

KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM

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

OP 47/2021

In the matter of : Truing Up of accounts of M/s Infopark for the financial year 2019-20.

Petitioner : M/s Infopark, Kochi

Dates of hearing : 1st Hearing held on 29-10-2021 (adjourned)
2nd Hearing held on 10.08.2022

Represented by : Sri. Vijayan V R, AGM- Projects
Sri. Santhosh. V, Manager- Finance
Sri. Arun S, Asst. Engineer- Electrical

Order Dated 19-09-2022

1. M/s Infopark, Kochi (hereinafter referred to as the licensee or petitioner) is a Government of Kerala Undertaking, engaged in the business of providing ready to occupy infrastructure including power distribution to IT companies in Kakkanad (Infopark Phase II) and Cherthala area. M/s Infopark was granted distribution licence vide Order dated 10-5-2010 of the Kerala State Electricity Regulatory Commission (hereinafter referred to as the Commission) and the licensee commenced electricity distribution business from 1-7-2013 onwards. The licensee has filed the instant petition on 09.08.2021 for Truing Up of accounts for the financial year 2019-20 (second year of the Control Period 2018-19 to 2021-22).
2. As per the Regulation 10(1) of KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2018 (hereinafter referred to as the Tariff Regulations, 2018), the petition for Truing Up of Accounts for the year 2019-20 should have been filed by 30.11.2020. Since this petition was filed after a delay of over eight months, the licensee also filed another petition for condonation of delay vide letter dated 26.08.2021 (IA 18/2021). The Commission considered the matter and vide Order dated 02.09.2021, the delay of 252 days was condoned and the petition was admitted as OP No.47/2021.
3. The Commission had approved the ARR for the year 2019-20 of the licensee vide Order dated 26.08.2019 in OA 04/2019, with a revenue surplus of Rs.67.46 lakh, as against revenue deficit of Rs.232.80 lakh claimed by the licensee in their

ARR petition. In the petition filed on 09.08.2021 (admitted as OP No.47 of 2021) for the Truing Up of accounts for 2019-20, the licensee has arrived at a revenue gap of Rs.21.84 lakh. Based on initial review of this petition, the Commission sought additional information/clarifications vide letter dated 20.10.2021 and directed the licensee to furnish these additional details on or before 26.10.2021. Licensee furnished the details accordingly.

4. The first public hearing on the petition was held on 29.10.2021 through video conference mode. In the hearing, the Commission brought to the notice of the licensee that the petition was deficient in necessary details and had inconsistencies vis-à-vis the Regulations. Thus, the Commission adjourned the hearing and directed the licensee (vide Daily Order dated 29.10.2021) to furnish the complete details as required by the Regulation latest by 01.12.2021. In compliance to the above Daily Order, the licensee has furnished the revised truing up details on 01.12.2021 and arrived at revised revenue gap of Rs.32.25 lakh. A comparison of the ARR&ERC approved in the Order dated 26.08.2019 and the claim in the revised petition for Truing Up of accounts for the year 2019-20, along with the Trued-Up figures for 2018-19 are shown below;

Table 1
Comparison of ARR&ERC for the period 2018-19 and 2019-20

Particulars	2018-19			2019-20		
	Approved in ARR /Regulations (Rs. lakh)	Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)	Approved in ARR/Regulations (Rs. lakh) (A)	Truing Up Petition (Rs. lakh) (B)	Variance (Rs. lakh) (C)=(B)-(A)
Revenue from Sale of Power	934.02	620.27	620.27	1077.13	735.23	-341.90
Other Income	4.41	3.02	3.02	5.30	18.80	13.50
Total Income	938.43	623.29	623.29	1082.43	754.03	-328.40
Purchase of Power	851.4	561.55	561.55	967.68	648.08	-319.60
R&M Expenses	20.11	27.38	20.11	21.09	30.09	9.00
Employee Cost	11.60	19.07	19.07	12.17	12.98	0.81
A &G Expenses	11.24	2.33	2.33	11.78	12.41	0.63
Depreciation	-	46.46	-	-	44.52	
Interest and Finance Charges	2.16	2.00	2.00	2.25	9.50	7.25
Return on NFA	-	29.36	-	-	27.99	27.99
Total Expenditure	896.52	688.14	605.06	1014.97	785.57	-229.40
Prior Period Item	-	8.17	8.17	-	0.71	0.71
Net Surplus/(Deficit)	41.91	-73.02	10.06	67.46	-32.25	-99.71

Public hearing on the petition

5. The first public hearing on the Truing Up petition was conducted through Video Conference Mode on 29.10.2021. Representing the licensee, Shri Vijayan V.R, AGM (Projects & Engineering), Shri Santhosh. V, Manager (Finance) and Shri Arun. S, (Engineer-Electrical) participated in the hearing. The hearing was adjourned due to deficiencies in the petition filed and the licensee was directed to furnish duly certified complete details as required by the Regulation on or before 01.12.2021. Accordingly, the licensee has submitted a revised petition on 01.12.2021.
6. The adjourned public hearing was thereafter conducted on 10.08.2022 at Infopark, Kochi. Shri Vijayan V.R, (Head Projects & Engineering), Shri Santhosh. V, Manager (Finance), Shri Arun. S, (Engineer-Electrical) and Shri. M.M. Abdul Rahim, (Consultant) participated in the hearing. Representing the licensee, Shri. M.M Abdul Rahim, Consultant made a presentation on the Truing Up claim and it includes approval requested for the following;
 - a) Solar power injected (0.70 lakh KWh) by M/s Infopark to the grid accounted as power supplied by the prosumer and valued at the power purchase cost of the licensee i.e. at Rs 6.73/KWh.
 - b) Energy used (1.02 lakh KWh) for auxiliary supply to power transformers of 220 KV substation at Kakkanad and 110 KV substation at Cherthala, including consumption in downstream equipments accounted as notional revenue from sale of power and in contra is treated as electricity charges (A&G Expense).
 - c) Depreciation claimed (Rs 44.56 lakh) is based on the fact that Cherthala substation was constructed using bank loan.
 - d) While approving ARR, the Commission has not allowed Return on Investment (RoI) stating that the licensee has not submitted details of assets and sources of funds. It is requested to allow RoI provisionally.
7. During hearing, the Commission enquired about the status of the study conducted by Kerala State Productivity Council and directed the licensee to submit a copy of their final report along with action taken thereon. Other clarifications sought by the Commission, inter alia, include the following;
 - a) Reasons for the difference in energy charges accounted (Rs 537.80 lakh) by the licensee with that of the amount claimed by KSEBL (Rs 535.80 lakh). The Commission observed that though the licensee has reconciled the difference, its accounts are yet to be rectified.

- b) Under Open Access license, M/s SmartCity has been wheeling energy (3 MVA) through the network of the licensee and collected wheeling charges at the approved rate. However, the quantum of input / output energy has not been reckoned while arriving at the distribution loss of the licensee.
 - c) Justification(s) for accounting of auxiliary consumption of power by the substation and downstream equipments as notional sale of power as well as consumption, which ultimately has an adverse impact on calculation of Distribution Loss.
8. The KSEB Ltd. vide their letter No. KSEB/TRAC/Infopark/R1/2019/483 dated 01.11.2021 filed the following comments on the Truing Up petition.
- a) The Distribution loss approved by the Commission is 4.50% whereas the actual loss claimed by the licensee is 5.15% (4.77% as per revised petition). The loss may be fixed to the approved level and the cost incurred on account of higher distribution loss may be disallowed.
 - b) The petitioner had incurred O&M cost of Rs.52.41 lakh for 2019-20 against the approved cost of Rs.45.04 lakh and as a controllable expense the O&M cost may be limited to the approved level.
 - c) Infopark has claimed RoE of Rs 20.94 lakh. The Commission has not approved RoE in the true up order for 2018-19 and stated that the Commission has decided to defer the approval of Return on Net Fixed Assets till the licensee submits the details as per the directions in Para 55 of the Truing Up Order for 2017-18. The same situation is prevailing and Infopark is not eligible for RoE.
 - d) Depreciation claimed is Rs 44.51 lakh. The Commission has not approved depreciation in the true up order for 2018-19, stating that “in the absence of details of fixed assets as specified in the truing up order for 2017-18 dated 19.06.2021, the Commission is unable to identify the assets on which depreciation can be allowed and hence has decided to defer the approval of depreciation until the directions are fully complied with”. Hence the claim for depreciation may be allowed only after complying with the above direction of the Commission.

Analysis and decision of the Commission

9. The Commission considered the revised petition of the licensee for Truing Up of Accounts for the year 2019-20 along with the additional clarifications furnished by the licensee (vide letters dated 20-09-2021, 26-10-2021 and 17.08.2022), email dated 23.08.2022 and 26.08.2022, clarifications provided in the public hearing and the comments of KSEB Ltd vide letter dated 01.11.2021. As part of

the disposal of the Truing Up petition, the claim of the licensee towards each of the components has been analysed in detail. The analysis and decisions of the Commission as per the provisions of the Tariff Regulations 2018 on the petition for Truing Up of Accounts for the year 2019-20 are detailed below.

Energy sales and number of consumers

10. The actual sale of energy as per the petition for Truing Up of accounts for the year 2019-20 is 91.67 lakh units. As per the Trued-up figures for the year 2018-19, the total sales was 80.28 lakh units. In addition, a comparison of the actual number of consumers and the sale of power claimed for the year 2019-20 and Trued Up figures for the year 2018-19 is shown below.

Table 2

Comparison of No. of Consumers and Energy Sales for 2018-19 and 2019-20

Category	2018-19 (Trued Up)		2019-20 (Truing Up Petition)	
	No. of Consumers	Sale (Units in lakh)	No. of Consumers	Sale (Units in lakh)
Industrial	64	9.08	76	13.59
Commercial	13	2.20	20	1.91
Street Lighting	2	1.20	2	1.67
HT 1 B	4	67.80	4	73.48
Self-Consumption			2	1.02
Total	83	80.28	104	91.67

11. The licensee stated that, the number of consumers increased by 21 during the year 2019-20 compared to the year 2018-19, i.e., from 83 to 104. The major increase is at Kakkanad installation which recorded 82 during the year 2019-20 as against 61 in 2018-19. Consequently, the consumption has also increased at Kakkanad proportionately. In Cherthala, the increase is negligible. Further, while filing MYT ARR details for 2019-20, the licensee anticipated five numbers of HT and 110 LT consumers and major increase in sale expected was from Phase-II at Kakkanad, against which only three HT and 79 LT consumers were there in the year. The potential consumer, M/s Cognizant had reduced their demand at Kakkanad due to negative growth of their business. More over, the new stake holders who were expected to commence operation during 2019-20 could not commence their operation due to the Covid-19 pandemic.
12. The Commission noted that, unlike in the previous years, the licensee has booked 1.02 lakh units of energy as self-consumption during the year 2019-20. This represents the auxiliary power consumption of 220 KV substation, 110 KV substation and other downstream equipments. This auxiliary consumption was accounted as both income (sale of power) and expenditure (electricity charges).

It is the considered view of the Commission that the accounting of auxiliary consumption by substations and downstream equipments as notional income and expenditure has no impact on the revenue surplus/deficit, whereas it will result in wrong calculation of Distribution Loss. The sale of power in terms of volume as well as value will be inflated due to the fictitious accounting. Being an incorrect accounting practise as per Regulations, ***the Commission hereby approves energy sales of 90.65 lakh units only as against 91.67 lakh units claimed by the licensee for the year 2019-20, i.e., excluding the auxiliary consumption of 1.02 lakh units.***

Energy requirement and distribution loss

13. The licensee has claimed distribution loss of 4.77% for the year 2019-20 and in 2018-19 it was 5.23%. In 2018-19 Truing Order, the Commission has approved the actual distribution loss of 5.23% of the licensee taking into consideration of the limited geographical area of its operation, the nature of infrastructure build up and the fall in the number of consumers. The following table shows the area wise distribution loss of the licensee for the year 2018-19 and 2019-20.

Table 3
Area wise distribution loss for the year 2018-19 and 2019-20

Particulars	Cherthala 110 KV		Phase II Kakkanad 220KV		Total	
	2018-19 Trued Up	2019-20 As per Petition	2018-19 Trued Up	2019-20 As per Petition	2018-19 Trued Up	2019-20 As per Petition
Energy Requirement (in lakh units)	12.71	11.66	72.03	84.60*	84.74	96.26*
Energy sales (in lakh units)	11.19	10.24	69.12	81.43	80.31	91.67
Distribution loss (in lakh units)	1.52	1.42	2.91	3.17	4.44	4.59
Distribution loss (%)	11.98%	12.18%	4.05%	3.75%	5.23%	4.77%

* Including solar energy

14. The licensee stated that, M/s Kerala State Productivity Council (KSPC) was nominated to conduct a study to promote demand side management and energy efficiency measures. As per report submitted (November 2021) by KSPC, the main loss is attributed to two numbers of 12.5 MVA power transformer at Cherthala installation. During the period of 2019-20, the recorded maximum demand drawn from the said transformers was 416 KVA which is about 1.66% of the total transformer capacity. Hence, the underutilization of capacity of the power transformers is the main reason for the increased distribution loss.
15. The licensee further stated that, previously the energy required for running the auxiliary system was not accounted separately and it was treated as the loss

attributable to the transformers. Now this energy is separated and accounted in form D 2.1 as revenue from sale of power.

16. The Commission examined the calculation of distribution loss in detail and observed that from September 2019 onwards, M/s Smart City has been wheeling energy (3 MVA) through the network of the licensee and the licensee has been collecting wheeling charges at approved rate. However, the above quantum of input / output energy has not been considered while reckoning distribution loss of the licensee. Similarly, auxiliary consumption of 1.02 lakh units of energy by the substation and downstream equipments was wrongly accounted as sale of power. As a result, sale of power for the year 2019-20 stands vitiated to that extent. Therefore, the actual distribution loss of the licensee for the year 2019-20, as worked out by the Commission is as follows;

Table 4
Actual distribution loss for the year 2019-20

Particulars	Total
Energy Requirement (lakh units)	96.26
Wheeled energy (lakh units)	26.55
Total (lakh units)	122.81
Energy sales (lakh units) - Infopark	91.67
Energy drawn by SmartCity (lakh units)	25.41
Less: Fictitious sales accounted (lakh units)	1.02
Total (lakh units)	116.06
Distribution loss (lakh units)	6.75
Distribution loss (%)	5.50

17. The Commission notes that the overall distribution loss recorded during 2019-20 (i.e., 5.50%) is substantially higher than the target fixed (4.50%) and also compared to previous year (5.23%). In Cherthala area, compared to 11.98% reported in 2018-19, the distribution loss reported during 2019-20 was 12.18%, which is the reason for overall increase in loss. As per the report (November 2021) of KSPC, the main reason for the higher incidence of distribution loss at Cherthala area is due to large scale underutilization of two power transformers. **Considering the dismal business performance in Cherthala area and resultant higher incidence of overall distribution loss, the Commission decides to give one more chance to the licensee to find a solution for the issue. Accordingly, the Commission decides to allow Distribution Loss for the year 2019-20 at the same rate approved in the previous year, i.e., 5.23% as against the actual rate of 5.50%.**
18. As per Regulation 72 (4) (a) if the distribution loss is higher than the approved level, then the quantum of power purchased corresponding to the excess

distribution loss shall be disallowed at the average cost of power purchase. **Actual distribution loss for the year 2019-20 (5.50%) is more than the approved rate (5.23%) and therefore the Commission, in terms of the above referred Regulation, decides to disallow the excess distribution loss of 0.27% from the power purchase cost.** The revised energy requirement for the year 2019-20 is as follows;

Table 5
Approved Energy Requirement for the year 2019-20

	Particulars	As per Petition	As per Revised Calculation	Trued Up
A	Wheeled Energy- Output (in lakh units)		25.41	25.41
B	Energy sales (in lakh units)	91.67	90.65	90.65
C	Total Energy Output (in lakh units) (A+B)	91.67	116.06	116.06
D	Distribution loss (%)	4.77	5.50	5.23
E	Distribution loss (in lakh units) $[C/(100-D)*D]$	4.59	6.75	6.40
F	Total Energy Requirement (in lakh units) $[C/(100-D)*100]$	96.26	122.81	122.46
G	Wheeled Energy- Input (in lakh units)	-	26.55	26.55
H	Energy Purchased (in lakh units) (F-G)	96.26	96.26	95.91
I	Excess Distribution Loss in lakh units (96.26-95.91)	-	-	0.35

Power purchase cost

19. The power purchase cost as per the petition of Truing Up of Accounts is Rs.648.08 lakh for the year 2019-20 as against Rs.967.68 lakh approved by the Commission in the ARR&ERC Order dated 26.08.2019. Total energy purchased during 2019-20 is 96.26 lakh units only as against 138.90 lakh units approved in the ARR&ERC Order. According to the licensee, the reduction in power purchase was mainly due to reduction in consumption of energy by major consumer (M/s Cognizant) and non-commencement of operations by new stake holders, who were expected to commence operations during 2019-20.
20. The amount of Rs.648.08 lakh claimed by the licensee included power purchased from KSEB Ltd (Rs.643.37 lakh) and solar energy purchased from prosumers (Rs.4.71 lakh). The split up of power purchase cost for the year 2019-20 is tabulated below

Table 6
Area wise power purchase cost claimed for the year 2019-20

Phase	Source of Power	Energy Purchase (in lakh units)	Total Annual fixed charges (Rs. lakh)	Total variable Charges (Rs. lakh)	Other charges (Rs. lakh)	Total cost of energy received (Rs. lakh)	Average cost
Cherthala 110 KV	KSEB Ltd	11.66	16.33	65.39	0.62	82.34	7.06
Phase II Kakkanad 220KV	KSEB Ltd	83.90	89.24	470.48	1.31	561.03	6.69
Phase II Kakkanad 220KV	Solar	0.70		4.71		4.71	6.73
Total		96.26	105.57	540.58	1.93	648.08	6.73

21. In the petition the licensee stated that, in addition to power procured from KSEB Ltd, the Infopark has commissioned grid tied solar plant of 105 kWp capacity consisting of 3 units with individual capacity of 25 kWp, 30 kWp and 50 kWp. The plant was constructed by the Infopark administration utilising its own funds and no amount was incurred by the power distribution unit of Infopark. Hence the electricity injected to the distribution network from solar plant is treated as the power generated by a prosumer, which is required to be dealt with as per the relevant provision of Kerala State Electricity Regulatory Commission (Renewable Energy and Net Metering) Regulation 2020.
22. The licensee further stated that, during the reported period the solar plant has generated 1,07,146 units of energy, out of which 37,094 units of energy was used for its own use for lighting of common area and yard lighting in the office premises of Infopark -phase II. The balance energy of 70,052 units was exported to the licensee's grid through net meter and it was sold to the consumers. Hence, the total power injected to the distribution network of licensee became 96.26 lakh units (95.56 lakh + 0.70 lakh). Thus, notional amount of Rs. 4.71 Lakh @ 6.73 per unit was accounted for solar power in accordance with Clause No 29(4) of Kerala State Electricity Regulatory Commission (Renewable Energy and Net Metering) Regulation 2020. Hence total power purchase cost as indicated in Form No D3.1 came to Rs 648.08 lakh (Rs 643.37 lakh + Rs 4.71 lakh).
23. The Commission examined the submission of the licensee to approve the purchase cost for solar energy at the average power purchase cost of the licensee i.e., Rs.6.73/units. *As per the provision of Kerala State Electricity Regulatory Commission (Grid Interactive Distributed Solar Energy Systems) Regulations, 2014 (Regulation No.14 (8)), the licensee shall pay for the net electricity banked by the eligible consumer at the end of the settlement period at the Average Pooled Purchase Cost (APPC) of electricity as approved by the Commission for that year.*

24. Further, as per ARR&ERC and Tariff Order dated 08-07-2019 pertaining to KSEB Ltd, the APPC of KSEB Ltd shall also be applicable to the distribution licensees, other than KSEB Ltd. However, KSEB Ltd has not filed petition so far (September 2022) for approval of APPC for the years 2018-19 onwards. **Therefore, the Commission approves the solar power (0.70 lakh units) purchased from the prosumer provisionally adopting the APPC approved for the year 2017-18, i.e. Rs.3.26 /unit and the commission provisionally approves Rs.2.28 lakh towards the cost of solar power purchased as against Rs.4.71 claimed by the licensee. Also, the Commission hereby directs the licensee to carry out necessary book adjustments with the prosumer to incorporate the solar power purchase cost in the annual financial statements from next year onwards.**
25. The Commission observed further that there is difference in energy charges accounted (Rs 537.80 lakh) by the licensee with that of the amount claimed by KSEB Ltd (Rs 535.80 lakh). Though the licensee has reconciled the difference and identified that it was mainly due to reckoning an erroneous claim by KSEB Ltd for Low Power Factor charges of Rs 1.93 lakh, it is yet to be rectified in the accounts. This was claimed by the licensee as power purchase cost under 'Other Charges' whereas it has not been accounted in the audited financial statements for the year 2019-20. **The Commission hereby disallows Other Charges of Rs 1.93 claimed by the licensee as the licensee is in correspondence with KSEB Ltd to rectify the mistake and the claim has not been accounted for in the financial statements.**
26. **Accordingly, for the year 2019-20, the Commission hereby approves the power purchase cost of Rs.641.38 lakh as against Rs.648.08 lakh claimed. Details are as follows;**

Table 7
Approved power purchase cost 2019-20

Particulars	Infopark Cherthala	Infopark Phase II Kakkanad	Total
Demand Charges – KVA	4959	27120	32061
Demand Charges – Rate / KVA in Rs.	300/340	300/340	300/340
Total Demand Charges – Rs in lakh (A)	16.33	89.24	105.57
Energy Charges – KWh in lakh	11.66	83.90	95.56
Energy Charges – Rs in lakh (B)	65.39	470.48	535.87
Cost of solar power – 70052 units @ Rs 3.26 – Rs in lakh (C)			2.28
Total cost of power purchased – Rs in lakh (A+B+C)			643.72
Average Power Purchase Cost per unit (Rs.643.72 lakh/96.26 lakh units)			6.68
Less: Excess distribution loss (0.35 lakh units*Rs.6.68/unit)			2.34
Approved Power Purchase Cost (Rs.643.72 lakh- Rs.2.34 lakh)			641.38

Operation & Maintenance Expense

27. As per Regulation 12(2) of the Tariff Regulations 2018, the Operation and Maintenance expenses are controllable expenses. Further, as per Regulation 79(9) of Tariff Regulations 2018, Infopark shall be allowed to recover Operation & Maintenance expenses as per the norms specified in Annexure-IX to the Regulations for each year of the Control Period. The Operation & Maintenance Expense of the licensee as per the Regulation for the year 2019-20 is Rs.45.04 lakh. Against this, the licensee has claimed Rs.55.48 lakh, which is in excess by Rs.10.44 lakh. Item wise comparison of the claim made by the licensee for 2019-20, amount approved in Truing Up Order for 2018-19 and that of the amount approved in the ARR&ERC Order dated 26.08.2019 are as follows;

Table 8
Comparison of the O&M Expenses for 2018-19 and 2019-20

Particulars	2018-19			2019-20	
	Approved in ARR /Regulations (Rs. lakh)	Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)	Approved in ARR/Regulations (Rs. lakh)	Truing Up Petition (Rs. lakh)
Employee Cost	11.60	19.07	19.07	12.17	12.98
R&M Expenses	20.11	27.38	20.11	21.09	30.09
A &G Expenses	11.24	2.33	2.33	11.78	12.41
Total	42.95	48.78	41.51	45.04	55.48

28. From the above, it can be seen that the Operation & Maintenance expenditure has increased by Rs.6.70 lakh to Rs.55.48 lakh in 2019-20 from the truing up claim of Rs.48.78 lakh in 2018-19. Each component of the Operation & Maintenance Expense is analysed separately in the succeeding paragraphs.

Employee cost

29. In the petition for the Truing up of accounts 2019-20, the licensee has claimed an amount of Rs.12.98 lakh as employee cost, as against the amount of Rs.12.17 lakh specified in the Tariff Regulations, 2018. Comparative details of the employee cost for 2018-19 (Trued Up) and 2019-20 (Claimed) are shown below;

Table 9
Employee Cost for the year 2018-19 and 2019-20

Particulars	2018-19	2019-20	Increase/ Decrease over P. Y(%)
	Trued Up (Rs. lakh)	As per Truing Up Petition (Rs. lakh)	
Basic Salary	9.02	8.40	(-) 7
Dearness Allowance (DA)	6.39	1.68	(-) 74
House Rent Allowance	0.41	0.44	7
Conveyance Allowance	0.11	0.08	(-) 27
Earned Leave Encashment	0.68	1.26	85
Other Allowances	-	0.85	100
Interim Relief/wage Revision	2.46	0.25	(-) 90
Total	19.07	12.98	(-) 32

30. Compared to the approved trued up expense for the year 2018-19, there is a reduction in the employee cost by 32 percent in 2019-20. The licensee submitted that two months (April & May) salary only was considered for the Resident Engineer engaged at Kakkanad Phase 2, since he was moved to KSITIL from June onwards. Resident Engineer of Cherthala is holding additional charge of Resident Engineer at Kakkanad Phase-2. Since the accountant is common for the park and power distribution business, only half of the salary only reckoned in the power distribution business. The licensee has also submitted the employee wise details of cost as shown below;

Table 10
Split up of actual employee cost for 2019-20

S.N	Particulars	Amount
1	Resident Engineer - Cherthala	Rs. 53,592 X 12= Rs. 6,43,100
2	Resident Engineer – Phase II	Rs. 144,650X 2= Rs.2,89,300
3	Accountant	Rs. 60,856.67 X 12 = Rs. 7,30,280
4	Half salary of accountant	Rs. 3,65,140
5	Employee cost Considered	Rs. 12,97,540 (1+2+4)

31. The Commission has examined the submissions of the licensee and noted the reasons for reduction in Employee Cost during 2019-20. However, while hearing the instant petition, the Commission has pointed out that the amount claimed towards employee cost did not match with the Audited Financial Statements. As per Financial Statements, the expense incurred was Rs 11.80 lakh only. The licensee vide letter dated 17-08-2022 admitted it as a mistake, stating that

normally the salary of accountant will be apportioned in the ratio of 50% for power distribution business, whereas it was wrongly taken as 25% while preparing the Financials Statements.

32. ***After considering the above facts, the Commission hereby provisionally approves the employee cost as per the Audited Financial Statements for the year 2019-20 i.e., Rs.11.80 lakh. The licensee can claim the difference amount of Rs.1.17 lakh in the next year by accounting it as prior period expense in the Financial Statements for 2020-21.***

Repair & Maintenance Expense

33. The licensee has claimed Rs.30.09 lakh towards R &M expenses for the year 2019-20 as against the Tariff Regulations, 2018 specified amount of Rs.21.09 lakh. Details are as follows;

**Table 11
R&M expenses for the years of 2018-19 and 2019-20**

Particulars	2018-19 Trued Up (Rs. lakh)	2019-20	
		Approved in ARR/Regulations (Rs. lakh)	Truing Up Petition (Rs. lakh)
R&M Expenses	20.11	21.09	30.09
Total	20.11	21.09	30.09

34. While considering the Truing up petition 2018-19 the Commission observed that, if the licensee so desires, they can file the complete details of R & M tendering/expenses within 3 months of the date of the Order. The licensee vide letter dated 20-08-2021 filed the Compliance Report on the same and stated that in the year 2017-18 licensee managed operation with one operator. There was no shift assistant in 2017-18. But it was found that in case of any power interruption or any fault, managing by single person was neither possible nor advisable in power distribution system. Hence, the licensee added one more shift assistant in all shifts in 2018-19, thereby the total O & M staff per shift became two.
35. This increase from a single person to two persons to take care of O & M of 220 kV substation is the main reason for increase of 60 % in 2018-19 compared to year 2017-18. The salary of operator is approximately Rs.31,000 per month and that of shift assistant is Rs.24,128 per month. As per the clarification submitted on 26.10.2021, the agency doing R&M during the petition period was identified

through e-tender in August 2019 and as per tender conditions, the period of contract is extendable up to three years with the annual rate increase of 11%.

36. After considering the details submitted by the licensee, the Commission is of the view that since the licensee has outsourced the R&M works through competitive e-tendering, ***the Commission hereby approves R&M expenses of Rs 30.09 lakh, as claimed by the licensee for the year 2019-20.***

Administration & General Expenses

37. The A & G expense claim for the year 2019-20 is Rs.12.41 lakh as against Rs.2.33 lakh claimed and approved for the year 2018-19. As per the Tariff Regulations, 2018, the amount specified was Rs.11.78 lakh towards A&G expenses for the year 2019-20. The details of A&G expenses for the year 2018-19 and 2019-20 shown below.

Table 12
Administrative & General Expenses for the year 2018-19 and 2019-20

Particulars	2018-19	2019-20	Increase/Decrease over P. Y (%)
	Trued Up (Rs. lakh)	As per Truing Up Petition (Rs. lakh)	
Rent, Rates and Taxes	0.00	4.74	100
Telephone and postage etc.	0.23	0.23	NIL
Audit Fees	0.10	0.18	80
Vehicle Hiring Expenses Truck/ Delivery Van	0.98	0.69	(-) 30
Printing and Stationery	0.28	0.32	14
Sports and Related Activities	0.74	0.00	(-) 100
Electricity Charges	-	6.25	100
Total	2.33	12.41	433

38. There is an increase of around 433% in A&G expenses claim when compared to the last year and the increase was mainly due to the hike in electricity charges and rent, rates & taxes. In response to clarifications sought by the Commission, the licensee submitted (26-10-2021) that Rs.4.74 lakh is the periodical inspection charges of Phase-II 220 kV Substation, from 2017-18 to 2019-20. This amount was remitted to the Electrical Inspectorate during 2019-20 only and the same has been included in the Truing Up petition for the current year. The year wise details are as follows;

Table 13
Details of Rent, rates and Taxes for the year 2019-20

Particulars	Amount (Rs. lakh)
Inspection fee for the year 2017-18	1.37
Inspection fee for the year 2018-19	1.56
Inspection fee for the year 2019-20	1.81
Total	4.74

39. The Commission observed that, the expense towards periodical inspection charges (Rs.4.74 lakh) is unavoidable in nature and is a part of compliance to statutory requirement. However, accounting for the same under “Rent, rates and taxes” is not correct, instead the same could have been accounted for under Statutory Fees. ***The Commission hereby directs the licensee to ensure that all expenses are accounted for under the relevant head of accounts.***
40. Since Rs. 2.93 lakh pertains to the previous years and is a prior period expense discharged during the current year, the Commission for clarity and as per accounting principles, approves this expense as a prior period expense. The Inspection fees for the current year of Rs. 1.81 lakh is also approved. ***Accordingly, the Commission hereby approves the periodical inspection charges of Rs 4.74 lakh (Rs. 2.93 previous years + Rs. 1.81 lakh for the current year).***
41. The licensee further clarified that, the electricity charge of Rs.6.25 lakh was towards the electricity for auxiliary power consumption of transformers of 220 KV substation at Kakkanad, 110 KV substation at Cherthala and other downstream equipments. This has also been accounted as revenue from sale of power in form D2.1. In previous truing up petitions this amount was not considered due to oversight. The Commission has noted that auxiliary power consumption is one of the factors considered while approving the distribution loss of the licensee. Hence, the licensee’s argument that this transaction has been considered both for expenditure and income accounting masks the real impact i.e., distribution loss of the licensee and therefore rejected.
42. ***The above fictitious accounting of electricity charges as income as well as expenditure is discussed in detail in para 12 of this Order and on that basis the Commission hereby disallows the electricity expense of Rs.6.25 lakh for the year 2019-20 and as a result the total amount of Administrative and General expenses for the year 2019-20 stands revised to Rs.6.16 lakh (i.e., excluding the electricity expense of Rs.6.25 lakh).***

O&M Expenses Approved

43. **Total O&M expenses for the year 2019-20, which includes provisional Employee costs, R&M expenses and A&G expenses, as approved by the Commission is Rs 48.05 lakh and subject to the comments/qualifications under the relevant foregoing paras.** Details are as follows;

Table 14
O&M Expenses Approved for the year 2019-20

Particulars	Approved in ARR/Regulations (Rs. lakh)	Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)
Employee Cost *	12.17	12.98	11.80
R&M Expenses	21.09	30.09	30.09
A &G Expenses	11.78	12.41	6.16
Total	45.04	55.48	48.05

*Provisional

Prior period expenses

44. The licensee claimed an amount of Rs.0.71 lakh towards prior period employee expenses in addition to the employee cost of Rs.12.98 lakh. It represents payments made in June 2019 as DA arrears for the period 01-01-2018 to 31-03-2019 (as per G.O.(P) no. 44/2019/Fin. Dt. 04/04/2019).
45. As per Regulation14(3) of Tariff Regulations 2018, all such expenses relating to pay revision may be considered for pass through after due prudence check. The Commission has examined the details furnished by the licensee and accordingly, being the pay revision arrears paid, the expenses booked under prior period expenses is admissible. **The Commission hereby approves Rs.0.71 lakh as prior period expenses for the year 2019-20.**

Asset Additions from 2013-14 to 2018-19

46. In the truing up petition, the licensee claimed Rs.1,117.93 lakh towards value of Gross Fixed Assets (GFA) as on 31st March 2020. However, the licensee did not seek any prior approval for the capital investments, stating that many of the investments were made in the early stages of the licensee's operation. Thus, the licensee violated the provisions of KSERC (Licensing) Regulations, 2006. While considering the truing up petitions for the years 2017-18 (OA No.18/2020) and 2018-19 (OA No.19/2020), the Commission directed (vide Daily Order dated 06.01.2021) the licensee to file separate petition for approval of the asset additions. Accordingly, the licensee has filed the petition OP No.17/2021 dated 09.02.2021 and the Commission vide order dated 09.08.2021 has approved the

asset additions of Infopark for the years 2013-14 to 2018-19. The details are given below;

Infopark Cherthala

47. Vide Para 18 of the Commission's Order dated 09.08.2021, the Commission after considering the matter in detail, has approved the asset addition from 2013-14 to 2018-19 of the licensee in Infopark, Cherthala area. The main source of fund for the capital investment at Cherthala was met from the loan availed by Infopark from South Indian Bank Ltd. The Commission has approved the total investment of Rs 971.66 lakh as on 31.03.2017, which included the loan amount and claim towards Interest During Construction (IDC) and also decided to allow depreciation on the assets created at Cherthala from the FY 2016-17 onwards. Details of assets addition approved as per the Order dated 09-08-2021 for the Cherthala Phase are as follows;

Table-15
Approved Capital Investment

Year	Asset details	Amount (Rs. lakh)
2013-14	ABT meters	5.28
2014-15	(1) 250 kVA transformer & related works	9.34
	(2) EHT cabling work	128.91
	(3) Construction of 110 kV substation	840.53
	Sub total	978.78
2015-16	Inspection fee to Electrical Inspectorate	2.24
2016-17	Prepaid metering system	3.38
2016-17	Liquidated damages	(18.02)
	Total	971.66

48. The Commission has also directed the licensee to submit item-wise details of the above assets, which was furnished on 20.09.2021. As per the item-wise details furnished, the actual value of assets created during 2013-14 to 2018-19 was revised to Rs 967.93 lakh (excluding land cost of Rs.150.00 lakh), which is in agreement with the instant truing up petition. **Therefore, the Commission has considered Rs.967.93 lakh as the amount eligible for the financing costs such as depreciation, interest charges and return on net fixed assets from 2016-17 onwards.**

Infopark- Kakkanad Phase-II

49. As per the Regulation 26 of the KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2014, and also as per the Regulation 25 of the KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2018, the assets created out of grant from the State Government is not eligible for claiming

depreciation and return on equity. As per the petition filed for approval of assets addition and further clarifications furnished, the entire cost of construction of the 220kV s/s and allied works at Kakkanad Phase II was funded through grant from the State Government. **Accordingly, vide order dated 09.08.2021, the Commission disallowed claim of the licensee for depreciation, interest and finance charges and Return on Equity/return on the NFA for the assets of 220kV substations and allied works at Kakkanad Phase II amounting to Rs.4311.95 lakh and as such the licensee cannot claim it.**

Depreciation

50. The Commission has not admitted claim for deprecation up to 2018-19 due to non- approval of capital investment plan of the licensee. The depreciation claimed by the licensee in the petition for Truing Up of Accounts for the year 2019-20 is Rs.44.52 lakh, which pertained to the assets created at Cherthala. Details of assets and depreciation claimed by the licensee is given below;

Table 16
Depreciation claimed for the assets at Cherthala Phase for 2019-20

Assets group	Rate of depreciation (%)	Gross fixed assets (Rs in lakh)	Deprecation claimed during the year (Rs in lakh)
Other Civil works	3.34%	186.94	6.24
HV Distribution System			
Transformers	5.28%	180.30	9.52
Switchgears, Control gear & Protection	5.28%	288.03	15.21
Batteries	5.28%	13.45	0.71
Others	3.34%	52.70	1.76
LT Distribution System			
Distribution lines	5.28%	14.61	0.77
Sub-station Equipment's	5.28%	0	0
Transformers	5.28%	20.26	1.07
Switchgears, Control gear & Protection	5.28%	110.00	5.81
Batteries	5.28%	1.67	0.09
Others	3.34%	99.97	3.34
Total		967.93	44.52
Land and land rights	NA	150.00	NIL
Grand Total		1117.93	44.52

51. The Commission examined the details furnished in the petition and the additional submissions/clarifications of the licensee. As mentioned in the forgoing paragraphs, the Commission in the previous years had not approved the depreciation, since the licensee did not obtain the prior approval for the asset additions. As per the Order dated 09.08.2021, the Commission has approved the asset addition from 2013-14 to 2018-19 and eligible for depreciation from 2016-

17 onwards at the rates as per the Regulations. Accordingly, the Commission worked out the eligible amount of depreciation for the period from 2016-17 to 2019-20 as follows;

Table-17
Depreciation approved for the period from 2016-17 to 2019-20

(Rs. lakh)

Assets group	Rate of depreciation (%)	GFA beginning of the year 2016-17	Depreciation				Closing NFA as on 31-03-2020
			2016-17	2017-18	2018-19	2019-20	
Other Civil works	3.34%	186.94	6.24	6.24	6.24	6.24	161.98
HV Distribution System							
Transformers	5.28%	180.30	9.52	9.52	9.52	9.52	142.22
Switchgears, Control gear & Protection	5.28%	288.03	15.21	15.21	15.21	15.21	227.19
Batteries	5.28%	13.45	0.71	0.71	0.71	0.71	10.61
Others	3.34%	52.70	1.76	1.76	1.76	1.76	45.66
LT Distribution System							
Distribution lines	5.28%	14.61	0.77	0.77	0.77	0.77	11.53
Sub-station Equipment's	5.28%						
Transformers	5.28%	20.26	1.07	1.07	1.07	1.07	15.98
Switchgears, Control gear & Protection	5.28%	110.00	5.81	5.81	5.81	5.81	86.76
Batteries	5.28%	1.67	0.09	0.09	0.09	0.09	1.31
Others	3.34%	99.97	3.34	3.34	3.34	3.34	86.61
Total		967.93	44.52	44.52	44.52	44.52	789.85
Gross Assets Considered for Depreciation		967.93	967.93	967.93	967.93	967.93	
Cumulative Depreciation at the end of the year			44.52	89.04	133.56	178.08	
Net Fixed assets at the end of year eligible for interest on normative loan and return on NFA			923.41	878.89	834.37	789.85	

52. ***On the basis of the above working, the Commission hereby approves total depreciation of Rs 178.08 lakh, which includes Rs 44.52 lakh for the year 2019-20 and arrears of Rs 133.56 lakh for the prior periods 2016-17, 2017-18 and 2018-19.***

Interest and Finance Charges

53. The licensee claimed an amount of Rs.9.50 lakh towards the Interest and Finance Charges. It includes interest on working capital, interest on security deposit, interest paid to KSEB Ltd and bank charges. The Commission had approved Rs.2.25 lakh under this head in the ARR for the year 2019-20. Details are as follows;

Table 18
Details of Interest and Finance Charges

Particulars	2018-19	2019-20	
	Trued Up (Rs. lakh)	Approved in ARR (Rs. lakh)	As per Truing Up Petition (Rs. lakh)
Interest on Normative Loan	-	-	0.00
Interest paid to KSEB Ltd	-	-	0.11
Interest paid to Consumers	1.28	1.45	5.46
Bank charges	0.72	0.80	0.53
Interest on Working Capital	-	-	3.40
Total	2.00	2.25	9.50

54. The Commission has considered each of these items and analysed in detail as shown below;

Interest on Normative Loan

55. The Commission noted that, in the truing up of accounts for the years 2014-15 to 2019-20, the licensee has not claimed any interest on normative loan for the assets created at Cherthala. However, as per KSERC (Terms and Conditions for Determination of Tariff) Regulations 2014 (Regulation 27) and Tariff Regulation 2018 (Regulation 26), the licensee is eligible for interest on normative loan at the manner specified therein. Since the Commission vide order dated 09.08.2021 had approved the assets additions from 2013-14 to 2018-19 (as mentioned in Para 44 above) and the licensee has furnished required details, the ***considered view of the Commission is that the licensee is eligible to claim interest on normative loan for the value of assets created at Cherthala.***
56. The main source of fund for the capital investment at Cherthala was met from the loan availed by Infopark from South Indian Bank Ltd at a rate of 10%. The loan was sanctioned in the year 2010-11 and the entire loan availed by Infopark was repaid by 21st July 2017, using internal funds including lease rentals. As per Regulation 30(4) of Tariff Regulations, 2014 as well as Regulation 29(4) of Tariff Regulations 2018, the rate of interest shall be the weighted average rate calculated on the basis of the actual loan portfolio at the beginning of each financial year. Further, provided that if the regulated business of the licensee does not have actual loan, but normative loan is outstanding, then interest shall be allowed at the base rate. ***Accordingly, the Commission allows interest on normative loan in respect of capital investments made in Cherthala at the rate of 10.00% for the period from 01.04.2016 to 21.07.2017 and thereafter at base rates.*** Detailed are as shown below;

Table 19**Interest on Normative loan approved for the period 2016-17 to 2019-20**

Year	Assets Addition Approved (Rs. lakh)	Opening Normative loan (Rs. lakh)	Allowable depreciation/ Repayment (Rs. lakh)	Closing Normative loan (Rs. lakh)	Average Normative Loan (Rs. lakh)	Rate of interest (%)	Interest (Rs lakh)
2016-17	967.93	967.93	44.52	923.41	945.67	10.00	94.57
2017-18	-	923.41	44.52	878.89	901.15	10.00/ 8.00*	77.62
2018-19	-	878.89	44.52	834.37	856.63	8.15	69.82
2019-20	-	834.37	44.52	789.85	812.11	8.55	69.44
Total							311.45

*Since the loan was repaid on 21.07.2017, interest eligible is at the rate of 10 % up to 21.07.2017 and at 8 % thereafter.

57. Based on the above working, ***the Commission hereby approves total interest on loan of Rs. 311.45 lakh, out of which Rs.69.44 lakh is for the year 2019-20 and Rs.242.01 lakh for the years 2016-17 to 2018-19 as prior period expense.***

Interest on working capital

58. The licensee has claimed Rs.3.40 lakh an interest on working capital for the year 2019-20, calculated at the rate of 8.50%. The details of interest on working capital claimed by the licensee are tabulated below.

Table 20
Interest on Working Capital for the year 2019-20

Particulars	As per Truing Up Petition (Rs. lakh)
O&M expenses - One Month	4.88
Maintenance Spares (as per norms)	
Receivables - Two Months (Revenue from sale of power)	122.55
(Less) Security deposits except security deposits held in the form of Bank Guarantee from Users	87.40
Total Working Capital	40.03
Interest Rate	8.50%
Interest on Working Capital (actual)	3.40

59. The Commission has examined the claim of the licensee and observed that the interest on working capital determined is not in accordance with the provisions of Tariff Regulations, 2018. As per Regulation 32(2) of the Tariff Regulations 2018, interest on normative level of working capital shall be allowed at a rate equal to two percent higher than the base rate as on the first day of April of the financial year for which petition is filed. Since the licensee is eligible for the interest as per

the Commission's norms, the Commission hereby revises the computation of interest, adopting 10.55% (i.e., base rate of 8.55% plus 2.00%) on working capital requirement

60. Further, the licensee has claimed interest on working capital at the rate of 8.50% on the amount arrived after deducting Security Deposit of Rs 87.40 lakh. However, in the submission dated 05.09.2022, the licensee has claimed that the actual amount of Security Deposit is Rs 92.17 lakh. Thus, the commission revised the amount of working capital to Rs 33.31 lakh as against Rs 40.03 lakh claimed in the petition. Details are as follows;

Table 21
Approved Interest on Working Capital for the year 2019-20

Particulars	Trued Up Rs. lakh)
O&M Expenses for One month (48.05/12)	4.00
Maintenance Spares	-
Receivables-2 months Revenue from sale of power (728.98*/12 x 2)	121.48
Less: Security Deposit from Consumers	92.17
Total Working Capital Requirement	33.31
Interest Rate (%) (base rate+2%)	10.55**
Interest on Working Capital	3.51

*Excluding the self-consumption amount of Rs.6.25 lakh

**SBI 1-year MCLR of 8.55% on 01-04-2019 plus 2% thereof total 10.55%

61. ***On the basis of the revised computation as shown above, the Commission hereby approves Rs.3.51 lakh as interest on working capital for the year 2019-20, as against Rs 3.40 lakh claimed.***

Interest on security deposits, Interest paid to KSEB Ltd and Bank charges

62. The licensee has claimed an amount of Rs.5.46 lakh as the interest on security deposit, Rs.0.11 lakh as interest paid to KSEB Ltd and Rs.0.53 lakh as bank charges for the year 2019-20. The details of the claim made by the licensee is given below.

Table 22
Details of Interest and Finance Charges

Particulars	2018-19	2019-20	
	Trued Up (Rs. lakh)	Approved in ARR (Rs. lakh)	As per Truing Up Petition (Rs. lakh)
Interest paid to KSEB Ltd	-	-	0.11
Interest paid to Consumers	1.28	1.45	5.46
Bank charges	0.72	0.80	0.53
Total	2.00	2.25	6.10

63. The Commission noted that there is an increase of Rs.4.10 lakh in the expense when compared to the last year expense and also higher than the amount approved (Rs.2.25 lakh) in ARR&ERC Order dated 26-08-2019. The licensee, vide email dated 05.09.2022, has clarified that in previous years it was omitted to pay interest on Security Deposit to some consumers (mainly LT consumers), which was corrected in 2019-20. This has resulted in abnormal hike in interest on Security Deposits, compared to earlier periods. **The Commission examined the above submission in detail and approves Rs.6.10 lakh as claimed by the licensee towards the Interest on security deposits, Interest paid to KSEB Ltd and Bank charges.**
64. **Total interest and finance charges, as approved by the Commission for the year 2019-20, worked out to Rs.321.08 lakh, which includes Rs 79.05 lakh for the current year and Rs 242.01 lakh for previous years.** Details are as shown below;

Table 23
Approved Interest and Finance Charges for 2019-20

Particulars	Approved in ARR (Rs. lakh)	As per Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)
Interest on Normative Loan	-	0.00	69.44
Interest paid to KSEB Ltd,	-	0.11	0.11
Interest paid to Consumers	1.45	5.46	5.46
Bank charges	0.80	0.53	0.53
Interest on Working Capital	-	3.40	3.51
Sub Total	2.25	9.50	79.05
Prior Period claim (2016-17 to 2018-19)			
Interest on Normative Loan	-	-	242.01
Total	2.25	9.50	321.08

Return on Net Fixed Assets

65. The licensee in the petition for Truing up of accounts for the year 2019-20 has claimed an amount of Rs.27.99 lakh as Return on Net Fixed Assets. The Commission has not allowed Return on NFA up to 2018-19 due to non- approval of capital investments of the licensee. Subsequently, the licensee filed separate petition (OP No.17/2021) for approval of capital investments made and the Commission vide order dated 09.08.2021 has approved the same, observing that the entire asset addition of Rs 971.66 lakh at Cherthala was made out of loan fund. Therefore, the licensee is eligible for Return on NFA from 2016-17 onwards.
66. As per Regulation 29 of Tariff Regulations, 2014 and Regulation 28 of Tariff Regulations, 2018, if the equity capital of the licensee cannot be identifiable, the

return shall be allowed at three percent on the net fixed assets at the beginning of the financial year for such regulated business. **Accordingly, the Commission hereby approves Return on Net Fixed Assets totaling to Rs 108.14 lakh for the years 2016-17 to 2019-20, which includes Rs.25.03 lakh for the year 2019-20 and Rs.83.11 lakh for prior periods.** Details are as follows;

Table 24
Return on NFA approved for the period 2016-17 to 2019-20

Year	Opening Net Fixed Assets (Rs. lakh)	Return on NFA @3% (Rs. lakh)
2016-17	967.93	29.04
2017-18	923.41	27.70
2018-19	878.89	26.37
2019-20	834.37	25.03
Total		108.14

Revenue from Sale of Power

67. In the Truing Up petition, the licensee claimed an amount of Rs.735.23 lakh towards revenue from sale for power of 91.67 lakh units, as against revenue of Rs.1077.13 lakh from sale of 132.60 lakh units approved in the ARR&ERC Order for the year 2019-20. The approved revenue from sale of power for the year 2018-19, as per the Truing Up Order dated 26.06.2021, was Rs.620.27 lakh from 80.28 lakh units. Category wise comparison of the revenue from sale of power for the years 2018-19 and 2019-20 are as shown below:

Table 25
Comparison of No of Consumers, Energy Sales and Revenue for 2018-19 and 2019-20

Category	2018-19			2019-20		
	Consumers	Sale (Units in lakhs)	Revenue from Sale of Power (Rs. lakh)	Consumers	Sale (Units in lakhs)	Revenue from Sale of Power (Rs. lakh)
Industrial	64	9.08	68.10	76	13.59	100.82
Commercial*	13	2.20	25.36	20	1.91	28.09
Street Lighting	2	1.20	4.59	2	1.67	6.98
HT 1 B	4	67.80	522.22	4	73.48	593.09
Self-Consumption				2	1.02	6.25
Total	83	80.28	620.27	104	91.67	735.23

68. As per the petition, major share of revenue from sale of power was from HT I B (Rs. 593.09 lakh) and Industrial (Rs.100.82 lakh) category which consists of 80 consumers and constitutes about 95% of total sales. The Commission further noted that, unlike during previous years, the licensee booked auxiliary

consumption of 1.02 lakh units of energy as sale of power during the year 2019-20.

69. The Commission examined the matter in detail as discussed in paragraph 12 of this Order and observed that the above fictitious accounting of auxiliary consumption by substations and downstream equipments as notional income and expenditure has inflated the sale of power in terms of volume as well as value. **Hence, the Commission approves energy sales of 90.65 lakh units only, as against 91.67 lakh claimed by the licensee for the year 2019-20. Therefore, the Commission hereby approves Rs.728.98 lakh as revenue from sale of 90.65 lakh units of power for the year 2019-20.**

Non-Tariff Income

70. In the petition, the licensee has claimed the non-tariff income for the year 2019-20 as Rs.18.80 lakh, including wheeling charge of Rs.14.60 lakh, as against the approved amount of Rs.5.30 lakh in the ARR&ERC Order. The details are as shown below;

Table 26
Details of Non-Tariff Income

Particulars	2018-19	2019-20
	Trued Up (Rs. Lakh)	As per Truing Up Petition (Rs. Lakh)
Interest on investments, fixed and call deposits and bank balances	0.71	1.45
Interest Received from others (KSEB Ltd)	2.03	1.67
Interest on delayed or deferred payment of bills	-	0.11
Meter Cost	0.22	0.28
Meter Installation Charge	0.05	0.21
Application Fee	0.00	0.48
Others	0.01	-
Sub Total	3.02	4.20
Income from Wheeling Charges	-	14.60
Total Non-Tariff Income	3.02	18.80

71. The major share of non-tariff income was from wheeling charges i.e., Rs.14.60 lakh. The wheeling charge is claimed by the licensee for 26.55 lakh units of energy wheeled by M/s. Smart City during the year 2019-20. **After examining the details furnished by the licensee, the Commission hereby approves the non-tariff income of Rs.18.80 lakh as claimed by the licensee for the year 2019-20.**

Revenue Surplus/Deficit after Truing Up of Accounts for 2019-20

72. The Commission after detailed examination and analysis of each item of expenditure and income as described in the preceding paragraphs, has arrived at the revenue gap for the year 2019-20. The approved Total Expenditure and Total Revenue for the year 2019-20 after truing up is as shown below.

Table 27
Comparison of ARR&ERC for the period 2018-19 and 2019-20

Particulars	2019-20		
	Approved in ARR /Regulations (Rs. lakh)	Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)
Revenue from Sale of Power	1077.13	735.23	728.98
Other Income	5.30	18.80	18.80
Total Income	1082.43	754.03	747.78
Purchase of Power	967.68	648.08	641.38
Employee Cost	12.17	12.98	11.80
R&M Expenses	21.09	30.09	30.09
A &G Expenses	11.78	12.41	6.16
Prior Period Employee Cost	-	0.71	0.71
Depreciation	-	44.52	44.52
Prior Period Depreciation	-	-	133.56
Interest and Finance Charges	2.25	9.50	79.05
Prior Period Interest and Finance Charges	-	-	242.01
Return on NFA	-	27.99	25.03
Prior Period Return on NFA	-	-	83.11
Total Expenditure	1014.97	785.57	1297.42
Net Surplus/(Deficit)	67.46	(32.25)	(549.64)

Orders of the Commission

73. The Commission, after considering and detailed examination of the petition of the licensee for the Truing Up of accounts for the period 2019-20, additional information submitted thereon and objections raised by KSEB Ltd., approves the following;

- i. The Income for the year 2019-20 is **Rs.747.78 lakh**
- ii. Total Expenditure for the year 2019-20 is **Rs.1297.42 lakh**
- iii. The revenue deficit for the year 2019-20 is **Rs.549.64 lakh** and

- iv. The cumulative revenue deficit of the licensee up to 2018-19 was Rs 115.20 lakh and therefore the cumulative deficit as on 31.03.2020 will be **Rs.664.84 lakh** (Rs.549.64 lakh+ Rs.115.20 lakh)

Directives

74. The Commission issues the following directives for compliance by the licensee
- i. Fictitious accounting of auxiliary consumption of power by substations and downstream equipments needs to be discontinued from 2020-21 onwards (Para 12)
 - ii. Action should be taken to restrict the distribution loss at approved level (Para 17)
 - iii. Solar power purchased from the prosumer should be suitably accounted for in the financial statements of the licensee (Para 24).
 - iv. Power purchase accounts with KSEB Ltd should be reconciled and necessary accounting adjustments carried out before filing trueing up petitions in future (Para 25)
 - v. The licensee should include claim for normative interest on approved capital investments at Infopark, Cherthala area in future petitions.
75. The petition is disposed of. Ordered accordingly.

Sd/-

Adv. A.J. Wilson

Member (Law)

Approved for Issue

Sd/-

Secretary