

**KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM**

Present : **Shri. Preman Dinaraj, Chairman**

OA No 12/2020

In the matter of : Truing up of accounts of M/s Technopark for the financial year 2017-18

Applicant : M/s Technopark, Thiruvananthapuram
Represented by Smt.Jayanthi, L CFO
Shri. Madhavan Praveen, Dy.GM,
Shri.Anfal, Dy,Manager, Shri. Viswanathan, F.O

Respondent : Kerala State Electricity Board Limited
Represented by Shri. Manoj.G, AEE

Order Dated:15-10-2020

Background

1. M/s Technopark, Thiruvananthapuram (herein after referred as Technopark or the licensee) vide letter No.ETPK/FIN/KSERC/2020-21/1/540 dated 11-06-2020 submitted a petition for truing up of accounts for the financial year 2017-18. The Commission had approved the ARR&ERC for the first control period from 2015- 16 to 2017-18 as per the Order dated 11-04-2016 and revised the ARR order for the third control period 2017-18, and issued an order dated 22-06-2017. The present petition pertains to the truing up of accounts for the third year of the control period i.e. 2017-18. The Commission admitted the petition as OA 12/2020.
2. The Commission had notified the KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2014 (hereinafter referred to as the Tariff Regulations, 2014), applicable for the first control period from 2015-16 to2017-18. Regulation 11 of the Tariff Regulations, 2014 provides for the filing of the petition for truing up of accounts for the relevant years.
3. In the petition, the licensee has arrived at a revenue deficit of Rs.171.70 lakh for the year 2017-18, as against a revenue surplus of Rs.190.49 lakh approved by the Commission in the revised ARR Order dated 22-06-2017. The comparison of ARR&ERC Order and the truing up petition for the year 2017-18 is tabulated hereunder.

Table-1
Comparison of the Truing Up for 2016-17 & 2017-18

Particulars	2016-17		2017-18		
	Truing Up Petition (Rs. lakh)	Trued Up (Rs.lakh)	ARR & ERC Order (Rs. lakh)	Truing Up Petition (Rs. lakh)	Variance (Rs. lakh)
Revenue from Sale of Power.	5,957.64	5,957.64	6356.83	6208.28	(148.55)
Non Tariff Income	70.68	78.15	64.03	97.36	33.33
ERC- Total Revenue	6,028.32	6,035.79	6420.86	6305.64	(115.22)
Purchase of Power	4,975.52	4,992.72	5731.23	5257.94	(473.29)
Employee Cost	18.14	18.14	22.21	21.81	(0.40)
Repairs and Maintenance	330.69	241.05	112.63	380.27	267.64
A&G Expenses	227.33	109.73	54.64	194.81	140.17
Depreciation	281.00	200.72	121.92	299.86	177.94
Interest & Finance Charges	146.14	79.35	92.84	121.85	29.01
Interest on security deposits	70.42	70.42	62.44	77.75	15.31
Interest on Working Capital	62.63	-	-	-	
Return on NFA	120.76	90.81	32.46	123.05	90.59
ARR- Total Expenditure	6,232.93	5,802.94	6230.37	6477.34	246.97
Revenue Surplus/(Deficit)	(204.31)	232.85	190.49	(171.70)	(131.75)

4. The Commission vide letter dated 29/06/2020 sought clarifications on the petition and directed the licensee to submit the clarification on or before 07-07-2020. The licensee vide letter dated 08-07-2020 sought additional time for 10 days for submission of balance clarifications, which was allowed by the Commission. Thereafter, the licensee vide letter dated 03-08-2020 submitted the clarifications. Due to the Covid-19 pandemic and lockdown, the scheduled hearing had to be conducted through video conference mode.

Hearing on the Petition

5. The hearing on the petition was held on 27-07- 2020 at 11.00 AM through video conference. The applicant M/s Technopark was represented by Smt. Jayanthi.L, Chief Finance Officer, Sri Madhavan Praveen, Dy. General Manager, Sri. Anfal. Dy Manager, Sri. Viswanathan, Finance Officer of the licensee. Sri. Anfal, presented the details of the petition on the truing up of accounts for the year 2017-18 and gave clarifications on the queries of the Commission. The main points made by Technopark are:-
- The total number of consumers increased from 787 to 844 and the sale of power from 839.03 lakh units to 850.80 units when compared to the previous year 2016-17.

- The distribution loss claimed by the licensee for the year at 2.02% is lower as against the approved distribution loss of 3.80% approved by the Commission.
- The total power purchase cost for the year 2017-18 is Rs.5257.94 lakh for 868.33 lakh units at an average power cost of Rs.6.06 per unit which is higher in comparison with the previous year average power cost of Rs.5.73 per unit.
- Revenue from sale of power is Rs.6208.28 lakh against the ARR approved amount of Rs.6356.83 lakh for 2017-18.
- The employee cost approved by the Commission in the revised ARR order dated 22-06-2017 is Rs.22.21 lakh. The licensee claimed Rs.21.81 lakh for the year 2017-18.
- The Repair and maintenance (R&M) cost incurred by the licensee for the year 2017-18 is Rs.380.27 lakh. The major portion of these expenses are relating to Phase I amounting to Rs.276.69 lakh, Phase II & III amounting to Rs.76.57 lakh and for Technopark Kollam the amount claimed is Rs.27.01 lakh.
- A&G expense claimed by the licensee is Rs.194.81 lakh against the approved amount of Rs.54.64 lakh. A&G expense claimed include "Security arrangements" amounting to Rs.98.74 lakh and Rs.51.32 lakh of Electricity Duty payable to the Government under Section 3(1) of the Kerala Electricity Duty Act 1963, electricity charges of Rs.12.07 lakh and other expenses of Rs.9.99 lakh. The withdrawal of bad debts claimed is Rs.7.38 lakh and the office expense is Rs.10.23 lakh. The cost of security arrangements accounts for 50.68% of the total A & G cost.
- Depreciation claimed for the year is Rs.299.86 lakh, which is inclusive of depreciation for asset addition out of own funds of Rs.8.19 lakh during the year. The licensee informed that the depreciation rates adopted were the rates prescribed in the Regulations.
- Rs.121.85 lakh claimed as interest on loan and Rs.77.75 lakh as interest on consumer deposits totaling to Rs.199.60 lakh for 2017-18 against the ARR approved amount of Rs.155.28 lakh.
- Based on the above, the licensee has claimed a revenue gap of Rs.171.70 lakh as against an ARR approved surplus amount of Rs.190.49 lakh for the year as per the true up petition for the year 2017-18.

6. M/s KSEBL furnish their oral and written comments on the petition. Sri. Manoj.G, Asst. Executive Engineer (TRAC) presented the comments of the respondent KSEB Ltd and submitted the written remarks. The major points presented by the respondent KSEB Ltd are summarized as below:-

- The T & D loss claimed is lower than what was approved by the Commission.
- The details of internal generation of solar power is not furnished. For working out the distribution loss, the total power injected into the system has to be considered, otherwise the figure will not give the correct distribution loss.

- The R&M Charges claimed by the petitioner is more than the approved level.
- The Administrative and General expenses are very high on account of the security arrangement charges of Rs.98.74 lakh. Hence KSEB requests Commission to allow to the licensee only reduced rates as was done in the previous year with a maximum increase of 10% above the previous year approved amount.
- A uniform approach regarding Section 3 duty is to be taken and the claim of the licensee on Electricity duty may be disallowed.
- KSEB stated that street lighting is not part of the distribution activity and also the Assets not put to use to be removed from the Assets group.
- The Return on capital claimed by the petitioner is to be calculated after removing Kollam substation and also street lights. It was also requested to exclude assets procured utilizing Grants.

7. The Commission also sought the following further details and allowed time up to 04- 08-2020 to the licensee to furnish the details:

- Security expenses are not an operational activity of a distribution licensee and hence, such huge expenses cannot be allowed. This will have to be met by the park business. The possibility of installing CCTV cameras and re-deployment of security personnel is to be examined on priority.
- Considering the very high R&M expenses, the details of tenders floated including NIT, publicity given, quotes obtained, details of participants and works awarded for the current year and previous year to be submitted.
- Details of solar power injected to be informed.
- The capital additions Rs.34.58 lakh in the true up petition is without the prior approval of the Commission. Details of Capital expenditure pending for approval are to be furnished.
- Depreciation shall not be claimed on assets not put to use and for street lighting.
- Cost details including cost of major equipment to be provided to examine the reasonableness of cost incurred on the Solar project.
- The details of wage revision claimed in form D.3.4 (a) Rs.1.29 lakh is to be provided.
- In form D 6.1 the collection efficiency is seen going down. Reasons to be furnished. The proposals if any for implementing prepaid metering is to be furnished.

8. The licensee has furnished the details vide letter dated 03-08-2020. The details furnished by the licensee is examined along with the details in the petition in subsequent sections.

Analysis and decision of the Commission

9. The Commission has carefully considered the licensee's petition for truing up of accounts for the year 2017-18, the additional clarifications and submissions furnished by the licensee along with the comments of KSEB Ltd. The analysis and decisions of the Commission on the truing up petition for the Financial Year 2017-18 is detailed below:

No. of Consumers:

10. The petition indicates that the number of consumers is 844 for the year 2017-18. There is an increase of 57 consumers compared to the previous year 2016-17. The phase wise details of number of consumers furnished by the licensee vide letter dated 03-08-2020 is tabulated below:

Table-2
Details of consumer strength for the year 2016-17 and 2017-18

Particulars	2016-17				2017-18			
	Phase I	Phase II & III	Kollam	Total	Phase I	Phase II & III	Kollam	Total
LT IV A (Industrial)	1	0	3	4	1	0	3	4
LT IVA (Industrial) 10kW<CL<20kW	2	4	0	6	2	4	0	6
LT IV A CL> 20 kW (Industrial)	2	2	0	4	1	2	0	3
LT IV B IT/ITES CL< 10kW	32	0	40	72	37	112	39	188
LT IVB IT/ITES 10kW<CL<20kW	48	129	3	180	62	26	4	92
LT IV B IT/ITES CL > 20 kW IT & ITES	201	35	6	242	205	39	6	250
LT VI A General	2	0	0	2	2	0	0	2
LT VI B General	9	0	0	9	9	0	0	9
LT VI C General (1 Phase or 3 Phase)	34	4	0	38	31	5	0	36
LT VI F General (1 Phase)	23	20	1	44	30	23	0	53
LT VI F General (3 Phase)	28	11	0	39	30	8	0	38
LT VI (G) General	0	0	0	0	1	0	0	1
LT VII A Commercial (1 phase)	46	0	1	47	50	0	1	51
LT VII A Commercial (3 phase)	55	0	0	55	57	4	0	61
LT VII B Commercial	12	0	0	12	12	0	0	12
Self Consumption	1	1	0	2	1	1	0	2
Street Lighting	11	1		12	14	1	2	17
Sub Total - LT Consumers	507	207	54	768	545	225	55	825
HT -I Industrial	14	3	0	17	14	3	0	17
HT -II Non Industrial	1	0	0	1	1	0	0	1
HT- IV Commercial	1	0	0	1	1	0	0	1
Sub Total - HT Consumers	16	3	0	19	16	3	0	19
Total Consumers	523	210	54	787	561	228	55	844

11. The licensee's petition reveals that the increase in number of consumers was mainly in Phase I&III. The licensee has stated that the reason for increase in consumers is mainly due to the commencement of operations from Ganga/ Yamuna IT building in Technopark Phase-III campus. There was no increase in the number of HT consumers.
12. The Commission examined the details furnished by the licensee and approves the same as per the petition.

Energy sales and Energy Requirement

13. The approved sale of power for the year 2017-18 as per the revised ARR order was 907.80 lakh units. As per truing up petition the actual sales is 850.80 lakh units. The trend in the sale of energy over the years is tabulated below.

Table-3
Trend in the sale of energy

Year	Actual Sale of energy (In lakh units)	(%) of increase over previous year
2013-14	613.1	-
2014-15	685.7	11.84%
2015-16	757.1	10.41%
2016-17	839.3	10.85%
2017-18	850.8	1.37%

14. As seen from the Table below, the reason for increase is mainly due to the commencement of operations from Ganga/ Yamuna IT building in Technopark Phase-III. In Phase I and Kollam campus there is a reduction in the sale of power when compared to 2016-17. The phase wise energy sales is as shown below:

Table 4
Phase wise energy sales for 2016-17 and 2017-18

	2016-17 (In lakh units)	2017-18 (In lakh units)	% increase over previous year
Phase -I	621.0	606.55	-2.38%
Phase -II & III	212.6	239.52	12.66%
Kollam	5.7	4.73	- 20.50%
Total	839.3	850.80	-10.22%

15. The Table above reveals that energy sales decreased compared to the previous year in Phase -I and there is an increase in the energy sales and number of consumers in Phase II and III. The sales in Phase II&III have increased by about 12% over the previous year. Considering the details, the Commission approves the actual sale of 850.80lakh for the year 2017-18. The energy purchased from KSEB

Ltd to cater the requirement of the sales for the year 2017-18 is Rs.868.33 lakh as against Rs. 907.80 lakh units approved in the revised ARR.

Distribution Loss:

16. The actual distribution loss of the licensee for the year 2017-18 is lower than the approved level as per the ARR order. The actual distribution loss claimed by the licensee as per the truing up petition for the FY 2017-18 is 2.02% as against the loss of 3.80% approved by the Commission in the Order on revised ARR&ERC. The details are tabulated hereunder

**Table 5
Comparison of the distribution loss**

Particulars	2016-17			2017-18	
	ARR Approved	As per Truing Up Petition	Trued Up	ARR Approved	As per Truing Up Petition
Energy Purchased (lakh unit)	894.4	868.00	872.50	943.70	868.33
Energy Sold (lakh unit)	860.4	839.30	839.30	907.80	850.80
Distribution Loss (lakh unit)	34.00	28.70	33.20	35.90	17.53
Distribution Loss	3.80%	3.32 %	3.80 %	3.80%	2.02%

17. During the year 2017-18, the actual distribution loss for the year is 2.02%, which is lower than the Commission approved loss of 3.80%. The Commission has sought the details for the sharp decrease in distribution loss from the previous year. The licensee vide letter dated 14-09-2020 stated that energy audit had been conducted previously by Kerala State Productivity Council. The licensee had also furnished a copy of the energy audit report in the previous year.
18. The study revealed that there were major errors in 80 LT meters and 5HT meters. Subsequently, the metering errors were rectified, resulting in substantial reduction in loss. The licensee in their letter dated 14-09-2020 stated that, M/s Technopark had taken action to replace faulty meters and corrected other errors in billing process. As a result, the overall loss in the system has been reduced substantially when compared to previous year.
19. The phase wise details of distribution loss furnished by the licensee is shown below.

Table 6
Phase wise distribution loss as per the petition for 2016-17 and 2017-18

2016-17				
Particulars	Phase I	Phase II & III	Kollam	Total
Energy Purchased (lakh unit)	644.3	218.5	5.3	868.10
Energy Sold (lakh unit)	620.9	212.6	5.7	839.20
Distribution Loss (lakh unit)	23.4	5.9	(0.4)	28.90
Distribution Loss (%)	3.63%	2.70%	-7.55%	3.32%
2017-18				
Energy Purchased (lakh unit)	619.43	243.15	5.75	868.33
Energy Sold (lakh unit)	606.55	239.52	4.73	850.80
Distribution Loss (lakh unit)	12.88	3.63	1.02	17.53
Distribution Loss (%)	2.08%	1.49%	17.74%	2.02%

- 20.** The above table reveals that, there is a substantial decrease in loss in phase-I & phase II. It is noted that, the licensee has taken corrective measure for reducing loss in both these phases. However the Commission also noted that the loss @17.74% is very high in Kollam campus (Phase-V) compared to the previous year 2016-17. In the case of Kollam campus, the supply was provided from two separate connections and two step-down separate transformers were used. Hence, the losses in the system were higher. Therefore, the percentage loss shows a high value. However, load in Kollam is substantially low.
- 21.** As per the details furnished by the licensee, the distribution loss for the year is lower than the approved loss level. As per Regulation 13 of the Tariff Regulations, 2014, distribution loss is a controllable item and Regulation 74(4) specifies the mechanism for sharing the gains or losses on account of distribution loss.

“74 (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 following manner:-

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

(b) If the actual distribution loss is lower than the approved level of distribution loss for any particular financial year of the control period, then the savings in 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.”

22. As per the provisions of Regulation 74(4), the quantum of power purchase for the approved distribution loss of 3.80% and saving in distribution loss is as shown below:

Table- 7
Approved Distribution loss for the year 2017-18

Particulars	2017-18		
	Approved in ARR	As per Truing Up petition	Approved in Trued Up
Total Energy Sales (In lakh units)	907.80	850.80	850.80
Energy Requirement (In lakh units)	943.70	868.33	884.41
Distribution loss (In lakh units)	35.90	17.53	33.61
Distribution loss (%)	3.80%	2.02%	3.80%
Saving in Distribution loss (In lakh units)			16.08

23. As shown above, the power purchase requirement at the approved distribution loss would be 884.41 lakh, whereas the actual power purchase is 868.33 lakh resulting in savings in the distribution loss by 16.08 lakh units. This savings in power purchase cost of Rs.97.44 lakh is to be shared between the licensee and consumers in the ratio of 2:1 as per Regulation 74(4).

Power purchase Cost:

24. The total power purchase cost for the year 2017-18 as per the petition is Rs. 5257.94 lakh for a purchase of 868.33 lakh units. The Commission had, in the Order on revised ARR, approved a power purchase of 943.70 lakh units at a purchase cost of Rs. 5731.23 lakh. The phase wise power purchase cost for the year 2017-18 is tabulated below:

Table-8
Phase wise power purchase cost claimed for the year 2017-18

Campus	Billing demand	Energy received	Fixed charges	Variable charges	Other charges	Total charges
	(kVA)	(In lakh units)	(Rs.lakh)	(Rs. lakh)	(Rs.lakh)	(Rs.lakh)
Technopark Phase-I	1,70,139	619.43	512.12	3210.20	-	3722.32
Technopark Phase -II&III	62,831	243.15	192.77	1260.30	-	1453.06
Technopark Kollam (IT building)	900	0.65	3.60	4.10	0.43	9.66
Technopark Kollam (site)	14,400	5.10	43.20	29.62	0.64	72.90
Total	2,48,270	868.33	751.69	4504.22	1.06	5257.94

25. The above Table shows that, the power purchase cost of Rs.5257.94 lakh claimed by the licensee is lower compared to the approved power purchased cost of Rs..5731.23 in revised ARR order for the FY 2017-18. The actual power purchase cost in 2017-18 is Rs.5257.94 lakh and Rs.4975.52 lakh in the year 2016-17.
26. The licensee stated that M/s KSEB Ltd is supplying power at the approved BST rates for Phase I, II and III campuses. However, in the Kollam park, there are two HT connections which are supplied at HT I (B) and HT II(B) tariff by M/s KSEB Ltd. Hence, the power purchase cost at Kollam is inclusive of electricity duty and electricity surcharge. The same is included under other charges.
27. The Commission directed the licensee to clarify the status in the matter of change from the initial connection taken for Kollam Park to BST supply in co-ordination with KSEBL. The licensee vide letter dated 03-08-2020 stated that, there were two 11 KV connections from KSEBL at the Kollam campus of Technopark. Electricity bills for these two connections have been billed at Retail Tariff Rate by the supplier licensee KSEBL. One of the 11 KV supply connection has been dismantled on 04-08-2018. However KSEBL has not changed the tariff to BST for the other connection so far.
28. As per the details furnished by the licensee, the average power purchase cost for the year 2017-18 is worked out at Rs.6.06 /kWh. As per Regulation 74, the licensee can retain the gain in distribution loss in the ratio of 2:1. The approved distribution loss is 3.80% and the actual distribution loss is 2.02%. The savings in distribution loss is 16.08 lakh units. Based on this, the approved power purchase cost is worked out as shown below:

Table-9
Approved Power Purchase Cost for the year 2017-18

	Particulars	Approved in Truingup
1	Total cost of power purchase (Rs. lakh)	5257.94
2	Actual quantum of power purchased (in lakh units)	868.33
3	Average cost of purchase (Rs. /kWh) (1) / (2)	6.06
4	Power purchase approved (in lakh units)	884.41
5	Savings in distribution loss (in lakh units) (4-2)	16.08
6	Efficiency gain to be retained by the licensee 2/3rd (Rs.lakh) (16.08*6.06*2/3)	64.96
7	Power purchase approved for 2017-18 (1+6) (Rs. lakh)	5322.90

29. **Based on the above, the approved power purchase cost for the year is Rs.5322.80lakh.**

Operation & Maintenance Expenses:

30. The Operation & Maintenance expenses include controllable expenses like Employee cost, Repair & Maintenance Expenses & Administrative & General Expenses. The Commission as per Regulation 81(4) of the Tariff Regulations, 2014 had approved the licensee to recover O&M costs as per norms in the Regulations for the year 2017-18. The Commission had revised ARR order dated 22-06-2017, approved the O&M expenses for the period 2017-18.
31. The licensee furnished the O&M expenses in the petition for truing up for 2017-18 higher than the norms specified by the Commission. A comparison of the expenses under O&M in the licensee's petition for truing up and the amount approved in the ARR order are tabulated below:-

Table-10
Comparison of the O&M Expenses for the year 2017-18

O&M Expenses	2016-17		2017-18	
	As per Truing Up Petition (Rs.lakh)	Trued Up (Rs.lakh)	Approved in ARR (Rs.lakh)	As per Truing Up Petition (Rs.lakh)
Employee Cost	18.14	18.14	22.21	21.81
R & M Expenses	330.69	241.05	112.63	380.27
A & G Expenses	227.33	109.73	54.64	194.81
Total	576.16	368.92	189.48	596.89

32. The above table shows that, the O&M expenses claimed by the licensee as per truing up accounts 2017-18 is Rs.596.89 lakh and it is higher than the previous years amount and also above the approved limit in the ARR Order for 2017-18. The employee cost and R&M expenses have increased whereas the A&G expense is lower when compared to the previous year. Each of the items are discussed below.

Employee Cost:

33. The major items booked under Employee Cost are salaries, dearness allowances, HRA, other allowances, interim relief/wage revision, staff welfare expenses and other expenses. In their truing up petition for 2017-18 is Rs.21.81 lakh, against the approved amount of Rs.22.21 lakh. The split up of the employee expenses claimed for the year 2017-18 is shown below.

Table-11
Employee cost for the years 2016-17 and 2017-18

Particulars	2016-17	2017-18
	As per Truing Up petition (Rs.lakh)	As per Truing Up petition (Rs.lakh)
Salaries	8.47	8.45
DA	7.28	10.80
House Rent Allowance	0.14	0.24
Other allowances	0.02	0.04
Interim Relief /Wage Revision	0.72	1.29
Staff welfare expenses	1.37	0.98
Others	0.14	-
Grand Total	18.14	21.81

34. The dearness allowance and interim relief increased when compared to the previous year. The licensee stated that, the salary and benefits to direct employees of Technopark is disbursed on the basis of the pay scale approved by the State Government. However the pay revision for Technopark employees was pending for approval from July 2011. Later the pay revision was finalised during January 2018 and disbursed to the employees. During this interim period, interim relief at 15% of the pre-revised basic pay was given to the employees. The amount of interim relief amount was deducted while disbursing the pay revision arrears. Thus, the amount include interim relief paid to employees till December 2017 for Rs.50,673/- and pay revision arrears & leave surrender of Rs.78,665/- respectively.
35. In the petition, the licensee has stated that the employee cost incurred is for payment of remuneration and other expenses of the staff employed in the sanctioned posts. Employee cost has been Rs.21.81lakh and less than the approved cost of Rs. 22.21 lakh by the Commission. There are only 6 permanent employees of Technopark directly involved in the business of electricity distribution. The details of the apportionment of the employee cost furnished by the licensee is as follows:

Table-12
Details of apportionment of the employee cost for 2017-18

Designation	No. of Posts	Apportionment
Chief Finance Officer	01	20%
Asst General Manager (Projects)	02	25%
Asst. Manager (Electrical)	01	100%
Finance Officer	01	20%
Jr. Finance officer	01	20%

36. The apportionment of salary and staff welfare expenses are done on the basis of the time allotted by each employees to the distribution business as followed in previous years.
37. As per the Tariff Regulations,2014 all components of O&M expenses are controllable. The actual employee expenses claimed by the licensee are higher than previous year but lower than the approved level. However, the Commission notes that this higher amount is due to increasing Dearness Allowance and Interim Relief. **Considering the above details, the Commission approves the employee cost of Rs.21.81 lakh for the year 2017-18 as claimed by the licensee.**

Repair & Maintenance Expenses:

38. The licensee's petition for the year 2017-18 indicates that they have incurred Rs.380.27 lakh as R&M expenses, as against the approved cost of Rs.112.63 lakh. The licensee stated that Repairs and Maintenance of distribution systems carried out through contractors and not by direct employees of Technopark. The contractors are engaged after a due transparent tendering process. The rates quoted by the contractors are for carrying out the Operation, Repairs and Maintenance work and does not include the cost of any material. The materials are purchased by Technopark and supplied for maintenance. The licensee in their truing up for 2016-17 has claimed Rs.330.68 lakh under this head, the Commission had approved only Rs.241.05 lakh in truing up.
39. The licensee explained that the major deviation in the R&M expense is due to the commencement of operation of Technopark Phase III and Technopark Kollam Campus. The phase wise split up of the R&M expense incurred by the licensee is shown below.

Table-13
Phase wise Actual R&M expense for the years 2016-17& 2017-18

Particulars	2016-17		2017-18	% increase in figures as per petition over the previous year
	As per Truing petition (Rs. lakh)	Up Trued Up (Rs. lakh)	As per Truing Up petition (Rs. lakh)	
Technopark Phase I	229.38	139.75	276.69	20.63%
Technopark Phase – II &III	76.41	76.41	76.57	0.21%
Technopark Kollam	24.89	24.89	27.01	8.52%
Total	330.68	241.05	380.27	15.00%

40. The detailed split up of the R&M expense submitted by the licensee for 2016-17 and 2017-18 is shown below.

Table-14
Detailed split up of R&M expense for 2016-17&2017-18

Particulars		2016-17	2017-18
		Rs. lakh	Rs. Lakh
Phase I campus	O&M of the Asset	225.89	276.13
	R&M of 110 kV substation	3.49	0.56
Phase-III	O&M of Phase-III	69.18	40.69
	O&M of 110 kV substation	-	32.71
	R&M of 110 KVSS substation	6.49	3.16
Kollam	O&M of 110 kV substation	24.89	27.02
Total		330.68	380.27

41. The licensee has stated that actual amount incurred for operation, maintenance and repairs of the distribution system in each area is included under R&M expenses.
42. The Commission has examined the details of the R&M expenses of the licensee. There is an overall increase of 15% in R&M expenses over the previous year. The increase is mainly contributed by the increase in R&M expenses for the Phase I campus which is 20.63%. In other areas, the increase is about 0.21 & 8.52%. The licensee stated that the contract for R&M works are being out sourced and the agency is selected through competitive bidding process. In this context, it is to be noted that the Commission in the ARR&ERC order for the year 2016-17 dated 16-11-2016 in OA No.7/2016, has mentioned asfollowing:

“...The Commission has asked for the details of the contract labourers employed by the contractor and the licensee has provided the details. It is seen that there are 32 operators, 38 assistant operators, 3 maintenance technicians and 11 technicians in phase I campus.

Taking in to consideration the consumer strength and limited area of operation, the Commission directs that the licensee should resort to a prudent work study and decide on an optimum level of employees in Phase I campus and renegotiate the labour component with the contractor”

43. However, the licensee has not mentioned any measures taken in compliance of the above direction. Hence the Commission is not in a position to approve the entire expenses for Phase I campus as claimed by the licensee.
44. The Commission in the ARR&ERC Order while determining the norms for the R&M expenses for the control period had considered the approved R&M expense for 2012-13 of Rs.84.75 lakh which was escalated at a rate of 5.85 %. During the year 2012-13, Phase III and Kollam campuses were not commissioned. For the year

2015-16 and 2016-17, considering the increase in the area of the licensee, the Commission had separately allowed the additional expense for the phases II, III & Kollam campuses, which were not included in the norms. The Commission has adopted the same methodology for 2017-18 also. Considering the escalation rate of 5.85% over the approved R&M expense of Phase I for 2016-17 and the actual expenses towards Phase III and Kollam campuses, the Repair and Maintenance expenses approved for the year 2017- 18 is as shown below.

Table-15
Approved R&M expense for 2017-18

Particulars	2016-17		2017-18	
	As per Truing Up petition (Rs. lakh)	Trued Up (Rs. lakh)	As per Truing Up petition (Rs. lakh)	Trued Up (Rs. lakh)
	Rs. lakh	Rs. lakh	Rs. lakh	Rs. lakh
Technopark Phase I	229.38	139.75	276.69	147.92
Technopark Phase – II & III	76.41	76.41	76.57	76.57
Technopark Kollam	24.89	24.89	27.01	27.01
Total	330.68	241.05	380.27	251.50

45. As shown above, the R&M expense approved for the year 2017-18 is Rs.251.50 lakh as against Rs.380.27 lakh claimed by the licensee.

A&G expenses:

46. A&G expense claimed by the licensee is Rs.194.81 lakh, whereas the approved amount as per norms is Rs.54.64 lakh. A comparison of the split up of the A&G expense for 2016-17 and 2017-18 is shown below.

Table-16
Comparison of A&G for 2016-17&2017-18

Particulars	2016-17 As per Truing Up petition (Rs. lakh)	2017-18 As per Truing Up petition (Rs. lakh)
Insurance	1.21	0.92
Telephone & postage	0.61	0.61
Audit Fee	0.50	0.30
Energy Audit	-	0.74
Consultancy charge	11.32	1.90
Bank charges	0.01	1.61
Conveyance	6.46	6.21
Printing and Stationery	0.32	0.17
Security Arrangement	85.44	98.74

Particulars	2016-17 As per Truing Up petition (Rs. lakh)	2017-18 As per Truing Up petition (Rs. lakh)
Electricity charges	11.85	12.07
Office Expenses	0.95	10.23
License fee and other fees	12.37	-
Other expenses	46.60	9.99
Electricity Duty u/s 3(1)	49.69	51.32
Total	227.33	194.81

47. The A & G expense claimed by the licensee as per the application for truing up was Rs.194.81 lakh as against the approved amount of Rs. 54.64 lakh in the revised ARR & ERC order. The major items booked under A&G expense are the expenses towards "Security arrangements" amounting to Rs.98.74 lakh and the Electricity Duty payable to the Government under Section 3(1) of the Kerala Electricity Duty Act 1963 which is Rs.51.32lakh, electricity charges for Techno city amounting to 12.07 lakh and other expenses of Rs.9.99 lakh. The licensee stated that office expense includes withdrawal of bad debts amounting to Rs.7.38 lakh from the office expenses of Rs.10.23 lakh.
48. The Commission has sought the clarifications of breakup details of security charges, consultancy charges, conveyance, reason for significant increase in office expenses, electricity charges, bank charges etc.
49. The cost of security arrangements at Rs.98.47 lakh accounts for more than 50% of the total A&G expenses of Rs.194.81 lakh. The licensee in its letter dated 03-08-2020 stated that Technopark has been deploying round the clock security arrangement at each of its buildings, campuses and substations. The salaries of security staffs deployed in the substations are only shown in the power distribution accounts. Three security personnel are deployed for each substation round the clock. The security arrangements are made by inviting open tenders. The salary of security staffs as per bill is Rs.22, 140/- per staff per month. There are 13 substations in the all campuses combined. Therefore, the total expenses towards security arrangement round the clock for one year in all the 13 substations would be Rs.1, 22,26,594/-. This includes 18% GST payable to the contractor. However, Technopark has not claimed this entire amount for the security staffs. Only 25% of the total cost of security arrangement of Rs.3,94,94,576/- has been apportioned to distribution business as per the norms hitherto followed.
50. The Commission has in its previous orders already pointed out that the security expenses claimed by the licensee is very high. While truing up the accounts in the previous years, the Commission had approved only 10% increase over the security charges approved for the previous year. Accordingly, during the year 2015-16, the

Commission had approved an amount of Rs.8.79 lakh and Rs.9.67 lakh for 2016-17. The Commission is of the view that the same methodology is to be followed for 2017-18 also. Accordingly, Rs.10.64 lakh is approved towards security charges for the year 2017-18. However, only the increase in amount approved is additionally allowed under A&G expenses for the year, since a component of security charges is already included in the approved A&G expenses of Rs.54.64lakh.

51. The licensee in its letter dated 03-08-2020 stated that licensee had appointed a consultant for preparing ARR & ERC for the F.Y 2017-18. The amount shown as consultancy charges of Rs.1, 90,000/- is the amount paid to consultant. The licensee has claimed Rs. 6.21 lakh against conveyance charges for hired vehicle which is used for travelling from campuses to campuses.
52. The electricity charges under A&G are increased when compared to the previous year. The licensee states that, the office function of the electricity distribution business and other business activities of the Technopark is carried out from the Head office building called "Park Centre". Electricity used for the administration offices are measured using separate meters. 40% of electricity charges for administrative officers are apportioned to the distribution business activity. This is the same proportion taken in truing up petitions for previous years. Balance 60% is apportioned to main business activity and that amount will be a sale of power revenue for the distribution business.
53. The Commission in its previous orders had clearly directed that Electricity Duty payable by the licensee under Section 3 (1) of the Kerala Electricity Duty Act cannot be accounted as an expenditure and cannot be passed on to the consumers.
54. The amount mentioned under the head others is mainly an account of statutory inspection fee paid to electrical inspectorate for the substation and &IT building at phase 3, various building at phase-I, and substations at Technopark Kollam campus.
55. Based on the above and after excluding the Electricity Duty payable to the Government under Section 3(1) of the Kerala Electricity Duty Act 1963, the total A&G expenses approved for the year 2017-18 is as shown below:

Table17
A&G expenses approved for 2017-18

	Rs. lakh
A&G expenses approved in the ARR for 2017-18	54.64
Additional security charges allowed (Rs.10.64lakh –Rs9.67 lakh)	0.97
Energy audit	0.74
Consultancy charges	1.90
Total	58.25

56. Thus, the approved A&G cost for 2017-18 after truing is Rs.58.25 lakh as against Rs.194.81 lakh claimed in the petition.

57. The Approved O&M expenses is given below:

O&M Expenses	2017-18		
	Approved in ARR	As per Truing Up Petition	Approved in Truing up
	(Rs. lakh)	(Rs. lakh)	(Rs. lakh)
Employee Cost	22.21	21.81	21.81
R & M Expenses	112.63	380.27	251.50
A & G Expenses	54.64	194.81	58.25
Total	189.48	596.89	331.56

Asset Additions from 2012-13 to 2017-18

58. The licensee has in the truing up petition included GFA addition of Rs.34.58 lakh in 2017-18. Since, the licensee has not taken the prior approval of the Commission for the GFA additions from 2012-13 to 2016-17, the Commission has vide Order dated 02-12-2019 directed the licensee to file petitions for approval of the actual asset additions from 2012-13 to 2016-17. Accordingly, the licensee has filed the petition and the Commission vide order dated 04-09-2020 approved the asset additions of Technopark for the years 2012-13 to 2016-17. The details are given below:

Approved for Asset Additions from 2012-13 to 2016-17

59. As per the provisions the KSERC (conditions of the licence for existing distribution licensees) Regulations 2006 and other Regulations notified by this Commission, prior approval of the Capital investment is necessary. However, M/s. Technopark did not obtain the approval of capital investment made from FY 2012-13 to 2016-17. Hence the Commission had allowed depreciation and interest and financing charges on a provisional basis. As a one time clean up of the Regulatory Accounts, the Commission in its Order dated 02.12.2019 in OANo. 16/2018 in the matter of Truing up of accounts of M/s Technopark for the financial year 2015-16 ordered as follows.

“47. The licensee has not submitted any separate application for the capital investment approval other than the details as mentioned above. It is also seen that there is difference in the values submitted by the licensee. The Commission has noted the matter seriously. As no proper details are furnished before the Commission, the Commission has no

alternative but to consider only for the assets created with the approval of the Commission. Accordingly the Commission considers the assets as on the beginning of the financial year 2012-13 for allowing depreciation. If however the licensee desires to furnish the details of capital investments incurred without the Commission's approval for the period from 2012-13 to 2016-17, they shall file a separate petition within the next 3 months failing which the Commission shall treat this issue as closed."

- 60.** The licensee accordingly the filed the petition on 10-02-2020 for approval of capital assets added from 2012-13 to 2016-17. The Commission after considering the matter in detail, vide Order dated 04-09-2020 has approved the Asset addition from 2012-13 to 2016-17 as shown below:

Table-18
Asset addition approved from 2012-13 to 2016-17

		2012-13	2013-14	2014-15	2015-16	2016-17	Total
		Rs. lakh	Rs. lakh	Rs. lakh	Rs. lakh	Rs. lakh	Rs. lakh
Phase -1	Substation			182.84			182.84
	Electrical installations			5.53			5.53
	Software				0.47		0.47
	Others				5.74		5.74
	Total	-	-	188.37	6.21	-	194.58
Phase -III	Meters	1.17		3.24			4.40
	Lines & cables	6.56					6.56
	Electrical installations		28.30	18.36		22.08	68.74
	Transformers-USS		16.33				16.33
	Total	7.73	44.63	21.60	-	22.08	96.04
	Grand total	7.73	44.63	209.97	6.21	22.08	290.62

- 61.** The Commission in the said Order also stated that out of the total asset addition approved for the years, 61.08% of the assets can be treated as funded from loans. Accordingly, interest on loan can be claimed for Rs.177.51 lakh. Based on the above, the depreciation and interest charges are to be approved for the period 2012-13 to 2016-17. The Commission in para 32 of the said Order has stated as given below:

The petitioner is allowed to claim depreciation, interest on loan, and O&M cost for the assets approved from FY 2012-13 to 2016-17 as above. The petitioner has to file a separate petition for making amendments in the earlier orders on Truing up approved by the Commission for the years 2012-13 to 2016-17.

- 62.** However, in order to approve the depreciation, interest on loan and Return on Net Fixed Assets for 2017-18 and the accumulated surplus till 2016-17, approval of the

same for the preceding years i.e., 2012-13 to 2016-17 was necessary. The completion of the truing up with the revised figures and considering the approval of capital assets for the years from 2012-13 is a pre-condition for approval of the said figures for 2017-18. Unless these figures are updated and approved, the truing up for 2017-18 become provisional. As ordered by the Commission vide Order dated 04-09-2020, the licensee is yet to file the details. **Hence the Commission had decided to take up the approval of depreciation, interest and financing charges and RoNFA, considering the figures approved in the Order dated 04-09-2020, for completing the truing up of accounts for the year 2017-18.**

Approval of Asset Additions for 2017-18

63. The licensee has filed a petition for approval of capital asset addition for 2017-18 and the Commission after due process approved the capital investment program vide Order dated 13-11-2019 in OP No.12/2017 as shown below:

Table-19
Approved Capital expenditure program for the year 2017-18

Sl no	Items	Phase	Amount Approved		
			Govt Grant	Own fund	Total (Rs. lakh)
1	Augmentation of the existing 110kV substation of KSEB Ltd at Kazhakuttam,	I	6,090.00		6,090.00
2	Insulation Resistance tester (Megger)			2.11	2.11
3	Underground de-energised cable locator			1.85	1.85
4	Civil works for augmentation of 110kV substation	III		19.69	19.69
5	11 kV Power Distribution System at the South and South East side	III	93.37		93.37
6	Supply, Installation, Testing and Commissioning of HT panels at 110kV Substation	III	30.86		30.86
7	Replacement of EHT metering equipment at 110kV Substation	III		25.00	25.00
8	Construction of 110kV Air Insulated Substation	Kollam	1,579.99		1,579.99
9	Laying of 110kV UG cable for feeding power to 110 kV substation	Kollam	2,140.00		2,140.00
	TOTAL		9,934.22	48.65	9,982.87

64. Thus, out of the total capital investment program for the year 2017-18, the following are approved for inclusion using own funds.

Table-20
Capital investment program approved using own funds

	Rs.lakh
Insulation Resistance Tester	2.11
Cable Locator	1.85
Augmentation of Substation (Phase III)	19.69
Up gradation of metering equipment (Phase III)	25.00
Total	48.65

65. The licensee in the petition for truing up has stated that out of nine projects approved vide Order dated 13-11-2019, two projects have been completed and distribution assets worth Rs.34.58 lakh were added in to the system.

Table-21
Asset addition made in 2017-18

Asset Description	Amount approved (Rs. lakh)	Asset capitalised (Rs. lakh)
HT Panel at existing 110kV/11kV SS	30.86	32.77
Electrical Distribution Network – Kollam	2.11	0.02
Supply of 5kV insulation tester - Phase I		1.79
Total		34.58

66. The Commission has sought the details of the asset addition made in the year 2017-18 and the licensee vide clarification dated 03-08-2020 stated that an amount of Rs.2032.19 lakh has been received as Government grants in the year 2017-18. Out of this, Rs.26.39 lakh was given for installation of HT panels for Phase III and Rs.2005.79 lakh is for 110 kV substation at Technocity. The actual capitalization in 2017-18 and the source of funds is as shown below:

Table-22
Details of Capital Asset Addition and source of funds (2017-18)

Asset Description	Amount approved in the order dated 13-11-2020 (Rs. lakh)	Asset capitalised (Rs. lakh)	Source of funds	
			Government grant (Rs.lakh)	Own Funds (Rs.lakh)
HT Panel at existing 110kV/11kV SS	30.86	32.77	26.39	6.38
Electrical Distribution Network - Kollam		0.02		0.02
Supply of 5kV insulation tester - Phase I	2.11	1.79		1.79
Total	32.97	34.58	26.39	8.19

67. As shown above, in the order dated 13-11-2020, the HT panel installation at Phase III was approved under the Government grant. However, the grant received for the

said work is only Rs.26.40 lakh and the balance amount had to be sourced from own funds. Similarly Rs.0.02 lakh was also incurred for consultancy charges towards Kollam campus, which was also proposed to be capitalized.

68. The Commission has examined the details furnished by the licensee. In the case of HT panel at 110kV substation, the Commission has approved the same to be funded through government grants. However, the grant received by the licensee is only Rs.26.39 lakh. Hence the Commission approves the balance amount of Rs.8.19 lakh funded by the licensee. Regarding the insulation tester, the actual amount capitalized is Rs.1.79 lakh as against the approved amount of Rs.2.11 lakh. The Commission therefore approves the actual amount of Rs.1.79 lakh. The licensee has also capitalized Rs.0.02 lakh towards the consultancy charges under Kollam Phase though the asset item for which the consultancy charges were paid is not mentioned. In view of the small amount involved, the Commission approves the same. Thus the total asset addition approved for the year 2017-18 is Rs.34.58 lakh out of which Rs.26.40 lakh is treated as funded through government grants and the balance amount of Rs.8.19 lakh is treated as other than Government grants. (loan/own funds).

Depreciation:

69. The depreciation claimed by the licensee in the petition for truing up for the year 2017-18 is Rs.299.86 lakh as against Rs 121.92 lakh approved in the Order on ARR&ERC. The details of the asset additions made in 2017-18 are shown below

Table-23
Depreciation claimed for 2017-18

Assets	GFA at the beginning of the year (Rs.lakh)		Additions Rs.lakh	GFA at the end of the year (Rs.lakh)		Depreciated on claimed Rs.lakh
	Grant	Own Source		Grant	Own Source	
Other Civil works	-	188.95	-	-	188.95	6.31
HV Distribution lines	-	661.95	-	-	661.95	37.67
HV Substation Transformers	-	2782.35	6.38	480.91	2788.72	148.20
LT Distribution system	454.52	83.29	-	-	83.29	6.50
LT : Distribution lines	-	34.87	-	-	34.87	1.95
LT : Sub-station equipments	-	2.54	-	-	2.54	0.15
LT : Others	-	1875.08	1.81	1835.50	1876.89	99.00
Meters	1,835.50	-	-	-	-	-
IT Equipments	-	0.47	-	-	0.47	0.07
Total	2290.02	5629.48	8.19	2316.41	5637.67	299.86
		7919.50	8.19	7954.08		

70. The table shows the distribution assets of the licensee as per the books at the beginning of the year is Rs. 7919.50 lakh. Of these, assets worth Rs.2290.02 lakh was created from Government grants and Rs. 5629.48 lakh was from own funds and loans. In their petition the licensee stated that, the assets were created from two source of funds, i.e, Capital grants of State Government, Own fund and loans.
71. As mentioned above, the total capital assets additions during the year was Rs.34.58 lakh. Out of this Rs. 26.39 lakh from Government grants and Rs. 8.19 lakh from Own funds. The licensee has claimed depreciation only for the assets created out of own funds. The licensee further stated that, the above capital investments were implemented as per the approval of the Commission vide Order dated 13-11-2019.
72. In reply dated 03-08-2020 on the clarifications sought by the Commission, the licensee stated the total grant received from the Government during the year 2017-18 was Rs. 2032.19 lakh (Rs.26.40 lakh for installation of HT panels for Phase III and Rs.2005.79 lakh for 110 KV Substation at Technocity).
73. The Commission examined the details furnished in the petition and the additional submissions/clarifications of the licensee. As mentioned in the previous paras, the Commission in the previous years had approved the depreciation on a provisional basis since the licensee could not obtain the approvals on time. Further, the Commission has also approved the depreciation for earlier years based on the pre-revised CERC norms. As per the Order dated 04-09-2020, the Commission has approved the asset addition from 2012-13 to 2016-17. The licensee is eligible for depreciation for the revised asset base as per the Order dated 04-09-2020 at the depreciation rates as per the Regulations.
74. As mentioned in para 62, based on approval of capital asset addition from 2012-13 to 2016-17, the depreciation for these years have to be reworked, which is dealt with in the following sections:

Revised Depreciation from 2012-13 to 2016-17

75. The depreciation claimed and approved provisionally by the Commission in the previous years from 2012-13 to 2016-17 is as shown below:

Table-24**Depreciation claimed and approved from 2012-13 to 2016-17 in previous true ups**

	GFA at the beginning of the year as per respective petitions	Depreciation claimed	GFA at the beginning of the year considered for approving depreciation	Depreciation provisionally approved in trueing up
	(Rs. lakh)	(Rs.lakh)	(Rs. lakh)	(Rs. lakh)
2012-13	2,990.56	103.16	2,990.56	82.23*
2013-14	3,009.94	104.54	3,009.94	82.51*
2014-15	3,239.22	113.21	3,114.80	86.71*
2015-16	5,266.01	280.71	2,990.56	131.07
2016-17	7,562.23	281.00	4,309.71**	200.72
2017-18	7,919.50	299.86		

*Depreciation after excluding Rs.612.06 lakh towards govt. grants and one time connection charges

** In the year 2016-17, the Commission provisionally approved depreciation for 50% of asset addition proposed by the licensee i.e., Rs.2990.56 lakh +1319.15 lakh (50% of the asset addition proposed)

76. The Commission has re-estimated the depreciation for the years 2012-13 to 2016-17 as shown below:

Table-25**Revised Depreciation approved for the year 2012-13**

	GFA as on 1-4-2012	Accumulated depreciation as on 1-4-2012	Asset Addition during the year	Depreciation rate	Depreciation for the year	NFA at the end of the year
	Rs. Lakh	Rs. lakh	Rs. lakh	Rs. lakh	Rs. lakh	Rs. lakh
Land & Rights						
Civil works	188.95	23.80		3.34%	6.31	158.84
Transmission lines	661.95	142.10		5.28%	34.95	484.89
Substations	2,027.76	441.18		5.28%	107.07	1,479.51
11 kV works	83.29	26.99	6.56	5.28%	4.57	51.73
LT lines	24.41	9.42		5.28%	1.29	13.70
Metering equipments	2.54	0.47	1.17	5.28%	0.16	1.91
Electrical installations	1.67	0.13		5.28%	0.09	1.45
Software's etc.						
Total	2,990.56	644.08	7.73		154.44	2,192.03
Less Assets created from Govt.grants/contributions	612.06			5.28%	32.32	
Depreciation for the year					122.12	

77. The asset addition approved for the year is Rs.7.73lakh. The licensee is holding

assets worth Rs.612.06 lakh in the books as approved by the Commission in the form of Government grants and one time connection charges received from consumers. The Commission does not allow depreciation for this amount since the same sourced from grants and contributions. Thus, the approved depreciation is Rs.122.12lakh after excluding assets created out of government grants and one time connection charges of Rs.612.06 lakh.

78. Depreciation for the year 2013-14 is as shown below:

Table-26
Revised Depreciation approved for the year 2013-14

	GFA as on 1-4-2013	Accumulated depreciation as on 1-4-2013	Asset Addition during the year	Depreciation rate	Depreciation for the year	NFA at the end of the year
	Rs. lakh	Rs. Lakh	Rs. lakh	Rs. lakh	Rs. lakh	Rs. lakh
Land & Rights						
Civil works	188.95	30.11		3.34%	6.31	152.53
Transmission lines	661.95	177.05		5.28%	34.95	449.94
Substations	2,027.76	548.24	16.33	5.28%	107.50	1,372.02
11 kV works	89.85	31.56		5.28%	4.74	53.55
LT lines	24.41	10.71		5.28%	1.29	12.41
Metering equipments	3.70	0.63		5.28%	0.20	2.88
Electrical installations	1.67	0.22	28.30	5.28%	0.84	0.62
Softwares etc.	-	-				
Total	2,998.29	798.52	44.63		155.82	2,043.94
Less Assets created from Govt.grants/contributions	612.06			5.28%	32.32	
Depreciation for the year					123.51	

79. The asset addition approved as per the Order dated 04-09-2020 for the year is Rs.44.63lakh. The approved depreciation is Rs.123.51 lakh after excluding assets created out of Government grants and one time connection charges of Rs.612.06 lakh.

80. Depreciation for the year 2014-15 is as shown below:

Table-27
Revised Depreciation approved for the year 2014-15

	GFA as on 1-4-2014	Accumulated depreciation as on 1-4-2014	Asset Addition during the year	Depreciation rate	Depreciation for the year	NFA at the end of the year
	Rs. lakh	Rs. lakh	Rs. lakh	Rs. lakh	Rs. lakh	Rs. lakh
Land & Rights						
Civil works	188.95	36.42		3.34%	6.31	146.22
Transmission lines	661.95	212.00		5.28%	34.95	414.99
Substations	2,044.09	655.74	182.84	5.28%	112.75	1,275.60

	GFA as on 1-4-2014	Accumulated depreciation as on 1-4-2014	Asset Addition during the year	Depreciation rate	Depreciation for the year	NFA at the end of the year
11 kV works	89.85	36.30		5.28%	4.74	48.81
LT lines	24.41	12.00		5.28%	1.29	11.12
Metering equipments	3.70	0.83	3.24	5.28%	0.28	2.60
Electrical installations	29.97	1.05	23.89	5.28%	2.21	26.70
Softwares etc.	-	-				
Total	3,042.92	954.34	209.97		162.54	1,926.03
Less Assets created from Govt.grants/contributions	612.06			5.28%	32.32	
Depreciation for the year					130.23	

81. The asset addition approved as per the Order dated 04-09-2020 for the year is Rs.209.97 lakh. The approved depreciation is Rs.130.23 lakh after excluding assets created out of government grants and one time connection charges of Rs.612.06 lakh.

82. Depreciation for the year 2015-16 is as shown below:

Table-28
Revised Depreciation approved for the year 2015-16

	GFA as on 1-4-2015	Accumulated depreciation as on 1-4-2015	Asset Addition during the year	Depreciation rate	Depreciation for the year	NFA at the end of the year
	Rs. lakh	Rs. lakh	Rs. lakh	Rs. lakh	Rs. lakh	Rs. lakh
Land & Rights						
Civil works	188.95	42.73		3.34%	6.31	139.91
Transmission lines	661.95	246.95		5.28%	34.95	380.04
Substations	2,226.93	768.49		5.28%	117.58	1,340.85
11 kV works	89.85	41.04		5.28%	4.74	44.06
LT lines	24.41	13.29		5.28%	1.29	9.83
Metering equipments	6.94	1.11	-	5.28%	0.37	5.47
Electrical installations	53.86	3.27	5.74	5.28%	3.00	47.60
Software's etc.	-	-	0.47			
Total	3,252.89	1,116.89	6.21		168.24	1,967.76
Less Assets created from Govt.grants/contributions	612.06			5.28%	32.32	
Depreciation for the year					135.92	

83. The asset addition approved as per the Order dated 04-09-2020 for the year is Rs.6.21 lakh. The approved depreciation is Rs.135.92 lakh after excluding assets created out of government grants and one time connection charges of Rs.612.06 lakh.

84. Depreciation for the year 2016-17 is as shown below:

Table-29
Revised Depreciation approved for the year 2016-17

	GFA as on 1-4-2016	Accumulated depreciation as on 1-4-2016	Asset Addition during the year	Depreciation rate	Depreciation for the year	NFA at the end of the year
	Rs. lakh	Rs. lakh	Rs. lakh	Rs. lakh	Rs. lakh	Rs. lakh
Land & Rights						
Civil works	188.95	49.04		3.34%	6.31	133.60
Transmission lines	661.95	281.90		5.28%	34.95	345.09
Substations	2,226.93	886.08		5.28%	117.58	1,223.27
11 kV works	89.85	45.79		5.28%	4.74	39.32
LT lines	24.41	14.58		5.28%	1.29	8.54
Metering equipments	6.94	1.47	-	5.28%	0.37	5.10
Electrical installations	59.60	6.26	22.08	5.28%	3.73	49.61
Softwares etc.	0.47	-				
Total	3,259.09	1,285.13	22.08		168.97	1,804.53
Less Assets created from Govt.grants/contributions	612.06			5.28%	32.32	
Depreciation for the year					136.66	

85. The asset addition approved as per the Order dated 04-09-2020 for the year is Rs.22.08 lakh. The approved depreciation is Rs.136.66 lakh after excluding assets created out of government grants and one time connection charges of Rs.612.06 lakh.

86. Summary of the revised depreciation approved after approving the asset additions from 2012-13 to 2017-18 is as shown below:

Table-30
Summary of Revised Depreciation approved for the years 2012-13 to 2016-17

Year	GFA at the beginning of the year considered for approving depreciation	Depreciation approved in the earlier truing up Orders	GFA considered for approving depreciation	Revised Depreciation approved	Additional Depreciation approved
	(Rs.lakh)	(Rs.lakh)	(Rs.lakh)	(Rs.lakh)	(Rs. lakh)
2012-13	2,990.56	82.23	2,998.29	122.12	39.89
2013-14	3,009.94	82.51	3,042.92	123.51	41.00
2014-15	3,114.80	86.71	3,252.89	130.23	43.52
2015-16	2,990.56	131.07	3,259.09	135.92	4.85
2016-17	4,309.71	200.72	3,281.17	136.66	-64.06

Depreciation for the year 2017-18

87. The licensee has claimed depreciation for truing up for the year 2017-18 at Rs.299.86 lakh as against Rs 121.92 lakh approved in the order on ARR&ERC.

The Depreciation for the year 2017-18 after considering the revised asset addition from 2012-13 to 2017-18 is as shown below:

Table-31
Depreciation approved for the year 2017-18

Asset categories	GFA as on 1-4-2017	Accumulated depreciation as on 1-4-2017	Asset Addition during the year	Depreciation rate	Depreciation for the year	NFA at the end of the year
	Rs. lakh	Rs. lakh	Rs. lakh	Rs. lakh	Rs. lakh	Rs. lakh
Land & Rights						
Civil works	188.95	55.35		3.34%	6.31	127.28
Transmission lines	661.95	316.85		5.28%	34.95	310.14
Substations	2,226.93	1,003.66	6.37	5.28%	117.75	1,105.52
11 kV works	89.85	50.53		5.28%	4.74	34.57
LT lines	24.41	15.87	0.02	5.28%	1.29	7.25
Metering equipments	6.94	1.84		5.28%	0.37	4.73
Electrical installations	81.68	9.99	1.79	5.28%	4.36	67.33
Softwares etc.	0.47					
Total	3,281.17	1,454.10	8.18		169.77	1,656.84
Less Assets created from Govt.grants/contributions	612.06			5.28%	32.32	
Depreciation for the year					137.45	

88. The licensee has claimed Rs.34.58 lakh as the asset addition for the year. Out of this, Rs.8.19 lakh is proposed as from own funds and the balance Rs.26.39 lakh is government grants. As per Regulations 21(1) of Tariff Regulation 2018, depreciation is not allowable for assets created out of grants and contributions, and therefore asset addition worth Rs.8.19 lakh only considered for allowing depreciation. The approved depreciation is Rs.137.45 lakh after excluding assets created out of government grants and one time connection charges of Rs.612.06 lakh.

Interest and Finance Charges:

89. The licensee, in their truing up petition has claimed interest on loans including working capital loan and consumer security deposits. The Commission had approved Rs.92.84 lakh under this head in the ARR for the year 2017-18. In the truing up petition the licensee claimed an amount of Rs.121.85 lakh as interest on loan and Rs.77.75 lakh as interest on consumer security deposit. Thus the total interest charges of Rs.199.60 lakh. The details of claim made by the licensee are shown below.

Table-32
Details of Interest and finance charges claimed for 2017-18

Particulars	2017-18 (Rs.lakh)	
	Approved in the ARR	As per Truing Up Petition
Interest on long term loans	92.84	121.85
Interest on consumer security deposits		77.75
Interest on Working Capital		-
Total	92.84	199.60

Interest on loans:

90. The licensee in their petition has booked an amount of Rs 121.85 lakh towards interest on actual loans for the year 2017-18. The details of interest on the loans are given below.

Table-33
Details of Interest on loans claimed for 2017-18

Sl. No	Particulars	Interest Amount (Rs.lakh)
1	Loan 1 (Canara Bank)	7.85
2	Loan2 (South Indian Bank & Federal Bank)	114
3	Total	121.85

91. The licensee has stated that no fresh loan has been taken during the year. Out of the two loans, the loan from Canara bank was closed during 2017-18. The other loan from the consortium of South Indian Bank and Federal Bank was taken for the infrastructure development project for the entire phase III. The loan was taken for a period of 144 months from the July 2015. The details as per the petition is given below:

Table-34
Details of loans and interest claimed for 2017-18

Particulars	2017-18		
	Loan 1 (Canara Bank)	Loan 2 (SIB and Federal Bank) Phase-III	Total
	Rs. lakh	Rs. lakh	Rs. lakh
Gross Loan -Opening	370.26	1,069.56	1,439.82
Cumulative repayments of Loans upto previous year	276.29	292.83	569.12
Net loan-Opening	93.97	776.73	870.70
Less: Repayment (s) of Loans during the year	93.97	77.15	171.12
Net loan – Closing	0.00	699.58	699.58
Rate of Interest on Loan on annual basis	10.20%	10.30%	10.25%
Interest on loan	7.85	114.00	121.85
Loan repayment effective from (date to be indicated)	Dec'2005	July, 2015	

92. The Commission has examined the details of the claims of the licensee on interest charges on the loans. The Commission notes that it has allowed interest charges for the loan taken from Canara Bank in the previous truing up orders. The licensee has been claiming the interest charges for the second loan from 2015-16. Considering the fact that the licensee did not obtain the approval of the asset addition from 2012-13 onwards, the Commission in the Truing Up Order for 2015-16 did not allow the interest charges for the second loan taken from South Indian Bank and Federal Bank. Therefore, in the truing up Order for 2016-17, the Commission has provisionally allowed 50% of the interest charges claimed by the licensee for the second loan considering the fact that the licensee had filed the petition for approval of asset addition from 2012-13 to 2016-17 as per the direction of the Commission. Since the Commission vide order dated 4-09-2020 had approved the assets additions from 2012-13 to 2016-17, as mentioned in Para 64 above, the approval of revised interest and financing charges is necessary. Accordingly the interest charges for the years 2012-13 to 2016-17 is to be revised as shown below:

Revised Interest charges from 2012-13 to 2016-17

93. As mentioned earlier, the Commission has been approving the interest on the loan taken from Central Bank for Bhavani and Gayathri buildings and the loan taken from Canara Bank for the electrical infrastructure at Tejaswani Building. The licensee has closed the loan taken from Central Bank in the year 2015-16 and the loan taken from Canara Bank was fully repaid in 2017-18. Hence the Commission approves the actual interest charges for these loans as approved in the previous years. The interest charges approved for the years from 2012-13 to 2016-17 for these loans are as shown below:

Table-35
Approved Interest on Loan taken from Central Bank and Canara Bank

Year	Rs. lakh
2012-13	32.57
2013-14	28.43
2014-15	22.30
2015-16	17.69
2016-17	12.56
2017-18	7.85

94. Regarding the loan taken from the Consortium of Banks, the Commission in its Order dated 04-09-2020 had approved the capital asset addition from 2012-13 to 2016-17. In the said Order, the Commission has approved the loan component of

61.08% as quoted below:

“... the petitioner submitted that out of the total investment of Rs.298.78 crore investment made by the Technopark as developer, Rs.177 crore was met by availing loans. I.e., the loan availed by the Technopark as the developer is about 61.08% of the total investments made so far. The same percentage of loan may be considered by the petitioner for claiming interest on the loan availed for the capital investment approved for electricity distribution business as above”

Considering this the interest charges approved for these years is as shown below:

Table-36
Interest Charges approved for the Asset Addition from 2012-13 to 2017-18

	Asset Addition approved as per Order dated 4-9-2020	Portion of Asset addition approved to be funded through loan (61.08%)	Cumulative Loan	Allowable depreciation / Repayment (@5.28%)	Balance loan	Average loan	Rate of Interest (%)	Interest charges approved for Asset additions
	Rs.lakh	Rs.lakh	Rs.lakh	Rs.lakh	Rs.lakh	Rs.lakh	%	Rs.lakh
2012-13	7.73	4.72	4.72	0.20	4.51	4.62	10.30%	0.48
2013-14	44.63	27.26	31.98	1.59	30.39	31.19	10.30%	3.21
2014-15	209.97	128.25	160.23	8.31	151.92	156.08	10.30%	16.08
2015-16	6.20	3.79	164.02	14.01	150.00	157.01	10.30%	16.17
2016-17	22.08	13.49	177.51	14.76	162.74	170.13	10.30%	17.52
Total	290.61	177.51						

95. As per the provisions of the Regulations, the interest on loan is allowed based on the interest charges on the actual loan portfolio. As per the details furnished by the licensee the interest charges for the loan taken from the Consortium of banks is 10.30%. Accordingly the same is considered for allowing the interest.

96. Based on the above, total interest on loan approved from 2012-13 to 2016-17 is as shown below:

Table-37
Summary of the Interest charges approved from 2012-13 to 2016-17

	Interest on Loan Approved		Total Interest charges on Loans approved
	Rs. Lakh	Rs. lakh	Rs. lakh
2012-13	32.57	0.48	33.05
2013-14	28.43	3.21	31.64
2014-15	22.30	16.08	38.38
2015-16	17.69	16.17	33.86
2016-17	12.56	17.52	30.08

Interest charges on loans for 2017-18

97. The licensee has claimed the interest charges of Rs.121.85 lakh for the two loans (from Canara Bank and from consortium of banks) for the year 2017-18. The interest charges for the loan from Canara Bank has already been approved in the previous truing up orders. The licensee has stated that the said loan has been completely repaid in the year 2017-18. The interest charges for the said loan is Rs.7.85 lakh. The Commission approves the same for the year 2017-18.
98. In the case of loan from consortium of banks (South Indian Bank and Federal Bank), the Commission has considered the additional capital additions approved from 2012-13 and accordingly, the interest charges for the same is approved based on the provisions of the Regulations on normative basis. Accordingly, the interest charges for the addition to assets for the year 2017-18 is as shown below:

Table-38
Interest charges for 2017-18 as per approved addition to assets

	Rs. lakh
Asset Addition approved from 2012-13 to 2016-17	290.61
Asset Addition Approved for the year 2017-18	8.18
Cumulative asset addition up to 2017-18	298.79
Portion of Asset addition funded through loan (8.19*61.08%)	5.00
Cumulative asset Addition /Loan (61.08% of Rs.290.61lakh + 61.08% of Rs.8.19 lakh) (Rs.177.51lakh +Rs.5.00 lakh)	182.50
Allowable depreciation / Repayment (@5.28%)	15.56
Balance loan (Rs.182.50 lakh – Rs.15.56 lakh)	166.94
Average loan (Rs.166.94 lakh+182.50 lakh)/2	174.72
Rate of Interest (%)	10.30%
Interest charges approved for Asset additions (Rs.174.72 lakh X 10.30%)	18.00

99. Accordingly, the total interest charges approved for the year 2017-18 is as shown below:

Table-39
Interest on loan approved for 2017-18

Particulars	Interest Amount claimed (Rs. lakh)	Interest charges approved for 2017-18 (Rs.lakh)
Loan 1 (Canara Bank)	7.85	7.85
Interest on loan for Addition of assets	114	18.00
Total	121.85	25.85

100. Thus, the total interest on loan approved for 2017-18 is Rs.25.85 lakh as against the claim of Rs.121.85 lakh by the licensee.

Interest on security deposits:

101. The licensee has claimed Rs.77.75 lakh towards interest on security deposit. The licensee has stated that the actual interest on security deposits paid to consumers in 2017-18 is Rs. 77.75lakh and the rate of interest is 6% p.a. ***Since the licensee has paid Rs. 77.75lakh as interest on security deposits to the consumers, the same is approved.***

Interest on working capital:

102. As per the petition, the licensee has not claimed any interest on working capital as shown below:

Table - 40
Interest on working capital claimed for 2017-18

Particulars	2017-18
	Rs. Lakh
O&M expenses (as per norms) 1 month	49.68
Maintenance Spares (as per norms) 1 month average	0.00
Receivables (as per norms) 2 months ERC	1035.28
Less : Security deposits except security deposits held in the form of Bank Guarantee from Users	(1336.53)
Less : Cost of Power Purchase (as per norms)	(438.16)
Total Working Capital	-
Interest Rate (as per norms)	10.00%
Interest on Working Capital (actual)	-

103. ***Since the licensee has no working capital requirements, the same is fully funded through the security deposit from the consumers and the one month credit available for power purchase. Hence no amount is allowed under this account for 2017-18.***

Return on Net Fixed Assets:

104. The Commission in the ARR order had allowed RoNFA of Rs.32.46 lakh at the rate of 3%of NFA. The licensee has claimed a return of Rs 123.05 lakh on the basis of net fixed assets at the rate of 3% of NFA. The details of the claim as per the truing up petition for the year 2017-18 are given below.

Table - 41
RoNFA claimed for 2017-18

Particulars	Approved in ARR (Rs. lakh)	Truing up (Rs. lakh)
NFA (Net of consumer contributions and grants at the beginning of the year)	1081.95	4101.61
Rate of return (%)	3%	3%
Total return on NFA	32.46	123.05

105. The Commission has examined the details furnished by the licensee. As per the Sub Regulation(2) of Regulation 29 of the Tariff Regulations,2014,on return on investment specifies that,

“(2) If the equity invested in the regulated business of the generating business/company or transmission business/licensee or distribution business/licensee or state load dispatch centre is not clearly identifiable, return at the rate of three percent shall be allowed on the net fixed assets at the beginning of the financial year for such regulated business:

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

106. Thus the licensee is eligible for the RoNFA as per the Regulations. The difference in the RoNFA claimed in the licensee’s petition over the approved ARR is because the licensee’s claim includes the capital addition made from 2012-13 to 2016-17. As mentioned earlier, these capital investments were made without the Commission’s approval. Considering the Order dated 04-09-2020 on approval of asset additions from 2012-13 to 2016-17, the return on NFA approved for the period is as shown below:

Revised Return on NFA from 2012-13 to 2016-17.

107. The Commission has been allowing RoNFA from 2012-13 to 2016-17 as shown below:

Table - 42
RoNFA originally approved from 2012-13 to 2016-17

	RoNFA approved
2012-13	10.00
2013-14	10.00
2014-15	10.00
2015-16	58.41
2016-17	90.81

108.As shown above, from 2012-13 to 2014-15 the Commission had approved provisional return of Rs.10 lakh. For the year 2015-16, the Commission has approved the return considering the GFA at the beginning of the year 2012-13 since, the licensee had not obtained the approval of the Commission for the asset addition made from 2012-13 to 2016-17. However, for the year 2016-17, the Commission had provisionally considered 50% of the asset addition from 2012-13 to 2016-17, along with the assets at the beginning of the year 2012-13. Considering the fact that the Commission has approved the asset addition from 2012-13 to 2016-17, the revised RoNFA approved is as shown below:

Table - 43
Revised Return on NFA approved from 2012-13 to 2016-17

	NFA at the beginning of the Year	Grants/Contributions	NFA eligible for Return	Return on NFA @3%
	Rs.lakh	Rs.lakh	Rs.lakh	Rs.lakh
2012-13	2,346.47	612.06	1,734.41	52.03
2013-14	2,192.03	612.06	1,579.97	47.40
2014-15	2,043.94	612.06	1,431.88	42.96
2015-16	1,926.03	612.06	1,313.97	39.42
2016-17	1,967.76	612.06	1,355.70	40.67

Return on NFA for the year 2017-18

109.The licensee has claimed Rs.123.05 lakh as the return on NFA for the year 2017-18. However, considering the approval of asset additions from 2012-13 to 2016-17, the return on NFA is to be allowed based on the revised asset addition. As shown above, the NFA at the beginning of the year is Rs.1804.53 lakh. The Government and one time connection charges is Rs.612.06 lakh. Thus, the NFA eligible for return is Rs.1192.47 lakh (Rs.1804.53 lakh-Rs.612.06 lakh). The return on NFA approved for 2017-18 is as shown below:

Table -44
Return on NFA approved for 2017-18

Particulars	Approved in ARR (Rs. lakh)	As per Truing up Petition (Rs. lakh)	Approved in Truing up (Rs. lakh)
NFA (Net of consumer contributions and grants at the beginning of the year)	1081.95	4101.61	1192.47
Rate of return (%)	3%	3%	3%
Total return on NFA	32.46	123.05	35.77

110. As shown above the RoNFA approved for 2017-18 is Rs.35.77 lakh as against Rs.123.05 lakh proposed by the licensee. Based on the above, the revenue gap/surplus after the revising the expenses for the years from 2012-13 is to be arrived at as shown below in the following sections.

Revised Revenue gap for 2012-13

111. The Commission in the Order dated 12-01-2016 in the truing up of accounts for 2012-13 had approved a revenue surplus of Rs.56.72 lakh. The cumulative revenue surplus up to 2012-13 is Rs.465.56 (cumulative surplus till 2011-12 was Rs.408.84 lakh). The revised revenue gap/surplus after considering the additional expenses on account of depreciation, interest charges and RoNFA is as shown below:

Table – 45
Net Increase after Revision of expenses

	2012-13 Rs.lakh
Expenses approved in the Truing up Order dated 12-01-2016	
Depreciation	82.23
Interest on loan	32.57
RoNFA	10.00
Total	124.80
Revised expenses Approved after considering the Asset additions	
Depreciation	122.12
Interest on loan	33.05
RoNFA	52.03
Total	207.20
Net increase in Expenses	82.40

112. As shown above, the net increase in expenses is Rs.82.40 lakh. Accordingly the revised revenue surplus is worked out as shown below:

Table -46
Revised Revenue gap after Truing up 2012-13

	2012-13 Rs. lakh
Cumulative Revenue surplus up to 2011-12	408.84
Approved Revenue surplus as per Truing up for 2012-13 as per Order dated 12-01-2016	56.72
Net increase in expenses as per Table 45	82.40
Revised Revenue gap after truing up for 2012-13	(25.68)
Revised accumulated revenue surplus up to 2012-13	383.16

113. *The revenue gap for 2012-13 after approving the revised expenses is Rs.25.68 lakh as against the revenue surplus of Rs.56.72 lakh approved vide order dated 12-01-2016 The Revised Accumulated Revenue surplus for the year 2012-13 is Rs.383.16 lakh (Rs.408.84 lakh – Rs.25.68 lakh)*

114. Since the interest on cumulative revenue surplus is considered from 2015-16 and hence no adjustment is made against this head in 2012-13.

Revised Revenue gap for 2013-14

115. The Commission in the Order dated 08-03-2017 in the truing up of accounts for 2013-14 had approved a revenue gap of Rs.40.03 lakh. The cumulative revenue surplus was Rs.425.53 lakh (cumulative surplus till 2012-13 was Rs.465.56 lakh). The revised revenue gap after considering the additional expenses on account of depreciation, interest charges and RoNFA is as shown below:

Table- 47
Net Increase/Decrease after Revised expenses for 2013-14

	2013-14 (Rs. lakh)
Expenses approved in the Truing up Order dated 08-03-2017	
Depreciation	82.51
Interest on loan	28.43
RoNFA	10.00
Total	120.94
Revised expenses Approved after considering the Asset additions	
Depreciation	123.51
Interest on loan	31.64
RoNFA	47.40
Total	202.55
Net increase in Expenses	81.61

116. As shown above, the net increase in expenses is Rs.81.61 lakh. Accordingly, the revised revenue gap is worked out as shown below:

Table- 48
Revised Revenue gap after Truing up 2013-14

	2013-14 Rs.lakh
Cumulative Revenue surplus up to 2012-13 as per Truing up Order dated 12-01-2016	465.56
Approved Revenue gap as per Truing up for 2013-14 Order dated 08-03-2017	(40.03)

Net increase in expenses as per Table 47	81.61
Revised Revenue gap after truing up for 2013-14	(121.64)
Revised Accumulated Revenue surplus till 2012-13	383.16
Revised accumulated revenue surplus till 2013-14	261.52

117. *The revenue gap for 2013-14 after approving the revised expenses is Rs.121.64 lakh as against the revenue gap of Rs.40.03 lakh approved vide order dated 08-03-2017 The Revised Accumulated Revenue surplus is Rs.261.52 lakh (Rs.383.16 lakh – Rs.121.64 lakh)*

118. The interest on cumulative revenue surplus is considered from 2015-16 and hence no adjustment is made against this head in 2013-14.

Revised Revenue gap for 2014-15

119. The Commission in the Order dated 18-12-2017 in the truing up of accounts for 2014-15 had approved a revenue surplus of Rs.66.05 lakh for the year. The cumulative revenue surplus for the period ending 31-03-2015 was Rs.491.58 lakh (cumulative surplus till 2013-14 was Rs.425.53 lakh). The revised revenue gap after considering the additional expenses on account of depreciation, interest charges and RoNFA is as shown below:

Table-49
Net Increase/Decrease after Revised expenses for 2014-15

	2014-15 Rs.lakh
Expenses approved in the Truing up Order dated 18-12-2017	
Depreciation	86.71
Interest on loan	22.30
RoNFA	10.00
Total	119.01
Revised expenses Approved after considering the Asset additions	
Depreciation	130.23
Interest on loan	38.38
RoNFA	42.96
Total	211.56
Net increase in Expenses	92.55

120. As shown above, the Commission approves net increase in expenses for 2014-15 as Rs.92.55 lakh. Accordingly, the revised revenue gap is worked out as shown below:

Table-50
Revised Revenue gap after Truing up 2014-15

	2014-15 Rs.lakh
Cumulative Revenue surplus up to 2013-14 as per Truing up Order dated 08-03-2017	425.53
Approved Revenue surplus as per Truing up for 2014-15 Order dated 18-12-2017	66.05
Net increase in expenses as per Table 49	92.55
Revised Revenue gap after truing up for 2014-15	(26.50)
Revised Accumulated Revenue surplus till 2013-14	261.52
Revised accumulated revenue surplus till 2014-15	235.02

121. *The revenue gap for 2014-15 after approving the revised expenses is Rs.26.50 lakh as against the revenue surplus of Rs.66.05 lakh approved vide Order dated 18-12-2017. The Revised Accumulated Revenue surplus is Rs.235.02 lakh (Rs.261.52 lakh – Rs.26.50 lakh)*

122. The interest on cumulative revenue surplus is considered from 2015-16 and hence no adjustment is made against this head in 2014-15.

Revised Revenue surplus for 2015-16

123. The Commission in the Order dated 02-12-2019 in the truing up of accounts for 2015-16 had approved a revenue surplus of Rs.199.80 lakh. The cumulative revenue surplus was Rs.691.38 lakh (cumulative surplus till 2014-15 was Rs.491.58 lakh). The revised revenue surplus after considering the additional expenses on account of depreciation, interest charges and RoNFA is as shown below:

Table-51
Net Increase after Revised expenses for 2015-16

	2015-16 (Rs.lakh)
Expenses approved in the Truing up Order dated 02-12-2019	
Depreciation	131.07
Interest on loan	17.69
RoNFA	58.41
Total	207.17
Revised expenses Approved after considering the Asset additions	
Depreciation	135.92
Interest on loan	33.86
RoNFA	39.42
Total	209.20
Net increase in Expenses	2.03

124.As shown above, the net increase in expenses is Rs.20.03 lakh. Accordingly the revised revenue gap is worked out as shown below:

Table-52
Revised Revenue surplus after Truing up 2015-16

	2015-16 Rs.lakh
Cumulative Revenue surplus up to 2014-15 as per Truing up Order dated 18-12-2017	491.58
Approved Revenue surplus as per Truing up for 2015-16 Order dated 02-12-2019	199.80
Net increase in expenses as per Table 51	2.03
Revised Revenue surplus after truing up for 2015-16	197.77

125.*The revenue surplus for 2015-16 after approving the revised expenses is Rs.197.77 lakh as against the revenue surplus of Rs.199.80 lakh approved vide order dated 02-12-2019*

Interest on Accumulated Revenue Surplus for 2015-16

126.In the truing up order dated 02-12-2019 for 2015-16, the Commission has worked out the cumulative revenue surplus as Rs.691.38 lakh and considered interest on the cumulative revenue surplus till 2014-15 at the rate of 9%. Accordingly the interest of Rs.44.24 lakh at the rate of 9% on the accumulated revenue surplus of Rs.491.58 lakh was considered. Since the licensee has already accounted Rs.26.05 lakh towards the interest on bank deposits, the balance amount of Rs.18.19 lakh (Rs.44.24 lakh – Rs.26.05 lakh) was included as additional interest income under non-tariff income.

127.After the revised expenses and revenue gap, the accumulated revenue surplus till 2014-15 is Rs.235.02 lakh. The interest income at the rate of 9% would works out to be Rs.21.15 lakh. Since the licensee has already included a higher amount of Rs.26.05 lakh under interest income from bank charges, the additional amount of Rs.18.19 lakh considered as additional interest income is to be deducted from non-Tariff income. Accordingly, the revenue surplus for the year and the accumulated revenue surplus will also be adjusted as shown below:

Table- 53
Revised Non-Tariff income and Revenue surplus for 2015-16

	2015-16 (Rs. lakh)
Revenue Surplus after considering the Revised expenses	197.77
Less additional interest considered under accumulated revenue surplus as per Order dated 02-12-2019 in the truing up for 2015-16	18.19
Revised Revenue surplus (Rs.197.77 lakh-Rs.18.19 lakh)	179.57
Revised Accumulated Revenue Surplus till 2014-15	235.02
Revised accumulated Revenue surplus till 2015-16	414.60

128. Thus, the revenue gap after considering the revised expenses and non-tariff income is Rs.179.57 lakh. The cumulative revenue surplus till 2015-16 is Rs.414.60 lakh.

Revised Revenue surplus for 2016-17

129. The Commission in the Order dated 27-04-2020 in the truing up of accounts for 2016-17 had approved a revenue surplus of Rs.232.85 lakh. The cumulative revenue surplus till 2016-17 as mentioned in the said Order was 924.23 lakh (cumulative surplus till 2015-16 was Rs.691.38 lakh). The revised revenue surplus after considering the additional expenses on account of depreciation, interest charges and RoNFA is as shown below:

Table -54
Net Decrease after Revised expenses for 2016-17

	2016-17 (Rs.lakh)
Expenses approved in the Truing up Order dated 27-04-2020	
Depreciation	200.72
Interest on loan	79.35
RoNFA	90.81
Total	370.88
Revised expenses Approved after considering the Asset additions	
Depreciation	136.66
Interest on loan	30.08
RoNFA	40.67
Total	207.41
Net increase/Decrease in Expenses (-)	(163.47)

130. As shown above, the net decrease in expenses is Rs.163.47 lakh. Accordingly the revised revenue surplus is worked out as shown below:

Table-55
Revised Revenue surplus after Truing up 2016-17

	2016-17 Rs.lakh
Cumulative Revenue surplus up to 2015-16 as per Truing up Order dated 02-12-2019	691.38
Approved Revenue surplus as per Truing up for 2016-17 Order dated 27-04-2020	232.85
Net Decrease(-) in expenses	(163.47)
Revised Revenue surplus after truing up for 2016-17	396.32

131. *The revenue surplus for 2016-17 after approving the revised expenses is Rs.396.32 lakh as against the revenue surplus of Rs.232.85 lakh approved vide order dated 27-04-2020.*

Interest on Accumulated Revenue Surplus for 2016-17

132. In the Truing Up Order dated 27-04-2020 for 2016-17, the Commission has considered interest on the cumulative revenue surplus till 2015-16 at the rate of 9%. Accordingly the interest of Rs.64.30 lakh at the rate of 9% on the accumulated revenue surplus of Rs.691.38 lakh was considered. Since the licensee has already accounted Rs.56.82 lakh towards the interest on bank deposits, the balance amount of Rs.7.48 lakh (Rs.64.30 lakh – Rs.56.82 lakh) was included as additional interest income under non-tariff income.

133. After the revised expenses and revenue gap, the accumulated revenue surplus till 2015-16 is Rs.414.60 lakh. The interest income at the rate of 9% would works out to be Rs.37.31 lakh. Since the licensee has already received a higher amount of Rs.56.82 lakh under interest income from bank deposits, the additional amount of Rs.7.48 lakh considered as additional interest income in the Order dated 27-04-2020 is to be deducted from non-Tariff income. Accordingly, the revenue surplus for the year and the accumulated revenue surplus will also be adjusted as shown below:

Table-56
Revised Non-Tariff income and Revenue surplus for 2016-17

	2016-17 Rs.lakh
Revenue Surplus after considering the Revised expenses	396.32
Less additional interest considered under accumulated revenue surplus as per Order dated 27-04-2020 in the truing up for 2016-17	7.48
Revised Revenue surplus for 2016-17	388.84
Revised Accumulated Revenue surplus till 2015-16	414.60
Revised accumulated Revenue surplus till 2016-17	803.44

134. Thus, the revenue surplus for 2016-17 after considering the revised expenses and non-tariff income is Rs.388.84 lakh. The cumulative revenue surplus till 2016-17 is Rs.803.44 lakh.

Summary of revised revenue surplus/gap from 2012-13 to 2016-17

135. Revised revenue surplus/gap after considering the revised expenses is as shown below:

Table -57
Summary of revised revenue surplus/gap from 2012-13 to 2016-17

	2012-13	2013-14	2014-15	2015-16	2016-17
	Rs.lakh	Rs.lakh	Rs.lakh	Rs.lakh	Rs.lakh
Depreciation	82.23	82.51	86.71	131.07	200.72
Interest charges	32.57	28.43	22.30	17.69	79.35
RoNFA	10.00	10.00	10.00	58.41	90.81
Total	124.80	120.94	119.01	207.17	370.88
Revenue surplus / gap(-)	56.72	(40.03)	66.05	199.80	232.85
Accumulated Revenue surplus for previous year	408.84	465.56	425.53	491.58	691.38
Cumulative Revenue surplus	465.56	425.53	491.58	691.38	924.23
Revised Expenses					
Depreciation	122.12	123.51	130.23	135.92	136.66
Interest charges	33.05	31.64	38.38	33.86	30.08
RoNFA	52.03	47.40	42.96	39.42	40.67
Adjustment in interest charges				18.19	7.48
Total	207.20	202.55	211.56	227.39	214.89
Increase/Decrease (-) in expenses	82.40	81.61	92.55	20.22	(155.99)
Revised Revenue surplus / gap (-)	(25.68)	(121.64)	(26.50)	179.58	388.84
Revised Accumulated Revenue Surplus	383.16	261.52	235.02	414.60	803.44

Revenue from Sale of Power for 2017-18:

136. The revenue from sale of power as per the truing up petition for 2017-18, is Rs.6208.28 lakh for a sale of 850.80 MU. The actual sale for the year 2016-17 was 839.3 MU and the revenue from the sale of power was Rs.5957.64 lakh. The licensee has claimed that the revenue from sale of power has increased mainly due to the operationalization of Technopark Phase-III campus. The split up of the revenue from sale of power for the year 2016-17 is tabulated below.

Table - 58
Revenue from Sale of Power for the year 2017-18

	No. of consumers	Sales (lakh units)	Revenue (Rs. lakh)	Average Realisation (Rs./kWh)
LT – IV B IT/ITES below 10kW	188	12.03	72.02	6.23
LT – IV B IT/ITES above 10kW up to 20kW	180	13.07	85.50	6.54
LT – IV B IT/ITES above 20kW	252	399.38	3018.10	7.56
LT - VI (A) General	22	0.17	1.32	7.65
LT VI (B) General	9	1.18	9.39	7.98
LT VI (c) General (Single phase or 3 phase)	36	3.01	62.14	20.64
LT VI (F) General (Single phase)	53	1.16	9.87	8.5
LT VII (A) Commercial (Single phase)	51	1.07	9.34	8.74
LT VI (F) General (3 phase)	38	12.31	118.88	9.65
LT VII (A) Commercial (3 Phase)	61	7.58	80.22	10.58
LT VII (B) Commercial	12	0.11	0.65	6.22
LT IV A Industrial below 10 KW	4	0.13	2.90	22.90
LT IV A Industrial above 10 KW below 20 KW	6	0.48	2.96	6.16
LT IV A Industrial above 20 KW	3	2.7	18.49	6.86
LT VI (G) General	1	0.041	0.53	13.02
Self Consumption	2	3.54	30.18	8.52
Street Lighting	17	2.73	11.03	4.04
Sub Total	825	460.7	3536.52	7.68
HT -I Industrial	17	379.28	2591.13	6.83
HT -II Non Industrial	1	4.2	26.45	6.37
HT- IV Commercial	1	6.73	54.75	8.13
Sub Total	19	390.11	2672.333	6.85
Total	844	850.80	6208.84	7.30
Electricity Duty Recovery			333.40	
Gross Revenue From Sale of Power			6542.25	
Less: i) Electricity Duty Payable to Govt.			333.97	
Net Revenue from Sale of Power			6208.28	

137.After examining the details, the Commission approves Rs. 6208.28 lakh as the revenue realized by the licensee for the year2017-18.

Non tariff income:

138.The non-tariff income accounted by the licensee in the Truing up petition is Rs 97.36 lakh as against the approved amount of Rs 64.03 lakh vide ARR Order dated 16-11-2016. The licensee had a non-tariff income of Rs.70.68 lakh during 2016-17 there is an increase of Rs.26.68 lakh in the non-tariff income compared to the previous year.

Table -59
Non-tariff income for 2016-17 &2017-18

Particulars	2016-17		2017-18	
	As per Truing Up Petition	Approved in truing up	ARR approved	As per Truing Up Petition
	Rs. lakh	Rs. Lakh	Rs. lakh	Rs. lakh
Interest on securities, and bank deposits	56.82	56.82	38.70	67.63
Income from statutory investment	-	-	23.22	-
Interest on accumulated surplus				
Income from late payments	11.73	11.73	0.25	19.40
Meter/service line rental	-	-	-	4.34
Misc. recoveries	2.13	2.13	1.86	2.61
Grand Total	70.68	70.68	64.03	97.36

139. Compared to the previous year 2016-17, the increase of Rs.26.68 lakh in the non-tariff income for 2017-18 is on account of the interest on securities and bank deposits and late payment surcharge.

140. The Commission has examined the details of non-tariff income furnished by the licensee. The licensee has booked Rs.67.63 lakh towards income from bank deposits. The Commission has been including the interest on accumulated revenue surplus from the truing up of accounts of 2015-16. Since the Regulatory Surplus/gap has been changed on account of revised depreciation and financing charges, interest charges has to be reworked. Hence the revised non-tariff income considering the revised cumulative revenue surplus for each years from 2012-13 to 2016-17 is to considered. The revised cumulative surplus till 2016-17 is Rs.803.44 lakh. The SBI base rate as on 1-4-2017 is 9.1%. Accordingly the interest on accumulated revenue surplus would be Rs. 73.11 lakh. The licensee has already booked Rs.67.63 lakh under income from bank deposits. Hence the balance amount of Rs.5.48 lakh (Rs.73.11 lakh – Rs.67.63 lakh) is treated as additional interest income under non-tariff income. Accordingly, the Commission approves the licensee's non-tariff income for 2017-18 as Rs. 102.84 lakh (Rs 97.36 lakh+ Rs 5.40 lakh).

Revenue Surplus for 2017-18

141. Based on the above, the approved expenditure and revenue for the year 2017-18 after truing up is as shown below:

Table -60
Details of amounts approved in Truing up for the year 2017-18

Particulars	As per ARR&ERC Order (Rs. lakh)	Truing Up Petition (Rs. lakh)	Approved in Truing up (Rs. lakh)
Revenue from Sale of Power.	6,356.83	6,208.28	6,208.28
Non-Tariff Income	64.03	97.36	102.84
ERC- Total Revenue	6,420.86	6,305.64	6,311.12
Purchase of Power	5,731.23	5,257.94	5,322.80
Employee Cost	22.21	21.81	21.81
Repairs and Maintenance	112.63	380.27	251.50
A&G Expenses	54.64	194.81	58.25
Depreciation	121.92	299.86	137.45
Interest & Finance Charges	92.84	121.85	25.85
Interest on security deposits	62.44	77.75	77.75
Interest on Working Capital	-	-	-
Return on NFA	32.46	123.05	35.77
ARR- Total Expenditure	6,230.37	6,477.34	5,931.18
Net Surplus/(Deficit)	190.49	(171.70)	379.94

Orders of the Commission

142. The Commission after considering the application filed by M/s. Technopark for truing up of accounts for the year 2017-18, objections raised by KSEB Ltd and the clarifications and details provided by the licensee approves the following:

- a) Total revenue is Rs. 6311.84 lakh
- b) Total expenditure is Rs.5931.18 lakh
- c) The revenue surplus for the year is Rs.379.94 lakh
- d) The revised accumulative revenue surplus upto 2016-17 is Rs. 803.44 lakh. Total cumulative revenue surplus till 2017-18 will be Rs.1183.38 lakh (Rs.803.44 lakh + Rs.379.94 lakh).
- e) The licensee shall maintain proper fixed assets register and include in its books all fixed assets which are part of the distribution system as approved by the Commission, irrespective of whether the same is funded out of loan, own funds or contribution /grants and other sources. Depreciation shall also be booked as per the provisions of the Regulations and other stipulations in force. However,

depreciation or RoNFA on assets created out of grants/contributions and regulatory surplus shall not be claimed as part of allowable expenses as per Regulations.

143. The petition is disposed of. Ordered accordingly.

Sd/-

Preman Dinaraj

Chairman

Sd/-

Approved for issue

Secretary(i/c)