

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

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

**OP 34/2023**

In the matter of : Truing Up of accounts of M/s KINESCO Power and Utilities Private Limited for the financial year 2021-22.

Petitioner : M/s Kinesco Power and Utilities Private Limited (KPUPL)

Date of hearing : 05.07.2023

Represented by : Sri. Ajith Kumar T.N., CEO KPUPL  
Sri. S. N. Ashok Kumar, Manager (Finance), KPUPL  
Sri. Sajeev M.S., Resident Engineer, KPUPL

Respondent : M/s Kerala State Electricity Board Limited

Represented by : Sri. Rajan, Deputy Chief Engineer, TRAC, KSEB Ltd  
Sri. Ajith Kumar K.N, Executive Engineer, KSEB Ltd  
Sri. Rajesh R, Assistant Executive Engineer, KSEB Ltd  
Sri. Shine Raj, Assistant Engineer, KSEB Ltd  
Smt.Biji Christudas, Assistant Engineer, KSEB Ltd

**Order Dated 21.08.2023**

1. KINESCO Power and Utilities Private Limited (hereinafter referred to as KPUPL or licensee or the petitioner) is a 100% subsidiary of KINFRA which was earlier a joint venture between KINFRA and NESCL and constituted originally for the electric supply to the units in industrial parks under KINFRA. Before the formation of KPUPL, the electricity distribution licence was in the name of KINFRA Export Promotion Industrial Park (KEPIP) and this licence was transferred to the name of KPUPL on its formation by transferring the electricity distribution assets of KEPIP to KPUPL. The service area of the distribution licensee consists of four industrial parks of KINFRA and are (1) KEPIP Kakkanad, (2) Hi- Tech Park Kalamassery, (3) KIITP Kanjikode and (4) KINFRA Mega Food Park Kozhipara, Kanjikode.
2. The KPUPL has filed the instant petition on 10.02.2023 as per the provisions of KSERC (Terms and Conditions for Determination of Tariff) Regulations 2018 (hereinafter referred to as the Tariff Regulations, 2018) for the Truing Up of accounts for the year 2021-22 which was received on 15.02.2023. As per the Regulation 10(1) of the Tariff Regulations, 2018, the petition for Truing Up of

Accounts for the year 2021-22 has to be filed by 30-11-2022. Hence, the licensee filed the petition for condonation of delay (IA 3/2023). The Kerala State Electricity Regulatory Commission (hereinafter referred to as the Commission) considered the matter and vide Order dated 20.06.2023 condoned the delay of 76 days and the petition for truing up of accounts for 2021-22 was admitted as OP No.34/2023.

3. The licensee had filed the ARR&ERC (Aggregate Revenue Requirement and Expected Revenue from Tariff and Charges) petition for the control period 2018-19 to 2021-22 in the month of December 2019 (07-12-2019) and subsequently filed a revised petition on 15-06-2020. The Commission while hearing the ARR&ERC petition on 17-09-2020 (second hearing) observed that there is no point in issuing ARR&ERC Order for the year 2018-19 and 2019-20 as these periods are already over and hence directed the petitioner vide Daily Order dated 01-10-2020 to file the petitions for truing up the accounts for the year 2018-19 by 30-11-2020 and 2019-20 by 31-12-2020. The Commission further directed the licensee to submit the Mid Term Performance Review for the remaining Control Period based on the Truing Up of accounts for the period 2018-19 and 2019-20. The licensee had not furnished details for Mid Term review.
4. KPUPL has filed the present petition for the Truing Up of Accounts for the year 2021-22 with the following prayers:
  - a) Approve the true up petition based on the forms and Annexures submitted herewith for the financial year 2021-22.
  - b) Approve the actual T&D loss of 1.72% for the year 2021-22.
  - c) Compute interest on the regulatory surplus to include in other income, after removing the expenses that have not been approved by the Hon'ble Commission like Electricity duty u/s.3 till the year 2021-22.
  - d) Compute ROE on the equity and share premium account as per Commission's earlier (2006) clarification.
  - e) Approve the revenue surplus of Rs.395.20 lakhs for the year 2021-22.
  - f) Approve the capital expenditure of Rs.11.90 lakhs for the year 2021-22.
  - g) Approve the depreciation schedule for the year 2021-22.
  - h) Condone any inadvertent omissions, errors, shortcomings and permit KPUPL to add/change/modify/alter this filing and make further submissions as may be required at a future date.
  - i) Pass such other and further order as deemed fit and proper in the facts and circumstances of the case.

5. In the petition for truing up the accounts, the licensee has claimed a revenue surplus of Rs.395.20 lakh. Commission had not issued order on ARR&ERC for the control period. Considering the submission made by the licensee in the petition, the Commission had sought clarifications and had directed the licensee to submit the revised petition in line with the Order on truing up of accounts for the year 2020-21 dated 20.06.2023 in OP 79/2022. The licensee vide letter dated 30.06.2023 submitted the reply to the clarifications sought and had revised the claim on depreciation. Considering the revised submission, **the revenue surplus for the year is Rs.419.20 lakh.** The comparison of amount claimed by the licensee as per the present petition and the expenses and revenue approved in the Truing Up Orders for the previous year is shown below:

**Table 1**  
**Comparison for the period 2020-21 and 2021-22**

Particulars	2020-21		2021-22		Difference (Rs. lakh) (D - A)
	Truing Up Petition (Rs. lakh) (A)	Trued Up (Rs. lakh) (B)	Truing Up petition (Rs. lakh) (C)	Revised submission (Rs. lakh) (D)	
Purchase of Power	4449.97	4357.86	4587.68	4587.68	137.71
Employee Cost	59.57	59.57	67.93	67.93	8.36
R&M Expenses	76.32	76.32	95.68	95.68	19.36
A &G Expenses	86.86	49.20	110.46	110.46	23.60
Depreciation	101.05	69.54	91.16	67.17	-33.88
Prior Period Depreciation	-	122.23	0.00	0.00	-
Interest & Finance Charges	71.99	62.98	69.26	69.26	-2.73
Prior Period Interest (claw back)	-	-13.60	0.00	0.00	-
Return on Equity	45.64	4.43	45.64	45.64	0.00
<b>Total Expenditure</b>	<b>4891.40</b>	<b>4788.53</b>	<b>5067.82</b>	<b>5043.82</b>	152.42
Revenue from Sale of Power	5181.25	5164.98	5267.07	5267.07	85.82
Non-Tariff Income	162.30	361.57	195.95	195.95	33.65
<b>Total Income</b>	<b>5343.55</b>	<b>5526.55</b>	<b>5463.02</b>	<b>5463.02</b>	119.47
<b>Net Surplus/(Deficit)</b>	<b>452.15</b>	<b>738.02</b>	<b>395.20</b>	<b>419.20</b>	<b>-32.95</b>

### Public Hearing on the Petition

6. The public hearing on the Truing Up petition was conducted at the Court Hall, Office of the Commission on 05-07-2023. Sri. Ajith Kumar T.N, CEO, Sri. Ashok Kumar, Manager (Finance), Sri. Sajeev M.S., Resident Engineer represented the licensee. Sri. Sajeev M.S, Resident Engineer made a presentation on the Truing Up petition and responded to the queries of the Commission. The main points made by the licensee are:

- a) There is increase in the number of consumers and sale of power compared to the previous year. The actual energy sale during the year 2021-22 is 664.77 lakh units.
- b) The distribution loss before considering the energy wheeled through open access is 1.64 % whereas the distribution loss after considering the energy wheeled through open access is 1.72 %.
- c) The licensee has claimed Rs.4587.68 lakh for the purchase of 675.99 lakh units. Out of this energy input, 673.95 lakh units was purchased from KSEB Ltd and 2.04 lakh units was from solar generation.
- d) The Chief Executive Officer and the Accounts Officer were engaged on regular role and all technical and administrative functions were outsourced through man power agency. The licensee for the year 2021-22 has claimed an amount of Rs.67.93 lakh as employee cost for the year.
- e) Major part of R&M Expenses for the years were incurred for the operation and maintenance contract (Rs. 95.68 lakh) in the license areas of KPUPL.
- f) The distribution areas under KPUPL are spread over at different locations at Kakkanad, Kalamassery and Palakkad which cause more administrative expenses. On the other side, the company has taken all the effective measures to limit the A&G expenses under control. The licensee in the petition has claimed A&G expense of Rs.110.46 lakh which also includes duty under section 3 of the Kerala Electricity Duty Act.
- g) During the year, a capital addition of Rs.11.90 lakh has been made by the licensee and Rs.67.17 lakh is claimed as depreciation for the year.
- h) The licensee has claimed an amount of Rs.69.26 lakh towards Interest and Finance charges and Rs. 45.64 lakh as Return on Equity.
- i) The revenue from sale of 664.77 lakh units is Rs.5267.07 lakh
- j) The revenue from wheeling charge and cross subsidy collected by the licensee for the year 2021-22 is Rs.32.06 lakh
- k) The Other Operational income claimed by the licensee during the year 2021-22 is Rs.163.89 lakh
- l) Accordingly for the year 2021-22, the revenue surplus is Rs.419.20 lakh

7. The KSEB Ltd filed the following comments on the Truing Up petition.

- i. The O&M expenses claimed in true petition is 64.84% higher than approved cost. Since O&M expense is a controllable expense the O&M expense may be limited to approved level.
- ii. Electricity Duty under section 3(1) is also claimed in the A&G expenses. The Commission may adopt uniform approach regarding sec 3(1) duty.

- iii. KPUPL has sought approval for capital expenditure for Rs 11.90 lakh. It is mentioned in the petition that approval of the capital expenditure plan is pending. The prior approval is to be sought for capital expenditure.
- iv. Depreciation of assets is calculated on straight line method. The licensee has claimed a depreciation of Rs 67.17 lakh and a cumulative depreciation of Rs 910.69 lakh. The depreciation for the assets created out of governments grants is to be deducted from the depreciation amount. Depreciation may be allowed only after verifying the asset details and exercising prudence checks.
- v. KPUPL has claimed interest and finance charges as Rs 69.26 lakh, against the trued up value of Rs 62.98 lakh for 2020-21. The closing normative loan as per true up Order dated 20.06.2023 is Rs 514.12 lakh, but the opening normative loan claimed by M/s KPUPL in the petition is Rs 822.21 lakh. Percentage of interest claimed is 11.5%, which is on higher side.
- vi. The equity may be limited Rs 31.64 lakh as decided by the Commission in the previous years and ROE may only be allowed accordingly.
- vii. The power purchase cost claimed by the licensee tally with accounts of KSEB Ltd.
- viii. The solar self-generation cost is also added in the power purchase cost. If the licensee claims depreciation, interest on loan etc for the cost of installation of solar generation, the cost of self-generation cannot be included in power purchase cost. Even if the purchase cost from any source is to be included, the cost of that power is to be approved by the Commission. Such approval is also not obtained by KPUPL. Hence self-generation cost cannot be included in power purchase cost.
- ix. The liability provision of Rs.102.01 lakh is claimed for RPO in 2021-22. It is not specified whether KPUPL has purchased RE certificates. In true up process, the actual amount spent is to be taken. As such, the provision for RPO shall not be taken in power purchase cost.
- x. Commission in the truing up of accounts for FY 2020-21 had approved a non tariff income of Rs 289.09 lakh which included the interest on accumulated revenue surplus. Commission in the true up order (For FY 2020-21) dated 20.06.2023 in OP 79/2022 has approved a cumulative revenue surplus of Rs 5784.58 lakhs. In the current petition the licensee has not accounted the interest on accumulated surplus as part of non – tariff income. In the previous truing up orders Commission has made it clear that the interest on accumulated surplus at the beginning of the year has to be accounted as other income for the concerned year.

## Analysis and decision of the Commission

8. The Commission considered the petition of the licensee for Truing Up of Accounts for the year 2021-22 along with the additional clarifications furnished by the licensee vide letters dated 30.06.2023 and 11.07.2023, the clarifications provided in the public hearing and the comments of KSEB Ltd. The analysis and decisions of the Commission as per the provisions of the Tariff Regulations, 2018 on the petition for Truing Up of Accounts for the year 2021-22 are detailed below.

### Energy Sales and Consumer Mix

9. The actual sale of energy as per the Truing Up of accounts is 664.77 lakh units for the year 2021-22. During 2020-21, the total sales was Rs.627.41 lakh units. A comparison of the actual sale of power and category wise number of consumers for the year 2020-21 and 2021-22 is given below.

**Table-2**  
**Comparison of number of consumers and sales during 2020-21 and 2021-22**

Particulars	2020-21		2021-22	
	Number of consumers	Units Sold (lakh units)	Number of consumers	Units Sold (lakh units)
HT Categories	55	485.64	55	519.08
Deemed High Tension (DHT)	49	76.14	41	71.08
LT Categories	338	65.63	366	74.61
<b>Total</b>	<b>442</b>	<b>627.41</b>	<b>462</b>	<b>664.77</b>

10. Compared to the previous year, there is an increase in the number of consumers and aggregate increase in sale of power. The sales have started improving from the impact of COVID 19. ***After analyzing the details and duly considering the recovery from COVID 19, the Commission hereby approves the actual energy sales of 664.77 lakh units as per petition for the purpose of Truing Up of Accounts for the financial year 2021-22.***

### Energy Requirement and Distribution loss

11. As per the Truing Up petition, the total energy input during the year 2021-22 is 675.99 lakh units. Out of this energy input, 673.95 lakh units was purchased from KSEB Ltd, 1.24 lakh units was from self-solar generation and 0.80 lakh units from solar purchase from consumers. The licensee has claimed a distribution loss of 1.72% for the year 2021-22. The details of the distribution loss for the year 2021-22 as per the petition are as shown below.

**Table-3**  
**Distribution loss for the year 2020-21 and 2021-22**

Sl. No.	Particulars	2020-21 (Actual)	2021-22 (Actual)
1.	Energy Purchased from KSEB Ltd and Solar generation (lakh units)	637.78	675.99
2.	Energy Sales (lakh units)	627.41	664.90
3.	Distribution Loss (lakh units) (1) - (2)	10.37	11.09
4.	Distribution Loss % [(3/1) *100]	<b>1.63%</b>	<b>1.64%</b>
5.	Wheeled Energy input (lakh units)	30.07	15.96
6.	Total Energy Input (lakh units) (1) + (5)	667.85	691.95
7.	Wheeled Energy Sales (lakh units)	28.53	15.16
8.	Total Energy Output (lakh units) (2) + (7)	655.94	680.06
9.	<b>Distribution Loss (lakh units) (6)-(8)</b>	<b>11.91</b>	<b>11.89</b>
10.	<b>Net Distribution Loss % [(9/6) *100]</b>	<b>1.78%</b>	<b>1.72%</b>

12. In the petition, the licensee has stated that the increasing trend of distribution technical loss excluding wheeled energy is due to the following reasons.

- The actual distribution loss based on the total energy input and output excluding energy wheeled through Short Term Open Access is only 1.64% during the year 2021-22 and 1.61% as in 2020-21.
- The loss incurred in the wheeling of energy through open access cannot be controlled by the licensee.
- The distribution loss also increased due to the ageing of electrical installations at Kakkanad and Kalamassery area.

13. The following table shows the area wise distribution loss (Considering wheeled energy through open access) claimed by licensee in the petition for the year 2021-22.

**Table 4**  
**Distribution loss claimed by the licensee for the year 2021-22**

Licensee Area	Purchase (lakh Units)		Total Purchase (lakh Units)	Total Sales (lakh Units)	T & D Loss (lakh Units)	T & D Loss (%)
	KSEB Ltd	SOLAR				
Kakkanad	551.08	0.84	551.91	546.07	5.84	1.06%
Kalamassery	53.72	0.75	54.47	51.42	3.05	5.60%
KIITP	59.91	0.45	60.37	58.48	1.88	3.12%
Mega Food Park	9.24	0	9.24	8.80	0.44	4.75%
Station Aux.	0	0	0	0.13	0	
<b>Total</b>	<b>673.95</b>	<b>2.03</b>	<b>675.99</b>	<b>664.9</b>	<b>11.09</b>	<b>1.64%</b>
Open Access	15.96	0	15.96	15.16	0.80	5.04%
<b>TOTAL</b>	<b>689.92</b>	<b>2.03</b>	<b>691.95</b>	<b>680.06</b>	<b>11.89</b>	<b>1.72%</b>

14. The licensee vide letter dated 11.07.2023 had submitted before the Commission stating that an error had crept in the energy consumption at KINFRA Mega Food Park, Kozhipara, Palakkad. The licensee has stated that the annual power purchase units were tabulated based on the monthly demand notices issued from Special Officer (Revenue) towards various license areas of KPUPL. In the demand notice issued on 5th April 2022 by Special Officer (Revenue), KSEB Ltd, for the month of March 2022 towards KPUPL license area at KINFRA Mega Food Park, Kozhipara, Palakkad, the energy consumption (kWh) shown was 87064 units. The energy meter was stuck during the month of March 2022. These units were taken into account for tabulating the power purchase units in Truing Up towards Mega Food Park for the year 2021-22. Subsequently, on 13th October 2022, a revised demand notice for the month of March 2022 was again issued by Special Officer (Revenue), KSEB Ltd, in which the energy consumption (kWh) was modified as 141567 units. Accordingly, an increase of 54503 units has been occurred in the revised demand issued for the month of March 2022. Since the revised demand was issued in the month of October 2022, payment against the revised demand was booked in the month of October 2022 as expense for the year 2022-23 and so additional energy units were not taken into account for the year 2021-22. This error has been noticed during the reconciliation of power purchase energy units with KSEB Ltd.
15. Since the additional energy units were actually consumed during the month of March 2022, the said units are to be considered in the purchased units for the calculation of T&D loss for the year 2021-22. Thus, the total units purchased for KINFRA Mega Food Park shown as 9.24 lakh units is to be revised as 9.79 lakh units. Accordingly, the T&D loss for KPUPL will be revised as 1.64% and the overall loss will be 1.80%. The revised distribution loss for the year 2021-22 is tabulated below.

**Table 5**  
**Revised Distribution loss claimed by the licensee for the year 2021-22**

Licensee Area	Purchase (lakh units)		Total Purchase (lakh units)	Total Sales (lakh units)	T & D Loss (lakh units)	T & D Loss (%)
	KSEB Ltd	SOLAR				
Kakkanad	551.08	0.84	551.91	546.07	5.85	1.06%
Kalamassery	53.72	0.75	54.47	51.42	3.05	5.60%
KIITP	59.91	0.45	60.36	58.48	1.88	3.11%
Mega Food Park	9.79	0	9.79	8.80	0.99	10.11%
Station Aux.	0	0	0	0.13	(-) 0.13	-
<b>Total</b>	674.50	2.04	676.54	664.90	11.64	1.72%
Open Access	15.96	0	15.96	15.16	0.80	5.01%
<b>TOTAL</b>	690.46	2.04	692.50	680.06	12.44	1.80%



16. The Commission notes that, about 82% of the total sale of power is in Kakkannad area and the T&D loss is only 1.06% whereas in other areas it ranged from 3.15% to 10.05%. The Commission further notes that M/s.Nitta Gelatine (I) Ltd is drawing energy from the traded periphery through KPUPL distribution system as open access consumer. As per clarification dated 30.06.2023 the licensee submitted, the methodology adopted for calculating wheeled energy through Short Term Open Access (STOA). The licensee submitted that, the Chief Engineer (Transmission System Operation) vide their letter No. CESO/EELD II/OA General/2023-24/591 dated 27.06.2023 informed that the wheeled energy by Short Term Open Access (STOA) Customers at each level is calculated by deducting the losses at that level. The Inter State Transmission Loss (ISTS) is declared by NLDC weekly. The state transmission loss and distribution loss at HT level is declared by Hon'ble KSERC. The loss declared by NLDC and Hon'ble KSERC are considered for calculating the wheeled energy at each level by power exchanges and the same is made available to SLDC. SLDC verifies the energy and accordingly the energy wheeled by each open access customer is obtained. The copy of the letter cited was also attached for perusal. The input wheeled energy in the KPUPL periphery is 15.96 lakh units for M/s. Nitta Gelatine (I) Ltd. The licensee has also stated that, the wheeled energy in the Consumer periphery is 15.16 lakh units for M/s. Nitta Gelatine (I) Ltd.
17. The revised distribution loss (including wheeled energy) calculated by the Commission for the year is 1.80%, whereas the loss approved by the Commission for the year 2020-21 was 1.78%. It is clarified that there is no relevance in working out two different loss figures, viz with and without wheeled energy. The distribution loss is to be worked out as the difference between input energy (inclusive of energy procured by open access consumers) and sum of energy sold by licensee and energy availed by open access consumers at their metering point, since this sum correctly provides the total metered consumption in the area. The Commission further notes that, the distribution loss was revised by the licensee due to error in the quantum of power purchase for the month of March 2022 towards KPUPL license area at KINFRA Mega Food Park, Kozhipara, Palakkad. The Commission considered the same for calculating distribution loss for the year 2021-22. Since the actual payment for power purchase cost for the same is made only in 2022-23, the licensee can claim this amount during the truing up of accounts for the year 2022-23. **Accordingly, the Commission hereby approves the distribution loss of 1.80% for the year 2021-22 and the detailed calculation is given below.**

**Table 6**  
**Distribution loss approved for the year 2021-22**

Licensee Area	Input Energy (lakh Units)			Total Input (lakh units)	Total Metered Sales (lakh Units)	T & D Loss (lakh Units)	T & D Loss (%)
	KSEB Ltd	SOLAR	Open Access				
Kakkanad	551.08	0.84	15.96	567.88	561.23*	6.65	1.17
Kalamassery	53.72	0.75	-	54.47	51.42	3.05	5.60
KIITP	59.91	0.45	-	60.36	58.48	1.88	3.11
Mega Food Park	9.79	0	-	9.79	8.80	0.99	10.11
Station Aux.	0	0	-	0	0.13	-0.13	-
<b>Total</b>	<b>674.5</b>	<b>2.04</b>	<b>15.96</b>	<b>692.50</b>	<b>680.06</b>	<b>12.44</b>	<b>1.80</b>

\*Inclusive of open access sales

### Power Purchase Cost

18. The power purchase cost as per the petition for Truing Up of accounts is Rs.4587.68 lakh for 2021-22 which includes Rs.4479.69 lakh for power purchased from KSEB Ltd, Rs.3.64 lakh for solar generation, Rs.2.34 lakh for solar purchase from consumers and Rs.102.01 lakh for provision for Renewable Power Obligation. The details of Power purchase cost claimed by the licensee is shown below;

**Table 7**  
**Power Purchase cost for the year 2020-21 and 2021-22**

Particulars	2020-21 Truing Up Petition (Rs. lakh)	2021-22 Truing Up Petition (Rs. lakh)
Contract Demand (kVA)	16200	16200
Maximum Demand (kVA)	13342	14646
Excess Demand (kVA)	193	265
Units Purchased (lakh units)	636.52	673.95
Solar generation (Self) (lakh units)	1.27	1.24
Solar Purchase (Consumers)	-	0.80
Fixed Charges (Rs. lakh)	624.97	533.87
Variable Charges (Rs. lakh)	3732.89	3945.82
Sub Total	4357.86	4479.69
Solar generation (Self) (Rs. lakh)	4.63	3.64
Solar Purchase (Consumers) (Rs. lakh)		2.34
Renewable Power Obligation (Rs. lakh)	87.48	102.01
TOTAL (Rs. lakh)	4449.97	4587.68
Average Rate (Rs. per unit)	6.98	6.79

19. It is seen that there is an increase in the purchase of power and cost compared to the previous year. The licensee has claimed Rs.3.64 lakh as power purchase cost for self-solar generation of 1.24 lakh units. It is to be noted that the licensee had already claimed capital expenditure for the Solar panels of Rs.23.25 lakh in 2018-19 and Rs.35.68 lakh in 2019-20 respectively which was approved by the Commission while Truing Up the accounts for the respective years. It is pertinent

to note that the licensee has claimed depreciation, interest on loan and other expenses towards the capital cost of solar power installations and thus the licensee is not eligible for notional power purchase cost for solar self-generation as claiming cost based on normative tariff on solar power will result in double recovery of cost of capital. Booking the cost based on APPC rate is also not correct, since the same is only applicable to prosumers whose sale is only incidental after their own use. **Hence the licensee's claim of Rs.3.64 lakh towards cost of solar self-generation is not approved.**

20. The licensee further stated that, during the year 2021-22, the licensee has purchased 0.80 lakh units from consumers at a cost of Rs.2.34 lakh. The billing of Solar energy prosumers was done at the variable cost of Rs.2.94 per unit. As per the provision of Kerala State Electricity Regulatory Commission (Renewable Energy and Net Metering) Regulations, 2020 (Regulation No.21 (5)), the licensee shall pay for the net electricity balance in his account at the end of the settlement period, at the Average Power Purchase Cost (APPC) approved by the Commission. The Commission noted that, as per the Order on 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. The Commission vide Order dated 16.02.2022 had approved APPC rate for the settlement period 2021-22 as Rs.3.22/unit **Therefore, the Commission hereby provisionally approves the solar power (0.80 lakh units) purchased from the prosumer at the rate of Rs.2.94 per unit at a total cost of Rs.2.34 lakh. Also, the Commission hereby directs that the shortfall in amount shall be adjusted in the prosumers' account and to carry out necessary book adjustments with the prosumers to incorporate the solar power purchase cost in the annual financial statements and submit necessary details with supporting documents while filing the Truing up petition for the subsequent period, for admitting such claims.**
21. With regard to the claim of Rs.102.01 lakh as part of power purchase cost towards meeting the Renewable Power Obligation, it is noted that no expenditure on purchase of RE Certificate for meeting this obligation has been incurred by the licensee during the year. **As this expense can be considered only on production of proof of purchase on this account, the licensee's claim of Rs.102.01 lakh is not approved.**
22. **Accordingly, the Commission has considered only the actual power purchase cost of Rs.4482.03 lakh (excluding the provision of RPO obligation and the claim towards the solar generation cost) incurred for the power purchased from KSEB Ltd and solar energy from prosumers for the year 2021-22.**

## Operation & Maintenance Expenses

23. Operation and Maintenance expenses are controllable expenses which include Employee cost, Repair & Maintenance expenses and Administrative & General expenses. The Operation and Maintenance expenditure claimed for the year 2021-22 is higher than the norms approved in the Tariff Regulations, 2018. The Commission while approving the norms in the Tariff Regulations, 2018 had approved the Operation and Maintenance expense of Rs.166.25 lakh for 2021-22. The licensee in the petition has claimed total operation and maintenance expense of Rs.274.07 lakh. During the year 2020-21, the actual O&M claimed was Rs.222.75 lakh. The Commission had considered the submission and after prudence check had approved Rs.185.09 lakh as total O&M expense for 2020-21. A comparison of the expenses in 2020-21 and 2021-22 is tabulated below.

**Table 8**  
**Comparison of the O&M expenses for 2020-21 and 2021-22 (Rs. Lakh)**

Particulars	2020-21			2021-22	
	Approved Norms	For Truing Up	Trued Up	Approved Norms	For Truing Up
Employee Cost	41.97	59.57	59.57	44.00	67.93
R & M Expenses	75.90	76.32	76.32	79.57	95.68
A & G Expenses	40.71	86.86	49.20	42.68	110.46
<b>Total O&amp;M</b>	<b>158.58</b>	<b>222.75</b>	<b>185.09</b>	<b>166.25</b>	<b>274.07</b>

### Employee cost

24. The employee cost claimed by the licensee for the year 2021-22 is Rs.67.93 lakh. The Commission in the Tariff Regulations, 2018 had approved an amount of Rs.44.00 lakh as the employee cost for the year. The licensee has submitted that the Chief Executive Officer and an Accounts Officer were engaged on regular role and all technical and administrative functions were outsourced to keep the employee cost on lower side. A comparison of the actual employee cost claimed is shown below.

**Table 9**  
**Employee Cost for the year 2019-20, 2020-21 and 2021-22 (Rs. lakh)**

Particulars	2019-20 As per Truing Up Petition	2020-21 As per Truing Up Petition	2021-22 As per Truing Up Petition
Basic Pay	27.30	10.75	19.05
Dearness allowance (AO)	5.58	5.63	5.72
House Rent Allowance	0.09	0.13	0.22
Conveyance Allowance	0.27	0.08	0.00
Earned leave encashment	0.59	3.83	0.00
Other Allowance	0.16	1.12	0.52
Medical Reimbursement	1.08	1.43	0.68
Staff Welfare Expense	1.51	1.10	0.82
Training Expense	0.03	-	

Provident Fund Contribution	0.88	1.21	1.26
Manpower outsourced for support functions (Payment to Consultants and outsourced staff)	38.56	34.29	39.65
<b>Total Employee Cost</b>	<b>76.05</b>	<b>59.57</b>	<b>67.93</b>

25. Compared to the previous year, there is increase in the actual employee cost. The licensee in the petition has stated that Government of Kerala vide G.O.(Rt) No. 567/2020/ID dated 28.07.2020 appointed Sri. T M Ajith Kumar, Deputy Chief Engineer (Rtd.), KSEB Ltd as Chief Executive Officer of KPUPL. 50th meeting of Board of Directors held on 26.09.2020 accorded sanction for Rs.50,000/- per month as advance till finalisation of terms and conditions of service by Govt. of Kerala. Govt. of Kerala, vide Ref GO (Ms) No.100/2022/ID dt 30.09.2022 have fixed the remuneration of CEO as Rs. 93,919/- per month and accordingly, arrears up to 31.03.2022 have been worked out and accounted for in March 2022.
26. The licensee has further stated vide clarification letter dated 30.06.2023 that, the arrear payment of CEO was worked out based on the GO (Ms) No.100/2022/ID dt 30.09.2022 and the proportionate amount was debited in the Salaries Account on 31.03.2022 since the accounts for the year 2021-22 was in the audit stage. The Payment of the arrear was made on 01.11.2022. Out of the total arrears amount of Rs.11.37 lakh, Rs.8.74 lakh is for the period 31-08-2020 to 31.03.2022. **The Commission is approving such expenditure in the Truing up of accounts only on cash basis after appraising the prudence of the amount incurred. Considering the facts that the arrear salary of Rs.8.74 lakh was only a provision in the accounts and no actual out flow of cash had occurred during this period, the Commission is not in a position to approve the arrears of salary on accrual basis for the year 2021-22.**
27. The Commission in the Order on truing up of accounts for the year 2019-20 dated 18.02.2022 had directed the licensee to file a separate petition showing the employee details. The licensee had submitted that, Govt. of Kerala has been requested through KINFRA to create vacancies and to fill the same with experienced and qualified personnel. It was also stated that, in view of additional license area and other expansion work, the licensee is in the process of man power planning. It was further stated that the licensee is in the process of compiling the data of the required/available employee strength, qualifications, experience, scale of pay, number engaged in shifts etc. based on CEA norms. **The licensee is directed to submit an updated report detailing the development in the matter within 3 months from the date of the Order.**
28. As per Tariff Regulations 2018, the normative employee expense approved for the year 2021-22 is Rs.44.00 lakh. The Commission observes that the Tariff Regulations were notified in 2018 whereas the Order on truing up of accounts for the years 2010-11 to 2014-15 was issued only on 31.03.2020. As such it is

evident that while finalizing the Tariff Regulations 2018, the actual employee expense for the year 2014-15 was not available with the Commission. Further the licensee is having only two regular employees, ie. the CEO and AO and all other manpower is outsourced.

29. During 2020-21, while truing up the accounts, the licensee had claimed Rs.59.57 lakh as employee cost as against Rs.41.97 lakh approved in the Tariff Regulations. Considering the facts that the actual expenses was not considered while finalising the norms for the Control period, the Commission had approved Rs.59.57 lakh as employee cost for the year 2020-21 as claimed by the licensee.
30. **Considering all these aspects, the Commission adopted the same methodology taken for the year 2020-21 and hereby approves the employee expenses of Rs. 59.19 lakh (excluding the arrears amount of Rs.8.74 lakh) for the year 2021-22.**

### R & M Expenses

31. The petitioner has claimed Rs.95.68 lakh towards R&M expenses for the year 2021-22 as against Rs.79.57 lakh approved in the Tariff Regulations 2018. Major part of R&M Expenses is incurred for the operation and maintenance of the sub-stations which are awarded through proper tendering process. There are 110 KV and 22KV Substations and 11KV control station spread at different locations. The licensee has also stated that they had taken the pending maintenance works which has kept in abeyance in the year 2020-21 for which an amount of Rs. 17.47 lakh has been incurred during the year 2021-22. The Commission while truing up the accounts for the year 2020-21 had approved the actual amount of Rs. 76.32 lakh as claimed by the petitioner. A comparison of the R&M for the year 2020-21 and 2021-22 is tabulated below. The details of claim submitted by the licensee is shown below.

**Table 10**  
**R&M expenses for the year 2020-21 and 2021-22 (Rs. Lakh)**

Particulars	2020-21	2021-22
Operation and Maintenance: SS at Kakkanad	35.59	41.35
Operation and Maintenance: Kalamassery LA	17.16	18.40
Operation and Maintenance: SS at KIITP, Kanjikod	14.75	18.46
Operation and Maintenance: Kinfra MFP Kanjikode	2.47	0.00
Repairs/ Break-down maintenance:		
Kakkanad	2.55	9.20
Kalamassery	1.12	1.81
KIITP, Palakkad	1.07	1.37
Kinfra Mega Food Park, Kanjikode	1.24	0.39
Spares & Consumables	1.34	4.48
<i>Sub Total</i>	6.12	17.25
Repair and Maintenance: Building, Office Equipment/ Furniture & fixtures etc	0.23	0.21
<b>Total</b>	<b>76.32</b>	<b>95.68</b>

32. There are 110 KV and 22KV Substations and 11KV control station spread at different locations. The operation and maintenance of substations are carried out with qualified personnel as specified in CEA manual relating to Safety & Electric Supply Regulations 2010. The licensee has also stated that, for supplying uninterrupted power to the areas, KPUPL is using 11KV RMUs and UG cabling system with ring mains. It was further stated that due to limited competition for bidding contracts of such small magnitude, there has been an increase of expenditure for operation and maintenance contract for the year 2021-22. The licensee further stated that, the licensee has taken the pending maintenance works which has kept in abeyance in the year 2020-21 for which an amount of Rs.17.47 lakh has been incurred during the year 2021-22.
33. The Commission notices that in 2018-19, the O&M contract was awarded to M/s. Geresh Electricals Pvt Ltd after final negotiation at Rs.69.42 lakh. In 2019-20 work was awarded to M/s. Sterling & Wilson Pvt Ltd, being the lowest bidder, at Rs.67.60 lakh and in 2020-21 and 2021-22 work was awarded to M/s. Electroteck Engineers at Rs.144.93 lakh for two years (Average rate per year Rs.72.46 lakh). In 2019-20 Truing Up Order, the Commission had directed the licensee to explore the possibility of floating a joint/consolidated O&M tender with the other licensees located at Kakkanad. The licensee has not mentioned about this matter in the petition/clarifications.
34. As per the provisions of the Regulations, the norm fixed for R&M expense for the year 2021-22 is Rs.79.57 lakh. R&M expenses being controllable expenses, the licensee is bound to limit the actual expenses within the norm fixed. The Commission has examined the submission of the licensee and observed the fact that the licensee has also claimed Rs.17.47 lakh incurred for taking up pending maintenance works which was kept in abeyance in the year 2020-21 and the licensee has not submitted proper explanation and details of expenses incurred for carrying out the pending maintenance works.
35. The Commission observed that, such expenses which are routinely incurred in every year shall be captured in the O&M norms specified by the Commission and only onetime expenses, if any, that can be treated as force majeure events can be considered above the normative expenses. However, taking a lenient view, on consideration of the fact that the latest trued up figures were not available at the time of specifying O&M norms the Commission is of the considered view that R&M expenses approved for the previous year can be escalated @4.84% for arriving at the R&M expenses for 2021-22. The Commission in the Tariff Regulations, 2018 has approved an amount of Rs.79.57 lakh as R&M expense for the year considering an escalation rate of 4.84% to the previous year.

The Commission notices that the trued up amount for the year 2020-21 is Rs.76.32 lakh and applying the escalation rate of 4.84%, it would work out to Rs.80.01 lakh. **Considering this, the Commission approves Rs.80.01 lakh as Repairs & Maintenance expenditure for the year 2021-22.**

## A & G Expenses

36. The licensee has claimed an amount of Rs.110.46 lakh as A & G expense for the year 2021-22 as against Rs.42.68 lakh approved in the Tariff Regulations, 2018. The major claim booked under A&G expense are towards Rent, rates & taxes, other professional charges, vehicle running expenses, advertisement expenses, Electricity Duty under Section 3 of the Kerala Electricity Duty Act, 1963 and license fee and other related fees. The details of A&G expenses for the year 2020-21 and 2021-22 are shown below.

**Table 11**  
**Administrative & General Expenses for the year 2020-21 and 2021-22**

Particulars	2020-21 For truing up	2021-22 For truing up
Rent Rates & Taxes	11.83	12.08
Insurance	0.93	1.34
Telephone & Postage, etc.	0.57	0.58
Legal charges	0.49	0.00
Audit Fees	1.56	1.48
Other Professional charges	3.75	8.14
Conveyance / Travelling Expense	0.25	0.23
Vehicle Hiring Expenses Truck / Delivery Van	6.47	6.71
Electricity charges	0.77	0.98
Entertainment	0.48	0.34
Printing & Stationery	0.75	0.76
Training expenses/ Stipend	1.07	0.24
Miscellaneous Expenses	0.44	0.72
Purchase Related Advertisement Expenses	1.60	11.85
Bank Charges	3.32	2.85
Office Expenses	2.67	1.47
License Fee and other related fee	10.99	18.22
Others	1.26	2.64
<b>Gross A&amp;G Expenses</b>	<b>49.20</b>	<b>70.63</b>
<b>Ele. Duty u/s 3(I), KED Act</b>	<b>37.66</b>	<b>39.83</b>
Less: Expenses Capitalised	0.00	0.00
<b>Net A&amp;G Expenses</b>	<b>86.86</b>	<b>110.46</b>

37. The licensee has submitted that the distribution areas under KPUPL are spread over at different locations at Kakkanad, Kalamassery and Palakkad which resulted in more administrative expenses due to nearly 150 km distance from Head office to Palakkad license area. The licensee in the petition has submitted that they have



taken all possible measures to keep the A & G expenses to the minimum. The measures are following:

- (a) Non-payment of sitting fees to the Board members.
- (b) Avoided expenses for conducting meeting of the Board of Directors by shifting the venue to KINFRA office.
- (c) Non-payment of Dividend to shareholders in spite of making profit.

38. The licensee in the petition has submitted the split up of additional A&G expenses incurred during the year 2021-22 compared to the previous year. The details specifying the expenses as shown below;

- Notice published in newspapers for public hearing of Additional License Area of Kinfra Petro Chemical Plant (Advertisement) - **Rs.11.14 lakh**
- Payment for Energy Audit to KSPC (Professional Fee) – **Rs.4.32 lakh**
- Payment to KSEB Ltd for enhancement of connectivity of KIITP Kanjikode (Statutory Fee) – **Rs.12.00 lakh**
- Payment to Electrical Inspectorate (Statutory Fee) – **Rs.2.58 lakh**

39. As per Tariff Regulations, 2018, the norm for A&G expenses for the year 2021-22 is Rs.42.68 lakh. It is pertinent to note that the license area has expanded and the licensee is eligible for A & G expenses over and above the norms approved by the Commission as the expansion has not been considered while approving the norms. The Commission notes that the Palakkad license area was added during the year 2017-18 and subsequently KINFRA Mega Food Park, Palakkad has been added. The licensee has also clarified the reason for increasing the expenses compared to the previous year. The additional expenses of Rs.4.32 lakh was incurred due to the payment of energy audit to KPSC (under the head 'Other professional charges'), Rs.11.14 lakh was incurred for notice published in newspapers for public hearing of Additional License Area of Kinfra Petro Chemical Plant (under the head 'Purchase Related Advertisement Expenses') and Rs.14.58 lakh (Rs.12.00 lakh+ Rs.2.58 lakh) relating to the statutory payment to KSEB Ltd for enhancement of connectivity of KIITP Kanjikode and payment to Electrical Inspectorate (Under the head 'License Fee and other related fee'). ***The Commission is hereby considering these expenses amounting to Rs.30.04 lakh as one-time expenses for the year 2021-22 and is inclined to consider above the normative expenses specified by the Commission in the Tariff Regulations, 2018.***

40. The amount of Electricity Duty under Section 3 (1) of the Kerala Electricity Duty Act, 1963, cannot be admitted as an item of expenditure in the truing up petition.

The Commission has, in its previous orders also, consistently pointed out that the Electricity Duty payable by the licensee under Section 3 (1) of the Kerala Electricity Duty Act cannot be included in the A&G expenses and passed on to the consumers. **Hence, the Commission disallows the licensee's claim of Rs.39.83 lakh as Section 3(1) duty.**

41. **After carefully considering the licensees submission, the Commission hereby approves the A&G expenses as Rs.70.63 lakh (excluding the claim of Rs.39.83 lakh for Section 3 Duty) for the year 2021-22 as claimed by the licensee.**

### O&M Expenses Approved

42. The total O&M expenses for the year 2021-22, which includes 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 12  
Approved O&M Cost for the year 2021-22**

Particulars	2021-22 (Rs. lakh)		
	Approved Norms	As per Truing Up Petition	Trued Up
Employee Cost	44.00	67.93	59.19
R & M Expenses	79.57	95.68	80.01
A & G Expenses	42.68	110.46	70.63
<b>Total O&amp;M</b>	<b>166.25</b>	<b>274.07</b>	<b>209.83</b>

### Asset Addition

43. The licensee claimed an amount of **Rs.11.90 lakh as asset additions during the period 2021-22.** The licensee in the petition has submitted a detailed write up/justification for the area wise capital expenditures incurred during the year and has stated that the asset additions are sourced through accrued surplus of KPUPL. The assets addition made during the year 2021-22 are shown below:

**Table 13  
Assets Addition for the year 2021-22**

	Description of Asset	Unit	Qty	Rs.lakh	Source of Fund
<b>Kakkanad License Area</b>					
1	Supply and Installation of Air Condition for Prepaid Energy Metering Server Room	Nos	1	0.46	Accrued Surplus of KPUPL
2	Purchase of LT Cables and accessories	LS	1	1.25	
3	Purchase of Ceiling Fan for Office	Nos	2	0.05	
4	Purchase of PCs & Peripherals for Office	Nos	3	1.59	
5	Purchase and replacement of Fire & Safety Equipments for S/s and Office	LS	1	0.86	
6	Purchase of Earth Mat for S/s	LS	1	0.43	

7	Supply and Installation of LT panel & 630 A MCCB	No	1	1.54	
8	Purchase of 110KV Metering PT for S/s.	No.	1	1.86	
<b>Kalamassery License Area</b>					
1.	Purchase of 11KV Metering CT for Connectivity Enhancement	Set	1	0.51	Accrued Surplus of KPUPL
2.	Purchase of Mobile Hand Set for duty staff	Nos	1	0.04	
<b>KIITP, Kanjikode</b>					
1.	Purchase of 22KV Energy Meter for KSEBL Check Metering	Nos	1	0.38	Accrued Surplus of KPUPL
2.	Purchase of 22KV Metering CT/PT Unit for Connectivity Enhancement	No.	1	1.51	
<b>KINFRA Mega Food Park</b>					
1.	Purchase of 22KV Metering CT (3 Nos.) & PT (1 No.) for Connectivity Enhancement	LS	1	1.42	Accrued Surplus of KPUPL
<b>TOTAL</b>				<b>11.90</b>	

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

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

- (i) KSEB Ltd. Rs. 10 Crore  
(ii) KDHPCL, TCED and CPT Rs 25 lakh  
(iii) Other distribution licenses Rs 15 lakh*

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

45. The Regulations clearly states that, the licensee should submit supporting documents and justification for the asset additions at the time of Truing Up of Accounts to enable the Commission to conduct prudence check of the investment. In the Truing Up petition 2021-22, the licensee submitted the detailed justification for substantiating the claims. It is seen that the source of funding of asset additions are mainly from accrued surplus of KPUPL.
46. Considering the above provisions of the Tariff Regulations, 2018 and other documents submitted by the licensee **the Commission hereby approves the assets addition of Rs.11.90 lakh for the year 2021-22.**

## Depreciation

47. The licensee in the petition has claimed Rs.91.16 lakh as depreciation for the year 2021-22. The Commission while truing up the accounts for the years 2018-19 and 2019-20, had deferred the approval of depreciation due to insufficient information and had further directed the licensee to submit the complete assets details. The licensee complied with the directions of the Commission and had submitted the required details vide letter dated 29.05.2023. Accordingly, in the order on truing up of accounts for the 2020-21, considering the age of assets and other details furnished, the Commission allowed depreciation for the years 2018-19, 2019-20 and 2020-21.
48. The Commission had directed the licensee to revise the claim based on the Order on truing up of accounts for 2020-21. Accordingly, the licensee revised the claim as Rs.67.17 lakh for the year. The depreciation is claimed under straight line method. During 2021-22, the licensee has incurred a capital expenditure of Rs.11.90 lakh and depreciation has been claimed for the same. Details of the depreciation claimed for the year 2021-22 is shown below.

**Table 14**  
**Depreciation claimed for the year 2021-22**

S. No.	Asset Group (as per notification in respect of depreciation)	Rate of depreciation (%)	Gross fixed assets			Depreciation
			Beginning of the year	Additions during the year	End of the year	
1	Land & land rights	3.33%	239.11		239.11	8.03
2	Other Civil works - Building	3.34%	152.35		152.35	5.00
3	HV Distribution system					
a)	Distribution lines	5.28%	289.30		289.30	4.30
b)	Sub-station equipments					
i)	Transformers	5.28%	228.30	5.30	233.60	8.90
ii)	Switchgears, Control gear & Protection	5.28%	414.22	1.54	415.76	17.56
iii)	Batteries	5.28%	3.77		3.77	0.09
iv)	Others (Sub-station assets)	5.28%	95.81	0.43	96.24	4.15
4	LT Distribution system					
a)	Distribution lines	5.28%	295.87	1.25	297.12	11.62
b)	Sub-station equipments- IPD					
i)	Others (AC, Safty equipments, Refrigerator)	5.28%	2.85	1.32	4.17	0.20
5	Meters	5.28%	137.32	0.38	137.70	4.84
6	Solar Plants	5.28%	58.94		58.94	3.11
7	Furniture & fixtures	6.33%	9.11		9.11	0.57
8	Office Equipments	6.33%	0.92	0.09	1.01	0.06
9	Capital spares of HV & LT transmission/ ASIDE Grant					
10	Assets taken over & pending final valuation					
			1531.27	20.49	1551.76	
11	IT Equipments	15.00%	7.27	1.59	8.86	0.73
12	Any other items (Computer Software)	15.00%	2.23		2.23	0.16
13	Gross Asset (Total (1) to 12))		<b>3931.91</b>	<b>32.39</b>	<b>3964.30</b>	<b>73.67</b>

14	Less: Consumer contribution		1531.27	20.49	1551.76	
15	Less: Government grants		380.82	-	380.82	
16	Less: Share of GOI Grants		177.62	-	177.62	6.36
17	Less: Assets disallowed by KSERC		1.86	-	1.86	0.10
18	Less: Additions during the year from KINFRA Fund		0.71	-	0.71	0.04
19	Net Asset considered for depreciation (2020-21)		<b>1839.63</b>	<b>11.90</b>	<b>1851.53</b>	<b>67.17</b>

49. Regulation 27 of the Tariff Regulations, 2018 clearly specifies that the depreciation shall be computed annually based on straight line method for the first twelve years from the date of commercial operation as per the rates specified in the regulations, and the remaining depreciable value shall be spread over the balance useful life of the assets. The salvage value of the asset shall be ten percent of the allowable capital cost excluding the cost of assets created out of contributions and grant. The depreciation shall be maximum of ninety per cent of the capital cost of the assets.
50. The Commission in the Order on truing up of accounts for the year 2020-21 had decided not to reopen the earlier truing up orders and to accept the value of Gross Fixed Assets and cumulative depreciation on 01.04.2017 as final and had approved depreciation for the subsequent years. Accordingly, considering the GFA in line with the previous year true up Order and duly considering the asset addition made during the year, the depreciation approved for the year 2021-22 is tabulated below;

**Table 15**  
**Depreciation approved for 2021-22** (Rs. lakh)

S. No.	Asset Group (as per notification in respect of depreciation)	Rate of depreciation (%)	Gross fixed assets			Depreciation
			Beginning of the year	Additions during the year	End of the year	
1	Land & land rights	3.33%	239.11		239.11	8.03
2	Other Civil works - Building	3.34%	152.35		152.35	5.00
3	HV Distribution system					
a)	Distribution lines	5.28%	289.30		289.30	4.30
b)	Sub-station equipments					
i)	Transformers	5.28%	228.30	5.30	233.60	8.90
ii)	Switchgears, Control gear & Protection	5.28%	414.22	1.54	415.76	17.56
iii)	Batteries	5.28%	3.77		3.77	0.09
iv)	Others (Sub-station assets)	5.28%	95.81	0.43	96.24	4.15
4	LT Distribution system					
a)	Distribution lines	5.28%	295.87	1.25	297.12	11.62
b)	Sub-station equipment- IPD	5.28%	82.45		82.45	4.35
i)	Others (AC, Safety equipment, Refrigerator)	5.28%	2.85	1.32	4.17	0.20
5	Meters	5.28%	137.32	0.38	137.70	4.84
6	Solar Plants	5.28%	58.94		58.94	3.11

7	Furniture & fixtures	6.33%	9.11		9.11	0.57
8	Office Equipments	6.33%	0.92	0.09	1.01	0.06
9	Capital spares of HV & LT transmission/ ASIDE Grant		380.82		380.82	
10	Assets taken over & pending final valuation		1531.27	20.49	1551.76	
11	IT Equipments	15.00%	7.27	1.59	8.86	0.73
12	Any other items (Computer Software)	15.00%	2.23		2.23	0.16
13	Gross Asset (Total (1) to (12))		<b>3931.91</b>	<b>32.39</b>	<b>3964.30</b>	<b>73.67</b>
14	Less: Consumer contribution		1531.27	20.49	1551.76	
15	Less: Government grants		380.82	-	380.82	
16	Less: Share of GOI Grants		177.62	-	177.62	6.36
17	Less: Assets disallowed by KSERC		1.86	-	1.86	0.10
18	Less: Additions during the year from KINFRA Fund		0.71	-	0.71	0.04
19	Net Asset considered for depreciation (2021-22)		<b>1839.63</b>	<b>11.90</b>	<b>1851.53</b>	<b>67.17</b>

51. **Accordingly, the Commission hereby approves depreciation of Rs.67.17 lakh for the year 2021-22 as claimed by the licensee.**

### **Interest and Finance Charges**

52. The licensee has claimed an amount of Rs.69.26 lakh towards Interest and Finance charges. The details as per the petition are furnished below.

**Table 16  
Interest on loan for the year 2021-22**

<b>Debt at the end of the year</b>	<b>Rate of interest</b>	<b>As per Truing Up Petition (Rs. lakh)</b>
Interest paid on the Debt portion of the consideration for Asset Transfer, Rs.737.41 lakh	11.50%	69.26
Total amount		69.26
Less: Capitalised		(0.00)
<b>Net amount of interest</b>		<b>69.26</b>

53. The licensee submitted in the petition that, the debt: equity ratio as per the Asset Transfer Agreement executed on 07-09-2016 and the Supplementary Agreement dated 27-10-2017 is 70:30. The effective date of transfer of the assets was considered as 01-02-2010 and the company has issued 2,16,438 equity shares of Rs.10/- each at a premium of Rs.136/- each, aggregating to an amount of Rs.3,15,99,948/-. The Company availed loan from the promoter KINFRA for an amount of Rs.7,37,40,737/-. The licensee further stated that, the total equity participation by the promoter has been changed from Rs.10,00,000/- to Rs.3,25,99,948/- and the debt portion had been revised to Rs.7,37,40,737/- and effect of the same was brought to the books in the year 2019-20 to comply with the requirements of the Companies Act, 2013.

54. The licensee also submitted that they had earlier availed a loan of Rs.235.00 lakh from KINFRA at an interest rate of 11.50% per annum, the rate at which KINFRA has been obtaining funds from Govt. of Kerala, for completion of the first phase of the sub-station at Kinfra Integrated Industrial & Textile Park at Palakkad. Refund of the loan of Rs.235.00 lakh commenced at 60 equated monthly instalments (EMI) from April 2017. Refund of the loan of Rs.737.41 lakh and the interest on loan commenced from 01.04.2018 at 180 EMIs.
55. In the Order on Truing Up of accounts for the year 2017-18, the Commission has examined the matter and observed that the above adjustments have been made by the licensee in the accounts for 2017-18 itself. The licensee had made the same submissions in the petition for the Truing Up for 2017-18; and the Commission had arrived at an opening balance of normative loan of Rs.648.57 lakh as on 01-04-2017.
56. As per Regulation 29 of Tariff Regulations, 2018 and Regulation 30 of KSERC (Terms and Conditions for Determination of Tariff) Regulations 2014 (hereinafter referred to as the Tariff Regulations, 2014), interest is to be allowed based on normative loan. The Tariff Regulations states that, the normative loan outstanding as on the First day of April of the relevant financial year, shall be worked out by deducting the amount of cumulative repayment as approved by the Commission up to the Thirty First day of March of the year, from the normative loan. Accordingly, the interest on normative loan for the year 2021-22 is as below:

**Table 17**  
**Normative loan approved for the year 2021-22** (Rs. lakh)

Particulars	2021-22
Opening Normative Loan	514.12
Add: Assets Additions during the year	11.90
Less: Value of Assets dismantled/removed	0.00
Less: Depreciation for the year as repayment	67.17
Closing Normative Loan	458.85
Average Normative Loan	486.49
Rate of Interest	11.50%
<b>Interest on normative loan</b>	<b>55.95</b>

57. **Accordingly, the Commission hereby approves Rs.55.95 lakh as interest on normative loan for the year 2021-22 as against Rs.69.26 lakh claimed by the licensee.**
58. The licensee has not claimed any amount as interest on security deposit for the year 2021-22. Regarding the interest on security deposit, the Commission had issued directions vide Order dated 20.06.2023 to segregate the amount of security deposit collected from consumers opting prepaid metering and to refund the same. In respect of consumers opting postpaid metering, the licensee has to pay

interest to the consumers at the bank rates of RBI applicable for the relevant years.

59. In the clarification dated 30.06.2023 the licensee stated that, the entire security deposit remained in the books as on 31.03.2022 was transferred to the account, security deposit collected from consumers towards one-month advance against energy bills. Prepaid Smart Energy Metering System is in the progress of implementation and after which the present system shall be converged into the new system with the approval of the Commission and the security deposit shall be returned to the consumers.
60. Further the Commission vide letter dated 22.06.2023 sought the clarification regards the details of the amount of interest paid to consumers opting post-paid metering along with the rate of interest applied for the same. The licensee submitted vide letter dated 30.06.2023 stated that, interest @ 4.25% PA has been credited to the account of the consumers on 30.06.2022 against the balance to the credit of the consumers in their Security Deposit (Advance A/c) as on 31.03.2022. The interest rate of 4.25% PA was adopted from the Order of the Commission for KSEB Ltd for the year 2021-22.
61. The licensee is entitled to claim the actual amount of interest on security deposit paid to the consumers during the year as expenses in the truing up petition. The Commission notices that during the year 2021-22, the licensee has not paid any amount to the consumers as interest on security deposit. Further, the licensee in their petition also did not claim any expenses towards interest on security deposit. **Therefore, the Commission is not allowing any amount towards interest on security deposit.**

### Return on Equity

62. The licensee has claimed return on equity of Rs. 45.64 lakh for the year 2021-22. The details of claim made by the licensee are shown below;

**Table 18**  
**Return on Equity claimed for the year 2021-22**

Equity at the end of the year (Rs. lakh)	Rate of return	Return on Equity (Rs. lakh)
326.00	14%	45.64

63. The licensee in the petition has submitted that the Commission had issued a clarification on Return on Equity as part of Tariff Regulations 2006 and as per this clarification any cash resources available to the licensee from its share premium account or from its internal resources that are used to fund the equity commitments of the projects shall be treated as equity. The licensee further submitted that though the above clarificatory clause of the earlier regulation was omitted in the subsequent regulation and in the absence of anything contradictory



in the subsequent regulation, the earlier regulation stands good. The licensee also requested to consider share premium account along with equity for the purpose of calculation of ROE.

64. The licensee has also cited the Hon. APTEL Order on Appeal No. 121 of 2011 dated 3rd October 2011 in support of their claim of return on equity on the share premium amount. The contention of the petitioner is that as per the Assets Transfer Agreement dated 07-09-2016 and the Supplementary Agreement dated 27-10-2017, the effective date of transfer of the assets was considered as 01-02-2010. The debt: equity ratio as per the Asset Transfer Agreement is 70:30. Accordingly, the company has issued 2,16,438 equity shares of Rs.10/- each at a premium of Rs.136/- each, aggregating to an amount of Rs.3,15,99,948/- during the year. Hence, the total equity participation by the promoter is increased from Rs.10,00,000/- to Rs.3,25,99,948/-. The Company is, therefore, eligible to get ROE of Rs.45.64 lakh for the year 2019-20.
65. The Commission has examined the contention of the licensee in detail vis-a-vis the provisions of Tariff Regulations and had addressed the matter while issuing the Orders on truing up of accounts in OP 34.2020 dated 29.03.2021. As such the issue is settled and the Commission does not intend to re-open the same.
66. The Tariff regulations, 2018 provides as quoted below;

**28. Return on investment.** – (1) *Return on equity shall be computed in rupee terms, on the paid-up equity 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:*

67. Accordingly, the licensee is eligible for return on equity only on the amount shown as paid-up equity capital and not on the share premium amount. It is to be noted that the licensee was allowed return on NFA up to 2016-17 as per the provisions in the Regulations. However, in the present petition, since the licensee has claimed ROE on the basis of equity contribution, the admissible return on equity for the year 2021-22 works out as under.

**Table 19**  
**Return on Equity approved for the year 2021-22**

Particulars	Amount (Rs. lakh)
Opening Equity as on 01-04-2021	31.64
Add: Additions for 2021-22	0.00
Closing Equity as on 31-03-2022	31.64
<b>Return on Equity @ 14% (Rs.31.64 lakh *14%)</b>	<b>4.43</b>

68. **Accordingly, the Commission hereby approves Rs.4.43 lakh as Return on Equity for the year 2021-22 as against Rs.45.64 lakh claimed by the licensee.**

## Revenue from Sale of Power

69. The actual revenue realised from the sale of 664.77 lakh units for the year 2021-22 is Rs.5267.07 lakh (inclusive of other revenue from operation of Rs.15.98 lakh). In the petition licensee has included revenue from other operations of Rs.15.98 lakh as part of Revenue from sale of power. The same is to be considered as part of other operational income and is treated accordingly. As per the petition, the major revenue is from sale to the HT category. A category wise detail of the revenue from sale of power for the year 2021-22 is shown below.

**Table 20**  
**Details of Revenue from Sale of Power for the year 2021-22**

Particulars	Number of consumers	Units Sold (lakh Units)	Sales (Rs.lakh)	Avg. realisation per KWh
HT I A	26	236.97	1638.59	6.91
HT I B	20	252.38	2016.89	7.99
HT II A	3	3.39	28.81	8.50
HT II B	3	3.19	37.23	11.67
HT III B	1	0.63	5.74	9.11
HT IV A	1	0.92	9.80	10.60
HT IV B	1	21.59	186.02	8.62
DHT I A	1	0.34	6.39	18.94
DHT I B	36	63.53	562.28	8.85
DHT II A	1	0.83	9.20	11.02
DHT II B	2	5.27	65.96	12.52
DHT IV A	1	1.12	15.49	13.87
LT IV A	65	14.69	120.78	8.22
LT IV B	150	34.86	280.05	8.03
LT VI A	1	1.37	9.26	6.77
LT VI B	8	2.76	22.16	8.02
LT VI C	21	3.89	39.69	10.21
LT VI F	77	13.52	156.20	11.56
LT VII A	39	3.15	38.83	12.32
LT VIII B	4	0.38	1.66	4.36
LT IX	1	0.00	0.07	0.00
	<b>462</b>	<b>664.77</b>	<b>5251.09</b>	

70. The Commission noted that, major share of the sale is to the HT I B and HT I A category which consists of 46 consumers and constitutes about 69.61% of total sale of power. ***After examining the details furnished by the licensee, the Commission hereby approves the revenue from energy sales of Rs.5251.09 lakh for 664.77 lakh units for the year 2021-22 as per the petition.***

## Non-tariff Income

### A. Other Operational Income

71. The petitioner submitted that there is revenue of Rs.15.98 lakh from other operational income. The details furnished by the licensee in Form D.2.1 are shown below:

**Table 21**  
**Other Operational Income for 2021-22 (Rs.in lakh)**

Particulars	2021-22
Meter/metering equipment/service line rentals	6.57
Application Fees	0.18
Charges for Solar Grid Connectivity	2.05
Collection Charges	1.83
Installation Charges	5.19
Supervision Charges	0.16
<b>Total</b>	<b>15.98</b>

72. ***After examining the nature of the income and the amount, the Commission hereby approves Rs.15.98 lakh as Other Operational Income for the year 2021-22 as claimed by the licensee.***

### B. Income from wheeling charges

73. The licensee submitted that, M/s. TATA Consultancy Services Ltd and M/s. Nitta Gelatine (I) Ltd, at Infopark, Kakkanad have obtained approval for availing power through Short Term Open Access (STOA) for 1.98 MW from State Nodal Agency, SLDC vide Reg. No. 0033/STOA/TCSIFP dated 08-03-2018 and Reg. No. 0040/STOA/NGIFP dtd. 19-07-2019, respectively. The licensee further submitted that, the wheeling charges collected by the power exchange payable to the distribution licensee is credited to the SLDC account and the amount applicable to each utility is transferred from SLDC. As per the submission of the licensee, M/s. Nitta Gelatine only has availed power through open access in 2021-22. The details of wheeling charge and cross subsidy collected by the licensee for the year 2021-22 is shown in the table below.

**Table 22**  
**Income from wheeling charges**

Period	Open Access Consumer	Energy Wheeled (lakh units)	Revenue from Wheeling Charges (Rs.in lakh)	Revenue from Cross Subsidy (Rs.in lakh)	Total Revenue (Rs.in lakh)
2021-22	M/s. Nitta Gelatine (I) Ltd	17.24	10.84	21.22	32.06
	<b>TOTAL</b>	<b>17.24</b>	<b>10.84</b>	<b>21.22</b>	<b>32.06</b>

74. ***After examining the details furnished by the licensee, the Commission hereby approves Rs.32.06 lakh as Income from wheeling charges for the year 2021-22.***

### C. Other Income

75. The licensee has claimed a Non-tariff income of Rs.163.89 lakh for the year 2021-22 which includes Interest on Bank Fixed Deposits, interest on delayed payments and other miscellaneous receipts. The claim of the licensee is tabulated below:

**Table 23**  
**Other Income** (Rs lakh)

Particulars	Truing Up Petition 2020-21	Truing Up Petition 2021-22
Interest on Bank Fixed Deposits/others	97.54	156.50
Interest on delayed payments	8.07	5.85
Other miscellaneous receipts	0.48	1.54
<b>Total amount</b>	<b>106.09</b>	<b>163.89</b>

76. As per the details submitted in the petition, there is increase in the Interest on Bank Fixed Deposits compared to the year 2020-21. The licensee in the petition has stated that an amount of Rs.400 lakh received as grant from Government was transferred by KINFRA to the Company for execution of power infrastructure at Kakkanad and Palakkad license areas, the ultimate beneficiary of which shall be KPUPL. The amount has been kept in fixed deposit for various periods of time and the interest on which has been taken to the revenue. The licensee further submitted that assets developed out of Govt. grant and of KINFRA's own fund worth Rs.470 lakhs, if decided to be transferred to KPUPL by KINFRA, would be done with the approval of the Commission. The Commission hereby clarifies that, as per Regulations, creation of assets for distribution of electricity in the license area over and above the limits stipulated in the Tariff Regulations requires prior approval of the Commission. **Therefore, the Commission directs the licensee to file separate Capital Investment Plan and obtain prior approval of the Commission for creation of distribution assets in the license area.**
77. The Commission while truing up the accounts for the previous years had approved a non- tariff income which included the interest on accumulated revenue surplus. The licensee in the current petition has also not accounted the interest on accumulated surplus as part of non- tariff income. The legal position on this has already been clarified by the Commission in the previous Truing Up Orders whereby it has been made clear that interest on the accumulated surplus at the beginning of the year has to be accounted as other income for the concerned year.
78. The erstwhile licensee M/s KEPIP had erroneously reported the revenue from sale of power including Section 4 duty for the period from 2004-05 to 2008-09 and the revenue approved in the Order dated 06-12-2011 was inclusive of the Electricity

Duty under Section 4. The total amount of duty for these years was Rs.124.80 lakh. Since the said amount was already remitted to the Government, based on the request submitted by the licensee, the Commission in Order dated 31-03-2020 had decided to exclude this amount only for the limited purpose of calculating the interest on accumulated revenue surplus as a special case. The rate of interest considered for the year is the SBI retail term deposit rate for tenure up to one year prevailing at the beginning of 2021-22, which is 5.00%. Accordingly, the interest on accumulated surplus to be considered as other income works out as under.

**Table 24**  
**Interest on Accumulated Surplus for 2021-22**

Particulars	Rs. in lakh
Accumulated Surplus at the beginning of the year	5784.58
Less: Section-4 duty	124.80
Surplus excluding the duty	4921.76
Interest rate applicable (%)	5.00
Interest on Accumulated surplus	246.08

79. The total interest applicable for the balance surplus is Rs.246.08 lakh. The licensee has already accounted Rs.156.50 lakh towards interest on Bank FD and others. Thus, the balance amount of Rs.89.58 lakh (Rs.246.08 – Rs.156.50 lakh) is accounted as interest on accumulated surplus. Based on above, the Commission hereby approves Rs.89.58 lakh as interest on accumulated surplus for the year 2021-22. **Accordingly, the Commission hereby approves Rs.253.47 lakh as other income for the year 2021-22.**

**Table 25**  
**Approved Other Income for 2021-22**

Particulars	Rs. lakh
Interest on Bank Fixed Deposits/others	156.50
Interest on delayed payments	5.85
Other miscellaneous receipts	1.54
Interest on Accumulated Surplus	89.58
<b>Total amount</b>	<b>253.47</b>

80. Based on the details as above, ***the Commission hereby approves Rs.301.51 lakh as Non-tariff income for the year 2021-22*** as shown below.

**Table 26**  
**Approved Non- Tariff Income for the year 2021-22**

Particulars	Truing Up claim for the year 2021-22	Approved for the year 2021-22
Other Operational Income	15.98	15.98
Income from wheeling charges	32.06	32.06
Other Income	163.89	253.47
<b>Total Non-tariff Income</b>	<b>211.93</b>	<b>301.51</b>

## Revenue (Gap)/Surplus after Truing Up of Accounts for 2021-22

81. 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 surplus of Rs.733.19 lakh for the year 2021-22. The approved Total Expenditure and Total Revenue for the year 2021-22 after truing up is as shown below.

**Table 27**  
**Approved Truing Up of Accounts for the year 2021-22**

Particulars	2021-22	
	Revised submission (Rs. lakh)	Trued Up (Rs. lakh)
Purchase of Power	4587.68	4482.03
Employee Cost	67.93	59.19
R&M Expenses	95.68	80.01
A &G Expenses	110.46	70.63
Depreciation	67.17	67.17
Interest & Finance Charges	69.26	55.95
Return on Equity	45.64	4.43
<b>Total Expenditure</b>	<b>5043.82</b>	<b>4819.41</b>
Revenue from Sale of Power	5267.07	5251.09
Non-Tariff Income	195.95	301.51
<b>Total Income</b>	<b>5463.02</b>	<b>5552.60</b>
<b>Net Surplus/(Deficit)</b>	<b>419.20</b>	<b>733.19</b>

### Orders of the Commission

82. The Commission after considering and detailed examination of the petition of the licensee for the Truing Up of accounts for the period 2021-22, additional information submitted thereon and the comments /remarks by KSEB Ltd., approves the following.
- The Income for the year 2021-22 is **Rs.5552.60 lakh**
  - Total Expenditure for the year 2021-22 is **Rs.4819.41 lakh**
  - The revenue Surplus for the year 2021-22 is **Rs.733.19 lakh**
  - The cumulative revenue surplus up to 2021-22 is **Rs.6517.77 lakh** (Rs.5784.58 lakh+ Rs.733.19 lakh). The licensee shall keep the surplus in a separate fund and utilize it as per the Orders of the Commission

### Directives

83. The Commission issues the following directives for compliance of the licensee
- Regarding the solar power (0.80 lakh units) purchased from the prosumer, the Commission hereby directs that the shortfall in amount shall be adjusted in the

prosumers' account and to carry out necessary book adjustments with the prosumers to incorporate the solar power purchase cost in the annual financial statements and submit necessary details with supporting documents while filing the Truing up petition for the subsequent period, for admitting such claims.

- b. Regarding the process of compiling the data of the required/available employee strength, qualifications, experience, scale of pay, number engaged in shifts etc. based on CEA norms, the licensee is directed to submit an updated report detailing the development in the matter within 3 months from the date of the Order.
- c. Regarding the assets proposed to be developed out of Govt. grant and of KINFRA's own fund worth Rs.470 lakh, the Commission directs the licensee to file separate Capital Investment Plan and obtain prior approval of the Commission for creation of distribution assets in the license area.

84. The petition is disposed of. Ordered accordingly.

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

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

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

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