearing, the written submissions and additional clarifications furnished by the licensee vide letter dated 28.11.2022. The analysis and decision of the Commission on the petition for truing up of accounts for the year 2020-21 are detailed below:

Energy Sales and Consumer mix

10. As per the ARR&ERC Order dated 08.11.2019, the Commission approved the sale of power for the year 2020-21 as 1609.80 lakh units. In their truing up petition, the licensee has claimed actual sales of 1211.90 lakh units for the year 2020-21. The comparison of the actual number of consumers and energy sales claimed for the year 2020-21 with that of trued up figures for 2019-20 is shown below:

Table 2
Comparison of No of Consumers and energy sales for 2019-20 and 2020-21

Category	Trued Up 2019-20		Truing Up Claim 2020-21	
	No of consumers	Sales lakh units	No of consumers	Sales lakh units
Domestic	21566	422.50	21812	431.40
Non domestic	17329	590.10	17533	416.60
Agriculture	187	0.60	188	0.70
Industrial	508	33.90	505	25.70
Street lighting	245	17.70	272	13.40
High Tension	120	447.30	126	323.00
Self-Consumption	-	1.40	-	1.10
Total	39955	1511.90	40436	1211.90

11. The number of consumers has increased in 2020-21 compared to the previous year. During 2019-20, the consumer strength was 39955 which has increased to 40436 in the year 2020-21 ie an increase of 481 consumers. The actual sales during the year 2020-21 is 1211.90 lakh units as against an approved sale of 1609.80 lakh units in the ARR. The actual sale during the year 2019-20 was 1511.90 lakh units. There is significant decrease in the sales compared to the previous year. The licensee has stated that the decrease in the sales was due to COVID 19 lockdown. It is seen that there is significant decrease in the sales to the non-domestic, industrial and HT consumers. It is also seen that there is a minimal increase in the domestic consumption. **Considering the spread of COVID 19, restriction imposed across the state and the decrease in the**

economic activity, the Commission hereby approves the energy sales of 1211.90 lakh units as claimed in the truing up petition of 2020-21.

Energy requirement and Distribution Loss

12. As per the Truing Up petition of 2020-21, the total energy input is 1301.40 lakh units, which is inclusive of 1293.30 lakh units of energy purchased from KSEB Ltd, 5.60 lakh units generated by the solar plant of the licensee and 2.50 lakh units purchased from solar prosumers. The licensee has claimed the actual distribution loss for the year 2020-21 as 6.87%. The Commission had approved 6.50% as distribution loss for the year 2020-21 in the ARR&ERC Order dated 08.11.2019. The details of the distribution loss as per the petition are as shown below.

Table 3
Comparison of Energy Purchase and Distribution Loss

	Particulars	2019-20		2020-21	
		As per Truing Up Petition	Approved in Truing Up	ARR Approved	As per Truing Up Petition
1	Energy Requirement (lakh units)				
	(a) Purchase from KSEB Ltd	1618.30	1618.30	-	1293.30
	(b) Self-generation (solar)	4.10	4.10	-	5.60
	(c) Solar energy purchase	1.30	1.30	-	2.50
	Total	1623.70	1623.70	1721.70	1301.40
2	Energy sales (lakh units)	1511.90	1511.90	1609.80	1211.90
3	Distribution loss (lakh units) (1-2)	111.80	111.80	111.90	89.50
4	Distribution loss (%)	6.88%	6.88%	6.50%	6.87%

13. The licensee has claimed a distribution loss of 6.87% which is higher than the approved loss of 6.50%. During 2019-20, the actual distribution loss claimed was 6.88%. The Commission while approving the actual distribution loss of 6.88% in the year 2019-20 had observed that the licensee has reduced the distribution loss in 2019-20 (i.e.,0.84%) compared to the distribution loss of 7.72% in the year 2018-19. In the petition for approval of ARR& ERC for the year 2020-21, the Commission had approved the projected sales as 1609.80 lakh units, but actual sales for the year 2020-21 is 1219.80 lakh units. In the case of purchase of energy, 1742.20 lakh units was projected by TCED and the actual purchase was only 1295.80 lakh units.
14. The licensee has submitted that the purchase and the sales has reduced due to uncontrollable reason of Covid-19 and lock down in the months of April and May 2020 as the industrial and commercial institutions were completely closed and

Cinema theatres and Gyms were also closed in the year 2020-21. Due to these restrictions, almost all the transformers in TCED were in the state of no load/less load leading to high transformer loss.

15. The Commission noted that there is excess distribution loss of 0.37% (6.87%-6.50%) claimed by licensee over the approved level in ARR&ERC Order. The Commission views that the loss reduction target of the licensee was not achieved by the licensee due to nation-wide lock down and subsequent restrictions imposed in the State for combatting Covid-19 Pandemic. In this connection, the Commission also notes that, the Ministry of Finance, Government of India vide office memorandum dated 13.05.2020 imposed restrictions on the movement of goods, services and manpower on account of the Covid-19' which has to be considered as Force Majeure'.
16. Distribution loss is a controllable parameter and any relaxation in the target will affect the efficiency of the licensee. But the fact that the licensee could not achieve the target due to Covid-19 lock down, ***the Commission hereby allows this deviation as a one-time exception considering the pandemic condition. The Commission further directs that, the licensee has to strictly adhere with the approved ARR&ERC percentages of distribution loss as mentioned in the Commission's Order dated 08-11-2019 for the rest of the Control Period and licensee shall continue all efforts to reduce the distribution loss. Accordingly, the Commission hereby approves the actual distribution loss of 6.87% as submitted in the Truing Up of Accounts petition and there is no adjustment made in the power purchase cost for the year 2020-21.***

Power Purchase Cost

17. In the Truing Up petition, the licensee has claimed the power purchase cost as Rs.8886.06 lakh for 1295.80 lakh units. Out of this, Rs.8878.80 lakh towards purchase of energy from KSEB Ltd and Rs.7.26 lakh for energy purchased from solar prosumers. The Commission in the ARR&ERC Order for the year 2020-21 approved the power purchase cost of Rs.11,731.91 lakh for purchasing 1721.70 lakh units. The details of power purchase cost as per the petition is given below:-

Table 4
Details of Power Purchase Cost for the year 2020-21

Source	Energy purchased (lakh units)	Fixed charge (Rs.lakh)	Energy charges (Rs.lakh)	Other charges (Rs.lakh)	Total cost (Rs.lakh)	Average cost (Rs./kWh)
KSEB Ltd	1293.30	1047.56	7824.38	6.85	8878.80	6.87
Solar energy from prosumers	2.50	-	7.26	-	7.26	2.94
Total	1295.80	1047.56	7831.64	6.85	8886.06	6.86

18. The licensee stated that, KSEB Ltd is charging meter rent in the bulk supply bill of TCED even after repeated requests not to charge the same as the meters are purchased by TCED. The 'Other charges' in Power purchase cost includes Power Factor Penalty charges paid to KSEB Ltd.
19. The Commission has examined the power purchase cost claimed by the licensee. The total energy purchased includes the power purchased from KSEB Ltd and solar energy purchased from consumers. Regarding the power purchase from KSEB Ltd, the Commission vide Order dated 23.04.2020 in OP No. 02/2020 had already directed the licensee, to maintain the power factor at 0.95 and they shall also provide adequate reactive power compensation to avoid dependence on reactive power support from the Grid. Further the Commission directed TCED to sign the PPA with KSEB Ltd for the purchase of power, within three months from the date of the above said Order, which has not yet been complied with.
20. The solar energy purchased from consumers is 2.50 lakh units @2.94 per unit, costing Rs.7.26 lakh. The Commission while truing up the accounts for the year 2019-20 had viewed that the rate of Rs.2.94 per unit has not been approved by the Commission for TCED and the amount paid is treated as provisional only. The Commission had also directed the licensee to furnish the rationale for paying Rs.2.94 per unit in the purchase of energy from solar PV installations of the consumers and approved the power purchase cost provisionally. The licensee vide letter dated 10.12.2021 has submitted the details with regard to the rationale followed by the licensee for paying Rs.2.94 per unit. In the clarification licensee stated that, TCED has paid Rs. 2.94 per unit for the purchase of energy from solar P.V. installation of consumers based on the Board order of KSEB Ltd dated 28.09.2020. The Board order of KSEB Ltd says to approve average pooled power purchase cost (APPC) as Rs. 2.94 per unit for 2020-21 for payment of Renewable Energy prosumers at the end of settlement period. Tariff Regulation 2018 envisage that the retail supply tariff shall be uniform for same category of consumers of all distribution licensees in the state. So TCED has paid Rs.2.94 per unit for the purchase of energy from Solar installations of grid connected consumers to unify the rate for same category. TCED has made payments to its prosumers at the rate of Rs.3.14 per unit up to FY 2020-21.
21. The Commission examined the submission of the licensee to approve the purchase cost for solar energy at the average power purchase cost of the licensee i.e., Rs.2.94/units. As per the provision of Kerala State Electricity Regulatory Commission (Grid Interactive Distributed Solar Energy Systems)

Regulations, 2014 (Regulation No.14 (8)), the licensee shall pay for the net electricity banked by the eligible consumer at the end of the settlement period at the Average Pooled Purchase Cost (APPC) of electricity as approved by the Commission for that year. The Commission has not issued orders approving the APPC for the year 2020-21 so far. **However, the Commission provisionally approves the amount of Rs.7.26 lakh towards cost of solar power purchase from the prosumers during the year 2020-21 as claimed by the licensee.**

22. The Commission further noted that, vide clarification dated 10.12.2021 the licensee stated that they have made payments to its prosumers at the rate of Rs.3.14 per unit up to FY 2020-21. However, in the Truing Up petition 2020-21 licensee stated that, the variable cost of Rs.2.94/unit was paid to Solar prosumers for the energy of 2.50 lakh units. This is a very serious lapse and even casts doubt regarding the true and fair view of the Affidavit submitted by the licensee. The licensee is hereby directed to be more careful in its submissions before the Commission. Any further dereliction shall be dealt with seriously as per the relevant provision of the Act/Regulations.
23. After considering the above para, **the Commission hereby approves the power purchase cost of Rs.8878.80 lakh towards purchase from KSEB Ltd and the Commission provisionally approves Rs.7.26 lakh towards the cost of solar power purchased from prosumers. The licensee shall comply with the Order of the Commission dated 23.04.2020 in OP No. 02/2020 within 60 days of the issue of this Order and report compliance to the Commission. Any refusal to comply with this Order shall be considered as a serious violation of TCED's License conditions and the Commission shall be constrained to initiate appropriate action against TCED under Section 142 of the Electricity Act, 2003.**

O & M Expenses

24. Operation & Maintenance expenses are the controllable expenses such as Employee cost, R & M expenses and A & G expenses. The Commission has specified the norms applicable to the licensee in the Tariff Regulations 2018. The relevant portion of Regulation 79(8) of the Tariff Regulations 2018 regarding O&M expenses is reproduced hereunder;

79. Operation and maintenance expenses.....

.....

(8) The distribution business of the Trissur Corporation Electricity Department 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.

25. The Commission as per the provisions of clause 79(8) of the KSERC (Terms and Conditions for Determination of Tariff) Regulation 2018 has approved the Operation & Maintenance cost for the year 2020-21 at Rs.1378.63 lakh in the ARR& ERC Order. The actual claim as per the Truing Up Petition for the year 2020-21 and the amount as per norms approved for the year 2020-21 is shown below.

Table 5
Comparison of O&M Expenses for 2020-21

Particulars	2019-20		2020-21	
	As per Truing Up Petition (Rs.lakh)	Trued Up (Rs.lakh)	As Per Regulation/ ARR&ERC Order (Rs.lakh)	As per Truing Up Petition (Rs.lakh)
Employee cost	1244.82	1145.48	1200.92	1267.37
Pay Revision Expenses	-	579.20	-	-
R&M Expenses	106.09	105.94	90.15	89.91
A&G Expenses	354.06	93.07	87.56	217.24
Total	1704.97	1923.69	1378.63	1574.52

26. The above table shows that, the actual O&M expenses as per the Truing up petition for the year 2020-21 is higher by Rs.195.89 lakh which is 14.21% higher than the norms approved in the ARR&ERC Order for the year 2020-21. It is also seen that total O&M expenses has also decreased by Rs.130.45 lakh compared to the previous year claim of Rs.1704.97 lakh. Compared to previous year 2019-20, the actual R&M expenses and A&G expenses have decreased by Rs.16.18 lakh and Rs.136.81 lakh respectively in 2020-21. The Commission has analyzed each of the components submitted by the licensee. The details are given below.

Employee cost

27. The employee cost claimed by the licensee for the year 2020-21 is Rs.1267.37 lakh as against Rs.1200.92 lakh approved in the Tariff Regulation,2018. The split up of the claim of the licensee is shown below.

Table 6
Comparison of Employee Cost for 2019-20 and 2020-21

Particulars	2019-20		2020-21	
	For Truing Up (Rs.lakh)	Trued Up (Rs.lakh)	ARR Approved (Rs.lakh)	For Truing Up (Rs.lakh)
Salary	812.11	1145.48	1200.92	808.70
Other Allowances	2.20			0.31
Medical Expense Reimbursement	-			-
Employer Contribution	15.51			12.43

Earned Leave Encashment	104.34			52.84
Bonus/Festival Allowance	9.65			6.17
Stipend and Wages	173.54			127.68
Pension Contribution	104.68			86.44
Grade promotion Arrear	22.79			16.91
Pay Revision Arrear to retired employees	-	579.20		155.89
Grand Total	1244.82	1724.68	1200.92	1267.37

28. The licensee in the petition has submitted that they have to disburse 2013 pay revision arrears to pensioners in the year whose service books were with local fund audit and after getting audit clearance this amount of Rs.155.84 lakh is paid during the year. It is further submitted that as a part of local self-government body, pension has to be distributed by TCED on receipt of pension allotment from DUA. For the past few years, TCED has not received proper pension allotment from The Director of Urban Affairs (DUA). As per government order dt.04-03-2016 deficit amount to distribute pension is to be met from own fund of local body. As Thrissur Corporation refused to release any amount, TCED is forced to distribute pension from its own fund.
29. The Commission examined the claim of the licensee and observed that, the actual employee cost as per the Truing up petition for the year 2020-21 is higher by Rs.66.45 lakh than the amount approved in the Tariff Regulations, 2018 for the year 2020-21. The major portion of employee cost is towards salary which constituted 63.81%. The other major item is Rs.127.68 lakh towards stipend and wages. The licensee has also claimed arrears of Rs.16.91 lakh as Grade promotion Arrear and Rs.155.89 lakh as Pay Revision Arrear to retired employees.
30. The Commission directed the licensee vide Order dated 27-07-2020 to file a separate petition on the required/available employee strength, qualifications, experience, scale of pay, number engaged in shifts, etc. to arrive at the optimal employee strength within three months of that Order. The licensee has not so far complied with the directions of the Commission. Instead, they have submitted the instant petition vide clarification dated 28.11.2022 that, the steering committee of Thrissur Corporation was in the opinion that TCED has to make clear the apprehensions of the Commission on this instead of filing petition. The employee strength of Thrissur Corporation Electricity Department is determined by Government as per direction of the Director of Urban Affairs. Thrissur Corporation Electricity Department is of the view that separate petition on employee strength is not relevant to the department. The sanctioned employee strength as per various Government orders is as follows (orders)

- 1) GO(MS) No. 86/70/LSGD Dt. 15.12.1970
- 2) GO(Rt) No. 3917/83/LA & BWD Tvpm Dt. 28.10.1983
- 3) GO(MS) No. 64/91 LSGD Dt. 4.03.1991
- 4) GO(MS) No. 174/2000 LSGD Tvpm 14.08.2000

A. Thrissur Corporation Electricity Department's sanctioned strength is as following;

Category Wise			
Electrical Engineer	1	Senior Superintendent	9
Assistant Engineer	9	Senior Assistant	23
Sub Engineer	17	Junior Assistant	23
Overseer	27	Typist	2
Lineman - I	36	Driver	5
Lineman - II	15	Office Attendant	6
Electricity Worker	50	Watchman	4
Meter Mechanic	1	Oil Filter	1
Total = 229			

Note: As per 4th GO read above, Junior Superintendent post redesigned as Senior Superintendent.

B. Additional Post Required

Shift Operator	4
Shift Assistant	4
Meter Reader	8
Security Staff	4
Electricity Worker	2
Total	22

C. Existing Staff Strength

Non – Technical		Technical	
Designation	Existing Staff	Designation	Existing Staff
Senior Superintendent	4	Electrical Engineer	1
Senior Assistant	12	Assistant Engineer	8
Junior Assistant	21	Sub Engineer	3
Typist	2	Overseer	15
Driver	1	Lineman - I	5
Office Attendant	7	Lineman - II	12
		Electricity Worker	6
		Meter Mechanic	0
		Filter Operator	0
Total	47	Total	50

31. The licensee stated that, after 2000 TCED made many expansions like the bi-yearly meter reading system was changed to bimonthly spot billing system and monthly reading for above 10KW billing system which need an additional post of 8-meter readers. Further the licensee provides its consumer's 24 x7 supply,

installed 110KV Substation in 2006 and 33KV substations in 2010 leading to additional post of shift operators 4 (Assistant Engineer), Shift Assistant 4 (Sub Engineers) Security Staff (4) OA, Electricity Worker 2. But as the additional post were not sanctioned by Government to date. However, Thrissur Corporation Electricity Department requires this post for smooth functioning of substations and other daily works. And now it engages contract employees for this additional work by way of tendering. The licensee further stated that, TCED has not appointed any financial, accounting or legal experts to cope up with the needs of KSERC who regulates the business. Unlike other licensees, the existing staff of TCED is taking the burden of work, which needs expertise & knowledge in above mentioned fields.

32. The direction of the Commission was to file a proper petition, so as to enable the Commission to analyse the expense in a holistic manner and for arriving at the reasonable employee expenses. The non-submission of the details limits the Commission in properly analyzing and exercising prudence check on the employee cost of the licensee. Therefore, the Commission needs a detailed petition for discussing various aspects with other stakeholders also. The terms and conditions of the distribution licence issued to the licensee mandates the licensee to comply with the orders of the Commission.
33. KSERC (Conditions of License for Existing Distribution Licensees) Regulations 2006 provided as below.

“Part II

2. Compliance with laws, rules, and regulation.

(1) The distribution licensee shall comply with the provisions of the Act, rules and regulations, orders and directions issued by the Commission from time to time and the provisions of all other applicable laws, for the time being, in force.”

34. As such, the licensee is bound to comply with the orders and directions issued by the Commission. The Commission vide letter dated 14.11.2022 has sought the details, justifications and supporting documents for the expenses claimed under the head employee cost. The licensee vide letter dated 28.11.2022 furnished the details regarding the employee cost as stated below;-
 - a) Stipend and Wages of Rs.127.68 lakh: - This expense is incurred for distributing stipend to apprentice and wages to daily wage employees. The licensee has also submitted the month wise payment of stipend and wages.
 - b) Grade promotion arrears of Rs. 16.91 lakh: - This is distributed among eligible employees after getting approval from competent authority. This

grade promotion was due to employees from 2012 as the pay revision order was pending.

- c) Pay Revision arrear of Rs.155.89 lakh: - 2018 Pay revision arrear to retired employees were pending to distribute as Local fund audit has not given sanction for the same. Those retired employees filed petition in KAT, passed orders to distribute. This made TCED to distribute the same.

35. The Commission examined the petition along with the additional details submitted by the licensee. In the petition, Rs.155.84 lakh is claimed towards pay revision arrears of 2013 to pensioners whose service books were with local fund audit and after getting audit clearance the amount was paid. In the clarification dated 28.11.2022 the licensees stated that, pay revision arrear of 2018 to retired employees were pending to distribute as Local fund audit has not given sanction for the same. The retired employees approached KAT and KAT issued orders to distribute the areas. The statement submitted in the petition and the clarifications are contrary to each other and there is mismatch in the amount as per the table and clarifications. These need to be rectified.
36. While issuing the Truing up order dated 10-09-2021, the Commission observed that there was gross shortage of allocation of funds from DUA For disbursement of pension and accordingly the pension disbursements are meat from the regulatory surplus of TCED, which is not desirable. The Commission further noted that the primary responsibility for payment of pension falls on the State Government. Citing Rule 9 of the Kerala Municipality (Employees Death cum Retirement Benefit) Rule, 1996, the Hon'ble High Court In various judicial pronouncements upheld that the DUA is obliged to withdraw from Central Pension Fund the amount required for pension and other pensionary benefits and transfer to the Secretary of the concerned local self-government. As per the details furnished by the licensee, they had utilised Rs.4156.03 lakh from their own fund for disbursing pension up to 2019-20. Further, they are not remitting the pension contribution to Government. The Commission specifically once again reiterates that it is not the responsibility of the licensee to pay pension to the retired employees of the Department. The Commission Huber directs the licensee to take up the issue with Government for allocation of sufficient funds to defray the pension payment .
37. The licensee further stated that the claim of Rs.127.68 lakh towards stipend and wages is the expense incurred for distributing stipend to apprentice and wages to daily wage employees. The Commission analysed the trend of stipend and wages of the licensee over the past five years as shown below.

Table 7
Details of Stipend and Wages for the Last five Years

Year	Stipend and wages claimed in the Truing Up Petition (Rs. lakh)
2016-17	93.41
2017-18	111.53
2018-19	129.49
2019-20	173.54
2020-21	127.68

38. The Commission is of the considered view that, the claims made by the licensee is not prudent which is a matter of concern. The licensee has not submitted the proper details, justification and supporting documents for their claim. The Tariff Regulations, 2018 (Regulation 15) prescribes the steps and procedures to be followed by the Commission and licensee at the time of Truing Up process. The relevant portion of the regulation is extracted below.

15. Truing up of Aggregate Revenue Requirement and expected revenue from tariff and charges. –

.....
Provided that the generating business/company or transmission business/licensee or distribution business/licensee or State Load Despatch Centre, as the case may be, shall submit to the Commission, the information for the respective year and for the previous year in such form as specified in Annexure-XII mutatis mutandis, together with the audited accounts and such other details as the Commission may require to assess the reasons for and the extent of variation in financial performance if any, from the Aggregate Revenue Requirement and expected revenue from tariff and charges as approved by the Commission:

Provided further that the petition for truing up shall be with reference to figures approved for the respective financial years.

(3) The truing up shall be a comparison after prudence check, of the financial and operational performance of the generating business/company or transmission business/licensee or distribution business/licensee or State Load Despatch Centre with the approved forecast of Aggregate Revenue Requirement and expected revenue from charges and operational performance, which shall comprise of the following steps:-

.....

39. As per the provisions of the Tariff Regulations 2018, the Commission can consider only the claims made by the licensee after the prudence check with

supporting documents and justifications provided by the licensee. **Employee cost being a controllable item, non prudent expenses cannot be passed on to the consumers. After analysing the submission and the clarification made by the licensee, Commission is of the considered view to defer the claim of the licensee subject to compliance of the directives issued by the Commission.. The licensee shall submit detailed split up of expenditure along with justification thereof within three months of issue of this Order for consideration. The Commission further directs the licensee to file a proper petition to ascertain the optimum level of employees (including permanent and non-permanent staff) in the electricity distribution business in compliance with the directions issued vide order dated 27.02.2020. Accordingly, the Commission defers the employee cost for the year 2020-21 subject to compliance of the direction issued by the Commission. Refusal to comply with the orders of the Commission shall be considered as a violation of the license conditions warranting appropriate action under Section 142 of the Electricity Act, 2003.**

Repair and Maintenance Expenses

40. The licensee in their petition has claimed Rs.89.91 lakh as the R&M expenses for the year 2020-21. The Commission had approved an amount of Rs.90.14 lakh as the R&M for the year. The comparison of the R&M for the year 2019-20 and 2020-21 is shown below.

Table 8
Details of R&M Expenses for the year 2019-20 and 2020-21

Particulars	2019-20		2020-21	
	For Truing Up petition Rs.lakh	Trued up Rs.lakh	Approved in Regulations Rs.lakh	For Truing Up petition Rs.lakh
Substations	19.96	19.96	90.14	29.71
Plant & Machinery	16.21	85.98		49.52
Lines & Cable Networks	59.94			2.10
Vehicles	1.61			0.03
Furniture & Fixtures	2.56			8.55
Office Equipment	5.80			
TOTAL	106.09			105.94

41. The actual claim of the licensee for the year 2020-21 is lower than the approved level. The major expenses booked under R&M is for Plant & Machinery, Lines & Cable Networks and Office Equipment. The Commission had sought detailed split up of the said expenses, which was submitted vide clarifications dated 28.11.2022. The details submitted are tabulated below.

Table 9
Details of R&M Expenses for the year 2020-21

Particulars	2020-21
	For Truing Up Rs.lakh
Plant & Machinery	
R&M Transformer	10.52
R&M Substation	19.19
Lines & Cable Networks	
R&M LT line	1.08
R&M Solar	0.16
R&M Labour	7.97
R&M Mains Underground	17.81
R&M Store	16.49
R&M Mains Overhead	6.01
Office Equipment	
R&M computer equipments	8.55
Vehicles	2.10
Furniture & Fixtures	0.03
Total	89.91

42. The licensee has stated that the transformers have been maintained as identified in the power equipment testing conducted in 2019-20. The licensee has also stated that due to COVID-19, they has to improve in IT field so as to enable online payment hence hike in IT equipment occurred. Considering the necessity of the licensee to maintain the equipment as per required standards and effective functioning of the equipment, ***the Commission approves the actual expense of Rs.89.91 lakh claimed by the licensee as the R&M expenditure for the year 2020-21.***

A&G Expenses

43. The A&G expenses claimed by the Licensee as per the petition is Rs.217.24 lakh for the year 2020-21 as against Rs.87.57 lakh approved in the ARR&ERC Order for 2020-21. A comparison of the actual claim in 2020-21 as against the previous year is shown below.

Table 10
Details of A&G Expenses for the year 2019-20 and 2020-21

Particulars	2019-20		2020-21	
	As per Truing Up Petition (Rs.lakh)	Trued Up (Rs.lakh)	ARR in Approved (Rs.lakh)	As per Truing Up Petition (Rs.lakh)
Rent, rates and taxes	172.03	-	87.56	50.58
Insurance	2.42	2.42		2.54
Telephone telex charges etc.	6.21	6.21		7.55
Legal charges	1.62	1.62		0.65
Consultancy charges	2.41	2.41		1.90

Printing and stationery	8.58	8.58		11.36
Other professional charges	2.51	2.51		6.82
Conveyance and vehicle expenses	25.26	25.26		23.41
KSERC charges	5.14	5.14		7.17
Training to staff	0.30	0.30		-
Other expenses	22.91	22.91		22.36
Self consumption	9.78	9.78		7.71
Section 3 Duty	88.96	-		71.52
Advertisement	2.10	2.10		1.26
Miscellaneous expenses	3.71	3.71		2.41
Bank charges	0.11	0.11		-
Total	354.06	93.07	87.56	217.24

44. The major amounts booked as part of administrative and general expenses are the rent, conveyance and vehicle expenses, printing and stationery expenses and duty under Section 3 of the Kerala Electricity Act 1963. Commission while truing up the accounts for the year 2019-20 has disallowed the rent and the duty under Section 3 and had approved an amount of Rs.93.07 lakh as against Rs 83.52 lakh approved in ARR&ERC Order.
45. The licensee over the years had claimed rent at the rate of Rs.172.03 lakh per annum. The Commission had disallowed the claim and had directed the licensee to finalise rent as per the PWD rates. Now in 2020-21, the licensee has claimed Rs.50.58 lakh as rent for the building which is calculated by authorised engineers of the Corporation based on G.O (Rt.) No/.269/2016/PWD. The licensee has stated that rent of the yard occupied for substations and store were calculated proportional to market value of the property. It is also stated that the steering committee of Thrissur Corporation proposed the corporation council to re-assess the yard rent. The council resolution in the matter is pending. It is further stated that the yard rent is not booked for this year. Commission has considered the submission made by the licensee and is of the view that the estimation of rent by the engineers of the Corporation is not proper and prudent.
46. The Commission has directed the licensee to approach PWD for fixing the rent on a reasonable manner as per the PWD rates. The licensee has so far not complied with the said direction, but resorting to delaying tactics. The Commission is of the view that sufficient and more time has been given to the licensee to comply with the direction. Commission reiterates that the rent shall be finalized and certified by the PWD and then the licensee shall approach the Commission for consideration of the matter. Till then the **Commission decides to continue the decision as in the previous truing up and approval of rent under A& G expenses for the year 2020-21 is deferred.**

47. The licensee has booked Rs. 71.52 lakh towards Electricity Duty for the year 2020-21. 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 same is disallowed.**
48. The other major items booked are conveyance charges (Rs.23.41 lakh) and under the head other charges (Rs.22.36 lakh). The Commission had sought clarifications with regard the said expenses which was submitted by the licensee.
49. During 2020-21, the conveyance charge claimed is Rs.23.41 lakh. With regard to conveyance charges, the Commission while truing up the accounts of 2019-20 had viewed that there is considerable increase under conveyance expenses over the years. During 2019-20 the conveyance charge claimed was Rs. 25.26 lakh. Commission had made a comparative analysis and had noted that there had been an increase in the expenses by more than 5 times in the past years. The licensee being operated in a very limited area of supply, the Commission noted that the increase on account of vehicle hire and conveyance is disproportionately high and directed the licensee to take necessary steps to curtail the expenses. Commission is of the view that the licensee has not taken earnest efforts to reduce the conveyance charges and once again directs the licensee to take effective steps to reduce the same.
50. With regard to the claim of Rs.22.36 lakh under the head other charges, the licensee has stated that the amount includes Security Staff Wages, Diesel for Generator, Postage and Water Bill. The split up of the said amounts is tabulated below.

Table 11

Details of Other charges for the year 2019-20 and 2020-21

Particulars	2019-20	2020-21
Security Staff Wages	19.82	19.12
Diesel for Generator	1.55	0.71
Postage	0.63	0.34
Water Bill	0.92	2.19
Total	22.91	22.36

51. The Commission notes that the licensee has claimed Rs.19.12 lakh towards security staff wages under other charges. In the petition, the licensee has also claimed Rs.49.26 Lakh as provision for loss due to theft of scrapped copper. Theft in the license area after having security personnels engaged is blatant inefficiency/ careless approach on the part of the licensee. The Commission takes serious note on the matter and directs to fix responsibility for the loss and recover the amount from the staff responsible for it.

52. The Commission has already taken a stand with regard to rent and duty under Section 3. Accordingly, after duly considering the claims made by the licensee, the clarifications and details submitted, Commission is of the considered view that there is further scope for reduction in the A&G expenses and **approves Rs. 87.56 lakh as the A&G expense for the year 2020-21 as per the norms fixed by the Commission.** The licensee is directed to take effective and efficient steps/arrangements for reducing the A&G expenses.

Summary of O&M Expenses approved for 2020-21

53. The summary of O&M expenses approved by the Commission for the year 2020-21 is shown below:-

Table 12
Approved O & M expenses for the year 2020-21

Particulars	2020-21		
	As Per Regulation/ ARR&ERC Order (Rs.lakh)	As per Truing Up Petition (Rs.lakh)	Trued Up (Rs.lakh)
Employee cost	1200.92	1267.37	-
Pay Revision Expenses	-	-	-
R&M Expenses	90.15	89.91	89.91
A&G Expenses	87.56	217.24	87.56
Total	1378.63	1574.52	177.47

Asset additions during the year 2020-21

54. In the Truing Up petition 2020-21, the licensee has incurred an additional capital expenditure of Rs.35.10 lakh. The details of the claim made by the licensee during the year are shown below.

Table 13
Details of asset additions made during the year 2020-21

Particulars	Rs. Lakh
Plant & Machinery	7.81
Underground cables & network	6.11
Overhead Lines	3.05
Furniture and Fittings	8.90
IT Equipments	1.50
Meter	7.73
Total	35.10

55. The Commission vide letter dated 14.11.2022 has sought the details, justifications and supporting documents for the assets additions made during the

year 2020-21. The licensee furnished the clarification vide letter dated 28.11.2022 and has stated as follows.

‘TCED has to submit capital investment schemes with detailed Project Report before Hon’ble KSERC for consideration and approval including the need for investment and its cost benefit analysis if the Capital investment of each scheme exceeds 25 lakhs. But in the above Rs.35.10 lakhs asset of 2020-21, no capital investment work of above Rs.25.00 lakh has occurred. TCED being a subsidiary of local self govt. follows all existing rules as per purchase manual and is audited by local fund auditors. All purchase is executed by transparent bidding process.’

56. The licensee has also submitted the split-up of Assets Additions made during the year 2020-21 and that is shown below.

Table 14
Split-up of Assets additions made during the year 2020-21

Plant & Machinery	Rs.lakh	Underground cables & network	Rs.lakh
11KV I/D CT 600-300/5-5-1A	1.24	Cable End Kit 300 XLPE/HS Outdoor	0.13
11KV I/D PT 11000/110-110V	0.53	HDD Pipe	5.43
11KV O/D NCT 600/1A	0.32	Cable Straight Kit 300mm XLPE–HS O/D	0.54
11KV O/D NCT 800-160/1-5A	0.32	Sub Total (D)	6.10
11KV O/D NCT 800-400/1A	0.67	Overhead Lines	Rs.lakh
BUSH FOR TRANSFORMER 10MVA	2.36	HDPE pipe 110 mm	0.83
CT 100/5 A	0.59	Stay Set Complete	0.14
AB Switch 400 A	1.36	Channel Iron Piece 75 x 40 x 6 mm	1.08
HRC Fuse Link 315A	0.09	X-arm ‘V’ for PSC poles	0.66
HRC Fuse Link 400A	0.33	X-arm 2’x3 ½”	0.35
Sub Total (A)	7.81	Sub Total (E)	3.05
Office F&F	Rs.lakh	IT Equipments	Rs.lakh
Table	1.82	Printers and its accessories	0.36
L Shaped Table	0.29	Monitors	0.20
Revolving Chair	0.99	Toner 3018	0.50
Visitors Chair	0.79	Toner ricoh	0.19
Executive Revolving Chair	0.84	Mouse	0.04
Manager Glass Top Table	1.28	Keyboard	0.07
Cubicle Work	2.90	Hard disk	0.14
Sub Total (B)	8.90	Sub Total (F)	1.50
METER	Rs.lakh	Total (A+B+C+D+E+F)	35.10
Meter 3 x 4 x 10-60 LCD	4.99		
Single Phase Bidirectional Meter	0.16		
3Ph.4W 10.60 ALCD/TOD Bidirectional Meter	1.68		
3Ph Bidirectional LT CT Meters-5A	0.90		
Sub Total (C)	7.73		

57. The Commission analysed each contention of the licensee and observed that, while issuing ARR&ERC Order for the years 2018-19 to 2021-22 had clearly stated that, the Commission is not in a position to accord in-principle sanction for the proposed capital investment without proper documents to substantiate the investment. The Commission further directed the licensee to file a petition for detailed proposal for capital investment. The relevant portion of the ARR&ERC Order (dated 08.11.2019) is given below.

“51. The licensee is directed to submit the detailed proposal before the Commission at the earliest. The capital investment plan proposed shall be heard separately and based on the decision of the Commission, the investment proposals can be considered as part of ARR&ERC. Till such time the licensee shall not make any investment on these projects.”

58. The licensee has not submitted to the Commission any proposal for approval of assets additions during the year 2020-21. Regulations 22 to 27 of the Tariff Regulations, 2018 provide for the procedure to be followed for addition of assets and the claiming of depreciation. As per Regulation 22 (3), the capital cost approved by the Commission after prudence check shall form the basis for determination of tariff. Unless the approval is obtained, it is not eligible to be part of GFA.

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

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

(i) KSEB Ltd. Rs. 10 Crore

(ii) KDHPCL, TCED and CPT Rs 25 lakh

(iii) Other distribution licenses Rs 15 lakh

.....

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

60. The Regulations clearly states that, the licensee should submit supporting documents and justification for the assets additions at the time of Truing Up of

Accounts to enable the Commission to conduct prudence check of the investment. In their Truing Up petition 2020-21, the licensee has not submitted the any detailed justification or documents for substantiate their claims. **Therefore, the Commission is not in a position to accord in- principle sanction for the proposed capital investment without proper documents to substantiate the investment. The licensee is directed to submit the justification and documents before the Commission within two months from the date of this Order. The asset addition will be considered for approval after prudence check while the Truing Up of accounts for the year 2021-22.**

61. Due to the above reasons, the Commission is not in a position to consider the amount of Rs.35.10 lakh claimed for the capital additions made during the year 2020-21. **Hence, the Commission approves depreciation and RoNFA only for the asset additions made up to 2019-20.**

Depreciation

62. The licensee has claimed depreciation of Rs.264.95 lakh for the year 2020-21. The Commission had approved a depreciation Rs.198.81 lakh while approving the Order on ARR& ERC. The Commission while Truing Up of accounts for the year 2019-20 had approved Rs.265.80 lakh as the depreciation as claimed in the petition. The details of the depreciation claimed by the licensee for the year 2020-21 are as shown below.

Table 15
Depreciation claimed by the licensee for the year 2020-21

Particulars	GFA as on 01-04-2020 (Rs.lakh)	Assets Addition (Rs.lakh)	Adjustments & Deductions (Rs.lakh)	Depreciation (Rs.lakh)
Distribution Lines	2412.69	9.16	3.59	69.31
Sub Station Equipments	3293.51	7.81	3.08	132.18
Furniture & Fixtures	22.18	8.90	-	1.32
Office Equipments	135.79	-	-	3.70
Vehicles	53.68	-	-	1.60
Land & Land rights	23.39	-	-	-
Building	119.93	-	-	4.01
Meter	595.96	7.73	-	31.80
Software	29.38	-	-	4.41
IT Equipment	110.00	1.50	-	16.62
Total	6796.50	35.10	6.67	264.95

63. The licensee stated that the depreciation is calculated based on the rates as per the Tariff Regulations, 2018 for the first twelve years of useful life of assets. The remaining depreciable value has been spread over the remaining useful lives and depreciated accordingly. The residual value is considered at 10%. Further,

in the case of assets capitalized during the year, depreciation is provided at 50% of the normal rates. The licensee in the petition stated that no depreciation has been provided on assets created out of consumer contribution.

64. The Commission examined the submission in the petition and noted that, the licensee has not submitted the detailed justification to substantiate their claims for current year assets addition. Therefore, as mentioned in para 60&61 of this Order, the Commission hereby allows depreciation only for the asset additions made up to 2019-20. The depreciation and other finance charges (Return on NFA) will be considered after formal approval once the required details are furnished by the licensee.
65. Based on the above, the total depreciation claimed by the licensee for the year 2020-21 is Rs.264.95 lakh. Out of this amount, the Commission computed depreciation for the current year addition as Rs.1.05 lakh (proportionate depreciation). **Therefore, the Commission hereby approves Rs.263.90 lakh (Rs.264.95 lakh- Rs.1.05 lakh) as depreciation for the year 2020-21 for the asset additions up to 2019-20. The Commission also directs the licensee to be more careful while submitting the detailed writeup and other details as part of the petitions filed before the Commission.**

Interest and finance charges

66. The licensee has claimed interest and finance charges of Rs.179.80 lakh for the year 2020-21 towards interest on security deposit at the interest rate of 4.65% per annum. The Commission had approved an amount of Rs.244.57 lakh in the Order on ARR&ERC for the year. It is seen that the licensee has also in the write up to the petition stated that during the year 2020-21, the total amount of interest charges actually paid to the consumers on the security deposit is Rs.213.66 lakh which pertains to the financial year 2019-20.
67. As per the provision of the Kerala Electricity Supply Code, the licensee is bound to provide interest on security deposit collected from consumers. The Commission has been taking the consistent stand that, the actual disbursement of interest on security deposit during the year can only be allowed in the process of truing up. **Accordingly, Commission approves interest on security deposit of Rs.213.66 lakh for the year 2020-21 under interest and finance charges.**

Return on Net Fixed Assets

68. The licensee has claimed Rs.96.80 lakh as return on capital for the financial year 2020-21. The Commission approved Rs.61.57 lakh in the ARR&ERC Order for the financial year 2020-21. It may be seen that while Truing Up of accounts in

2019-20, the Commission had approved Rs.94.41 lakh as RoNFA as claimed by the licensee. The details of amount claimed by the licensee is stated below.

Table 16
Return on NFA for the years 2019-20 and 2020-21

Particulars	2019-20 Trued Up (Rs.lakh)	2020-21 Truing Up Petition (Rs.lakh)
Gross Fixed Assets at the beginning of the year	6411.18	-
Less: Cumulative Depreciation at the beginning of the year	(2750.92)	-
Net Fixed Assets at the beginning of the year	3660.26	-
Less: Fixed assets financed by Consumer contribution at the beginning of the year	(513.30)	-
Balance net fixed assets on which returns can be allowed	3146.96	3226.56
3 % on Net Fixed Assets	94.41	96.80

69. The Commission has examined the claim of the licensee. As per the Tariff Regulations, 2018, return on capital shall be allowed at the rate of 3% on net fixed assets as reduced by consumer contribution at the beginning of the financial year. Based on the above, the Commission hereby approves the Return on NFA for the year 2020-21 is shown below.

Table 17
Return on NFA for the years 2020-21

Particulars	Trued Up (Rs.lakh)
Gross Fixed Assets as on beginning of the year	6796.50
Less: Cumulative Depreciation at the beginning of the year	(3016.49)
Net Fixed Assets at the beginning of the year	3780.01
Less: Fixed assets financed by Consumer contribution at the beginning of the year (513.30+40.15)	(553.45)
Balance net fixed assets on which returns can be allowed	3226.56
3 % on Net Fixed Assets	96.80

70. ***The Commission hereby approves the return on NFA at Rs.96.80 lakh for the Financial Year 2020-21.***

Provision for Pay Revision and Provision for loss due to theft.

71. In the petition, the licensee has claimed Rs. 796.98 lakh as provision which includes Rs.49.26 Lakh as provision for loss due to theft and Rs.747.72 lakh as provision for pay revision. The amount of Rs.49.26 lakh is claimed as value of 11.04 MT of scrapped copper found short.

72. During the hearing on the petition for Truing Up of 2019-20, the Commission being sought the reason for substantial reduction in sale of scarp. The licensee replied that there was a theft of scrap materials from the store and the associated events resulted in stoppage of scrap sales. In addition, the licensee submitted that the sale of scrap is not being done every year. The Commission notes with concern the theft and directs the licensee to communicate the progress of the investigation periodically.
73. The Commission vide letter dated 14.11.2022 has sought the details of provision created for loss due to theft (Rs.49.26 Lakh) with details of action taken to fix responsibility for the same. Regarding loss of copper from the TCED Paravattani store, the licensee submitted that the investigation is in progress and both criminal as well as departmental action is still pursuing. The licensee also stated that it is unfair and unconditional to book liability for the loss of property upon the staff of TCED before completing those procedures by the competent authorities. The copper which was lost is not a performing asset in the service of TCED but only fragments after use. The Commission noted that the licensee is arranging 24x7 security and incurred expenditure on this regard and claimed the cost in previous Truing Up Petitions. Therefore, the Commission directs to fix the responsibility and recover the loss from the delinquent security personal and store in charge. The cost of that kind of material can only realize after the completion of valuation and auction procedure which was not taken place. Any dimension of loss of this scrappy property doesn't make any liability upon consumers of TCED but extends to the responsible staff members who found as guilty or derelict in the duties which owes to them.
74. The licensee has also claimed the pay revision arrears of Rs.747.72 lakh and vide clarification dated 28.11.2022 stated that, the provision is created for salary arrears of pay revision 2018. The amount actually paid during 2021 is the arrear of 2013 pay revision for the retired employees. Three installments of the arrear were paid in the year 2020-21. The Pay revision order is G.O(MS) No. 184/2018 LSGD.
75. The Commission is of the considered view that, any provision created for discharging any future liability cannot be claimed in the truing up petition. However, the Commission will allow the same when the actual is made. Moreover, the Commission has been following the consistent stand that, the expenses can only be allowed during the year in which the actual payment is made in the process of Truing Up of Accounts. **Accordingly, the Commission disallow the amount of Rs.796.98 lakh claimed as provision.**

Revenue from Sale of Power

76. During the year 2020-21, revenue from the sale of power of 1211.90 lakh units is Rs.10269.74 lakh against the approved amount of Rs.13230.11 lakh for 1609.80 lakhs units in the ARR&ERC Order. The major sale of power and revenue realisation is from LT I A, LT VII A, HT II B and HT IV category of consumers. The actual revenue from sale of power in 2020-21 is lower when compared to that of the year 2019-20. The Revenue from sale of power claimed by the licensee for the year 2019-20 was Rs.12,625.06 lakh for 1511.90 lakh units. The licensee has stated that the sale was lower compared to the previous year due to COVID -19 restrictions imposed across the State. The category wise revenue from sale of power for the year 2020-21 is as shown below.

Table-18
Comparison of Revenue from Sale of Power for 2020-21

Particulars	Number of consumers	Units Sold in lakhs	Total Revenue (Rs.lakh)	Average Realisation per kwh (Rs)
LT Categories				
LT I A	21812	431.40	2567.27	5.95
LT I V	505	25.71	189.42	7.37
LT V A	186	0.57	2.08	3.67
LT V B	2	0.10	0.17	1.70
LT VI A	247	17.57	136.32	7.76
LT VI B	453	22.18	171.87	7.75
LT VI C	496	40.96	461.56	11.27
LT VI D	28	0.53	1.23	2.32
LT VI E	39	0.51	3.34	6.55
LT VI F	662	44.96	445.21	9.90
LT VI G	78	9.87	99.52	10.09
LT VII A	13933	272.98	2963.67	10.86
LT VII B	1500	5.81	41.73	7.18
LT VII C	10	0.60	15.75	26.29
LT VIII B	272	13.40	63.50	4.74
LT II	1	0.01	0.29	28.40
LT IX	85	0.64	13.62	21.39
LT III	1	0.00	0.02	54.55
HT Categories				
HT-I A	4	4.74	39.39	8.30
HT-II A	6	9.78	77.59	7.93
HT-II B	27	157.02	1343.27	8.55
HT- IV	89	151.46	1625.22	10.73
Self consumption		1.10	7.71	6.99
Electricity Duty Recovery	0	0.00	812.09	-
Gross Revenue From Sale of Power	40436	1211.90	11081.83	-
Less-Electricity Duty Payable to Government	0	0.00	812.09	-
Net Revenue from Sale of Power	40436	1211.90	10269.74	8.47

77. The Commission notes that, the collection efficiency of the licensee for the year 2020-21 is 97.35%. The licensee has stated that, the lockdown declared by state and central government due to outbreak of Covid19 pandemic during the first wave (FY 2020-21) resulted in closure of commercial and Industrial institutions in distribution area which badly affected the financial status and cash flow of the licensee. Further, the Cinema theatres, Swimming clubs, circus, gyms etc were also forced to remain closed for the whole FY 2020-21 which reflected in the collection efficiency of VII C tariff, VI A and VI B connections which are mainly government office, local bodies, Religious institutions etc. These VI B category of consumers normally settles their dues in the month of March which was paid only on the current financial year due to the COVID lock down on march 2020.
78. The Commission notes that, there is significant increase (Rs.90.90 lakh) in the interest in delayed or deferred payment booked under Non-Tariff income, which clearly shows that, the licensee has collected the arrears of the lock down period in the subsequent months. Therefore, the contention of the licensee stating that lockdown was the reason for reduction in collection efficiency cannot be fully accepted. ***The Commission directs the licensee to improve the collection efficiency by prompt recovery of arrears.***
79. The Commission examined the claim made by the licensee and considering the fact that the reduction in the sale of energy is on account of the COVID -19 restrictions imposed across the State, ***the Commission hereby approves Rs. 10269.74 lakh as the revenue from sale of power for 1211.90 lakh units claimed by the licensee.***

Non-tariff income

80. The non-tariff income booked by the licensee for the year 2020-21 is Rs.643.85 lakh. The Commission while approving the ARR had approved Rs.1179.22 lakh as the Non-tariff income for 2020-21. The comparison of the non-tariff income for the year 2019-20 and 2020-21 is tabulated below.

Table 19
Details of Non-Tariff Income for the year 2019-20 and 2020-21

Particulars	As per 2019-20 Truing Up Accounts (Rs.lakh)	As per 2020-21 Truing Up Accounts (Rs.lakh)
Income from sale of scrap etc..	0.68	-
Interest on investment, fixed and call deposit, bank balance	399.15	353.58
SD interest from KSEB	54.32	40.11
Miscellaneous receipt	79.13	26.82

Commission for collection of electricity duty	10.62	8.21
Interest on delayed or deferred payment	32.22	123.12
Pole rent income	31.47	39.21
Recovery of theft and pilferage of energy	59.54	4.51
Meter/metering equipment/service line rentals	47.31	46.69
Solar Energy Connectivity Fees	1.69	1.60
Total	716.13	643.85

81. There is significant decrease in the interest on investments, interest on Security deposit, miscellaneous receipts and the Recovery of theft and pilferage of energy compared to the previous year, whereas there is considerable increase in the Interest on delayed or deferred payment. The Commission had sought the details of the miscellaneous receipt. The split-up details submitted by the licensee is tabulated below.

Table 20
Details of miscellaneous receipt for the year 2019-20 and 2020-21

Particulars	Rs.lakh	
	2019-20	2020-21
Application Fees Income	1.56	1.11
CDC Fees	2.04	1.61
Centage (Meter)	0.02	0.04
Conversion Charges Income	1.48	0.98
Conveyance Charges Income	0.01	-
Cost of Tender Form	1.14	0.65
Enhancement Charges Income	4.77	1.02
Feasibility Charges	0.38	-
HT On/Off Charges	0.30	0.44
Inspection Fee	1.07	0.56
Interest On TDS Refund	-	0.13
Power Allocation Fee	0.06	-
Processing Fee	1.47	0.76
Reconnection Fee	8.94	13.61
SOC Income	5.94	3.34
Short Assessment	0.49	-
Additional load charge	2.50	2.15
Omitted Asset booked during PY	46.96	0.42
Total	79.13	26.82

82. During the year 2020-21, the pole rental income obtained from cable TV operators for the year is Rs.39.21 lakh, which has increased over the previous year. The Commission while issuing the truing up of accounts of 2019-20

had directed the licensee to submit the details regarding, the rent being charged by the licensee on per pole basis. The licensee vide letter dated 10.12.2021 submitted the details wherein it was stated that the rent for poles is fixed at 10% excess over previous year rent in general. The Council has fixed the rent for all category at Rs.425.92/- and for M/s Asianet it was decided at Rs.406.56/-. M/s Asianet had approached the Hon'ble High Court and subsequently, the rate was revised to Rs.371.00/- per pole + GST. Considering the submission made by the licensee the Commission approves the same as claimed in the petition.

83. The cumulative revenue surplus till 2019-20 is Rs.15216.44 lakh. The Commission notes that the licensee has not considered the interest on accumulated surplus as part of the non-tariff income for the year 2020-21. The interest income is worked out on regulatory surplus held by the licensee. The rate of interest considered for the year is the SBI retail term deposit rate for a tenure up to one year prevailing at the beginning of 2020-21, which is 5.70%.
84. The Commission in the previous Truing Up Orders while computing the interest income took a consistent stand with regard to allowing interest on accumulate surplus after duly reducing the surplus to the tune of asset addition considering the request of the licensee. The total assets additions from surplus up to 2019-20 is Rs.1673.61 lakh. During this year 2020-21, the licensee has made an asset addition of Rs.35.10 lakhs. Since the Commission has not approved the asset additions for the 2020-21, the asset additions till 2019-20 is considered and interest on accumulated surplus is calculated as shown below.

Table 21
Interest on Revenue Surplus for the year 2020-21

Particulars	Rs. lakh
Cumulative surplus at the beginning of 2020-21	15216.44
(Less) Capital Addition funded from Surplus upto 2019-20	1,673.61
Revised surplus available for interest income	13542.83
Rate of interest considered (SBI retail term lending rate upto 1 year)	5.70%
Revised Interest income on Surplus	771.94

85. The total interest applicable for the Cumulative Revenue Surplus is Rs.771.94 lakh. The licensee has already accounted Rs.353.58 lakh towards interest on FD and bank balances. Thus, the balance amount of Rs.418.36 lakh is accounted as interest income and included under non-tariff income. **Accordingly, the Commission approves Rs.418.36 lakh as interest on accumulated surplus**

for the year 2020-21. Thus, the total non-tariff income approved for the year 2020-21 is as shown below:

Table 22
Non-Tariff Income for the year 2020-21

Particulars	As per Truing Up Petition (Rs. lakh)	Trued Up (Rs lakh)
Other Income	643.85	643.85
Interest on accumulated surplus	-	418.36
Total	643.85	1062.21

86. Based on the above, the approved expenditure and revenue for the year 2020-21 after Truing Up is as shown below:

Table 23
Income and Expenditure Statement after Truing Up of Accounts for 2020-21

Particulars	2020-21		
	ARR Approved (Rs. Lakh)	Truing Up Claim (Rs. Lakh)	Trued Up (Rs. Lakh)
Revenue from sale of power	13230.11	10269.74	10269.74
Other income	1179.22	643.85	1062.21
Total income	14409.33	10913.59	11331.95
Power Purchase Cost	11731.91	8886.06	8886.06
R&M Expenses	1378.63	89.91	89.91
Employee cost		1267.37	0.00
A&G Expenses		217.24	87.56
Provision		796.98	0.00
Depreciation	198.81	264.95	263.90
Interest and FinanceCharges	244.57	179.80	213.66
Return on NFA	61.57	96.80	96.80
Total Expenditure	13615.49	11799.11	9637.89
Revenue Surplus (+)/ Gap (-)	(+)793.84	(-)885.52	(+)1694.06

Revenue (Gap)/Surplus for 2020-21

87. Accordingly, as against the approved Revenue surplus of Rs.793.84 lakh for the year 2020-21 in ARR&ERC Order, the licensee in the petition for Truing Up of Accounts has claimed a Revenue Gap of Rs.885.52 lakh. After Truing Up of

accounts, the approved Revenue Surplus for the year 2020-21 is as shown below.

Table 24
Revenue (Gap)/ Surplus Approved for the year 2020-21

Particulars	ARR Approved (Rs. lakh)	As per Truing Up Petition (Rs. lakh)	Trued Up (Rs.lakh)
Total Income	14409.33	10913.59	11331.95
Total Expenditure	13615.49	11799.11	9637.89
Revenue (Gap)/Surplus	(+)793.84	(-)885.52	(+)1694.06

Orders of the Commission

88. The Commission after considering the petition filed by M/s. Thrissur Corporation Electricity Department for Truing Up of Accounts for the year 2020-21, views presented by the licensee during the hearing and the clarifications and details provided by the licensee approves the following:

- a) **Total income is Rs. 11331.95 lakh**
- b) **Total expenditure is Rs.9637.89 lakh (provisional)**
- c) **The revenue surplus for the year 2020-21 is Rs.1694.06 lakh (provisional)**
- d) **Total cumulative revenue surplus till 2020-21 will be Rs.16910.50 lakh (Rs.15216.44 lakh as opening cumulative revenue surplus + current year revenue surplus of Rs.1694.06 lakh)**

Directives

89. The Commission issues the following directives for compliance by the licensee.

- a) **The licensee shall submit the audited accounts of the relevant financial years while filing the petitions for truing up of accounts. Petitions hereafter filed without the audited accounts shall be rejected by the Commission and punitive actions shall be initiated against the licensee for non-compliance of the Regulations/ Orders issue by the Commission.**
- b) The licensee shall be more careful while submitting the writeup and concerned forms so as to avoid discrepancies between the two and should follow the provisions of Tariff Regulations.
- c) The licensee has to strictly adhere with the approved ARR&ERC

percentages of distribution loss as mentioned in the Commission's Order dated 08-11-2019 for the rest of the Control Period and licensee shall continue all efforts to reduce the distribution loss.

- d) The licensee shall comply with the Order of the Commission dated 23.04.2020 in OP No. 02/2020 within 60 days of the issue of this Order and report compliance to the Commission.
- e) The rate of purchase of energy from solar P.V. installation of consumers shall strictly be the rates as approved by the Commission from time to time.
- f) The licensee shall file a separate petition on the required/available employee strength, qualifications, experience, scale of pay, number of employees engaged in each shift, etc to arrive at an optimal employee strength not later than three months from the date of issue this Order (including permanent and non-permanent staff).
- g) The licensee shall take further steps to curtail the conveyance expenses.
- h) The rent shall be finalized and certified by the PWD and the licensee shall approach the Commission for consideration of the same.
- i) The licensee shall submit the justification and necessary documents with regard to the asset additions for obtaining formal approval.
- j) The licensee shall improve the collection efficiency by prompt recovery of arrears.

90. The petition is disposed of. Ordered accordingly.

Sd/-

Adv. A. J. Wilson
Member (Law)

Approved for issue

Sd/-

Secretary