

**KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM**

OA 04/2020

Present: **Shri. R. Preman Dinaraj, Chairman
Shri. S. Venugopal, Member**

In the matter of : Truing up of Accounts of Kanan Devan Hill Plantations Company Private Limited for the year 2018-19

Applicant : **M/s Kanan Devan Hill Plantations Company Private Limited**

Respondent : **M/s Kerala State Electricity Board Limited**

ORDER DATED 24/4/2020

1. Kanan Devan Hill Plantations Company Private Limited (*hereinafter referred to as KDHPCL or the licensee*) is the distribution licensee supplying electricity in its license area at Munnar. KDHPCL procures electricity from KSEB Ltd for supply to its consumers and for its own consumption. The Commission had notified the KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2018 (*hereinafter referred to as Tariff Regulations, 2018*) for the control period 2018-19 to 2021-22. Regulation 10(1) of the said Regulation mandates the filing of yearly petition for truing up of accounts for the respective years. In compliance to the Commission's direction, the licensee filed the petition for the truing up of accounts for first year of the control period, i.e. 2018-19
2. The Commission vide its Order on petition No. OA 6/2019 had approved the ARR & ERC for the control period on 11-11-2019. In the Order, the Commission had for the financial year 2018-19 approved a revenue surplus of Rs.18.35 lakh as against a revenue deficit of Rs.67.90 lakh proposed by the licensee. KDHPCL in the petition for truing up the accounts for 2018-19 has claimed a revenue gap of Rs.178.98 lakh. A comparison of the actual amounts incurred for 2018-19, the Commission's Order on the ARR-ERC for the year and the figures for the previous year is shown below.

Table 1
Comparative Statement for the years 2017-18 & 2018-19

Particulars	2017-18		2018-19	
	For Truing Up (Rs.lakh)	Trued Up (Rs.lakh)	Approved ARR &ERC (Rs.lakh)	For Truing Up (Rs.lakh)
Revenue from Sale of Power	2984.32	2984.32	3059.29	2844.86
Other Income	17.74	97.16	70.27	18.31
Total Income	3002.06	3081.48	3129.56	2863.17
Purchase of Power	2811.98	2830.99	2857.38	2679.75
R&M Expenses	33.11	18.65	176.65	52.66
Employee Cost	180.14	89.74		188.10
A&G Expenses	11.27	11.27		16.89
Depreciation	20.26	19.50	17.84	21.02
Interest & Finance Charges	27.87	28.20	54.97	65.42
Other Debits	15.94	1.79	0.54	18.31
Return on Equity	-	6.93	3.83	0.00
Total Expenditure.	3100.57	3007.07	3111.21	3042.15
Net Surplus/(Deficit)	(98.51)	74.41	(+)18.35	(178.98)

3. The Commission vide letter dated 13-01-2020 sought clarifications from the licensee on the petition. The licensee in their letter dated 01-02-2020 furnished their clarifications. The Commission admitted the petition as OA 04 of 2020.

Hearing on the Matter

4. Hearing on the Truing up petition on the of accounts of the licensee for the year 2018-19 was held at the Court Room, Office of the Kerala State Electricity Regulatory Commission on 14-02-2020. Sri. P.M. Srikrishnan, Executive Director, KDHPCL representing the petitioner, briefed the details of the petition and responded to the queries of the Commission. The main points submitted in the petition are summarised below.

- The number of consumers for 2018-19 is 15,964 and the sale for year is 43.98 MU, whereas in 2017-18 the figures were 15,884 and 46.21 MU respectively. The decrease in sales in comparison to the previous year was due to the floods in the State.
- The Commission had in the ARR & ERC approved a distribution loss of 11.13% for 2018-19. The actual distribution loss as per the truing up petition for the year 2018-19 is 11.30%
- The power purchase cost claimed is Rs.2679.75 lakh for the purchase of 50.84 MU.
- Operation & maintenance (O&M) expenditure includes controllable expenses like Employee Cost, R&M Expenses and A&G Expenses. The O&M expense claimed by the licensee at Rs. 257.65 lakh is higher by Rs. 81 lakh than that approved by the Commission in the licensee's ARR & ERC. The Commission had approved Rs.176.65 lakh as the total O&M expense for the year.

- The employee cost claim of Rs. 188.10 lakh is stated to be the actual expenses.
 - The amount claimed for the repair and maintenance of transmission lines, substations, 11 kV lines & associated works, LT line service etc. is Rs.52.66 lakh. Out of this, Rs.31.52 lakh was incurred for the R&M of cables and line works for maintaining the distribution system. Rs.8.98 lakh was incurred to undertake repairs and damages caused due to the unprecedented floods in the State. An amount of Rs.11.01 lakh was incurred for works relating to improvement of voltage levels, rewinding work on transformer etc. The balance amount of R&M expense (Rs.11.53 lakh) mainly include materials like posts, conductors, insulators etc and also the labour cost to clear the under growths along the distribution lines.
 - The administrative and general expense booked is Rs.16.89 lakh.
 - An amount of Rs.65.59 lakh is claimed as interest and finance charges which includes interest on normative loan, interest on working capital, interest on security deposits and the Bank Charges on Bank Guarantee/Letter of Credit provided to KSEB.
 - The depreciation claimed is Rs.21.02 lakh as against Rs 17.84 lakh approved for the year. This claim includes the depreciation for the new assets worth Rs.40.33 lakh added during the year.
 - The licensee has also included Section III duty and periodical charges under “other debits”.
 - The non-tariff income as per petition included interest receivable on KDHPCL deposit with KSEB Ltd and miscellaneous recoveries. It was submitted that if the income received is to be considered, then the deposits are to be accounted as part of the working capital
5. Sri Suresh. A, Executive Engineer, TRAC and Sri. Manoj G, AEE, TRAC represented KSEB Ltd. Sri. Manoj G, presented the counter statement/comments of KSEB Ltd. The major points raised by KSEB Ltd. are the following:
- a. Distribution loss as per the petition works out to 11.44%, whereas the licensee has claimed it as 11.30%.
 - b. The depreciation for assets may be allowed only after due consideration of the vintage of the assets and depreciation may not to be allowed for the assets created out of consumer contribution.
 - c. The licensee has not accounted any interest on accumulated surplus as part of the non-tariff income for the year 2018-19.

- d. The licensee has claimed O&M expenses higher than the norms approved by the Commission. The Commission may limit the expenses to the approved level.
 - e. The claim of the licensee on Section 3(1) duty may be disallowed.
 - f. With regard to the interest towards bank guarantee charges claimed as part of interest and finance charges, the Commission may take a consistent stand as decided while truing up the account for 2017-18.
 - g. The claim made by the licensee under power purchase, tally with the accounts of KSEB Ltd.
6. The Commission in the hearing directed the licensee to approach the banks for negotiating the bank guarantee charges based on the credit rating of the company. The licensee was also directed to furnish the clarifications on the following.
- The total sales as per Form G is 43.98 MU, whereas in the write up the sale is shown as 44.06 MU. The difference is to be reconciled.
 - The rationale for treating the works relating to voltage improvement (Rs.11.01 lakh) under R&M, rather than under capital expenditure.
 - Expenses of Rs.11.53 lakh towards the cost of posts, conductors, insulators and the labour cost to be justified and proper split up of the same is to be submitted.
7. The Commission directed KDHPCL to submit replies to the clarifications sought and details, if any, to substantiate the claims made in the petition and the reply on the counter statement of KSEB Ltd, on or before 24-02-2020. The licensee vide letters dated 18-02-2020 and 02-03-2020 submitted their replies on the counter statement made by KSEB Ltd and the clarifications respectively.

Analysis and decision of the Commission

8. The Commission considered the petition for truing up of accounts for the year 2018-19 and the additional submissions furnished by the licensee along with the comments of KSEB Ltd. The analysis and decisions of the Commission on the licensee's truing up petition of accounts for the year 2018-19, in accordance with Regulations thereof are detailed below:

No. of Consumers and Sale of Power:

9. The number of consumers as on 31-3-2019 is 15,964, whereas the same for the previous year was 15,884. Though there is an increase of 80 consumers during this period, the total sale has decreased by 2.23 MUs when compared to the previous year. The actual sale of power during 2017-18 was 46.21 MU, whereas

the sale during 2018-19 is only 43.98MU. The details of the number of consumers and the total sale of power are given below.

Table-2
Comparison of no. of consumers & sales

Year	No.of Consumers	Sales in MU
2017-18 (Actual)	15884	46.21
2018-19 (Actual)	15964	43.98

10. The licensee in the petition stated that the sale during the year was lower on account of unprecedented very high rainfall during the months of June to August 2018. In the month of August 2018, the rains caused floods and extensive damage to properties, leading to lower power consumption at the tea estate factories and the tourism sector, the two large consumers of electricity in the Licensed Area. A comparison of the category wise sale of power is tabulated hereunder.

Table-3
Split up of the number of consumers and sales

Particulars	2017-18 (Actual)		2018-19 (Actual)	
	No. of Consumers	Sales MU	No. of Consumers	Sales MU
HT I A Industrial	25	30.29	22	28.62
HT II General	-	-	3	0.40
HT III Agriculture	2	0.32	2	0.28
HT IV Commercial	8	2.44	9	2.01
LT I Domestic	13369	7.39	13490	7.31
LT IV Industries	91	0.60	90	0.56
LT V Agriculture	5	0.01	5	0.03
LT VI Non-Domestic	714	0.93	917	1.59
LT VII Commercial	1360	3.83	1172	2.85
Street Lighting	310	0.38	252	0.32
Total	15884	46.21	15964	43.98

11. Since there was a difference in the sales figure mentioned in Form G (43.98 MU) and in the petition (44.06 MU), the licensee vide letter dated 07-03-2020 clarified that the difference was due to duplication of the energy shown for the Panchayat Street Lighting. The licensee further clarified that the actual energy sold for the year is 43.98 MU as mentioned in Form G.

12. The Commission further noted that while the maximum number of consumers falls in the LT I Domestic category, maximum sale of power was in the HT I Industrial category. There is a decrease in sales to almost all category of consumers. There is also a difference in the number of consumers in some categories, due to the recategorization of tariff category. Compared to the previous year, the total sale of KDHPCL has decreased by around 5%. The major decrease in the sales is to the HT I industrial category. Considering the

details presented and licensee's clarifications thereof, **the Commission approves the sale of 43.98 MU for the year 2018-19.**

Energy requirement & Distribution Loss:

13. The Commission in the licensee's ARR & ERC for the control period had approved a loss reduction trajectory for the control period 2018-19 to 2021-22. For the year 2018-19, the approved distribution loss was 11.13% which was same as the actual loss for 2017-18. The licensee in the truing up petition has claimed the distribution loss for the year 2018-19 as 11.30%. However, vide letter dated 7-3-2020, the licensee has revised the energy sales figures from 44.06 MU to 43.98MU. Accordingly, the distribution loss figures were also revised to 11.44%. This is higher than the loss reduction target of 11.13% fixed by the Commission. The details of the distribution loss as per the truing up petition is given below.

**Table-4
Distribution loss as per the petition**

Sl.No	Particulars	2017-18			2018-19	
		Approved in ARR	For Truing Up	Trued Up	Approved in ARR	For Truing Up
1	Total Energy Input (MU)	46.80	53.17	53.17	54.19	50.84
2	Energy Sales (MU)	40.29	46.25	46.25	47.13	43.98
3	Distribution loss (MU) (1-2)	6.51	6.92	6.92	7.06	6.86
4	Feed back (MU)	7.45	8.98	8.98	9.15	9.14
5	Gross energy (MU) (1+4)	54.25	62.15	62.15	63.34	59.98
6	Distribution loss % (3/5)%	12.00%	11.13%	11.13%	11.13%	11.44%

14. Feedback energy to KSEB Ltd is 9.14 MU. Feedback is the energy wheeled though the system of KDHPCL for the consumers of KSEB Ltd. Since the feedback is wheeled through the lines of KDHPCL, the same is considered for the computation of distribution loss. As shown above, the actual distribution loss reported by the licensee is higher than the level fixed by the Commission.

15. Distribution loss is a controllable parameter as per Tariff Regulations, 2018. Regulation 72(4) of the said Regulation clearly specifies the methodology to be considered to account for any variation between the actual level of distribution loss and the approved level of the distribution losses. The relevant portions of the Regulation are as shown below:

72. Distribution loss:.....

*.....
(4) Any variation between the actual level of distribution loss and the approved level of the distribution losses shall be dealt with, as part of the truing up of the respective financial year in the following manner:-*

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

(b) if the actual distribution loss is lower than the approved level of distribution loss for any particular financial year of the control period, then the savings in the power purchase cost corresponding to the difference in distribution loss for that financial year at the average cost of power purchase for the respective financial year, shall be shared between the distribution business/licensee and the consumers in the ratio of 2:1

16. The licensee has not furnished any specific reason for the higher distribution loss than the approved figures. During the year 2017-18, the actual distribution loss was 11.13%. The Commission had approved the same while truing up the accounts for the year. Distribution loss is a controllable item and its reduction being an efficiency parameter, the licensee has to take efforts to limit the distribution loss at the approved level. Since the licensee has not furnished any plausible reason for this increased distribution loss when compared to the previous year, **the Commission decided to retain the approved distribution loss of 11.13% for the purpose of truing up also.** Accordingly, the Commission approves the energy requirement for the year 2018-19, shown below.

Table- 5
Distribution loss Approved for 2018-19

Sl.No	Particulars	2018-19		
		Approved in ARR	For Truing Up	Trued Up
1	Total Energy Input (MU)	54.19	50.84	50.633
2	Energy Sales (MU)	47.13	43.98	43.98
3	Distribution loss (MU) (1-2)	7.06	6.86	6.653
4	Feed back (MU)	9.15	9.14	9.14
5	Gross energy (MU) (1+4)	63.34	59.98	59.773
6	Distribution loss % (3/5)%	11.13%	11.44%	11.13%
7	Excess distribution loss(MU) (6.86-6.653)			0.207

Power Purchase Cost:

17. The licensee has claimed Rs.2679.75 lakh for the purchase of 50.84 MU's against the Commission approved cost of Rs.2857.38 lakh for 54.19 MU in the ARR & ERC. As per the details given, the claim includes Rs.7.98 lakh towards excess demand charges which is the penal charge paid by the licensee for the energy purchased over and above the contract demand. In the Commission's Tariff Order dated 17-4-2017, KDHPCL's BST for the year was revised from Rs.4.30/kWh to Rs. 4.60/kWh and demand charge as Rs.300/kVA. The power purchase cost details are tabulated below.

Table-6
Details of the cost of power purchase claimed for 2018-19

Sl.No	Particulars	As per petition 2018-19
1	Total Consumption (MU)	59.98
2	Less: Feed Back to KSEB (MU)	9.14
3	Billed Units (MU) (1-2)	50.84
4	Demand Charges (Rs.lakh)	333.42
5	Excess Demand Charges (Rs.lakh)	7.98
6	Energy Charges (Rs.lakh)	2338.35
7	Total Power purchase cost (Rs.lakh) (4+5+6)	2679.75
8	Average power purchase Cost (Rs./kWh) (7/3)	5.27

18. The Commission has carefully examined the claim made by the licensee. The power purchase cost claimed for the year 2018-19 is Rs.2679.75 lakh at a distribution loss of 11.44%. Based on these factors, the average power purchase cost works out at Rs.5.27 per kWh.
19. As per Regulations, the power purchase cost is to be approved based on the Commission approved distribution loss. The actual distribution of 11.44%, is higher than the approved distribution loss of 11.13% for the year. Since distribution loss is a controllable item and non-fulfilment of distribution loss target is treated as under-achievement by the licensee, Regulations 72(4) requires the quantum of power purchased to compensate for this excess loss of 0.31% is to be disallowed from the licensee's power purchase at the average cost of power purchase. Accordingly, the power purchase cost approved for the year 2018-19 is as shown below:

Table 7
Details of the cost of power purchase approved for 2018-19

1	Actual Distribution loss (MU)	11.44%	6.86
2	Energy loss at approved distribution loss (MU)	11.13%	6.653
3	Excess distribution loss (MU) (2-1)		0.207
4	Loss at average power purchase cost (Rs. lakh) (0.207 MU x Rs.5.27/unit)		10.91
5	Actual Power purchase cost (Rs. lakh)		2679.75
6	Approved Power purchase cost (Rs. lakh) (5-4)		2668.84

20. The energy loss at the approved distribution loss of 11.13% would be 0.207 MUs. Thus power purchased for Rs.10.91 lakh in excess of the distribution loss is disallowed at the average power purchase cost of Rs.5.27. This excess amount is to be borne by the licensee. **Accordingly, the total power purchase cost approved for the year 2018-19 is Rs.2668.84 lakh.**

Operation & Maintenance Expenses:

21. As mentioned earlier, Operation & Maintenance (O&M) expenses includes controllable expenses like Employee Cost, R&M Expenses & A&G Expenses. The Commission had vide Regulation 79(6) of the Tariff Regulation, 2018, approved Rs. 176.65 lakh as proposed in the licensee's ARR & ERC petition as the O&M expenses for the year and directed the licensee to limit the O&M expenses to this amount. But the licensee, in their petition has claimed O&M expense higher than the amount approved by the Commission. The comparison is given below.

Table-8
O&M Expenses claimed for 2018-19

Particulars	2018-19	
	ARR Approved (Rs. lakh)	For truing Up (Rs. lakh)
Employee Cost	176.65	188.10
R&M Expenses		52.66
A&G Expenses		16.89
Total O&M Expenses	176.65	257.65

22. The Commission has carefully examined each elements of the O&M expenses as below.

Employee cost:

23. In their petition, the licensee has claimed Rs.188.10 lakh as employee cost. As per the Regulation 79(6) the approved amount for the year is Rs.126.40 lakh. During the year 2017-18, the employee cost approved was Rs.84.78 lakh for carrying out the distribution business. The details of the claim made by the licensee are as shown below.

Table-9
Details of employee cost claimed for the over the years

Particulars	2017-18	2018-19
	Actuals as per petition Rs.lakh	Actuals as per petition Rs.lakh
Salaries	68.36	68.11
Salary of Manager & Executive	38.85	38.50
ED/Manager's salary proportion	11.60	13.64
Overtime	30.93	33.37
DA	7.53	9.74
Other allowances	5.26	15.10
Contribution to the PF	9.14	
Bonus	5.29	6.10
Medical Expenses reimbursement	0.60	0.52
Leave Travel Concession	0.24	0.25

Earned leave encashment	1.14	1.60
Payment under Workmen's Compensation	0.04	-
Staff welfare expenses	0.89	1.17
Grand Total	180.14	188.10

24. The Commission during the previous years of the control period had approved the employee cost as per the normative amount fixed by the Commission. The employee expenses approved as per the Tariff Regulations 2018 for 2018-19 is Rs.126.40 lakh. The actual employee cost claimed for the year 2018-19 is Rs. 188.10 lakh which is Rs. 61.70 lakh more than that approved in the Tariff Regulation, 2018.

25. As per the details in the licensee's petition, they have claimed expenses for 76 employees as against 67 in the previous year. The licensee has stated that the increase in workers was due to their engagement to repair monsoon damages. It is stated that the wages for these workers account to for Rs 7.46 Lakh. The category-wise split up of the employee costs given by the licensee is shown below:

Table-10
Category-wise split of the employee costs

Particulars	Actual 2017-18		Actual 2018-19	
	No.	Rs. Lakh	No.	Rs. Lakh
Junior Technical Officers	3	12.83	3	12.25
Switching Station Operations	4	14.95	4	12.67
Technical Staff	48	80.78	49	82.90
Other Workers	6	7.29	14	14.83
Non-Technical Staff	3	11.64	3	10.73
Share of Management Staff Expenses	3	50.45	3	52.14
Other Allowances, Medical & Welfare Expenses		2.19		2.58
Total	67	180.14	76	188.10

26. As per the details furnished, the number of employees under each category engaged in the operations has remained almost the same, compared to the previous year except for the eight contingent workers as mentioned earlier. The licensee stated that only in respect of the category 'other workers' there is an increase of 8 workers over the previous year, because temporary workers had to be engaged to repair monsoon damages, for which wages worth Rs.7.46 lakh was paid.

27. The licensee further stated that though the number of employees has remained almost the same during the year in comparison with previous figures, the increase in employee cost over the years is purely in account of the triennial

wage revision in respect of workers. In order to substantiate it, the licensee has furnished the letter dated 25-5-2012 from the Plantation Labour Committee, showing the wage revision settlement with Trade Unions where by the Basic Wage Rate per man day was revised to Rs.82.63 per man day from 15-11-2011. According to the licensee, following the revision, in the basic wage rate, the total wages including DA was fixed at Rs.180 per man day. The next wage revision was with effect from 15-7-2015 through a Government Notification dated 17-5-2016. The licensee also furnished the relevant pages of the said notification. As per the said notification, the basic wage rate was revised from Rs.82.63 per man day to Rs.256.21 per man day from 1-7-2015 and the total wage including DA was revised to Rs.301.57 per man day. The wages including DA as on 1st February 2019 with an interim relief of Rs.50 per man day pending wage settlement is Rs.382.58 per man day.

28. Thus, according to the licensee, wage increase during the period from 15-11-2011 to 1-7-2015 (for a period of 43.5 months or 3.625 years) comes to a compounded annual growth rate of about 15.30% and the CAGR from 1-7-2015 to 1-2-2019 (from Rs.301.57 on 1-7-2015 to Rs.382.58 on 1-2-2019) for a period of 43 months or 3.58 years comes to 6.87% and the combined period comes to 11.07%. The licensee further stated that the above increase is to be allowed for the required number of employees. The licensee further stated that reasonable amount should be allowed in respect of the members of the management staff whose services are availed for the operations. As per the licensee's estimates, the share of management staff is Rs.52.14 lakh for 2018-19.

29. The Commission has examined the details furnished by the licensee. The Commission concurs that the unprecedented floods during 2018-19 had seriously impacted the licensees' business and caused widespread damage to the electrical infrastructure. The licensee had also taken appropriate steps for speedy restoration of service. **However, since these eight contingent workers were deployed on contingency basis, there is no justification whatsoever for continuing their service thereafter. The Commission hereby directs the licensee to discontinue booking of any further amount beyond the Rs.7.46 lakh in the licensee's electricity distribution business.**

30. The Commission further notes that Rs. 7.46 lakh booked on account of deploying these eight contingent workers seems disproportionate to the salaries paid to the regular employees for the whole year. The data reveal that Rs.93,250 each has been paid to these eight workers for the contingent work. However, the licensee has not provided the details, such as the nature of work,

period of their deployment, rate per day etc. **Hence, no amount is being approved on this account at present. The licensee shall, if it so desire within three months of issue of this Order make available to the Commission, the complete details of deployment of these eight contingent workers for consideration.**

31. The Commission has also decided to review the engagement and deployment of workers/staff by the distribution licensee, so as to arrive at firm employee requirement and deployment norms. **To facilitate this process, the Commission hereby direct the licensee to make available the complete list of workers/staff, their qualification, place of deployment, category, salaries, wages and all other benefits paid to them. The licensee shall make this data available within three months of the date of issue of this Order.**
32. The licensee has also stated that the additional employee cost is due to revision in salaries and due to overtime. The Commission is of the view that any wage revision/settlement arrived at with the recognised worker's Union or effected through Government Orders have to be respected. Though the licensee has furnished the details of revision of wages, the details of number of employees to whom the revision is applicable and the extent of additional expenses on account of wage revision is also not available. **Thus, the Commission hereby directs the licensee to furnish the details of any salary increase on account of wage revision within 3 months of this Order for consideration of the Commission.**
33. The Commission had noted that Overtime payment has been continuously increasing. This is definitely not a welcome trend and must be discouraged. Overtime, as a matter of principle should be paid only in exceptional circumstances and should not become another source of remuneration for the staff/workers. **In the absence of any specific justification for these payments and considering the fact that the Commission has vide para 31 of this Order directed for a review of the employee strength, no payment, on this account is allowed.**
34. As per Regulation 12 of the Tariff Regulations 2018, operation and maintenance expenses which includes employee cost, is a controllable expenditure. **Based on the above, the Commission hereby approves the employee expenses for 2018-19 as Rs. 126.40 lakh.**

Repair and Maintenance Expenses:

35. The licensee in their petition has claimed Rs.52.66 lakh, for the repair and maintenance of transmission lines, substations, 11 kV lines & associated works, LT line service etc. As per the Regulations, the approved R&M expenses for 2018-19 is Rs.36.50 lakh. The split up of the R&M expenses as per the petition is shown below.

Table-11
Details of R&M expenses claimed over the years

Particulars	2017-18 As per petition Rs.lakh	2018-19 As per petition Rs.lakh
Maintenance of Building	1.94	10.55
Cable, HT Lines	21.19	31.52
LT lines	6.75	7.53
Vehicles/fuel	2.52	2.47
Others	0.71	0.59
Total	33.11	52.66

36. As seen above, the licensee's claim for the year at Rs. 52.66 lakh is higher than the amounts claimed over the previous years. Out of this claim, Rs.31.52 lakh is on account of repair and maintenance works of cables and line works for maintaining the distribution system. The split up furnished by the licensee is shown below.

Table-12
Details of R&M expenses of Cables and Lines

Particulars	Rs.lakh
Repairs and damages caused due to the unprecedented monsoon	8.97
Cost of work for voltage improvement in Vagavurri	6.46
Transformer Oil Filtering	1.80
Additional transformer rewinding	2.75
Materials like posts, conductors, insulators etc and also the labour cost to clear the under growths along the distribution lines	11.53
Total	31.52

37. The licensee has stated that Rs.8.97 lakh has been incurred to undertake repairs and damages caused due to the unprecedented monsoon. The licensee has also incurred an amount of Rs.6.46 lakh for works relating to voltage improvement work.

38. The Commission has examined the details of the claim on R&M expenses. The licensee claims that Rs.8.97 lakh additional expense was incurred for flood related repair of damages. Further, Rs.6.46 lakh was also incurred for the voltage improvement works. There is also substantial increase in maintenance

of buildings. Except for these items, R&M expenses for the year is comparable that of the previous years. Considering the details furnished by the licensee, the Commission approves Rs.15.43 lakh including the additional expenses incurred for flood related works and for voltage improvement. **Accordingly, the approved R&M expenses for the year 2018-19 is Rs.51.93 lakh (Rs.36.50 lakh + Rs.15.43 lakh) as against the claim of Rs.52.66 lakh.**

Administration and General Expenses:

39.As per the Tariff Regulation 2018, the approved A&G expenses is Rs.13.75 lakh. The licensee in their petition has claimed A&G expense of Rs.16.89 lakh. A comparison of the administrative and general expenses claimed for over the previous years is tabulated hereunder.

Table 13
Details of A&G expenses claimed over the years

Particulars	2017-18 As per petition Rs.lakh	2018-19 As per petition Rs.lakh
Rents, Rates and Taxes	0.31	2.88
Security Arrangement	1.50	1.78
Insurance	0.75	0.47
Telephone/Telex charges	0.05	0.06
Legal charges	0.24	2.47
Travelling expenses	0.03	0.17
Conveyance and vehicle charges	0.01	2.82
Fees and subscription	2.07	0.89
Printing and Stationery	1.91	0.27
Electricity charges	0.65	0.71
Miscellaneous expenses	3.75	4.37
Total	11.27	16.89

40.As per the details furnished by the licensee, the increase in the A&G expenses is about 50% higher than that of the previous year. The major expenses booked under the head are towards rents rates and taxes, legal charges, Conveyance and vehicle charges and miscellaneous expenses. The reason for significant increase in the Rents, Rates and Taxes, Conveyance and vehicle charges and legal expenses furnished by the licensee is given below:

- Rents, rates and taxes of Rs.2.88 lakh are the fee for the ARR & ERC and truing up petitions filed before the Commission.
- Legal expense of Rs.2.47 lakh is towards the appeals before Hon'ble APTEL.
- The amount of Rs.2.82 lakh claimed for conveyance and vehicle charges is the cost of hiring of vehicles to travel distant hilly terrain to attend line faults during the monsoon.

- The Miscellaneous expenses of Rs.4.37 lakh includes batta for workers of Rs.3.28 lakh, computer consumables of Rs.0.16 lakh, audit fee of Rs 0.50 lakh etc.
41. The Commission has examined the details of A&G expenses. Based on the details furnished by the licensee, additional expenses of Rs. 2.82 lakh incurred for vehicle charges for monsoon maintenance works is approved additionally over and above the normative O&M costs. **Accordingly, the approved A&G expenses for the year is Rs.16.57 lakh (Rs.13.75 lakh+Rs.2.82lakh) as against the claim of Rs.16.89 lakh.**

O&M Expenses approved for 2018-19:

42. The normative O&M expenses approved for the year 2018-19 as per the Regulation is Rs.176.65 lakh. As mentioned in the preceding paragraphs, the Commission approves Rs. 176.65 lakh as the O&M for the year 2018-19. As per Regulation 79(10), the Commission may allow one time maintenance of special nature not in the form of routine repair and maintenance if any is required and is undertaken for the distribution system, expenses for such maintenance may be allowed by the Commission after prudence check considering the details and justification furnished by the Distribution business/licensee for incurring such an expenditure to the satisfaction of the Commission. The licensee has incurred additional O&M expenses on account of flood related repairs as mentioned in the previous sections. Considering the matter in detail, the Commission approves the following additional expenses under Regulation 79(10) in addition to the normative O&M expenses approved:

- Rs.15.43 lakh under flood related repair and maintenance costs
- Rs.2.82 lakhs under A&G expenses for flood related vehicle expenses.

Table 14
Approved O&M Expenses for the year 2018-19

	2018-19		
	ARR Approved	For truing Up	Approved for truing up
	(Rs.lakh)	(Rs.lakh)	(Rs.lakh)
Employee costs	126.40	188.10	126.40
R&M expenses	36.50	52.66	51.93
A&G expenses	13.75	16.89	16.57
	176.65	257.65	194.90

43. **Accordingly the Commission hereby approves a total O&M expenses of Rs.194.90 lakh for the year 2018-19.**

Capital expenditure

44. The details of the expenditure capitalised for 2018-19 as per the petition for the truing up of accounts for the year 2018-19 is as shown below:

Table 15
Details of expenditure capitalised for 2018-19

Particulars	Rs.Lakh
Jeep transferred from other operations at WDV-1no.	0.72
Box spanner Kit-1no	0.03
Switch meter 11 kV-43 nos	11.50
Energy meters-1412 nos	9.86
Computer with UPS-1 no.	0.57
163 kVA Transformer with Structure-1 no (second hand)	1.15
Cash counting machine -1 no	0.20
Transformer-1 no with cabling etc	16.30
Total	40.33

45. The Commission accepts Rs. 40.33 lakh as the licensee's capital expenditure for - truing up of accounts for the year 2018-19.

Depreciation:

46. The licensee in the petition has claimed depreciation in the straight line method as per the Tariff Regulations, 2018. The depreciation claimed by the licensee in the application for truing up for the year 2018-19 is Rs 21.02 lakh as against Rs 17.84 lakh approved for the year. The claim of the licensee is shown below.

Table -16
Depreciation claimed for the year 2018-19

Asset group	GFA (Rs.lakh)	Asset Addition (Rs.lakh)	Depreciation (Rs.lakh)
Transformers	253.37	17.46	13.60
Distribution lines	40.16	-	2.12
Meters	61.34	21.35	3.63
Others	24.67	1.09	1.59
I T Equipment	0.48	0.43	0.08
Total	380.02	40.33	21.02

47. The Commission while issuing the order on ARR & ERC had noted that, the licensee had furnished the value of the assets transferred/taken over from the erstwhile licensee M/s Tata Tea Limited as at 01-08-2007. Since assets of Rs.127.76 lakh had already completed 12 years, depreciation was allowed at a lower rate for the remaining life period. Accordingly, depreciation of Rs.17.84

lakh was approved for the year. It is seen that the licensee in the petition for 2018-19 has claimed depreciation at higher rate.

48. The Commission while issuing the order on the ARR & ERC for the control period had approved Rs.113.67 lakh towards the capital investment for 2018-19. As per the truing up petition, the asset addition claimed is Rs.40.33 lakh as shown in table above.
49. The licensee had obtained prior approval for the capital expenditure towards the purchase of switch meters and energy meters. Other major asset addition is a Transformer and cabling at a cost of Rs.16.30 lakh for which no approval has been obtained. The licensee has submitted the details of the date of the commissioning of the assets and has claimed depreciation on the proportionate basis.
50. As per the Tariff Regulations, 2018, depreciation on assets created out of consumer contribution is not allowable. The assets created out of consumer contribution are Rs.14.96 lakh. Considering the lower rate of deprecation for the assets that have completed 12 years and higher rate for rest of the assets and proportionate deprecation for the asset additions during the year, the deprecation approved for the year 2018-19 is shown below.

Table-17
Depreciation approved for 2018-19

Assets Prior to Transfer	GFA as on 1-4-2018 (Rs. Lakhs)	Depreciation Rate (%)	Depreciation 2018-19 (Rs. Lakh)
Transformers	80.38	1.14%	0.92
Distribution lines	40.16	1.14%	0.46
Meters	7.22	8.74%	0.63
Sub Total	127.76		2.01
Assets added from 2007-08 to 2017-18			
Transformers	172.99	5.28%	9.13
Meters	54.12	5.28%	2.86
Others	24.67	6.33%	1.56
IT equipment	0.48	15.00%	0.07
Sub Total	252.26		13.63
Total as on 1-4-2018	380.02		15.63
Less Consumer contribution	14.96	5.28%	0.79
GFA Less Consumer contribution	365.06		14.84
Asset additions	40.33	5.28%	1.06
Total for 2018-19	405.33		15.90

51. As shown above, **Commission approves a depreciation of Rs.15.90 lakh for the year 2018-19.**

Interest and Finance Charges:

52. The Commission had approved Rs.54.97 lakh as interest on finance charges including interest on normative loan, interest on working capital, interest on security deposits and the Bank Charges on Bank Guarantee/L.C to KSEB in the licensee's ARR & ERC for 2018-19. The licensee in this petition has claimed Rs.65.49 lakh as interest and finance charges for the year. A comparison of the interest and finance charges is tabulated hereunder.

Table 18
Split up of Interest & Finance charges

Particulars	2017-18 Truing up (Rs. Lakh)	2017-18 Trued Up (Rs. Lakh)	2018-19 Projected (Rs. Lakh)	2018-19 ARR Approved (Rs. Lakh)	2018-19 Truing Up (Rs. Lakh)
Interest on Normative Loan	-	-	24.35	10.83	13.41
Interest on Working Capital	-	7.39	1.58	25.82	26.43
Interest on Security deposits	12.33	12.28	31.80	15.90	14.15
Bank Charges on Bank Guarantee/L.C to KSEB	8.53	8.53	2.42	2.42	5.34
Bank Charges on Rs 7.18 Crs Bank Guarantee to KSEB	6.67	-	5.86	-	6.09
Interest on Late Payment	0.33	-	-	-	-
Total	27.87	28.20	66.00	54.97	65.42

53. Each of the item under interest and finance charge is examined below.

(a) Interest on normative loan

54. The licensee has in this petition claimed interest on normative loan as shown below.

Table-19
Interest on Normative Loan

Particulars	ARR Approved 2018-19 (Rs .Lakh)	As per the petition 2018-19 (Rs.Lakh)
Gross Fixed Assets 1 st April 2018	380.02	380.02
Less GFA at the time of transfer of the business disallowed	127.76	-
Less Consumer Contribution	14.96	-
Cumulative Depreciations upto 1 st April 2018.	152.32	152.32
Net Normative Loan – 1 st April 2018	84.98	227.70
Net increase/decrease of assets during the year ended March 2019.	113.67	40.33
Depreciation during the year ended 31 st March 2019.	17.84	21.02
Net Normative Loan for the year ended 31 st March 2019.	180.80	247.01
Average Normative Loan during the year	132.89	237.36
Less Consumer Contribution	-	7.89
Adjusted Average Normative Loan during the year	132.89	229.47
30% thereof towards Equity	-	68.84
Balance of Normative Loan	132.89	160.63
Average Base Rate of SBI during the year.	8.15%	8.35%
Interest on the normative loan for the year.	10.83	13.41

55. The licensee has stated that SBI's MCLR for 3 years as on 1st April 2018 has been considered, since this is a long term funding. The Commission has examined the licensee submission with reference to the provisions of the Regulations. As per Regulation 22(1), in the case of existing distribution system assets, the capital cost approved by the Commission prior to the First day of April 2018, including additional capitalisation, if any, and the expenditure projected for the respective financial years of the Control Period, shall form the basis for determination of tariff.
56. As per Regulation 27(2) in the case of existing assets, the balance depreciable value as on the First day of April, 2018, shall be worked out by deducting the cumulative depreciation approved by the Commission upto the Thirty First day of March, 2018, from the gross depreciable value of the assets. Further, Regulation 26(4) says that if any fixed asset is capitalised on account of capital expenditure incurred prior to the First day of April, 2018, the debt-equity ratio allowed by the Commission for determination of tariff for the period ending the Thirty First day of March, 2018 shall be considered. In addition, Regulation 29(2) provides that the normative loan outstanding as on the First day of April, 2018, shall be worked out by deducting the amount of cumulative repayment as approved by the Commission up to the Thirty First day of March, 2018, from the normative loan.
57. Based on the Regulation provisions, the normative loan for the Control Period is worked out. The GFA as on 1-4-2018 is Rs.380.02 lakh. The Commission in their truing up order for the years 2005-06 to 2009-10 had not approved GFA of Rs.127.76 lakh at the time of the transfer of the license from the erstwhile licensee M/s Tata Tea and consumer contribution of Rs. 14.96 lakh. The accumulated depreciation is Rs.152.32 lakh. Based on the above, the GFA eligible for interest is as shown below:

Table-20
Value of Fixed assets as on 1-4-2018

Particulars	Rs. Lakh
GFA as on 01-04-2018	380.02
<u>Less</u> GFA disallowed at the time of transfer of licence	127.76
<u>Less</u> Consumer contribution and grants	14.96
Balance GFA to be considered	237.30
Accumulated depreciation till 01-04-2018	152.32
GFA eligible for Interest and Return as on 01-04-2018	84.98

58. As shown above, the normative loan for the purpose of interest charges as on 01-04-2018 is Rs.84.98 lakh. As per second proviso to Regulation, 21(4), if

there is no actual loan portfolio, interest charges is to be allowed at base rate. The base rate is the Marginal Cost of Funds based Lending Rate (MCLR) declared by the State Bank of India as applicable on first day of April of respective financial year for a tenor of one year. Based on the asset addition for the year, the normative loan is worked out as shown below:

Table-21
Normative loan approved for 2018-19

	Particulars	2018-19
		Rs. Lakh
1	GFA eligible for Return as on 01-04-2018	84.98
2	(Normative loan at the beginning of the year)	84.98
3	Asset Addition during the year	44.30
4	Less Depreciation for the year	15.90
5	Closing Normative loan for the year (2+3-4)	113.38
6	Average Loan for the year (2+5)/2	99.18
7	Rate of Interest (Base rate as on 01-04-2018 one year tenor)	8.15 %
8	Interest charges for the year	8.08

59. Accordingly, the interest on normative loan approved for the year 2018-19 is Rs.8.08 lakh

(b) Interest on the security deposit

60. The licensee has stated that the interest on security deposit is Rs.14.15 lakh at a rate of 6.50%. The Commission has examined the claims on interest on the security deposit of the licensee. As per Regulation 72 of the Kerala Electricity Supply Code, 2014, the licensee has to pay interest on the security deposit at the bank rate prevailing in the first April of that year. As per the website of Reserve Bank of India, the bank rate as on 01-04-2018 is 6.25%. The licensee is to pay the interest to the consumers as per the bank rates of RBI applicable for the relevant years. Considering the actual interest paid, **Commission approves Rs.14.15 lakh as the interest on security deposit for the purpose of truing up for the year 2018-19.**

(c) Bank Charges on Bank Guarantee/L.C to KSEB Ltd:

61. The licensee has booked a total of Rs.11.47 lakh as bank charges. This includes Rs.5.34 lakhs towards bank charges on Bank Guarantee/L.C to KSEB and Rs.6.09 towards Bank Charges on Rs 7.18 Crores which is the bank

Guarantee to KSEB as per the orders of Hon. Supreme Court of India in Civil Appeal No. 2144/2011. The split up of the claim is shown below.

Table – 22
Bank Charges Claimed

Particulars	2018-19 (Rs. Lakh)
Bank Charges on Bank Guarantee/ L.C to KSEB	5.34
Bank Charges on Rs 7.18 Crores for Bank Guarantee to KSEB	6.09
Total	11.47

62. The licensee has stated that the claim of Rs.5.34 lakh is towards the bank guarantee charges to KSEB Ltd as per the power purchase agreement and for opening the letter of credit. Considering the same, the Commission approves Rs. 5.34 lakh. With regard to the bank guarantee provided to KSEBL as per the orders of Hon. Supreme Court, the Commission in the previous orders have specifically excluded the same as allowable expenses. This is because, the licensee has filed first appeal against the order of the Commission approving the arrear amount payable to KSEB Ltd. In the first Appeal, Hon. APTEL has upheld the order of the Commission. The licensee has filed second appeal before the Hon. Supreme Court and Hon. Supreme Court in the interim order, directed to provide bank guarantee for the said amount. **Accordingly, the Commission approves only Rs.5.34 lakh, the Bank Charges on Bank Guarantee/ L.C to KSEB Ltd. as part of interest and finance charges.** The licensee may explore the option of reducing the bank charges on Bank Guarantee, by inviting rates from different banks.

(d) Interest on working capital

63. In the licensee's truing up petition for 2018-19, they have sought interest on working capital of Rs.26.43 lakh of as against the approved amount of Rs.25.82 lakh. As per the Regulation 32, interest on working capital for a distribution licensee is to be computed as quoted hereunder:

“32. Interest on working capital. – (1) The generation business/company or transmission business/licensee or distribution business/licensee or the state load despatch centre shall be allowed interest on the normative level of working capital for the financial year, computed as under,-

.....

(e) In the case of distribution business/licensee the working capital shall comprise of,-

(i) operation and maintenance expenses for one month; plus

(ii) cost of maintenance spares equivalent to one-twelfth of the average of the book value of stores, materials and supplies at the beginning and end of the financial year; plus

(iii) receivables equal to the expected revenue from sale of electricity for two months at the prevailing tariff:

Provided that the amount, if any, held as security deposits except the security deposits held in the form of Bank Guarantee from users of the distribution system and consumers shall be reduced while computing the working capital requirement;

Provided further that for distribution business/licensees who supply electricity to their consumers on prepaid metering system, no interest on working capital shall be allowed.

64. The interest on working capital of the licensee for the year 2018-19 as per the petition is shown below.

Table 23
Working capital proposed by the licensee for 2018-19

Particulars	ARR Approved 2018-19 (Rs. Lakh)	As per truing up petition 2018-19 (Rs. Lakh)
O & M Expenses – One month	14.72	21.47
Maintenance Spares	-	-
Receivables - 2 months	508.76	474.14
Less: Security Deposit from Consumers	254.38	238.95
Total Normative Working Capital	254.38	260.42
Interest Rate	10.15	10.15
Interest on Working Capital	25.82	26.43

65. The licensee has worked out the interest on working capital requirement as per the provisions of the Tariff Regulations 2018. Based on the approved O&M expenses and power purchase cost, the interest on working capital approved for the year 2018-19 is shown below.

Table 24
Interest on Working capital approved for 2018-19

Particulars	Actual 2018-19 (Rs.Lakh)
Approved O & M Expenses for One month	16.24
Maintenance Spares	---
Receivables-2 months Revenue from sale of power	474.14
Less: Security Deposit from Consumers	238.95
Total Working Capital	251.43
Interest Rate (%) (base rate+2%)	10.15
Interest on Working Capital	25.52

Summary of the interest and finance charges

66. The interest and finance charges approved for the year 2018-19 in the process of truing up is detailed below.

Table 25
Interest & Finance charges approved for the year 2018-19

Particulars	Amount approved for truing up (Rs. Lakh)
Interest on normative loan	8.08
Interest on security deposits	14.15
Bank Charges on Bank Guarantee	5.34
Interest on working capital	25.52
Total	53.09

67. *As shown above, the total interest and financing charges approved for 2018-19 is Rs.53.09 lakh for the truing up.*

Others debits:

68. The licensee has in the application for truing up of accounts claimed an amount of Rs.18.31 lakh towards other debits as against an amount of Rs.0.54 lakh approved in the ARR order issued. A comparison of the actual amount under the head Other debits over the years is as follows.

Table 26
Details of other debits

Particulars	2017-18 Actual	2018-19 Actual
Duty III	14.15	12.97
Inspection Charges	0.51	0.61
Provision for doubtful Debt	1.28	4.73
Total	15.94	18.31

69. As shown above, the licensee has included Section III duty, inspection charges and provision for doubtful debts under other debits. The Commission has already in its Order on the ARR & ERC for the control period and the Orders on the truing up of accounts stated that Section 3 duty cannot be passed on to the consumers, in view of the statutory provisions laid down in the Kerala Electricity Duty Act, 1963.

70. With regard to the claim of provision for doubtful debts, while issuing the order on the truing up of accounts for the year 2017-18, Commission had specifically directed the licensee to conduct an age wise analysis of the receivables and to take steps to realise the receivables and to write off the receivables which are bad and uncollectable against the provisions already available. Commission had

also stated that unless the direction is complied with, additional provision for doubtful debts will not be considered in the future.

71. The licensee in the clarifications submitted on 01-02-2020 has stated that the age wise analysis of the receivable will be submitted before the Commission soon. Since the licensee did not submit the details, the Commission is not in a position to understand the reasonableness of the provision of Rs.4.73 lakh. **Accordingly, the Commission approves only the inspection charges of Rs.0.61 lakh as part of other debits.**

72. **Return on Equity:** The licensee in the petition for truing up of accounts for the year 2018-19 has not claimed any amount under RoE. The Commission while approving the ARR & ERC for the year 2018-19 had approved a RoNFA of Rs.3.83 lakh as against the projection of Rs.6.59 lakh. The Commission in the ARR of the licensee had allowed only for Rs. 127.76 lakh for calculation of RoNFA, since, for the balance amount interest on normative loan is allowed. Hence, the Commission is of the considered view that return is to be allowed only for Rs.127.76 lakh. Accordingly, **the Commission approves Rs.3.83 lakh as return for the year 2018-19**

73. **Gross Revenue requirements:** Based on the above, the Gross revenue requirement for the year 2018-19 after truing up is as shown below:

Table 27
Gross Revenue Requirements after truing up for 2018-19

Particulars	2018-19		
	Approved ARR & ERC (Rs.lakh)	For Truing Up (Rs.lakh)	Trued Up (Rs.lakh)
Purchase of Power	2857.38	2679.75	2,668.84
R&M Expenses	176.65	52.66	194.90
Employee Cost		188.10	
A&G Expenses		16.89	
Depreciation	17.84	21.02	15.90
Interest & Finance Charges	54.97	65.42	53.09
Other Debits	0.54	18.31	0.61
Return on NFA	3.83	0.00	3.83
Total Expenditure	3111.21	3042.15	2,937.17

74. **Revenue from sale of power:** A comparison of the category wise revenue from sale of power claimed by the licensee for 2017-18 & 2018-19 is as shown below.

Table 28
Revenue from sale of power

Particulars	2017-18 (Actual)				2018-19 (Actual)			
	No. of Consumers	Sales MU	Total revenue	Average Realisation	No. of Consumers	Sales MU	Total revenue	Average Realisation

HT IA Industrial	25	30.29	1957.02	6.46	22	28.62	1843.20	6.44
HT II General	-	-	-	-	3	0.40	34.49	8.62
HT III Agriculture	2	0.32	13.43	4.18	2	0.28	12.29	4.39
HT IV Commercial	8	2.44	199.65	8.17	9	2.01	170.42	8.48
LT I Domestic	13369	7.39	305.51	4.13	13490	7.31	305.42	4.18
LT IV Industries	91	0.60	37.49	6.21	90	0.56	35.51	6.34
LT V Agriculture	5	0.01	0.34	2.39	5	0.03	0.59	1.97
LT VI Non-Domestic	714	0.93	75.15	8.09	917	1.59	138.93	8.74
LT VII Commercial	1360	3.83	373.11	9.74	1172	2.85	281.84	9.89
Street Lighting	310	0.38	16.21	4.22	252	0.32	13.87	4.33
LT-Tod Tariff	-	-	-	-	2	0.01	1.00	10.00
Total	15884	46.21	2977.91	6.44	15964	43.98	2837.56	6.45
Recovery of electricity duty			139.35				146.34	
Fuse off calls/New Application Fee			0.02				0.04	
Reconnection fee			0.22				0.23	
Public lighting			2.35				2.30	
Maintenance charges			0.06				0.17	
Delayed payment charges			3.37				3.88	
Other receipts- Power Theft. Etc.			0.38				0.68	
Total			3123.67				2991.20	
Less electricity duty			139.35				146.34	
Net Revenue from sale of power	15884	46.21	2984.32		15964	43.98	2844.86	

75. As per the details submitted in the petition, the revenue from sale of 43.98 MU is Rs.2844.86 lakh which includes Rs.7.30 lakh of other charges such as reconnection fee, delayed payment etc. The sale of power and the revenue from the sale is lower compared to the previous year. The licensee has stated that revenue from sale of power is lower due to the unprecedented high rainfall and the flood. The major part of the revenue is realized from HT I A Industrial category, LT I Domestic & LT VII Commercial consumer categories. The average realization for the year 2017-18 is Rs.6.45. ***The Commission approves the actual energy sales of 43.98 MU and the actual revenue from sale of power of Rs.2844.86 lakh***

Non Tariff Income:

76. The non-tariff income accounted by the licensee in the application includes interest receivable on KDHPCL deposit with KSEB Ltd and miscellaneous recoveries. A comparison of the non-tariff income is tabulated hereunder.

**Table 29
Details of Non Tariff income**

Items	2017-18	2018-19
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	For Truing Up (Rs.lakh)	Trued Up (Rs.lakh)	For Truing Up (Rs.lakh)
Interest receivable on KDHPCL deposit with KSEB	15.40	15.40	15.04
Miscellaneous recoveries	2.34	2.34	3.27
Interest on accumulated Surplus	-	79.42	-
Total	17.74	97.16	18.31

77. The licensee has not accounted the interest on accumulated surplus as part of the non tariff income in the truing up petition. The licensee has stated that regulatory surplus does not generate any real cash surplus of corresponding amount in the hands of the Licensee for placement of funds. The Commission over the years has approved notional interest on the accumulated surplus. The accumulated surplus at the end of the year 2017-18 as per the Order dated 12-11-2019 is Rs.947.21 lakh.

78. The Commission has been approving the notional interest on accumulated revenue surplus at the SBI base rate. However, for the control period from 2018-19 to 2020-21, the Commission is of the view that the notional interest may be allowed on the SBI fixed term interest for a tenor of one year, considering the current interest rate scenario. Accordingly, the interest on the revenue surplus is approved at a rate of 6.25% for an amount of Rs.947.21 lakh.

79. Considering the notional interest of Rs.59.20 lakh on the accumulated surplus the total non-tariff income of Rs.77.51 lakh for the purpose of truing up of accounts for the year 2018-19

Table – 30
Non-Tariff Income allowed for truing up for 2018-19

Particulars	Trued Up (Rs lakh)
Non-Tariff Income	18.31
Interest on accumulated surplus	59.20
Total	77.51

Revenue Surplus/gap after Truing up of Accounts 2018-19

80. Based on the above details of Truing up and taking into consideration the approved expense and revenue is given below:

Table 31
Details of amounts approved in Truing up for the year 2018-19

Particulars	2018-19		
	Approved ARR &ERC (Rs.lakh)	For Truing Up (Rs.lakh)	Trued Up (Rs.lakh)
Revenue from Sale of Power	3059.29	2844.86	2,844.86

Other Income	70.27	18.31	77.51
Total Income	3129.56	2863.17	2,922.37
Purchase of Power	2857.38	2679.75	2,668.84
R&M Expenses		52.66	
Employee Cost	176.65	188.10	194.90
A&G Expenses		16.89	
Depreciation	17.84	21.02	15.90
Interest & Finance Charges	54.97	65.42	53.09
Other Debits	0.54	18.31	0.61
Return on Equity	3.83	0.00	3.83
Total Expenditure.	3111.21	3042.15	2,937.17
Net Surplus/(Deficit)	(+)18.35	(178.98)	(14.80)

Orders of the Commission

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

- a) Total revenue is Rs. 2922.37 lakh
- b) Total expenditure is Rs.2931.17 lakh
- c) The revenue gap for the year is Rs.14.80 lakh.
- d) The cumulative revenue surplus till 2018-19 will be Rs. 932.41 Lakh (Rs.947.21 lakh – Rs.14.80 lakh). The licensee shall keep the surplus arrived at after the truing up process in a separate fund and utilize it as per orders of the Commission.

82. In addition, the Commission further directs the licensee to:

- a) ***As directed vide para 29 & 30 of this Order, the licensee shall discontinue booking of any amount beyond the Rs.7.46 lakh already booked on account of deployment of eight contingent workers for flood related works. Since this amount is not approved at present, the licensee shall, within three months of issue of this Order make available to the Commission, the complete details of deployment of these eight contingent workers.***
- b) ***As directed vide para 31 of this Order, the licensee to make available the complete list of workers/staff, their qualification, place of deployment, category, salaries, wages and all other benefits paid to them. The licensee shall make this data available within three months of the date of issue of this Order.***
- c) ***As directed vide para 32 of this Order, the licensee shall furnish the details of any salary increase/wage revision within 3 months of this Order for consideration.***

83. The petition is disposed of. Ordered accordingly.

Sd/-

Sd/-

**S.Venugopal
Member**

**Preman Dinaraj
Chairman**

Approved for Issue

Sd/-

Secretary (i/c)