

KERALA STATE ELECTRICITY REGULATORY COMMISSION

THIRUVANANTHAPURAM

OP 35/2020

In the matter of Truing up of accounts of M/s Rubber Park India Private Limited (RPIL) for the financial year 2018-19

Applicant : M/s Rubber Park India Private Limited

Present : Shri. R. Preman Dinaraj, Chairman

Hearing No. &date of hearing : 1st Hearing held on 16-12-2020

ORDER DATED 22-04-2021

1. M/s. Rubber Park India (P) Limited (hereinafter referred to as RPIL or the Licensee), is a distribution licensee of this Commission under the Electricity Act, 2003 for distribution of electricity to the Industrial units within the industrial park at Valayanchirangara near Perumbavoor in Ernakulam District.
2. The Commission had notified the KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2018 (hereinafter referred to as Tariff Regulations, 2018) for the control period 2018-19 to 2021-22. Regulation 10(1) of the said Regulation mandates the filing of yearly petition for truing up of accounts for the respective years.
3. The licensee vide letter No. RP/F/04/14484 dated 12th November 2020 has filed a petition for the truing up of accounts for the financial year 2018-19 along with accounts audited under the Companies Act. A copy of the Statutory Audit Report and letter from C&AG is also enclosed. The Commission admitted the petition as OP 35/2020.
4. In the petition, the licensee has arrived at a revenue deficit of Rs.105.81 lakh for the year 2018-19, as against a revenue surplus of Rs.77.96 lakh approved by the Commission in the ARR Order dated 08-11-2019. The comparison of ARR&ERC Order and the truing up petition for the year 2018-19 and the trued-up figures for the immediate previous year is tabulated hereunder.

Table-1
Comparison of Truing Up of accounts for the years 2017-18 & 2018-19

Particulars	2017-18		2018-19		Variance (Rs. lakh) (C)=(B)- (A)
	Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)	Approved in ARR (Rs. lakh) (A)	Truing Up Petition (Rs. lakh) (B)	
Revenue from Sale of Power	1871.33	1871.33	1923.51	1882.09	-41.42
Income from wheeling charges	0.21	0.21	0.21	10.81	10.60
Non-Tariff Income	0.60	13.44	12.69	1.17	-11.52
Total Income	1872.14	1884.98	1936.41	1894.07	-42.34
Purchase of Power	1589.60	1590.48	1666.40	1685.18	18.78
R&M Expenses	33.87	30.44	35.15	42.64	7.49
Employee Cost	58.74	37.27	50.94	67.64	16.70
A &G Expenses	48.50	20.57	20.85	50.92	30.07
Depreciation	49.94	49.94	41.37	48.41	7.04
Interest on Normative Loan	39.26	4.45	0.55	61.90	61.35
Bank charges	0.94	0.94	2.19	0.49	-1.70
Return on Equity	42.16	40.69	41.00	42.70	1.70
Total Expenditure	1863.01	1774.78	1858.45	1999.88	141.43
Net Surplus/(Deficit)	9.13	110.20	77.96	-105.81	-183.77

5. In the petition, the licensee has arrived at a revenue deficit of Rs.105.81 lakh for the year 2018-19 as against a revenue surplus of Rs.77.96 lakh approved by the Commission in the ARR order dated 08-11-2019.
6. The prayers submitted in the petition by the licensee are as shown below:
 - The Commission may approve the additional expenditure of Rs.79,537.23 incurred on account of GST for R&M expenses.
 - The Return on equity of Rs.42.70 lakhs may please be approved.
 - The amount of bank charges Rs.0.49 lakhs incurred for providing double security mechanism for executing PPA with KSEB and other bank charges may be approved.
 - The interest on normative loan Rs.61.90 lakhs may be approved.
 - Also, the Truing up of income and expenditure as per the audited accounts for the year 2018-19 with explanation for the variation may be approved.
7. After receiving the petition, the Commission has sought the following clarifications

on the petition vide letter dated 07-12-2020 giving time till 11-12-2020 for furnishing the required details.

- Clarification on the revenue from consumer category of LT VI C in the year 2018-19 compared to previous year 2017-18.
- The details of amount shown as provision for RPO Rs.95.92 in power purchase cost. The licensee is to furnish details of the measures taken for sourcing renewable energy and for meeting the RPO obligation and of any other expenses incurred.
- Details for power purchase cost.
- The licensee may submit the details of actual interest on security deposit received during the year from KSEBL.
- Based on the Order dated 19-10-2020, RPIL was directed to update the relevant figures and its impact wherever necessary.
- The licensee to furnish the split-up details of Form D BS to give more clarity.
- The employee cost is seen to increase year on year. Reasons for the same.
- The licensee may furnish the reason for increase in the conveyance allowance and staff welfare expenses under the head employee cost.
- The details of medical reimbursement paid during the year and scheme of medical reimbursement.
- Compared to previous year there is an increase of 403% gratuity payment during the year. The licensee claimed Rs.7.30 lakh of gratuity payment during the year 2018-19 an Rs.1.45 lakh in 2017-18. The licensee has may furnish proper details to explain the increase and the accounting method for gratuity liability.
- The insurance cost of Rs.2.76 lakh shown in form 3.4(b), but in audited BS an amount of Rs.2.27 lakh shown as insurance premium for substation. Clarify
- Split up of the claim of Rs.2 lakh and Rs.3.47 lakh made under the head 'Others' and 'Legal Charges' under A&G Expenses.
- The licensee has claimed common expenses of security service charges, printing and stationery and postage charges, etc. into the distribution business on the basis of apportionment ratio. The basis and rationale for arriving at the ratio may be informed.
- The licensee to furnish split up of Rs.35.62 lakh made under the head "General R&M"
- The licensee to furnish the reason for non-availing of GST credit and also copy of GST Annual Return filed for evidencing the input credit details.

- The licensee has claimed an amount of Rs.5.26 lakh for overhauling of Power Transformer. Whether work was awarded based on competitive tenders? If so details to be provided.
- The 'Fixed Asset Note I (Annexure I A)' of audited Balance sheet shows deletion of fixed assets of Rs.1.02 lakh from Electrical Substation. Details of revenue recorded may be furnished.
- The split-up details of "Any other items" Rs.228 lakh included in form D 3.5.
- The interest accrued on accumulated surplus of Rs.137.01 lakh is not seen provided, even though the audited B/S disclosed receipt of interest income of Rs.194.98 lakh. Clarify
- Clarify whether the power purchase unit 314.10 lakh units includes wheeled energy also. The treatment given to the wheeled energy.

8. The licensee furnished the details vide letter dated 15-12-2020. Thereafter, the Commission issued notices to the petitioner for public hearing on the petition on 16.12.2020. The hearing of the petition was held via video conferencing on the above date and the details are as brought out below:

Public hearing on the petitions through Video conferencing on 16-12-2020

9. Public hearing on the petition was held through video conferencing on 16-12-2020. M/s Rubber Park India (P) Ltd. was represented by Sri.J.Krishna Kumar MD and Sri. Anees. T.M., Resident Engineer. Sri, Anees, presented the details of the petition for truing up of accounts. The main points in the petition made by RPIL are:-

- The energy sale as per the petition for 2018-19 is 304.78 lakh units including open access, the energy purchased is 310.60 lakh units and the distribution loss for the year is 1.87% as against the approved level of 1.90%. The efficiency gain with regard to the reduction in the distribution loss over the approved level may be passed on to the licensee.
- The power purchase cost for the year 2018-19 is Rs.1685.18 lakh for a purchase of 310.60 lakh units.
- The employee cost booked for the year 2018-19 is Rs.67.64 lakh
- A&G expense claimed is Rs.50.92 lakh, which includes Rs.18.24 lakh under Section 3(1) Duty. The increase in the legal fee may be approved as onetime expense incurred under A&G expenses.
- The Repair and maintenance cost incurred for the year 2018-19 is Rs.42.64 lakh of which Rs.7.02 lakh, was the one-time repairs and maintenance cost. The increase in GST rates also contributed to the increase.

- The depreciation claimed as per the petition is Rs.48.41 lakh.
- The interest and financing charges of Rs.62.39 lakh claimed in the petition for truing up for 2018-19 includes interest on normative loan of Rs.61.90 lakh and Rs.0.49 lakh as bank charges for the security provided to KSEB Ltd.
- Rs.42.70 lakh is claimed as RoE, which is calculated at the rate of 14% on 30% of the opening gross fixed asset during the year 2018-19 and on capitalization during the year.
- The licensee has accounted total revenue from sale for power of Rs.1882.09 lakh for a sale of 296.70 lakh units and a wheeling charge of Rs.10.81 lakh for wheeling power to M/s M Fuel & M/s. Classic Auto tubes.
- The non-tariff income booked is Rs 1.17 lakh which includes income from sale of scrap, interest on delayed payment and commission for collection of electricity duty.
- There is a revenue gap of Rs.105.81 lakh for the year 2018-19.

10. KSEB Ltd. vide their letter No. KSEB/TRAC/RP/R1/1206 dated 21-12-2020 filed their counter statement/comments. The major points raised by KSEB Ltd are the following:

- RPIL claimed power purchase cost of Rs.1685.18 lakhs which include provision for RPO Rs.95.92 lakhs. RPIL has not procured any RE certificate and hence the provision for RPO may not be allowed.
- The claim of the licensee on the Operation and Maintenance cost such as R&M expenses, Employee cost and A&G expenses are higher than the same approved by the Commission. There is a 33.908% increase over the ARR level and Commission may look into it.
- ROE may be limited to 14% on 30% of the paid up capital.
- As the licensee is not eligible for normative loan up to 31.03.2018 as stated in the ARR, the licensee is eligible for normative loan for assets created after 01-04-2018.
- The petitioner has claimed depreciation of Rs 48.41 lakhs as against approved level of Rs.41.37 lakhs.
- There is slight difference in demand charges and energy charges for 2018-19 claimed by the licensee with records of KSEBL.

11. During the hearing, the Commission sought the following clarifications

- Whether input tax credit is availed for the GST, if not, the reason for the same.

- The split-up details of “Any other items” Rs.228 lakh included in form D 3.5.

12. The Commission directed the licensee to submit the details, if any, within two weeks so as to substantiate the claims made in the petition for the truing up of accounts for the year 2018-19. The licensee vide letter No. RP/E/02/1608 dated 15-01-2021 has submitted the reply to clarifications sought by the Commission.

Analysis and decision of the Commission

13. The Commission considered the petition of the licensee for truing up of accounts for the year 2018-19, 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 petition for truing up of accounts for the year 2018-19 are detailed below:

Sales and Consumer mix: -

14. The Commission noted that during 2018-19, the licensee had purchased 310.60 lakh units from KSEBL. The total energy sale as per the petition for truing up for 2018-19 is 304.78 lakh units including 8.08 lakh units wheeled energy and open access units as against the approved sale of 307.80 lakh units as per ARR order. It may be seen that the actual sale for the year is more than the previous year sale of 296.30 lakh units. A comparison of the actual sale of power for the different consumer categories for the year 2017-18 and 2018-19 is given below

Table-2
Comparison on the number of consumers and Sale of power for the year
2017-18 & 2018-19

Category	As per Trued Up 2017-18		As per Truing Up Petition 2018-19	
	No of consumers	Sales In lakh Units	No of consumers	Sales In lakh Units
HT Consumers	16	269.50	15	260.20
LT IV	23	25.00	24	33.20
LT VI B	1	0.10	1	0.10
LT VI C	1	0.04	-	-
LT VI F	2	0.96	2	1.10
LT VII A	14	0.45	14	1.80
Street light	1	0.20	6	0.20
Total	58	296.30	62	296.70

Open Access KSEB (M/s M Fuel)				0.78
Open access Classic Auto Tube Ltd				7.30
Grand Total				304.78

15. As per the petition for truing up for the FY 2018-19, the major - sale of 260.20 lakh units is towards the HT category which consists of 15 consumers and is about 85% of total sale of power. It may be seen that the sale to HT Consumers for the year is lower than the previous year. After analyzing the details, ***the Commission approves the actual energy sales of 304.78 lakh units (including wheeled energy) as per petition for the purpose of truing up for the financial year 2018-19.***

Distribution loss: -

16. The distribution loss as per the licensee petition for truing up for the year 2018-19 is 1.87%. The Commission had approved a distribution loss of 1.90% for the year as per the Order dated 08-11-2019 on ARR&ERC. The details as presented by the licensee are tabulated below:

Table-3
Comparison of Distribution loss

Particulars	2017-18			2018-19	
	ARR Approved	As Per Truing Up Petition	Trued Up	ARR Approved	As Per Truing Up Petition
Energy Requirement (lakh units)	280.20	302.10	302.76*	313.80	310.60*
Total Energy Sales (lakh units)	274.60	296.30	296.96*	307.80	304.78*
Distribution loss (lakh units)	5.60	5.80	5.80	6.00	5.82
Distribution loss %	2.00%	1.94%	1.92%	1.90%	1.87%

*included wheeled energy

17. The Commission noted that the licensee has estimated the distribution loss based on the total energy input and output (including wheeled energy), i.e., the energy wheeled through their system to the M/s. M Fuel and M/s. Classic Auto Tubes Ltd had also been taken into consideration while estimating the losses. As per the details furnished by the licensee, the net billed energy wheeled in the year are 0.78 lakh units for M/s M Fuels and 7.30 lakh units for M/s. Classic Auto Tubes Ltd.

18. The Commission notes that M/s. M Fuel and M/s. Classic Auto Tubes Ltd is drawing energy from KSEBL through RPIL distribution system as open access consumers. As per the additional details furnished by the licensee, the input wheeled energy in the year is 0.81 lakh units for M/s M Fuels and 7.62 lakh units for M/s. Classic Auto tubes Ltd. The licensee also stated that, the power purchase units of 310.68 lakh (31067792 kWh) are inclusive of wheeled energy. Based on the information furnished by the licensee, the distribution loss is reworked as shown below:

Table-4
Calculation of distribution loss for 2018-19

Particulars	
Energy input (including wheeled energy) (lakh units)	310.68
Total Energy Sales including wheeled energy (lakh units)	304.78
Distribution loss (lakh units)	5.90
Distribution loss %	1.89%

19. As per the Commission's calculation shown above, the actual distribution loss reported by the licensee for the year is 1.89%, whereas the loss target fixed by the Commission for the year was 1.90%. The licensee has achieved the energy loss target fixed by the Commission. Since the efficiency gain is only 0.01%, no adjustment on the efficiency gain is considered. Based on the data furnished by the licensee, the distribution loss approved is shown below:

Table-5
Approved distribution loss for 2018-19

Particulars	2018-19		
	ARR Approved	As Per Truing Up Petition	Approved in Trued Up
Energy Requirement (lakh units)	313.80	310.60	310.68
Total Energy Sales (lakh units)	307.80	304.78	304.78
Distribution loss (lakh units)	6.00	5.82	5.90
Distribution loss %	1.90%	1.87%	1.89%

20. ***As shown above, the Commission approves the distribution loss at 1.89%. Since this efficiency gain is meagre, no adjustment in power purchase cost is made.***

Power purchase Cost: -

21. The power purchase cost as per the truing up petition submitted by the licensee is Rs.1685.18 lakh. The power purchase cost includes Rs.95.92 lakh as the provision of RPO and Rs.1589.26 lakh for power purchased from KSEBL of 310.60 lakh units. The Commission in the Order on ARR&ERC had approved the cost of power purchase of Rs.1666.40 lakh for a purchase of 313.80 lakh units. The details of the claim made by the licensee are shown below.

Table-6
Power Purchase Cost claimed for 2018-19

Particulars	Approved ARR 2018-19	As per Truing Up Petition 2018-19
Energy purchase (lakh units) (A)	313.80	302.25
Contract Demand (kVA) (B)	6628.00	6700.00
Demand Charge (Rs. kVA) (C)	300.00	300.00
Demand Charge (Rs in lakh) (D)	238.61	214.01
Energy Charge (Rs/kWh) (E)	4.55	4.55
Energy Charges (Rs in lakh) (F)	1427.79	1375.25
Total Power Purchase Cost (Rs in lakh) (G)= (F)+(D)	1666.40	1589.26
Average Power Purchase Cost (Rs. /Per unit) (H)= (G)/ (A)	5.31	5.26
RPO Obligation provision	0.00	95.92
Total Power Purchase cost (Rs in lakh)	1666.40	1685.18

22. Vide clarification dated 03-03-2021, the licensee further stated that, the 310.68 lakh units of power purchased is inclusive of wheeled energy. They also stated that, KSEB Ltd has been showing the energy consumption as per the EHT meter reading in the demand notices without deducting the open access wheeled units. However, the energy charges were arrived after considering the wheeled units. The total wheeled energy for the year 2018-19 was 8.43 lakh units (0.81 lakh units for M/s M Fuels and 7.62 lakh units for M/s. Classic Auto tubes Ltd). Therefore, the Commission has deducted the 8.43 lakh units of wheeled energy from the total power purchased, i.e.,302.25 lakh units (310.68 - 8.43).
23. ***The Commission hereby directs that the licensee shall show the actual power purchase units in power purchase cost. In addition, the licensee's claim towards, RPO obligation provision of Rs.95.62 lakhs for 2018-19, is rejected since the licensee had not purchased any RE certificate during the***

year and has only provided the amount as provision for the year.

- 24. Considering the distribution loss of 1.89% for the year 2018-19, the Commission approves the power purchase cost of Rs.1589.26 lakh for 302.25 lakh units.**

Operation & Maintenance expenses: -

- 25.** Operation & maintenance expenses includes controllable expenses like Employees cost, Repair & Maintenance expenses and Administrative & General expenses. The Commission as per the provisions of clause 79(8) of the KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2018 has approved the operation & maintenance cost of RPIL for 2018-19. However, the actual expenses claimed by RPIL are higher than the level specified in the Regulations. The comparison of the claim and the amount approved in the Regulations is tabulated hereunder.

Table-7
Comparison of the O&M expenses claimed for 2018-19

O&M Expenses	As per the Regulations (Rs. lakh)	As per Truing Up Petition 2018-19 (Rs. lakh)
Employee expenses (Rs. lakh)	50.94	67.64
R&M expenses (Rs. lakh)	35.15	42.64
A&G expenses (Rs. lakh)	20.85	50.92
Total O&M expenses (Rs. lakh)	106.94	161.20

Each of these items is discussed below:

Employee Cost: -

- 26.** The employee cost claimed by the licensee for the year 2018-19 is Rs.67.64 lakh as against the approved ARR &ERC employee cost of Rs.50.94 lakh. The split up of the employee cost for 2017-18 and 2018-19 as per the truing up petition is shown below.

Table-8
Comparison of employee cost for the year 2017-18 and 2018-19

Particulars	2017-18		2018-19	
	As per Truing Up Petition (Rs. lakh)	Trued Up (Rs.lakh)	ARR Approved (Rs. lakh)	As per Truing Up Petition (Rs. lakh)
Basic Salary	25.18			26.69

Dearness Allowance (DA)	15.73	37.27	50.94	16.73
House Rent Allowance	1.66			1.74
Conveyance Allowance	0.88			1.32
Earned Leave Encashment	5.03			5.53
Other Allowances/Festival Allowance	0.19			0.15
Medical Reimbursement	3.64			2.70
Staff welfare expenses	0.32			0.54
Net Employee Costs	52.62			55.40
Provident Fund Contribution	4.67			4.94
Gratuity Payment	1.45			7.30
Gross Employee Expenses	58.74	37.27	50.94	67.64

27. The Major portion of the employee cost is towards Basic salary, DA, Earned leave encashment, Gratuity payment and Provident fund contribution etc. The Commission sought reason for increase the conveyance allowance, Gratuity payment (403%) and staff welfare expenses on the clarification.
28. As per details in the petition, the licensee has incurred an additional one-time expenditure of Rs.2.14 lakh for pay revision during the year 2018-19. The comparison of the employee expenses of the company in the pre-revised and revised scales of salary is also furnished by the licensee. The licensee further stated that, as the 'pay revision of the employees was implemented in the financial year 2016-17, the effect of the increase in the salary of the employees was not covered in the normative employee expenditure arrived by the Hon. Commission from the base year 2015-16'.
29. In addition to above licensee claimed an amount of Rs.1.60 lakh for the salary of Managing Director which is not reflected in normative employee cost. In this regard licensee mentioned that, the salary of MD for the year 2015-16 was only covered salary for 9 months (i.e., Rs.4.23 lakh) and which is covered only with the normative amount approved by the Commission. This uncovered salary of Rs.1.41 lakh (3-month Salary) is claimed by the licensee with escalation rate up to 2018-19 (i.e., Rs.1.60 lakh).
30. The licensee has submitted additional clarifications vide letter dated 15-12-2020 in the that, the main reason for increase in employee cost arose due to enhanced Gratuity premium and conveyance allowance. The company has been following state government salary scales and DA pattern for its employees. The numbers of employees working in the FY 2018-19 are same as that of the previous control period. The actual employee cost during the year 2017-18 was Rs. 57.29 Lakhs excluding the gratuity payment and Rs. 60.34 Lakhs for the year 2018-19. The annual increase in employee cost was 5.31%.

The state government had revised the DA by 3% on 01-06-2018 with effect from 01-07-2017. As such the company had given the revised DA and arrears to its employees during the year 2018-19.

31. The licensee has clarified the reason for increase of conveyance allowance and gratuity payments. In regards to conveyance allowance licensee stated that, the licensee was paying a fixed amount as vehicle maintenance allowance to its employees till June 2017. From July 2017 onwards, the licensee is reimbursing cost of 40 Ltrs of petrol per month in lieu of the fixed monthly allowances paid till June 2017. The licensee further stated about the gratuity payments that, as per notification No. S.O 1420(E) dt. 29.03.2018 the Central Government enhanced the amount of Gratuity payable to an employee under the Payment of Gratuity Act, 1972(39 of 1972) from 10 lakhs to Rs.20 lakhs. As such, the gratuity ceiling limit was increased from Rs.10 lakhs to Rs.20 lakhs during FY 2018-19. Accordingly, higher premium had to be paid for the policy. As per Initial terms of contract Gratuity would not have be paid to the Managing Director as the period of service would be less than the minimum service required for payment of Gratuity. Subsequently the contract was extended and he would be eligible for gratuity and the company included the Managing Director also in this policy during FY 2018-19. Hence the licensee requested the Commission to approve the increase in Gratuity premium as a one-time expenditure.
32. The Commission has considered the request of the licensee. Payment of Gratuity is a statutory requirement and as seen from the licensee's submission increased gratuity premium had to be made due to the revision in gratuity limit from Rs.10 lakhs to Rs.20 lakhs. However, as seen from the previous year's truing up petition, the licensee has been apportioning 50% of the contribution to gratuity fund made by Rubber Park Ltd towards Electricity business for the previous years. Accordingly, the contribution made by Rubber Park Ltd for 2018-19 towards gratuity fund as per the audited financial statements is Rs.9.73 lakhs. **Since this is a statutory requirement, the Commission hereby allows 50% of this amount Rs.4.87 lakhs as a one-time expenditure.**
33. The licensee has also furnished the details medical reimbursement booked under the employee cost. The licensee has apportioned the expense on the basis of actual payment. The details of medical reimbursement paid during the year is given below.

Table-9
Details of Medical Reimbursement paid during the year 2018-19

Designation	Total Expenses incurred (Rs. lakhs)	% of Apportionment	Amount in Truing Up (Rs. lakhs)
Managing Director	0.57	50	0.28

Manager-Technical	0.64	100	0.64
Asst. Manager (Adm)	0.78	50	0.39
CFO & Company Secretary	0.81	60	0.49
Accounts Officer	0.22	100	0.22
Resident Engineer	0.45	100	0.45
Asst. Resident Engineer	0.23	100	0.23
Total	3.70		2.70

34. The Commission has examined the submission of the licensee. It is seen that the medical reimbursement expense has reduced from Rs.3.64 lakh to Rs.2.70 lakh in current year.
35. The contentions raised by the licensee has been examined by the Commission. The Commission had allowed in 2017-18, the additional cost on account of wage revision and also the share of the salary of the Managing Director, as part of the truing up process. The Commission is of the view that the same methodology needs to be adopted for approving the employee cost in 2018-19 also. It is decided to allow the incremental cost of Rs.2.14 lakhs claimed for the pay revision, Rs 1.60 lakhs for the additional three months' salary for Managing Director and Rs.6.83 lakhs on account of additional premium paid to Gratuity fund. **Thus, the Commission approves the amount of Rs.59.55 lakhs (Rs.50.94 lakh+ Rs 2.14 lakhs+Rs.1.60 lakh+Rs.4.87 lakh) as employee cost for the year 2018-19.**

Table – 10
Employee cost allowed for truing up 2018-19

Particulars	Approved ARR (Rs lakh)	As per Truing Up Petition (Rs lakh)	Trued Up (Rs lakh)
Gross Employee Cost	50.94	67.64	59.55

R & M Expenses: -

36. The Repair and maintenance cost incurred by the licensee for the year 2018-19 is Rs.42.64 lakh as against the approved cost of Rs. 35.15 lakh. The expense is explained to be for the one-time expenditure of Rs.7.02 lakhs and routine R&M expenditure of Rs. 35.62 lakhs. The licensee has further explained that the R&M expenses excluding GST amounted (Rs. 0.79 lakhs) to Rs.34.83 lakhs (35.62 - 0.79). The comparison of the R&M for the years 2017-18 and 2018-19 as shown below.

Table – 11
Details of R&M expenses for the years 2017-18 and 2018-19

Particulars	2017-18		2018-19	
	As Per Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)	ARR Approved (Rs. lakh)	As per Truing Up Petition (Rs. lakh)
General Repair & Maintenance	33.87	30.44	35.15	35.62
One time repair and maintenance				7.02
Gross R&M Expenses	33.87	30.44	35.15	42.64

37. The licensee clarified that the above increase is due to the onetime expenses for overhauling work of power transformer No-1 and fault rectification of EHT circuit breaker costing Rs.7.02 lakhs and implementation of GST upward revision of rate from 15 to 18 % amounting to Rs.0.79 lakhs. These expenses are supported with the details of one- time expenditure of Rs 7.02 lakhs and month wise split of GST remitted amount. In the clarification's licensee has submitted the split-up of Rs.35.62 lakhs, i.e., Rs.31.28 lakh paid to the contractor for O&M works of substation and Rs.4.34 lakh regards to routine maintenance charges.
38. As per the provisions 79 (10) of the Regulations, *'the one-time maintenance of special nature not in the form of routine repair and maintenance if any is required and is undertaken for the distribution system, expenses for such maintenance may be allowed by the Commission after prudence check considering the details and justification furnished by the Distribution business/licensee for incurring such an expenditure to the satisfaction of the Commission'*. This provision allows onetime expenses incurred, not in the nature of regular R&M expenses.
39. The overhauling work of power transformer No-1 and fault rectification of EHT circuit breaker costing Rs.7.02 lakhs and the additional commitment on account of increase in GST tariff has contributed Rs 0.79 lakhs can be considered as one-time expenditure. After carefully considering the licensee's submission, **the Commission hereby approves the R&M expenses as claimed by the licensee Rs. 42.64 lakhs for the year 2018-19.**

Table-12
R&M expenses approved for truing up 2018-19

Particulars	ARR Approved (Rs lakh)	As per Truing Up Petition (Rs lakh)	Trued Up (Rs lakh)
R&M expenses	35.15	42.64	42.64

A&G expenses

40. The A&G expense claimed by the licensee as per the petition for truing up is Rs.50.92 lakh as against the approved amount of Rs.20.85 lakh in the order on ARR&ERC. A&G expenses include various items such as rent, rates and taxes, insurance, legal charges, vehicle running expenses, license fee, security arrangement and electricity duty payable etc. The details of claim made by the licensee are furnished below.

Table 13
Comparison of A&G expenses for the year 2017-18 and 2018-19

Particulars	2017-18		2018-19		
	As per Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)	ARR Approved (Rs. lakh)	As per Truing Up Petition (Rs. lakh)	
Rent Rates & Taxes	0.90	20.57	20.85	0.50	
Insurance	4.83			2.76	
Telephone & Postage, etc.	0.35			0.30	
Legal charges	1.03			3.47	
Audit Fees	1.18			1.39	
Conveyance	0.78			0.66	
Vehicle Running Expenses Truck / Delivery Van	4.28			4.87	
Electricity charges	1.09			0.98	
Water charges	0.74			0.71	
Printing & Stationery	-			0.63	
Advertisements, exhibition publicity	1.12			-	
Training expenses	0.12			0.15	
Miscellaneous Expenses	1.14			1.28	
Office Expenses	0.22			0.36	
License Fee and other related fee	3.01			2.74	
V-sat, Internet and related charges	0.18			0.20	
Security arrangements	9.15			9.68	
Others	0.57			2.00	
Gross A&G Expenses	30.70				32.68
Ele. Duty u/s 3(l), KED Act	17.80				18.24
Total A&G Expenses	48.50	20.57	20.85	50.92	

41. The major expense item booked under A&G expense is the electricity duty payable by the licensee to the Government under Section 3(1) of the Kerala Electricity Duty

Act 1963 which is Rs.18.24 lakh. The A&G expenses excluding the claim under Section 3(1) duty is Rs.32.68 lakh. Another major expense is Rs.9.68 lakh towards security arrangements, Rs.3.47 lakh towards legal charges, Rs.4.87 lakh towards vehicle running expenses, Rs.2.74 lakh towards license fee and other related fee and Rs.2.76 lakh towards insurance.

42. In the petition licensee stated that, the licensee had filed a petition in the Hon. APTEL during the year 2018-19 which the licensee had not incurred in the past. The licensee had paid an amount of Rs.1.95 lakh towards the advocate fee for appearing on behalf of the licensee in Hon. APTEL and which resulted in the increase of legal charges compared with the previous year. The Commission sought the details and split-up of insurance, legal charges and others.
43. In the clarification's furnished vide letter No. RP/F/04 dated 15-12-2020, licensee stated that, the insurance cost is relating to the insurance premium of substation Rs.2.27 lakhs and 50% of the insurance premium paid for the office building (Rs.0.49 Lakh). The detailed split-up of 'Others' and 'Legal Charges' are shown below.

Table 14
Split-up of 'Others' and 'Legal Charges'

Others	Rs. in lakhs
Value of obsolete item written off during the year	1.47
Consumables	0.53
Total	2.00
Legal Charges	
Professional charges (Income tax Returns & Directors DIR form fillings)	1.52
APTEL Appeal fee	1.95
Total	3.47

44. In the previous Order dated 24-03-2020, the Commission had directed the licensee that, the licensee shall segregate common expenses such as security service charges, printing and stationery and postage charges etc., towards the distribution business in further truing up submissions. In the clarifications the licensee replied that, the licensee is consistently apportioning 50% of the common expenses like security service charges, printing, stationery and postage charges into the distribution business comparing the volume of energy distribution business and other business of the company.
45. The Commission has examined the details furnished by the licensee. As per the Tariff Regulations, 2018, the A&G expenses approved for the year was Rs.20.85 lakh. The A&G expense claimed by the licensee for the year 2018-19 is Rs.32.68 lakh (excluding Section 3(1) duty). The Commission has examined each of the

expenditure listed in Table 13. Since the legal charges of Rs.1.95 lakhs was expended for APTEL litigation, the Commission is of the firm view that such expenditure unless otherwise Ordered by Hon APTEL in their judgement, cannot be allowed. Hence this expenditure of Rs.1.95 lakh is disallowed. Further security expenses at Rs.9.68 lakh is nearly 30% of A&G expense (excluding Section 3(1) duty). No justification has been given for such high expenditure. Hence the Commission is not in a position to consider this claim. Further Rs.4.87 lakhs is claimed as Vehicle Running Expenses /Truck/ Delivery Van. The Commission notes that the licensee's distribution area is small and limited to just 107.52 acres. Since the R&M is contracted out, it should normally have been the responsibility of that contractor to make this arrangement. Hence, under normal circumstances the Commission cannot allow this expenditure. If the licensee so desires, they shall file the details of security expenses along with full justification for the deployment of security staff and their numbers, wages etc. **Similarly, full details and justification for allowing vehicle running expenses separately shall be filed before this Commission within 3 months of the date of issue of this Order.**

46. The licensee has booked Rs.18.24 lakh towards Electricity Duty under A&G expenses. The Commission in the previous orders had stated that Duty under section 3 cannot be passed on to the consumers in view of the statutory provisions of the Kerala Electricity Duty Act, 1963. Hence this amount is disallowed.

47. The Commission approves the amount of Rs 16.18 lakhs as A&G expenses for the year 2018-19 as shown in Table below.

Table-15
A&G expenses approved for truing up 2018-19

Particulars	2018-19		
	ARR Approved (Rs. lakh)	As per Truing Up Petition (Rs. lakh)	Trued Up (Rs lakh)
Rent Rates & Taxes	20.85	0.50	0.50
Insurance		2.76	2.76
Telephone & Postage, etc.		0.30	0.30
Professional Charges (Income tax returns and Directors DIR form filing)		3.47	1.52
Audit Fees		1.39	1.39
Conveyance		0.66	0.66
Vehicle Running Expenses Truck / Delivery Van		4.87	0.00
Electricity charges		0.98	0.98

Water charges		0.71	0.71
Printing & Stationery		0.63	0.63
Training expenses		0.15	0.15
Miscellaneous Expenses		1.28	1.28
Office Expenses		0.36	0.36
License Fee and other related fee		2.74	2.74
V-sat, Internet and related charges		0.20	0.20
Security arrangements		9.68	-
Others		2.00	2.00
Gross A&G Expenses		32.68	16.18
Ele. Duty u/s 3(l), KED Act		18.24	-
Total A&G Expenses	20.85	50.92	16.18

O&M Expenses Approved:

48. The O&M expense, which is inclusive of Employee costs, R&M expenses, and A&G expenses, approved by the Commission for the year 2018-19 is Rs.118.37 lakhs as shown in Table below.

Table 16
O&M Expenses approved for 2018-19

O&M Expenses	As per the Regulations (Rs lakh)	As per Truing Up Petition (Rs lakh)	Trued Up (Rs lakh)
Employee expenses	50.94	67.64	59.55
R&M expenses	35.15	42.64	42.64
A&G expenses	20.85	50.92	16.18
Total O&M expenses	106.94	161.20	118.37

Depreciation: -

49. The depreciation claimed by the licensee in the petition for truing up for the year 2018-19 is Rs.48.41 lakh as against Rs.41.37 lakh approved in the Order on ARR&ERC. The licensee has made an asset addition of Rs.16.49 lakh for the year 2018-19. The details of claim made by the licensee are shown below.

Table-17
Depreciation claimed for the year 2018-19

Particulars	Rate of Depreciation (%)	Gross Fixed Assets (Rs. lakh)	Asset Addition (Rs. lakh)	Adjustment & Deduction (Rs. lakh)	Depreciation claim (Rs. lakh)
Land and Land rights	0	26.85			

Civil works for EHT Substation	3.34	9.26	-	-	0.31
HV Distribution system/Transmission line	5.28	99.00	-	-	3.04
HT Distribution lines	5.28	122.03	-	-	4.12
Sub-station equipment's	5.28	478.96	5.13	1.02	24.51
Switchgears, Control gear & Protection	5.28	3.50		-	0.18
Others (Testing Equipment's)	5.28	9.79	10.10	-	0.79
Switchgears, Control gear & Protection	5.28	30.38	0.82	-	1.94
Batteries	5.28	0.00	0.44	-	0.01
LT Distribution System	5.28	0.28	-	-	0.01
Meters	5.28	1.18	-	-	0.06
Furniture & fixtures for Substation	6.33	0.77	-	-	0.05
IT Equipment's	15	2.02	-	-	0.30
Any other items	Differential Rate	228.00	-	-	13.09
Gross Asset (Total (1) to (15))		1012.01	16.49	1.02	48.41

50. In response to the Commission letter dated 07-12-2020 seeking clarifications, the licensee vide their reply dated 18-12-2020 submitted among other the split-up details of 'Any other items' included in fixed assets register. The details are furnished below.

Table-18
Detailed split-up of Any other items

Sl. No.	Particulars	(Rs. lakh)
1	Leasehold land (including land develop)	26.64
2	Building	148.22
3	Plant and machinery	6.96
4	Electrical and electronic equipment	18.19
5	Office equipment	0.16
6	Computers	3.56
7	Furniture and fittings	24.59
	Total	228.32

51. The licensee in their truing up petition has submitted that they have made an asset addition of Rs.16.49 lakh for the year 2018-19. The split-up details of the asset additions made in 2018-19 is shown below.

Table-19
Asset Addition for the year 2018-19

Sl. No	Asset Description	Capitalized Amount (Rs.Lakhs)	Date of commissioning	Remarks
1	Thermal imaging Camera	7.43	28.03.2019	Approved in ARR 2018-19
2	UPS system in the Office	1.26	05.11.2018	Approved in ARR 2018-19
3	Lightning Arrestor	0.50	20.06.2018	Approved in ARR 2018-19
4	11 KV Current Transformer	0.38	31.05.2018	Approved in CI Order 2017-18
5	11KV Potential Transformer	0.27	31.05.2018	Approved in CI Order 2017-18
6	96 KV Lightning Arrestor	0.49	30.03.2019	Approved in CI Order 2017-18
7	CT 110KV - 15VA	1.76	03.08.2018	Approved in CI Order 2017-18
8	PT- 110KV -50VA	1.74	03.08.2018	Approved in CI Order 2017-18
10	Three Phase Standard Reference Meter	2.67	11.07.2018	Approved in CI Order 2017-18
	Total	16.49		

52. As mentioned above, some of the items were commissioned at the end of the year (i.e., Thermal imaging Camera and 96 KV Lightning Arrestor). As stated in the petition, all the capital additions which require prior approval have been approved by the Commission.

53. The Commission has examined the estimation of depreciation of the licensee. The approved depreciation as per ARR &ERC for the year 2018-19 was Rs.41.37 lakh. The depreciation claimed for the year is Rs.48.41 lakh, which is due to increase in addition of Rs.16.49 lakh.

54. On scrutiny it is seen that the licensee has not calculated depreciation on the basis of Regulation 2018. Hence the Commission has reworked depreciation as shown below.

Table-20
Depreciation approved for the year 2018-19

Particulars	Rate of Depreciation (%)	Gross Fixed Assets (Rs. lakh)	Asset Addition (Rs. lakh)	Adjustment & Deduction (Rs. lakh)	Depreciation allowed (Rs. lakh)
Land and Land rights	0.00	26.85	-	-	-
Civil works for EHT Substation	3.34	9.26	-	-	0.31
HV Distribution system/Transmission line	5.28	99.00	-	-	5.23
HT Distribution lines	5.28	122.03	-	-	6.44

Sub-station equipment's	5.28	478.96	5.13	1.02	25.37
Switchgears, Control gear & Protection	5.28	3.50	0.00	0.00	0.18
Others (Testing Equipment's)	5.28	9.79	10.10	0.00	0.78
Switchgears, Control gear & Protection	5.28	30.38	0.82	0.00	1.63
Batteries	5.28	0.00	0.44	0.00	0.01
LT Distribution System	5.28	0.28	0.00	0.00	0.01
Meters	5.28	1.18	0.00	0.00	0.06
Furniture & fixtures for Substation	6.33	0.77	0.00	0.00	0.05
IT Equipment's	15.00	2.02	0.00	0.00	0.30
Any other items	Variable	228.00	0.00	0.00	8.38
Gross Asset (Total (1) to (15))		1012.01	16.49	1.02	48.76

55. As seen in the Table above, for most of the items depreciation rate claimed is 5.28%. However, this rate is the accelerated depreciation rate applicable for the first 12 years and thereafter reduced rates of depreciation shall apply. The licensee has not submitted the age-wise analysis of its fixed assets and hence the Commission is not in a position to really estimate the actual percentage of depreciation applicable for each of these assets. **Hence, the Commission while allowing this rate for the current year hereby directs that the licensee shall within three months from the date of issue of this Order file a statement of Fixed Assets indicating therein, its procurement cost, date of procurement, life of the Asset, depreciation claimed till date etc. Considering this, depreciation of Rs.48.76 lakh is approved by the Commission for the purpose of truing up of accounts for the year 2018-19.**

Interest and Finance Charges: -

56. The licensee has claimed the total interest and financing charges of Rs.62.39 lakh in the truing up petition for 2018-19 including interest on normative loan of Rs.61.90 lakh and Rs.0.49 lakh as bank charges for the security provided to KSEB Ltd. The details are given below:

Table-21

Interest and Finance Charges claimed for the years 2017-18 and 2018-19

Particulars	2017-18		2018-19	
	As per Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)	ARR Approved (Rs. lakh)	As per Truing Up Petition (Rs. lakh)
Interest on Normative Loan	39.26	4.45	0.55	61.90
Bank Charges	0.94	0.94	2.19	0.49
Total	40.20	5.39	2.74	62.39

Interest on Normative Loan:

57. The licensee has claimed the normative interest of Rs.61.90 lakh for the year 2018-19, which is inclusive of the additional capitalization made during the year. The interest charges claimed by the licensee are shown below.

Table-22
Interest on normative loan claimed for 2018-19

Particulars	Rs. In lakh
Gross normative loan- Opening	1012.01
Net Addition during the year	16.49
Net Addition during the year on pro rata basis	5.81
70% of capital cost approved by the Commission	712.48
Increase / Decrease due to de-capitalization	(-)1.02
Net normative loan closing	711.46
Base Rate (%)	8.70%
Interest on Normative Loan	61.90

58. In the petition licensee has claimed the opening balance of gross fixed assets as opening gross normative loan. In the previous year licensee claimed Rs.571.10 lakh as opening level of NFA for claiming interest on normative loan.
59. In this context it is to be noted that, the directions in the Order of the Hon. APTEL dated 18.06.2020 in Appeal No.114 of 2018 filed by M/s Rubber Park India (P) Ltd. (hereinafter referred to as RPIL or licensee or the petitioner) against the Orders dated 26.07.2017 and 13.12.2017 of the Commission in the matter of Truing up of Accounts for the year 2015-16 and the Review thereof. In the said appeal, the appellant, RPIL raised as the first issue the disallowance of interest on normative loan for the existing assets for the year 2015-16 and the second issue as the disallowance of Return on Equity for the addition of assets during 2015-16, in connection with the truing up of accounts of the licensee for the year 2015-16.
60. The Hon. APTEL in its remand Order dated 18.06.2020 directed remission of the issues to the State Commission for re-consideration and fresh adjudication in accordance with law.
61. After examining the matter in detail in the light of directions by Hon. APTEL vide its Order dated 18.06.2020 and the material placed before the Commission and the provisions of the Tariff Regulation 2006 and 2014, the Commission vide Order dated 19-10-2020 ordered that the interest charges for the assets created from the year 2015-16 alone can be allowed. The relevant portion of the Order is given below

“48. After examining the matter in detail in the light of directions by Hon.

APTEL vide its Order dated 18.06.2020 and the material placed before the Commission and the provisions of the Tariff Regulation 2006 and 2014, the Commission came to the conclusion;

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

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

62. The normative loan is reworked from 2015-16 onwards as under.

Table 23
Calculation of Normative loan for periods 2015-16 to 2018-19

Year	Gross Normative loan - Opening	Cumulative repayment of Normative Loan up to previous year	Net Normative loan - Opening	Increase/Decrease due to Asset Capitalization/ de-capitalization during the Year	Repayments of Normative Loan during the year /Depreciation	Net Normative loan - Closing	Average Normative Loan
2015-16	0	0	0	66.49	2.43	64.06	32.03
2016-17	66.49	2.43	64.06	0	3.51	60.55	62.31

2017-18	66.49	5.94	60.55	18.63	4.07*	75.11	67.83
2018-19	85.12	10.01	75.11	16.49	5.07*	86.53	80.82

*Depreciation calculated based on proportionate basis.

63. As per Regulation 2018 (KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2018) second proviso to Regulation 29(4), if the licensee has no actual loan portfolio interest charges shall be calculated at Base rate. Accordingly, the interest on normative loan approved for the year is shown below;

Table-24

Interest on normative loan for approved in 2018-19

Sl No	Particulars	Rs. In lakh
1	Gross Normative loan - Opening on 01-04-2018	85.12
2	Cumulative Depreciation up to Previous Year	10.01
3	Net Normative loan - Opening on 01-04-2018 (1) - (2)	75.11
4	Assets Addition during the year 2018-19	16.49
5	Proportionate depreciation	5.07
6	Net Normative loan - Closing on 31-03-2019 (3) + (4) - (5)	86.53
7	Average Normative loan [(3) + (6)] / 2	80.82
8	Base Rate of interest as on 1-04-2018	8.15%*
9	Interest charges	6.59
10	Total Normative Interest charges for 2018-19 (Rs. lakhs)	6.59

*Marginal Cost of funds-based Lending Rate (MCLR) declared by the SBI as applicable on first day of April of respective financial year for a tenor of one year

64. **The Commission approves Rs.6.59 lakhs as the normative interest for the year 2018-19.**

Bank charges

65. The licensee has claimed an amount of Rs.0.49 lakh during the year 2018- 19 on account of bank guarantee and letter of credit charges as demanded by KSEB Ltd and other bank charges. The claim bank guarantee and letter of credit charge is for the double security mechanism proposed in Article 8.9 and 8.12 of the PPA. The details of the bank charges are shown below.

Table-25

Bank charges claimed for the years 2017-18 and 2018-19

Particulars	2017-18	2018-19
	As per Truing Up Petition (Rs. lakh)	As per Truing up Petition (Rs. lakh)
LC & BG charges	0.89	0.45

Other Bank Charges	0.05	0.04
Gross Bank Charges	0.94	0.49

66. The amount of Rs.0.49 lakh claimed on account of bank guarantee and letter of credit charges as demanded by KSEB Ltd and other bank charges are approved under interest and financing charges for the year 2018-19.

67. The Interest and Finance charges of Rs.7.08 lakhs is approved for the year as shown below.

Table-26
Interest and Finance Charges approved for the year 2018-19

Particulars	As per Truing up petition (Rs. lakh)	Amount approved for truing up (Rs. lakh)
Interest on Normative Loan	61.90	6.59
Bank Charges	0.49	0.49
Total	62.39	7.08

Return on Equity: -

68. The licensee had claimed Return on Equity of Rs.42.70 lakh in the petition for truing up for the year 2018-19. The Commission had approved a return of Rs.41.00 lakh in the order on ARR&ERC which was 14% of share capital. While truing up the accounts for the year 2017-18, the Commission had approved an amount of Rs.40.69 lakh as against Rs.42.16 lakh claimed by the licensee. The licensee worked out return on equity for the year 2018-19 as shown below:

Table-27
Return on Equity claimed for the year 2018-19

Particulars	2018-19 (Rs. in lakh)
Opening level of GFA/Equity at the beginning of the year	1012.01
Capitalisation during the year	16.49
Capitalisation on pro rata basis	5.81
Decrease due to decapitalization during the year	(-)1.02
Equity at the end of the year on pro rata basis	1016.80
Return on equity at the beginning of the year (1012.01*30%) *14%	42.50
Return on equity portion of capitalization [(5.81-1.02) *30%] *14%	0.20
Total Return on equity	42.70

69. As per Regulation 28, Return on equity is to be “computed in rupee terms, on the paid-up equity share capital determined in accordance with the Regulation 26 and shall be allowed at the rate of fourteen percent for generating business/companies, transmission business/licensee, distribution business/licensee and State Load Despatch Centre”.
70. The Commission in its Order dated 19-10-2020 confirmed that the licensee is eligible for the return on equity on 30% of Rs.900 lakhs only and not on any additions unless there is an increase in the paid-up equity capital corresponding to the GFA additions claimed. This was on account of the fact that the licensee had not produced any document to establish that the Board had earmarked and enhanced the paid-up capital to the extent of increase in value of assets. The Commission had therefore approved an amount of Rs. 37.80 lakh towards Return on Equity for the year 2015-16 at the time of truing up considering Rs.900 lakhs as the share of total paid up capital for the distribution business. The licensee has now claimed RoE for year 2018-19 an amount of Rs.42.70 lakh, which is calculated at the rate of 14% on 30% of the opening gross fixed asset and the pro-rata value of assets capitalized during the year 2018-19.
71. The Commission had vide Order dated 19-10-2020 considered for return on equity 30% of Rs.900 lakhs which according to the licensee is the segregated portion of the paid up capital for distribution business. The Commission has already allowed interest on normative loan for the entire portion of the cost of assets additions from 2015-16 onwards. Therefore, the licensee is only eligible for the ROE for the paid-up capital of Rs. 900 lakhs. RoE of 14% shall be applicable for 30% of the equity i.e., Rs.900 lakh. **Thus, an amount of Rs.37.80 lakh is approved as Return on Equity for the year 2018-19.**

Revenue from Sale of Power: -

72. The total revenue from sale for power is Rs.1882.09 lakh for 296.70 lakh units against approved revenue from sale of power of Rs.1923.51 lakh for 307.80 lakh units as approved in the Order on ARR. As per the petition, the major revenue is from the sale to the HT-1A category (87.18%). Compared to the previous year is a slight increase in the sales and the revenue from the sale. A category wise comparison of the revenue from sale of power for the years 2017-18 & 2018-19 is as shown below.

Table-28
Details of Revenue from Sale of Power for 2017-18 & 2018-19

Particulars	2017-18				2018-19			
	As per Truing Up Petition				As per Truing Up Petition			
	No. of Consumers	Energy Sales (Lakh units)	Revenue in Rs. lakh	Avg. realization (Rs/kWh)	No. of Consumers	Energy Sales (Lakh units)	Revenue in Rs. lakh	Avg. realization (Rs/kWh)
HT-1A	16	269.50	1688.89	6.27	15	260.20	1640.99	6.31
LT IV A	23	24.99	166.23	6.65	24	33.20	211.34	6.37
LT VI B	1	0.15	1.31	8.98	1	0.10	1.00	10.00
LT VI C	1	0.04	0.34	9.53	-	-	-	-
LT VI F	2	0.96	9.00	9.38	2	1.10	10.13	9.21
LT VII A	14	0.45	4.80	10.60	14	1.80	17.88	9.93
LT VII B (Street Light)	1	0.21	0.77	3.75	6	0.20	0.75	3.75
Total	58	296.30	1871.33		62	296.70	1882.09	

73. It is seen that the revenue from consumer category of LT VI C is not included in the year 2018-19 compared to previous year 2017-18. According to the licensee, the extension counter and ATM of 'The Ernakulum District Co-operative Bank' was one of the electricity consumers of the company and billed under the tariff category LT VI C. They had closed their operations inside the Rubber Park campus on 31.10.2017. Hence, the company is not having consumers in the consumer category LT VI C during the year 2018-19. **Based on careful consideration of the figures given in the true up petition, the Commission hereby approves the revenue from sale of power at Rs.1882.09 lakh for the purpose of truing up of accounts for the year 2018-19.**

Wheeling Charges:

74. In the petition for truing up of accounts for the year 2018-19 the licensee has declared receipt of wheeling charge of Rs.10.81 lakh for wheeling power of 8.08 lakh units to M/s M Fuel and M/s Classic Auto Tubes Ltd. The revenue from energy wheeled through the open access by KSEB Ltd (to M/s. M Fuel) is Rs.0.242 lakh for 0.78 lakh units and open access by M/s. Classic Auto Tubes Ltd is Rs. 10.564 lakh for 7.30 lakh units. **The Commission approves the total wheeling charges received Rs.10.81 lakhs.**

Non-tariff income

75. The non-tariff income claimed by the licensee for the year 2018-19 is Rs.1.17 lakh as against the approved amount of Rs 12.69 lakh. The split-up details of Non-Tariff income claimed are shown below.

Table 29
Details of Non-Tariff Income for the years 2017-18 and 2018-19

Particulars	2017-18 As per Truing Up Petition (Rs. lakh)	2018-19 As per Truing up Petition (Rs. lakh)
Income from sale of scrap	-	0.58
Miscellaneous receipts	0.07	-
Commission on collection of electricity duty	0.54	0.54
Interest on delayed payment	-	0.05
Grand Total	0.60	1.17

76. The Commission has noted that in the truing up petition for 2018-19, the licensee has omitted to include the interest on security deposit with KSEB Ltd. The licensee has included an amount of Rs.173.37 lakhs as the security deposit amount given to KSEB Ltd as part of 'short term loans and advances in form D BS. In 2017-18, the closing balance under this head is shown as Rs.173.37 lakh and as the licensee had not shown the interest received from KSEB Ltd in the petition, the Commission had taken the interest income from deposit with KSEB as Rs.10.40 lakh for the year 2017-18. The licensee stated in the clarification that, the interest on security deposit at 6.75 % was received during FY 2018-19 from KSEBL amounting to Rs.11.70 lakhs against which tax of Rs.1.17 lakhs was deducted.

77. Accordingly, the Commission approves Rs.11.70 lakhs as the interest income received on security deposit with KSEBL for the year 2018-19.

78. As per the Order of the Commission dated 24-03-2020, the licensee is holding an accumulated surplus of Rs.137.01 lakh at the end of the year 2017-18. Subsequent to this, based on directions from APTEL, a review Order dated 19-10-2020 for the truing up of accounts of 2015-16 of the licensee was issued by the Commission wherein Rs.4.39 lakhs was approved as interest expense on normative loan for asset additions during 2015-16. Accordingly, the accumulated surplus stands reduced by an equivalent amount. Thus, the revised accumulated surplus as on 31-03-2018 is worked out as Rs.132.62 lakhs (Rs.137.01 Lakhs- Rs.4.39 Lakhs). The Commission approves a notional interest of Rs.8.49 lakh which is at a rate of 6.40% per annum of the accumulated surplus of Rs.132.62 lakhs considering the retail term deposit rate of SBI for a tenor of one year as on

01-04-2018. **Accordingly, the total non-tariff income of Rs.21.36 lakh is approved for the year 2018-19 is shown below.**

Table 30
Details of Non-Tariff Income approved for 2018-19

Particulars	Rs. lakh
Interest on security deposits with KSEB Ltd	11.70
Miscellaneous receipts	1.17
Interest on accumulated surplus	8.49
Grand Total	21.36

79. Based on the above, the approved expenditure and revenue for the year 2018-19 after truing up is as shown below:

Table-31
Gross Revenue Requirements after truing up for 2018-19

Particulars	2018-19		
	ARR Approved (Rs. lakh)	As per Truing Up Petition (Rs. lakh)	Approved in Trued Up (Rs. lakh)
Purchase of Power	1666.40	1685.18	1589.26
Employee Cost	50.94	67.64	59.55
Repair and Maintenance cost	35.15	42.64	42.64
Administrative & General Expenses	20.85	50.92	16.18
Depreciation	41.37	48.41	48.76
Interest on Normative loan	0.55	61.90	6.59
Bank Charges	2.19	0.49	0.49
Return on Equity	41.00	42.70	37.80
Total Expenditure (A)	1858.45	1999.88	1801.27
Non-Tariff income	12.69	1.17	21.36
Income from wheeling charges	0.21	10.81	10.81
Revenue from existing tariffs	1923.51	1882.09	1882.09
Total Income (B)	19364.41	1894.07	1914.26
Revenue (Gap)/Surplus (B)- (A)	77.96	-105.81	112.99

Revenue (Gap)/Surplus for 2018-19: -

80. Accordingly, as against the approved revenue surplus of Rs.77.96 lakh for the year 2018-19, the licensee in the petition for truing up claims a **revenue gap of Rs.105.81 lakh**. The approved Total Expenditure and Total Revenue for the year 2018-19 after truing up is as shown below.

Table 32
Revenue (Gap)/ Surplus for the year 2018-19

Particulars	ARR Approved (Rs. lakh)	As per Truing Up Petition (Rs. lakh)	Approved in Trued Up (Rs. lakh)
Total Expenditure	1858.45	1999.88	1801.27
Total Income	1936.41	1894.07	1914.26
Revenue (Gap)/Surplus	77.96	(105.81)	112.99

Orders of the Commission

81. The Commission after considering the petition filed by M/s. RPIL for truing up of accounts for the year 2018-19, comments raised by KSEB Ltd. and the clarifications and details provided by the licensee approves the following:

- a) **Total income is Rs. 1914.26 lakh**
- b) **Total expenditure is Rs.1801.27 lakh**
- c) **The revenue surplus for the year is Rs.112.99 lakh**
- d) **The revised accumulative revenue surplus up to 2017-18 is Rs. 132.62 lakh. (Rs.137.01 lakh – Rs.4.39 lakhs) para 76 ibid.**
- e) **Total cumulative revenue surplus till 2018-19 will be Rs.245.61 lakh (Rs.132.62 lakh + Rs.112.99 lakh).**
- f) **The directions of the Commission in paras 23, 45 and 55 be attended to expeditiously.**

82. The petition is disposed of. Ordered accordingly.

Sd/-
Preman Dinaraj

Chairman

Approved for Issue

Sd/-
Secretary (i/c)