

**KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM**

Present : **Shri. Preman Dinaraj, Chairman
Adv. A.J.Wilson, Member(Law)**

Petition No. : **OA No 16/2020**

In the matter of : Truing up of accounts of M/s Technopark
for the financial year 2018-19.

Petitioner represented by : M/s Technopark, Thiruvananthapuram
Represented by
Shri Sasi Pilacheri Meethal CEO
Smt. Jayanthi, L CFO
Shri. Madhavan Praveen, Dy.GM,
Shri. Viswanathan N, Asst.Manager, (Fin).
Shri. Anfal, Dy. Manager,

Hearing No.& date of hearing : 1st hearing held on 03-11-2020.
: 2nd hearing held on 13-01-2021

Order Dated:08-04-2021

Background

1. M/s Technopark, Thiruvananthapuram (herein after referred as Technopark or the licensee) vide letter No. ETPK/FIN/KSERC/2020-21/1 dated 16-09-2020 submitted a petition for truing up of accounts for the financial year 2018-19. The Commission had approved the ARR&ERC for the control period from 2018-19 to 2021-22 as per the Order dated 24-03-2020. The present petition pertains to the truing up of accounts for the first year of the control period i.e. 2018-19. The Commission admitted the petition as OA 16/2020.
2. The Commission had notified the KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2018 (hereinafter referred to as the Tariff Regulations, 2018), applicable for the control period from 2018-19 to 2021-22. Regulation 15 of the Tariff Regulations, 2018 provides for the filing of the petition for truing up of accounts for the relevant years.
3. In the petition, the licensee has arrived at a revenue deficit of Rs.165.78 lakh for the year 2018-19, as against a revenue surplus of Rs.594.05 lakh approved by the Commission in the ARR Order dated 24-03-2020. The comparison of ARR&ERC Order and the truing up petition for the year 2018-19 and the trued-up figures for the immediate previous year is

tabulated hereunder.

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

Particulars	2017-18		2018-19		
	Truing Up Petition (Rs. lakh)	Trued Up (Rs.lakh)	ARR & ERC Order (Rs. lakh)	Truing Up Petition (Rs. lakh)	Variance (Rs. lakh)
Revenue from Sale of Power.	6,208.28	6,208.28	6,360.81	6292.32	(68.49)
Non Tariff Income	97.36	102.84	98.39	101.79	3.40
ERC- Total Revenue	6,305.64	6,311.12	6,459.20	6394.11	(65.09)
Purchase of Power	5,257.94	5,322.80	5316.10	5337.12	21.02
Employee Cost	21.81	21.81	29.98	22.55	(7.43)
Repairs and Maintenance	380.27	251.50	182.87	410.13	227.26
A&G Expenses	194.81	58.25	52.23	195.56	143.33
Depreciation	299.86	137.45	131.25	300.30	169.05
Interest & Finance Charges	121.85	25.85	0.33	98.58	98.25
Interest on security deposits	77.75	77.75	93.98	81.36	(12.62)
Interest on Working Capital		-	-	-	
Return on NFA	123.05	35.77	58.41	114.30	55.89
ARR- Total Expenditure	6477.34	5,931.18	5865.15	6559.89	694.74
Revenue Surplus/(Deficit)	(171.70)	379.94	594.05	(165.78)	(759.83)

4. The Commission vide letter dated 08/10/2020 sought clarifications on the petition and directed the licensee to submit the clarification on or before 15-10-2020. The hearing was posted on 20-10-2020. However, licensee vide e-mail dated 15-10-2020 informed that as one of their employees was tested positive for Covid-19 and in order to prevent spread of the pandemic among their employees, sought postponement of the hearing by another week. This was allowed by the Commission and the hearing was postponed to 03-11-2020. Time required for submission of clarifications as requested by the licensee was also extended till 23-10-2020. Accordingly, the licensee vide letter dated 23-10-2020 submitted the clarifications. Due to the Covid-19 pandemic and lockdown, the scheduled hearing had to be conducted through video conference mode.

Hearing on the Petition

5. The hearing on the petition was held on 03-11-2020 at 11.00 AM through video conference. The applicant M/s Technopark was represented by Smt. Jayanthi. L, Chief Finance Officer, Sri. Madhavan Praveen, Dy. General Manager, Sri. Anfal. Dy Manager, Sri. Viswanathan, Finance Officer of the licensee and Shri. Bipin Consultant. Sri. Anfal, presented the details of the petition on the truing up of accounts for the year 2018-19

and gave clarifications on the queries of the Commission. The second hearing of the petition took place as public hearing at Malabar hall Technopark on 13-01-2021. The main points made by Technopark are:-

- The licensee has claimed a revenue gap of Rs.165.78 lakh as against the revenue surplus of Rs.594.05 lakh approved in the ARR order.
- There is an increase for the year 2018-19 in the number of consumers from 844 to 872 and the sale of power from 850.80 lakh units to 865.76 lakh units when compared to the previous year 2017-18. The majority of consumers were belonging to the LT IVB category in the IT sector. It was pointed that the rates charged for Hoardings was on the higher side. The distribution loss for the year was 2.20% which is higher than the distribution loss of 2.02 % for the previous year and the ARR approved distribution loss of 1.53%.
- The total power purchase cost for the year is Rs.5337.12 lakhs for 882.13 lakh units at an average power cost of Rs.6.05 per unit as against the previous year's power cost of Rs.5257.94 lakhs for 868.33 lakh units at an average rate of Rs.6.06 per unit.
- The True up claim of the licensee for employee cost is Rs.22.55 lakh as against Rs.29.98 lakh approved in the ARR by the Commission. Major portion is towards salary, wage revision, and staff welfare expenses. Further, the expenses incurred towards salary/wages to outsourced employees on contract is also booked under employee cost to make the cost apportionment more realistic.
- The Repair and Maintenance Charges claimed by the licensee is Rs.410.13 lakh as against Rs.182.87 lakh approved in the ARR for the year. For the previous year 2017-18, as per the trued-up accounts, Rs.261.50 lakhs was approved as R&M charges by the Commission. The major portion of this year expenses are relating to Phase 1 amounting to Rs.291.89 lakhs. For phase II & III the R&M charges claimed amounts to Rs 87.77 lakhs and for Technopark Kollam the amount claimed is Rs.30.46 lakhs. The licensee informed that details regarding tenders invited and evaluation records have been submitted separately. The contracts entered into were running contracts for varying periods extending up to three years in some instances.
- The A&G expenses claimed by the licensee as per the application for truing up was Rs.195.56 lakh as against the approved amount of Rs.52.23 lakh in the ARR&ERC Order. The major claims booked under A&G expense are towards security arrangements Rs.114.24 lakhs, Section 3(1) duty Rs.51.34 lakh. It was requested for allowing Section 3(1) Duty as an allowable expenditure.
- The licensee has claimed interest on loan Rs.98.58 lakhs and Rs.81.36 lakhs as interest on consumer security deposits totaling to Rs.179.94 lakhs as against the ARR approved amount of Rs.94.31 lakhs. The licensee confirmed that the interest on security deposits booked in the accounts have actually been paid to the consumers.
- The licensee informed that they were contemplating submission of a petition for

revising the capital expenditure considering the adverse impact on return on net fixed assets (RONA) when a capital expenditure is disallowed.

- Depreciation claimed Rs.300.30 lakhs for the year is inclusive of asset additions out of own funds of Rs.224.13 lakh. No formal approval for the asset addition has been obtained. The licensee informed that the depreciation rates adopted were the rates prescribed as per the regulations.

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

- Separate petition to be filed in respect of the complete employee details for arriving at a rational employee strength as per CEA norms.
- Security expenses is not an operational activity of a distribution licensee and such huge expenses cannot be allowed. This will have to be met by the licensee. The possibility of installing CC TV cameras and re-deployment of security personnel to be examined on priority.
- Licensee to recast employee expenses so as to give a more realistic view.
- The capital additions Rs.360.25 lakhs in the true up petition is without the prior approval of the Commission.
- Details of Capital expenditure proposals pending for approval to be submitted

7. In response the licensee furnished the details vide letter dated 20/11/2020. However, they have requested for 14 day's further time for submitting the complete employee details. The Commission thereafter extended the date of submission to 18/12/2020. The details furnished by the licensee is examined along with the details in the petition in subsequent sections.

8. The second hearing took place as a physical hearing at Malabar Hall at Technopark campus on 13-01-2021 wherein additional clarifications were provided on the Capital additions made by the licensee during the year 2018-19. The matters discussed and the submissions made by the licensee at the second hearing is as under;

9. The licensee submitted that even though the R&M expenses are higher when compared with the previous year, these were based on tenders and were done in a transparent manner. They have received 4-5 technically qualified bids and from these the lowest is awarded the work. The licensee submitted that based on the above these expenses may kindly be approved.

10. The licensee claimed that the A&G expenses were on the minimum level. The Commission pointed out that the security expense are very high and steps should be taken to bring down these expenses. The licensee submitted that they were having

thirteen substations and these had to be manned for security purposes. The Commission enquired whether these expenses can be brought down by introducing a central surveillance system by introducing cameras and a team sitting at one place to monitor and to attend in person if necessary on required occasions. The licensee explained that redeployment is currently being undertaken and by the financial year 20-21 these expenses are expected to come down.

11. In their clarifications submitted vide letter dated 20.11.2020, the licensee mentioned that, during 2018-19 capital additions amounted to Rs.360.25 lakh was made as discussed below:-

i. 11 KV Distribution system south side phase III- Rs.27,82,154/-

The licensee submitted that these works were approved by the Commission. However it is seen that in the approval given the source of funding was by way of grants. In the instant case an amount of Rs 27,82,154/- was submitted for approval out of which grant was to the extent of Rs 21,91,000/- and the remaining Rs.5,91,154/- was seen to be met from own funds of licensee.

This expense was approved as grant funded by the Commission on the licensees submission but grants of Rs.21,90,000/- only was available and the work had to be completed with own funds.

ii. Electrification of new office in phase III- Rs.82,026/-

The amount put up for approval was Rs.82,026/- and being less than the amount required for taking approval, prior approval was not required.

iii. Lighting and Emergency lights for sub station phase III:- Rs.3,89,844/-

Here also the total amount was Rs.389,844/- and being less than Rs. 5 lakhs prior approval was not required.

iv. Electrical Distribution sub panels in Yamuna.- Rs.6.82,205/-

The amount of Rs. 6,82,205/- as submitted by the licensee was incurred for dividing the existing facilities consequent to the increase in the number of customers. The Commission has allowed this expenditure.

v. Statutory fee paid to Inspectorate- Rs.2,81,022/-

The amount of Rs.2,81,022.00 was approved by the Commission.

vi. Distribution network for power to IT building Phase III -Rs.1,59,88,241/-

The licensee submitted that an amount of Rs.1,59,88,241/- was incurred for distribution network to IT building. This was incurred for electrification works inside the consumers premises. The Commission reiterated its position that Regulation 49 of the Supply Code does not permit this expenditure. The Commission disallowed these expenses. Instead, this amount can be booked under the park business.

vii. 11 KV cable rerouting and laying.- Rs.17,24,166/-

The licensee submitted that these expenses for Rs.17,24.166/- was incurred for rerouting of cables already laid due to change in requirements. Here the licensee contended that there will be rerouting and also fresh laying of cables. The Commission informed that if the split up of these expenses can be given then the same can be considered. The licensee agreed to give the split up of these expenses.

viii. AB switch 11 KV & HT meter installation. -Rs.1,64,500/-

This amount of Rs.1,64,500/- was approved by the Commission being below the ceiling of Rs. 5 lakhs.

ix. 160 KVA Substation Phase III(safety mats) -Rs.4,95,253/-

This amount of Rs.4,95,253/- was approved by the Commission based on the essentiality and being less than the threshold limit.

x.200 KWp Solar power plant at Phase III -Rs.1,14,20,125/-

The cost of Rs.1, 14, 20,125/- was met fully out of grant. This was approved by the Commission.

xi. 25 KWp Roof top solar plant -Rs.13,25,464/-

This work for Rs.13.25 lakhs was approved as grant by the Commission vide ARR order for 2018-19 to 2021-22 dated 24-03-2020.

xii.10 KWp solar power plant at phase I- Rs.6,90,000/-

This work for Rs.6.90 lakh was approved by the Commission vide ARR order for 2018-19 to 2021-22 dated 24-03-2020.

12. Technopark was directed to furnish documents to establish their claims for VII above.

Analysis and decision of the Commission

13. The Commission has carefully considered the licensee's petition for truing up of accounts for the year 2018-19, along with the additional clarifications and submissions furnished by the licensee. The analysis and decisions of the Commission on the truing up petition for the Financial Year 2018-19 is detailed below:

No. of Consumers:

14. The petition indicates that the number of consumers is 872 for the year 2018-19. There is an increase of 28 consumers compared to the previous year 2017-18. The phase wise details of number of consumers furnished by the licensee is tabulated below:

Table-2
Phase wise details of consumers for 2018-19

Particulars	Phase I	Phase II&III	Kollam	Total Consumers
LT consumers	559	239	54	852
HT consumers	17	3	0	20
Total No.	576	242	54	872

15. For the immediate previous year 2017-18 ,the phase- wise break up is as under

Table-3
Phase wise details of consumers for 2017-18

Particulars	Phase I	Phase II&III	Kollam	Total Consumers
LT consumers	545	225	55	825
HT consumers	16	3	0	19
Total No.	561	228	55	844

Overall though marginal, there is growth in the number of consumers of the licensee.

Table-4
Details of consumer strength for the year 2017-18 and 2018-19

Particulars	2017-18				2018-19			
	Phase I	Phase II & III	Kollam	Total	Phase I	Phase II & III	Kollam	Total
LT IV A (Industrial)<10KW	1	0	3	4	1	0		1
LT IVA (Industrial) 10kW<CL<20kW	2	4	0	6	2	5		7
LT IV A CL> 20 kW (Industrial)	1	2	0	3	2	2	2	6
LT IV B IT/ITES CL< 10kW	37	112	39	188	54	121	39	214

LT IV B IT/ITES 10kW<CL<20kW	62	26	4	92	53	28	3	84
LT IV B IT/ITES CL > 20 kW IT & ITES	205	39	6	250	198	45	7	250
LT VI A General	2	0	0	2	3	0		3
LT VI B General	9	0	0	9	9	0		9
LT VI C General (1 Phase or 3 Phase)	31	5	0	36	30	5		35
LT VI F General (1 Phase)	30	23	0	53	28	19		47
LT VI F General (3 Phase)	30	8	0	38	43	7	0	50
LT VI (G) General	1	0	0	1	1	0		1
LT VII A Commercial (1 phase)	50	0	1	51	51		2	53
LT VII A Commercial (3 phase)	57	4	0	61	57	4		61
LT VII B Commercial	12	0	0	12	11	0		11
LT IX Display lighting and hoarding					1	1		2
Self Consumption	1	1	0	2	1	1		2
Street Lighting	14	1	2	17	14	1	1	16
Sub Total - LT Consumers	545	225	55	825	559	239	54	852
HT -I B IT & IT Services	14	3	0	17	14	3	0	17
HT -II A General	1	0	0	1	1			1
HT II B					1	0		1
HT- IV Commercial	1	0	0	1	1			1
Sub Total - HT Consumers	16	3	0	19	17	3	0	20
Total Consumers	561	228	55	844	576	242	54	872

The number of consumers has increased mainly in the LT IV (B) IT services sector. This sector accounts for 63% of the total consumers.

16. The Commission after examining the details furnished by the licensee approves the number of consumers as 872 for the year 2018-19.

Energy sales and Energy Requirement

17. As per the approved ARR Order dated 24-03-2020 sale of power for the year 2018-19 was 868.40 lakhs unit. In their truing up petition the licensee has mentioned the actual sales as 865.76 lakhs unit. The trend in the sale of energy over the years is tabulated below.

Table-5
Trend in the sale of energy

Year	Actual Sale of energy (In lakh units)	(%) of increase over previous year
2013-14	613.10	-
2014-15	685.70	11.84%
2015-16	757.10	10.41%
2016-17	839.27	10.85%
2017-18	850.80	1.37%
2018-19	865.76	1.76%

18. As shown in the Table below, the reason for increase is mainly due to the

commencement of operations in the Ganga/ Yamuna IT buildings in Technopark Phase-III. However, in Phase I there is a reduction in the sale of power when compared to 2017-18. The phase wise energy sales is as shown below:

Table 6
Phase wise energy sales for 2017-18 and 2018-19

Particulars	2017-18 (In lakh units)	2018-19 (In lakh units)	% increase
Phase I	606.55	596.86	-1.62%
Phase II & III	239.52	264.07	10.25%
Kollam	4.73	4.83	2.13%
Total	850.80	865.76	1.75%

19. The Table above reveals that energy sales decreased by 9.69 lakh units when compared to the previous year in Phase I. Further, there is an increase of 24.55 lakh units in the energy sales in Phase II and III and 0.10 lakh units in Kollam. The sales in Phase II&III and Kollam have increased by about 10.09% over the previous year. Considering the details, **the Commission approves the actual sale of 865.76 lakh units for the year 2018-19.** The energy purchased from KSEB Ltd to cater to the requirement of the sales for the year 2018-19 is 882.13 lakh units as against 881.94 lakh units approved in the ARR.

Distribution Loss:

20. The actual distribution loss claimed by the licensee as per the truing up petition for the Financial Year 2018-19 is 2.20% as against the loss of 1.53% approved by the Commission in the Order on revised ARR&ERC. The details are tabulated hereunder ;

Table 7
Comparison of the distribution loss

Particulars	2017-18			2018-19	
	ARR Approved	As per Truing Up Petition	Trued Up	ARR Approved	As per Truing Up Petition
Energy Purchased (lakh unit)	943.70	868.33	884.41	881.94	882.13
Energy Sold (lakh unit)	907.80	850.80	850.80	868.41	865.76
Distribution Loss (lakh unit)	35.90	17.53	33.61	13.53	19.48
Distribution Loss	3.80%	2.02 %	3.80 %	1.53%	2.20%

21. During the year 2018-19, the actual distribution loss for the year is 2.20%, which is higher than the Commission approved ARR loss of 1.53%. The licensee has reported that due to an inadvertent error which occurred while computing the figures, the generation from the newly commissioned Solar power plants were mistakenly omitted

in the ARR figures. This has resulted in the losses calculated in the ARR and that in the approved Order being lower than the actuals. The licensee further submits that the purchase and sales of Kollam 100 kVA sub-station which was subsequently disconnected was also not considered by oversight. The licensee has rectified the above errors and requests that the actual losses may be approved.

22. The phase wise details of distribution loss furnished by the licensee is shown below.

Table 8
Phase wise distribution loss as per the petition for 2017-18 and 2018-19

2017-18				
Particulars	Phase I	Phase II & III	Kollam	Total
Energy Purchased (lakh unit)	619.43	243.15	5.75	868.33
Energy Sold (lakh unit)	606.55	239.52	4.73	850.80
Distribution Loss (lakh unit)	12.88	3.63	1.02	17.53
Distribution Loss (%)	2.08%	1.49%	17.74%	2.02%
2018-19				
Energy Purchased & Solar (lakh unit)	609.26	270.41	5.57	885.24
Energy Sold (lakh unit)	596.86	264.07	4.84	865.77
Distribution Loss (lakh unit)	12.40	6.35	0.73	19.48
Distribution Loss (%)	2.04%	2.35 %	13.15%	2.20%

23. The above table reveals that, there is a decrease in loss in phase-I and an increase in loss in phase II & III. The Commission also noted that even though the loss at Kollam @13.15% is lower than that of the previous year, this loss is still very high (Phase-V).

24. As per the details furnished by the licensee, the distribution loss for the year is higher than the approved loss level. As per Regulation 12 of the Tariff Regulations, 2018, distribution loss is a controllable factor and Regulation 72(4) specifies the mechanism for sharing the gains or losses on account of distribution loss.

“72 (4). Any variation between the actual level of distribution losses and the approved level of distribution losses shall be dealt with, as part of the truing up of the respective financial year in the control period, 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 purchased corresponding to the excess distribution loss for that financial year, shall be disallowed at the average cost of power purchase for the respective financial year;

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

savings in power purchase cost corresponding to the difference in distribution loss for that financial year at the average cost of power purchase for the respective financial year, shall be shared between the distribution business/licensee and the consumers in the ratio 2:1.”

25. The Commission has duly considered the submission of the licensee and the fact of disconnection of Kollam 100 kVA substation. The Commission further notes that the trued-up loss for 2017-18 was 2.02%. However, the figure for the current year is higher than the 2017-18 trued up figure. Hence, the Commission does not find any justification for this additional loss and therefore retains the same distribution loss achieved for 2017-18 ie.2.02%.
26. As per the provisions of Regulation 72(4) (a), since the distribution loss is higher than the approved level, the quantum of power purchased corresponding to the excess distribution loss, shall be the disallowed at the average cost of power purchase for the year. Accordingly, the quantum of power purchased for over and above the approved distribution loss of 2.02% is disallowed as shown below:

Table- 9
Approved Distribution loss for the year 2018-19

Particulars	2018-19		
	Approved in ARR	As per Truing Up petition	Approved in Trued Up
Total Energy Sales (In lakh units)	868.41	865.76	865.76
Energy Requirement (In lakh units)	881.94	885.24	883.61
Distribution loss (In lakh units)	13.53	19.48	17.85
Distribution loss (%)	1.53%	2.20%	2.02%
Excess Distribution loss (In lakh units)			1.63

27. As shown above, the power purchase requirement at the approved distribution loss is 883.61 lakh units, whereas the actual power purchase including solar is 885.24 lakh units resulting in excess distribution loss of 1.63 lakh units. This cost of excess distribution loss, amounting to Rs.9.86 lakhs is disallowed at the average cost of power purchase at Rs.6.05 per unit as per Regulation 72(4)(a).

Power purchase Cost:

28. The total power purchase cost for the year 2018-19 as per the petition is Rs. 5337.12 lakh for a purchase of 882.13 lakh units. The Commission had, in the ARR Order, approved a power purchase of 881.94 lakh units at a purchase cost of Rs. 5316.10 lakh. The phase wise power purchase cost for the year 2018-19 is tabulated below:

Table-10**Phase wise power purchase cost claimed for the year 2018-19**

campus	Billing demand	Energy Recd(lakh units)	Fixed charges (Rs lakh)	Variable charges (Rs lakh)	Incentive (Rs lakhs)	Other charges (Rs Lakh)	Total charges (Rs.Lakh)
Phase-1	1,66,228	609.21	499.49	3167.87		0.11	3667.47
Phase II&III	69,853	267.35	224.35	1390.22		0.04	1614.61
Kollam (I)	375	0.19	1.24	1.20	0.47	0.12	3.03
Kollam (II)	6,881	5.38	20.64	31.31	(0.74)	0.80	52.01
Total	2,43,337	882.13	745.72	4,590.60	(0.27)	1.08	5337.12

29. The above Table shows that, the power purchase cost of Rs.5337.12 lakh as claimed by the licensee is higher compared to the approved power purchased cost of Rs.5316.10 in ARR order for the FY 2018-19. The approved power purchase cost was Rs.5257.94 lakh in the year 2017-18.

30. As per the details furnished by the licensee, the average power purchase cost for the year 2018-19 is worked out at Rs.6.05 / kWh. As per Regulation 72, excess distribution loss, shall be disallowed at the average cost of power purchase. The approved distribution loss is 2.02% whereas the actual distribution loss is 2.20%. The excess energy lost is 1.63 lakh units. Based on this, the approved power purchase cost is worked out as shown below:

Table-11**Approved Power Purchase Cost for the year 2018-19**

	Particulars	Approved in Truing up
1	Total cost of power purchase (Rs. lakh)	5337.12
2	Actual quantum of power purchased (in lakh units)	882.13
3	Average cost of purchase (Rs. /kWh) (1) / (2)	6.05
4	Excess distribution loss (in lakh units) (Table-9)	1.63
5	Efficiency Loss (Rs.lakh) (1.63*6.05)	9.86
6	Power purchase approved for 2018-19 (1-6) (Rs. lakh)	5327.26

31. ***The efficiency loss for the excess distribution loss Rs.9.86 lakhs has also been deducted from the power purchase cost. The Commission hereby approves the power purchase cost of Rs.5327.26 lakhs for the purpose of truing-up for 2018-19.***

Operation & Maintenance Expenses:

32. The Operation & Maintenance expenses include controllable expenses like Employee Cost, Repair & Maintenance Expenses & Administrative & General Expenses. The Commission as per Regulation 79(3) of the Tariff Regulations, 2018 had approved the licensee to recover O&M costs as per norms specified in the Regulations for the year 2018-19. The Commission had vide ARR order

dated 24-03-2020, approved the O&M expenses for the period 2018-19.

33. The licensee has furnished the O&M expenses in the petition for truing up for 2018-19 higher than the norms specified by the Commission. A comparison of the expenses under O&M in the licensee's petition for truing up and the amount approved in the ARR order are tabulated below:-

Table-12
Comparison of the O&M Expenses for the year 2018-19

Particulars	2017-18 Trued up	2018-19 ARR approved	2018-19 True up claim
Employee expenses	21.81	29.98	22.55
R&M Expenses	251.50	182.87	410.13
A&G Expenses	58.25	52.23	195.56
Total	331.56	265.08	628.24

34. The above table shows that, the O&M expenses claimed by the licensee as per truing up claim for 2018-19 is Rs.628.24 lakh. This is higher than the previous year's trued up amount of Rs.331.56 lakhs and also above the approved amount of Rs.265.08 lakhs in the ARR Order for 2018-19. The Commission notes that the employee cost R&M expenses and AG expenses have increased compared to the previous year and the ARR approved figures. Each of the items are discussed below.

Employee Cost:

35. The major items booked under Employee Cost are salaries, dearness allowances, HRA, other allowances, interim relief/wage revision, staff welfare expenses and other expenses. In their truing up petition for 2018-19 the licensee has claimed Rs.22.55 lakh, as against the approved amount of Rs.29.98 lakh. The split up of the employee expenses claimed for the year 2018-19 is shown below.

Table-13
Employee cost for the years 2017-18 and 2018-19

Particulars	2017-18	2018-19
	Trued Up (Rs.lakh)	As per Truing Up petition (Rs.lakh)
Salaries	8.45	13.35
DA	10.80	7.14
House Rent Allowance	0.24	0.38
Other allowances	0.04	0.08
Interim Relief /Wage Revision	1.29	0.13
Staff welfare expenses	0.98	0.62
Arrears	-	0.84
Grand Total	21.81	22.55

36. The salaries, HRA and arrears increased when compared to the previous year. The licensee stated that, the Employee Cost includes only the salary and benefits paid to the permanent employees of Technopark directly involved in the distribution business activity. The details of employees and apportionment of their salary and benefits were also furnished to the Commission. The ratio for apportioning the costs are the same as that approved in Truing up Orders for the previous years. This expense is Rs.22.55 Lakhs for 2018-19 in comparison to the approved Cost of Rs.29.98 Lakhs in the 2018 Tariff Regulation. There was only one full time permanent employee directly involved in the business of electricity distribution. All other services are carried out through contractors. Hence the total employee cost is apportioned among the distribution business and park business of Technopark.
37. The licensee also stated that the salary and benefits paid to direct employees of Technopark is disbursed on the basis of the pay scale approved by the State Government. However, the pay revision for Technopark employees was pending approval from July 2011. This was finalised during January 2018 and was disbursed to the employees during 2017-18. This has been included in the Truing up petition for FY 2017-18. Similarly, the next revision was due on 2016. This revision was done in FY 2018-19 and accordingly, the arrears were also disbursed. During this interim period, an interim relief at 15% of the pre-revised basic pay was given to the employees. The amount of interim relief paid was deducted while disbursing the pay revision arrears. The petitioner also clarified that the Staff welfare expenses were the cost of lunch facility extended to the employees during the year. This facility has been discontinued from March 2019.
38. In the petition, the licensee has stated that the Employee cost increased on account of promotions extended to the officers with retrospective effect and the resultant arrears of pay along with normal yearly salary which contributed to the increase.
39. As per the Tariff Regulations,2018 all components of O&M expenses are controllable. The actual employee expenses claimed by the licensee though higher than the previous year is still lower than the approved level. However, the Commission notes that this higher amount is due to promotions and arrears of salary.
40. ***Considering the above facts, the Commission approves the employee cost of Rs.22.55 lakh for the year 2018-19 as claimed by the licensee.***

Repair & Maintenance Expenses:

41. The licensee has stated that the operation, maintenance and repairs of the distribution system in Technopark license area is carried out by licensed electrical contractors. The contract is awarded after a due transparent process of competitive tendering as per the existing rules and Government directions. The tenders for R&M works are invariably invited through the Government e-tendering portal. Thus, it is ensured that contract amount discovered is competitive and the lowest possible price. The details of the R&M contracts are given in the table below.

Table-14
Details of R&M Contracts awarded

Campus	Contractor	From	To	Contract Value (Rs. Lakhs)
Phase-1 Kazhakkuttam	Sterling & Wilson	01-04-2017	31-03-2020	786.74
Phase 2 & 3 - Kazhakkuttam	AEGIS Power Engineers	01-07-2017	31-12-2018	48.99
Phase 2 & 3 - Kazhakkuttam	AEGIS Power Engineers	01-01-2019	31-12-2021	146.60
Phase 3– 110 kV Substation	Sterling & Wilson P Ltd	01-03-2018	28-02-2019	45.69
Phase 5 - Kollam	Electrotek Engineers Pvt Ltd	01-04-2018	31-05-2018	4.74
Phase 5 - Kollam	AEGIS Power Engineers	01-06-2018	31-05-2019	29.88

42. The licensee in their petition has claimed R&M Costs at Rs.410.12 lakh, whereas the approved cost is Rs.182.87 Lakhs. The licensee stated that the Regulation norms were fixed based on approved expenses in the previous control period and by applying escalation factors. Since there were considerable disallowances in the trued-up costs of the previous control periods, the gap between the real cost and the projected cost broadened.

43. The licensee submitted that the R&M contracts so awarded after a fair and transparent process of on-line tendering with a fair number of competitive bids left little scope for reducing these costs. The cost incurred is the lowest discovered by transparent bidding. The licensee hence requests that Commission to allow the petitioner to meet the actual expenses in this respect.

44. The licensee explained that the major deviation in the R&M expense is due to the commencement of operation of Technopark Phase III and Technopark Kollam Campus. The phase wise split up of the R&M expense incurred by the licensee is shown below.

Table-15
Phase wise Actual R&M expense for the years 2017-18& 2018-19

Particulars	2017-18		2018-19	% increase in figures as per petitions over the previous year
	As per Truing petition (Rs. lakh)	Trued Up (Rs. lakh)	As per Truing Up petition (Rs. lakh)	
Technopark Phase I	276.69	147.92	291.89	5.49%
Technopark Phase –II &III	76.57	76.57	87.77	14.63%
Technopark Kollam	27.01	27.01	30.46	12.77%
Total	380.27	251.50	410.12	7.85%

45. The licensee has stated that actual amount incurred for operation, maintenance and repairs of the distribution system in each area is included under R&M expenses.
46. The Commission has examined the details of the R&M expenses of the licensee. There is an overall increase of 7.85% in R&M expenses claimed over the claim for the previous year. The increase is mainly contributed by the increase in R&M expenses for phase I at 5.49% and Phase II&III campus which is 14.63%. In Kollam campus, the increase is about 12.77%. The licensee stated that the contract for R&M works are being outsourced and the agency is selected through competitive bidding process.
47. In this context, it is to be noted that the Commission in the ARR&ERC order for the year 2016-17 dated 16-11-2016 in OA No.7/2016, had directed that the licensee should get conducted a prudent work study and decide on an optimum level of employees in Phase I campus and renegotiate the labour component with the contactor.
48. However, the licensee has not mentioned any measures taken in compliance to the above direction. Hence the Commission is not in a position to approve the entire expenses as claimed by the licensee.
49. The Commission in the ARR&ERC Order while determining the norms for the R&M expenses for the control period had considered the approved R&M expense for 2018-19 by taking average of expenses from 2012-13 to 2014-15 and escalated at a rate of 4.84 %. During the year 2012-13, Phase III and Kollam campuses were not commissioned.
50. For the year 2015-16 and 2016-17, considering the increase in the area of the

licensee, the Commission had separately allowed the additional expense for the phases II, III & Kollam campuses, which were not included in the norms. The Commission has adopted the same methodology for 2017-18 also.

51. Considering the escalation rate of 4.84% over the approved R&M expense for 2017-18 the Repair and Maintenance expenses approved for the year 2018- 19 is as shown below.

Table-16
Approved R&M expense for 2018-19

Particulars	2017-18		2018-19	
	As per Truing Up petition (Rs. lakh)	Trued Up (Rs. lakh)	As per Truing Up petition (Rs. lakh)	Trued Up (Rs. lakh)
	Rs. lakh	Rs. lakh	Rs. lakh	Rs. lakh
Technopark Phase I	276.69	147.92	291.89	155.08
Technopark Phase –II &III	76.57	76.57	87.77	80.28
Technopark Kollam	27.01	27.01	30.46	28.31
Total	380.27	251.50	410.12	263.67

52. *As shown above, the R&M expense approved at present for the year 2018-19 is Rs.263.67 lakh as against Rs.410.12 lakh claimed by the licensee. In view of the wide variation between the petition figure and the approval now given, the licensee is permitted to provide detailed split up of expenditure along with justification thereof within three months of issue of this Order for consideration.*

A&G expenses:

53. A&G expense claimed by the licensee is Rs.195.56 lakh, whereas the ARR&ERC approved amount as per norms is Rs.52.23 lakh. A comparison of the split up of the A&G expense for 2017-18 and 2018-19 is shown below.

Table-17
Comparison of A&G Expenses for 2017-18 &2018-19

Particulars	Rs. In Lakhs		
	2017-18 True up claim (Rs. lakh)	2017-18 Trued up (Rs. lakh)	2018-19 True up claim (Rs. lakh)
Insurance	0.92		1.20
Telephone &postage	0.61		0.49
Audit fee	0.30		0.30
Energy audit	0.74		
Consultancy charge	1.90		

Conveyance	6.21		6.60
Electricity charges	12.07		10.27
Printing and Stationery	0.17		
Bank charges	1.61		0.06
Office expenses	10.23		2.73
Licence fee & Related fee			2.21
Security arrangements	98.74		114.24
Others-Electrical inspectorate fee	9.99		6.12
Elec Duty u/s (3)	51.32		51.34
Total	194.81	58.25	195.56

54. The A & G expense claimed by the licensee as per the application for truing up was Rs.195.56 lakh as against the ARR & ERC approved amount of Rs. 58.25 lakh for the previous year. The major items booked under A&G expense are the expenses towards "Security arrangements" amounting to Rs.114.24 lakh and the Duty payable to the Government under Section 3(1) of the Kerala Electricity Duty Act 1963 which is Rs.51.34 lakh and Electricity charges amounting to Rs.10.27 lakh.
55. The Commission has sought the clarifications of breakup details of security charges, license fee, office expenses, etc.
56. The cost of security arrangements at Rs.114.24 lakh accounts for more than 50% of the total A&G expenses of Rs.195.56 lakh. The licensee in its letter dated 23-10-2020 stated that Technopark has been deploying round the clock security arrangement to protect Substations and installations inside the Technopark campuses through contractors. The contract is awarded after the due transparent process of inviting tenders. Therefore, the total expenses towards security arrangement for entire business was Rs. 4, 56,94,292 /-for the year. The expense apportioned to the distribution business, as done in previous years is 25%. The licensee requests to approve the expense of Rs.1,14,23,573 /-. Details of licensee fee paid Rs.2.21 lakhs also furnished.
57. The licensee vide its further communication dated 20-11-2020 has stated that for the year 2019-20 they have rearranged the security staff to other areas and only one night shift is continued in the substation areas. The licensee expects considerable reduction in the security expense from 2019-20 onwards.
58. The Commission has in its previous orders already pointed out that the security expenses claimed by the licensee is very high. While truing up the accounts in the previous years, the Commission had approved only 10% increase over the security charges approved for the previous year. Accordingly, for the year 2017-18, the Commission had approved an amount of Rs.10.64 lakhs. The Commission has carefully considered the licensee's submissions for each item of expenditure. The Commission notes that in Table 17, out of a total claim of 195.56 lakhs, Rs.114.24

lakhs ie. over 58% was spent on security. This is neither desirable nor allowable. Hence the Commission is constrained not to allow any expenditure under the head security. ***The Commission hereby directs that the licensee shall examine the actual requirement and if considered necessary submit the results for the Commission's consideration within three months of issue of this Order.***

59. The Commission in its previous orders had clearly directed that Electricity Duty payable by the licensee under Section 3 (1) of the Kerala Electricity Duty Act cannot be accounted as an expenditure and cannot be passed on to the consumers.
60. Based on the above and after excluding the Security expenses and Electricity Duty payable to the Government under Section 3(1) of the Kerala Electricity Duty Act 1963, the total A&G expenses approved for the year 2018-19 is as shown below:

Table18
A&G expenses approved for 2018-19

	Rs. lakh
A&G expenses approved as per Table 17 excluding Electricity Duty and security charges.in the ARR for 2018-19	29.98
Total	29.98

61. ***Thus, the approved A&G expenses for 2018-19 after truing up is Rs.29.98 lakhs as against Rs.194.81 lakh claimed in the true up petition.***
62. The Approved O&M expenses for 2018-19 is given below:

Table19
O&M expenses approved for 2018-19

O&M Expenses	2018-19		
	Approved in ARR	As per Truing Up Petition	Approved in Truing up
	(Rs. lakh)	(Rs. lakh)	(Rs. lakh)
Employee Cost	29.98	22.55	22.55
R & M Expenses	182.87	410.13	263.67
A & G Expenses	52.23	195.56	29.98
Total	265.08	628.24	316.20

63. ***The Commission hereby approves the Total O&M expenses of Rs.316.20 lakhs as shown in Table 19 above.***

Approval of Asset Additions for 2018-19

64. The licensee has filed petition for approval of capital asset addition for 2018-19 and the Commission after due process approved the following Capital expenditures from the list submitted by the licensee.

Fixed Asset addition & Depreciation

65. An amount of Rs.3.60 crores has been claimed as addition to Assets. The following are the details.

Table-20
Fixed Asset Addition claimed for the year 2018-19

No.	Items capitalised	Grants(Rs.)	Own Fund(Rs)
1	11kV Distribution system - South side Phase III	21,91,000	5,91,154
2	Electrification of new office in Phase III		82,026
3	Lighting and Emergency lights for substation Phase III		3,89,844
4	Electrical Distribution sub panels in Yamuna		6,82,205
5	Statutory Fee paid to Inspectorate		2,81,022
6	Distribution network for power to IT Building Phase III		1,59,88,241
7	11 kV Cable rerouting & laying - South Side Phase III		17,24,166
8	AB Switch (11 kV) installation & HT Meter installation		1,64,500
9	160kVA Substation for phase III (plus safety mats)		4,95,253
10	200 kWp solar power plant at Phase III	1,14,20,125	
11	25 kWp roof top grid solar plant at Phase III		13,25,464
12	10kWp solar power plant at Phase I		6,90,000
	Total	1,36,11,125	2,24,13,875

66. The above additions were scrutinized in the backdrop of approvals for Capital Expenditure issued by the Commission vide order dated 24-03-2020 being ARR &ERC

for the MYT 2018-19 to 2021-22 and also Orders of the Commission dated 13-11-2019 & 04-09-2020 being Capital Expenditure approvals for the period 2012-13 to 2017-18.

67. As per the Capital expenditures approved by the Commission, request for these asset additions made during the year 2018-19 were included in the GFA based on approvals given, proposals submitted etc. The Gross fixed Assets as on 01-04-2018 are proposed to be finalized after incorporating these approved capital additions. Assets procured using own funds only have been considered for computation of depreciation.

68. Thus, out of the total capital additions submitted for the year 2018-19, the following decisions are taken by the Commission.

i. 11 kV Distribution system Southside Phase III own funds Rs.5,91,154/-

This expense is approved by the Commission on the licensee's submission that grant of Rs.21.91 lakh only was available and the work needed to be completed.

ii. Electrification of new office in phase III Rs.82,026/-

The amount involved is Rs.82,026/- and being less than Rs.5 lakh ,the amount required for taking prior approval, this expense is approved by the Commission.

iii. Lighting and Emergency lights for sub station phase III Rs.389,844/-

Here also the total amount was Rs.389,844/- and after looking into its essentiality and the amount being less than Rs. 5 lakhs, this is approved by the Commission.

iv. Electrical Distribution sub panels in Yamuna. Rs. 6,82,205/-

The amount of Rs. 6,82,205/- as submitted by the licensee was incurred for dividing the existing facilities consequent to the increase in the number of customers. ***The Commission hereby allows this expenditure of Rs.6,82,205.00 .***

v. Statutory fee paid to Inspectorate. Rs.2,81,022.00

The amount of Rs.2,81,022.00 being Statutory fee paid is approved by the Commission.

vi. Distribution network for power to IT building Phase III Rs.1,59,88,241/-

The licensee submitted that an amount of Rs.1,59,88,241/- was incurred for distribution network to IT building. This was incurred for electrification works inside the consumers premises. In this context Regulation 49 of the Supply Code is relevant and is reproduced below:

Regulation 49(1) of the Kerala Electricity Supply Code 2014 reads as under;

“ Electricity connection to high rise building, colony and to residential, commercial or industrial complex.- (1) The expenditure for modification, upgradation and uprating of the distribution system of the licensee executed, if any, exclusively for giving connection shall be realised from the applicants in the following cases:-

- (a) colony developed by development authority or private builder or promoter or developer with a total load demand more than one megawatt (MW);
- (b) domestic or commercial or industrial complex with multiple consumers with a total load demand more than one megawatt (MW);
- (c) high rise buildings, irrespective of the load demand;
- (d) a single consumer with a load demand above one MW. ”

The Commission reiterates its position that under Regulation 49 of the Supply Code this expenditure cannot be approved.

vii. 11 KV cable rerouting and laying. Rs.17,24,166/-

The licensee submitted that these expenses for Rs.17,24,166/- was incurred for rerouting of cables already laid due to change in requirements. Here, the licensee contended that there will be rerouting and also fresh laying of cables. The Commission informed that if the split up of these expenses can be given then the same can be considered. The licensee agreed to give the split up of these expenses. Hence this expenditure is being **disallowed here. However it can be considered, if plausible reasons with justification is submitted within 3 months of the date of this Order.**

viii. AB switch 11 KV & HT meter installation. Rs.1,64,500/-

This amount of Rs.1,64,500/- is approved by the Commission being below the ceiling of Rs. 5 lakhs.

ix. 160 KVA Substation Phase III(safety mats) Rs.4,95,253/-

This amount of Rs.4,95,253/- is approved by the Commission based on the essentiality and being less than the threshold limit.

x.200 KWp Solar power plant at Phase III

The cost of Rs.1,14,20,125/- was met fully out of grant. **This is approved by the Commission.**

xi. 25 KWp Roof top Solar plant Rs.13.25 lakhs

This work for Rs.13.25 lakhs is approved by the Commission vide ARR order for 2018-19 to 2021-22 dated 24-03-2020.

xii.10 KWp solar power plant at phasel Rs.6.90 lakhs

This work for Rs.6.90 lakhs is approved by the Commission vide ARR order for 2018-19 to 2021-22 dated 24-03-2020.

The approved capital additions amounting to Rs.47.01 lakhs is given in the Table-21 hereunder.

Table-21

Capital Expenditure using own funds approved

Sl.No.	Particulars	Rs.lakh
1.	11 KV Distribution system-south side phase III	5.91
2.	Electrification of new office in Phase III	0.82
3.	Lighting and Emergency lights for substation Phase III	3.90
4.	Electrical Distribution sub panels in Yamuna	6.82
4.	Statutory Fee paid to Inspectorate	2.81
5.	AB Switch (11 kV) installation & HT Meter installation	1.65
6.	160 KVA sub station for phase III (Plus safety mats)	4.95
7.	25 KWp Roof top Solar plant	13.25
8	10 KWP Solar power plant	6.90
	Total	47.01

69. The Commission has examined the details furnished by the licensee. In case of assets costing less than five lakhs for which no prior approval is required. The Commission approves the above addition. ***Thus, the total asset addition approved by the Commission for the year 2018-19 is Rs.47.01 lakhs for which the source of funds is own funds.***

Depreciation:

70. The depreciation claimed by the licensee in the petition for truing up for the year 2018-19 is Rs.300.30 lakh as against Rs 131.25 lakh approved in the Order on ARR&ERC.
71. The licensee submits that as per the Tariff Regulation, no depreciation expenses for assets from Government grants, consumer contributions are allowed. Depreciation, for the balance Assets for the year as calculated by the licensee is Rs.300.30 Lakhs. The detailed calculation of GFA and depreciation given in the petition are as under.

Table-22
Depreciation claimed for 2018-19

Assets	GFA at the beginning of the year (Rs. lakh)		Additions (Rs. lakh)		GFA at the end of the Year (Rs. lakh)		Depreciation claimed (Rs. lakh)
	Grant	Own source	Grant	Own source	Grant	Own source	Own source
Other Civil works		188.95				188.95	6.31
HV Distribution lines		661.95	21.91	24.80	21.91	686.74	37.67
HV Substation Transformers	480.91	2788.72		7.76	480.91	2796.49	148.54
LT Distribution system		83.29				83.29	6.50
LT : Distribution lines		34.87		166.70		201.57	1.95
LT : Sub-station equipments		2.54				2.54	0.15
LT : Others	1835.50	1876.89	114.20	24.87	1949.70		99.10
Meters							
IT Equipments		0.46				0.47	0.07
TOTAL	2316.41	5637.67	136.11	224.14	2452.52	5861.81	300.30

72. The licensee has submitted that the Commission, in the ARR Order dated 24-03-2020 has allowed only an amount of Rs.131.25 Lakhs for FY 2018-19. The licensee further submitted that in the ARR order, Commission had not considered the Asset added from FY 2012-13 to FY 2017-18 and ordered that the same would be considered separately, based on the separate Capital Investment Petition filed by the petitioner as directed by Commission. The licensee submitted that they may be allowed to revise the Gross Fixed Asset Value, Depreciation, Net Fixed Asset, Interests and Return on NFA for the years after approval of the Capital Investment Petition.

73. During the truing up for the previous year, the GFA was reworked from 2012-13 to 2017-18 based on the capital expenditure approvals given by the Commission vide its Order dated 13-11-2019 and Order dated 04-09-2020. The reworked GFA has been taken as opening balance and the approved additions from the year is included and depreciation has been worked out by the Commission as under.

Table-24
Depreciation Approved for 2018-19

Asset categories	GFA as on 1/4/2018	Asset Addition during the year	GFA as on 1/4/2019	Accumulated depreciation as on 1/4/2018	Depreciation rate	Depreciation for the year 2018-19	Accumulated depreciation as on 31/3/2019	NFA at the end of the year
	Rs. lakh	Rs. lakh		Rs. lakh	Rs. lakh	Rs. lakh	Rs. lakh	Rs. lakh
Land & Rights								
Civil works	188.95		188.95	61.66	3.34%	6.31	67.97	120.98
Transmission lines	661.95		661.95	351.8	5.28%	34.95	386.75	275.20
Substations	2,233.30	11.66	2244.96	1121.41	5.28%	118.23	1239.64	1005.32
11 kV works	89.85	7.56	97.41	55.27	5.28%	4.94	60.21	37.20
LT lines	24.43	20.15	44.58	17.16	5.28%	1.82	18.98	25.60
Metering equipment	6.94		6.94	2.21	5.28%	0.37	2.58	4.36
Electrical installations	83.47	7.64	91.11	14.35	5.28%	4.61	18.96	72.15
Softwares etc.	0.47		0.47		6.33%	0.03	0.03	0.44
Total	3,289.36	47.01	3336.38	1,623.86		171.26	1,795.12	1541.25
Less Assets created from Govt.grants /contributions	612.06		612.06		5.28%	32.32		
Depreciation for the year						138.94		

- 74.** The depreciation for the year 2018-19 is Rs.138.94 lakhs as against Rs.300.30 lakh claimed by the licensee in the petition for truing up for the year 2018-19 and as against Rs 131.25 lakh approved in the Order on ARR&ERC. This also includes depreciation on asset additions listed above.
- 75.** *The asset additions of Rs 47.01 lakhs and depreciation of Rs.138.94 is approved by the Commission for the financial year 2018-19.*

Interest and Finance Charges:

- 76.** The licensee in their true up petition has claimed a loan opening balance of Rs.699.58 lakhs. Against this amount, Rs 98.58 lakhs was paid as interest as against the ARR approved figure of Rs. 0.33 lakhs. The licensee has further claimed Rs 81.36 lakhs as interest on security deposit as against the ARR approved amount of Rs.93.98 lakhs. No amount has been claimed as interest on working capital.

Details of claim made by licensee is as under;

Table-23
Details of Interest and finance charges claimed for 2018-19

Particulars	2018-19 (Rs. lakh)	
	Approved in the ARR	As per Truing Up Petition
Interest on long term loans	0.33	98.58
Interest on consumer security deposits	93.98	81.36
Interest on Working Capital		-
Total	94.31	179.94

Interest on loans:

77. The licensee in their petition has booked an amount of Rs 98.58 lakh towards interest on loans for the year 2018-19. The details of interest on the loans are given below.

Table-24
Details of Interest on loans claimed for 2018-19

Sl. No	Particulars	Interest Amount (Rs.lakh)
1	Loan 1 (Canara Bank)	0.00
2	Loan2 (South Indian Bank & Federal Bank)	98.58
3	Total	98.58

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

Table-25
Details of loans and interest claimed for 2018-19

Particulars	2018-19		
	Loan 1 (Canara Bank)	Loan 2 (SIB and Federal Bank) Phase-III	Total
	Rs. lakh	Rs. lakh	Rs. lakh
Gross Loan -Opening	370.26	1,069.56	1,439.82
Cumulative repayments of Loans upto previous year	370.26	369.98	740.24
Net loan-Opening	0.00	699.58	699.58
Less: Repayment (s) of Loans during the year	-	92.57	92.57
Net loan –Closing	0.00	607.01	607.01
Rate of Interest on Loan on annual basis	10.20%	10.30%	
Interest on loan claimed	0.00	98.58	98.58
Loan repayment effective from (date to be indicated)	Dec'2005	July, 2015	

- 79.** The Commission has examined the details of the claims of the licensee on interest charges on the loans. The Commission notes that it has allowed interest charges for the loan taken from Canara Bank in the previous truing up orders. The licensee has been claiming the interest charges for the second loan from 2015-16. Considering the fact that the licensee did not obtain the approval of the asset addition from 2012-13 onwards, the Commission did not allow the interest charges for the second loan taken from South Indian Bank and Federal Bank.
- 80.** In the truing up Order for 2016-17, the Commission has provisionally allowed 50% of the interest charges claimed by the licensee for the second loan considering the fact that the licensee had filed the petition for approval of asset addition from 2012-13 to 2016-17 as per the direction of the Commission. Since the Commission vide order dated 4-09-2020 had approved the assets additions from 2012-13 to 2016-17, the approval of interest and financing charges is necessary. Accordingly, the interest charges have been considered from 2017-18 onwards.
- 81.** Regarding the loan taken from the Consortium of Banks, the Commission in its Order dated 04-09-2020 had approved the capital asset addition from 2012-13 to 2016-17. In the said Order, the Commission has approved the loan component 61.08% as quoted below.

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

- 82.** As per the details furnished by the licensee the interest charges for the loan taken from the Consortium of banks is 10.30%. Accordingly, the same is considered for allowing the interest.
- 83.** In the case of loan from consortium of banks (South Indian Bank and Federal Bank), the Commission has considered the additional capital additions approved from 2012-13 and accordingly, the interest charges for the same is approved based on the provisions of the Regulations on normative basis. Accordingly, the interest charges for the addition to assets for the year 2018-19 is as shown below:

Table-26

Interest charges on normative loan for 2018-19 as per approved addition to assets

	Rs in lakh
Asset addition up to 2017-18(Approved)	# 298.79
Less : Depreciation for 2017-18	15.56
Closing balance of normative loan for 2017-18	283.23
Opening Normative loan for 2018-19	283.23
Less:Depreciation on op loan for 2018-19	15.78
Add. Asset addition for 2018-19	47.01
Less :depn on Asset addition	1.24
Closing Normative Loan	313.22
Average Loan	298.23
Rate of Interest (%)	10.30
Interest charges allowable for Asset additions(Rs.298.23 lakh X 10.30%)	30.72

From Truing up Order for 2017-18 dated 15-10-2020

84. Accordingly, the total interest charges approved for the year 2018-19 is as shown below:

Table-27
Interest on loan approved for 2018-19

Particulars	Interest Amount claimed (Rs. lakh)	Interest charges approved for 2018-19 (Rs.lakh)
Loan 1 (Canara Bank)	0.00	0.00
Interest on loan for Addition of assets	98.58	30.72
Total	98.58	30.72

85. ***Thus, the total interest on loan approved by the Commission for 2018-19 is Rs.30.72 lakh as against the claim of Rs.98.58 lakh by the licensee.***

Interest on security deposits:

86. The licensee has claimed Rs.81.36 lakh towards interest on security deposit. The licensee has stated that the actual interest on security deposits paid to consumers in 2018-19 is Rs. 81.36 lakh and the rate of interest is 6% p.a. ***Since the licensee has paid Rs. 81.36 lakh as interest on security deposits to the consumers, the same is approved.***

Interest on working capital:

87. As per the petition, the licensee has not claimed any interest on working capital.

88. The total interest and finance charges approved for 2018-19 is as under;

Table-28

Interest and finance charges approved for 2018-19		Rs.in lakhs	
Particulars	2017-18	2018-19	
	Trued up	Claimed	Trued -up
Interest on Loans	25.85	98.58	30.72
Interest on security deposits	77.75	81.36	81.36
Total	103.60	179.94	112.08

The total Interest and Finance charges approved by the Commission for the year 2018-19 is Rs.112.08 lakhs.

Return on Net Fixed Assets:

89. The Commission in the ARR order had allowed RoNFA of Rs.58.41 lakh at the rate of 3% of NFA net of consumer contributions and Grants. The licensee has claimed a return of Rs 114.30 lakh on the basis of net fixed assets at the rate of 3% of NFA Rs. 3809.94 lakhs at the beginning of the year. The details of the claim as per the truing up petition for the year 2018-19 are given below.

Table-28
RONFA claimed for 2018-19

Particulars	Approved in ARR (Rs. lakh)	Truing up petition (Rs. lakh)
NFA (Net of consumer contributions and grants at the beginning of the year)		3809.94
Rate of return (%)	3%	3%
Total return on NFA	58.41	114.30

Return on NFA for 2018-19

90. The licensee has claimed Rs.114.30 lakh as the return on NFA for the year 2018-19. However, considering the approval of asset additions from 2012-13 to 2016-17, the return on NFA is to be allowed based on the revised asset addition. The NFA at the beginning of the year is Rs.1665.50 lakh. The assets created out of Government grants and consumer contribution is Rs.612.06 lakh. Thus, the NFA eligible for return is Rs.1053.44 lakh (Rs.1665.50 lakh-Rs.612.06 lakh). The return on NFA approved for 2018-19 is as shown below:

Table-29
Return on NFA approved for 2018-19

Particulars	Approved in ARR (Rs. lakh)	As per Truing Up Petition (Rs. lakh)	Approved in Truing up (Rs. lakh)
NFA (Net of consumer contributions and grants at the beginning of the year)		3809.94	1053.44
Rate of return (%)	3%	3%	3%
Total return on NFA	58.41	114.30	31.60

Revenue from Sale of Power for 2018-19:

91. The revenue from sale of power as per the truing up petition for 2018-19, is Rs.6292.32 lakh for a sale of 865.76 MU. The actual sale for the year 2017-18 was 850.80 MU and the revenue from the sale of power was Rs.6208.28 lakh. The split up of the revenue from sale of power for the year 2018-19 is tabulated below.

Table-30
Revenue from Sale of Power for the year 2018-19

	No. of consumers	Sales (lakh units)	Revenue (Rs. lakh)	Average Realisation (Rs./kWh)
LT –IV B IT/ITES below 10kW	214	11.56	72.45	6.26
LT –IV B IT/ITES above 10kW up to 20kW	84	13.55	90.71	6.69
LT –IV B IT/ITES above 20kW	250	386.15	2930.24	7.59
LT - VI (A) General	3	0.19	1.51	7.95
LT VI (B) General	9	1.55	12.05	7.77
LT VI (c) General (Single phase or 3 phase)	35	2.63	27.51	10.46
LT VI (F) General (Single phase)	47	2.17	19.01	8.76
LT VII (A) Commercial (Single phase)	53	1.18	10.28	8.71
LT VI (F) General (3 phase)	50	15.32	147.32	9.61
LT VII (A) Commercial (3 Phase)	61	7.30	78.28	10.72
LT VII (B) Commercial	11	0.10	0.61	6.10
LT IV A Industrial below 10 KW	1	0.006	0.04	6.67
LT IV A Industrial above 10 KW below 20 KW	7	0.66	4.02	6.09
LT IV A Industrial above 20 KW	6	2.40	18.36	7.65
LT VI (G) General	1	0.05	0.62	12.40
LT IX Display Lighting & Hoarding	2	0.01	0.17	17.00
Self Consumption	2	2.67	25.44	9.53
Street Lighting	16	2.69	10.67	3.97
Sub Total	852	450.23	3449.34	7.66
HT -I (B) IT & IT services	17	405.34	2765.67	6.82
HT -II (A) General	1	4.12	26.76	6.49
HT II B	1	0.06	1.34	22.33
HT- IV Commercial	1	6.00	49.70	8.28
Sub Total	20	415.52	2843.47	6.84
Total	872	865.76	6292.81	7.27
Electricity Duty Recovery			337.26	
Gross Revenue From Sale of Power			6630.07	
Less: i) Electricity Duty Payable to Govt.			337.75	
Net Revenue from Sale of Power			6292.32	

92. After examining the details, the Commission approves Rs. 6292.32 lakh as the revenue realized by the licensee for the year 2018-19.

Non-tariff income:

93. The non-tariff income accounted by the licensee in the Truing up petition is Rs 101.79 lakh as against the approved amount of Rs 98.39 lakh vide ARR Order dated 24.03.2020. The licensee had a non-tariff income of Rs.102.84 lakh during 2017-18 there is a decrease of Rs.1.05 lakh in the non-tariff income when compared with the previous year.

**Table -31
Non-tariff income for 2017-18 &2018-19**

Particulars	2017-18		2018-19	
	As per Truing Up Petition	Approved in truing up	ARR approved	As per Truing Up Petition
	Rs. lakh	Rs. Lakh	Rs. lakh	Rs. lakh
Interest on investments, FD, Call Deposits & Bank balances	67.63	67.63	66.98	66.98
Income from statutory investment	-	-		-
Interest on accumulated surplus				
Income from late payments	19.40	19.40	23.09	23.09
Meter/service line rental	4.34	4.34	-	
Misc. recoveries	2.61	2.61	8.32	8.32
Commission for collection of Electricity Duty	3.38	3.38		3.40
Interest on cumulative Revenue surplus		5.48		
Grand Total	97.36	102.84	98.39	101.79

94. The licensee has not provided for interest on cumulative Revenue surplus as in the previous year.

95. The Commission has examined the details of non-tariff income furnished by the licensee. The licensee has booked Rs.66.98 lakh towards income from bank deposits. The Commission has been including the interest on accumulated revenue surplus from the truing up of accounts of 2015-16. Since the Regulatory Surplus/gap has been changed on account of revised depreciation and financing charges, interest charges have to be reworked. Hence the revised non-tariff income considering the revised cumulative revenue surplus for each year from 2012-13 to 2017-18 is to considered. The revised cumulative surplus till 2017-18 is Rs.1183.38 lakh.

96. The SBI base rate as on 1-4-2018 is 8.15%. Accordingly, the interest on accumulated revenue surplus would be Rs. 96.44 lakh. The licensee has already booked Rs.66.98 lakh under income from bank deposits. Hence the balance amount of Rs.29.46 lakh (Rs.96.44

lakh – Rs.66.98 lakh) is treated as additional interest income under non-tariff income. **Accordingly, the Commission approves the licensee’s non-tariff income for 2018-19 as Rs. 131.25 lakh (Rs 101.79 lakh+ Rs 29.46 lakh).**

Revenue Surplus for 2018-19

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

Table -32

Revenue surplus /Gap after Truing up of Accounts for the year 2018-19

Particulars	As per ARR&ERC Order (Rs. lakh)	Truing Up Petition (Rs. lakh)	Approved in Truing up (Rs. lakh)
Revenue from Sale of Power.	6360.81	6,292.32	6,292.32
Non-Tariff Income	98.39	101.79	131.25
ERC- Total Revenue	6,459.20	6,394.11	6,423.57
Purchase of Power	5,316.10	5,337.12	5327.26
Employee Cost	29.98	22.55	22.55
Repairs and Maintenance	182.87	410.13	263.67
A&G Expenses	52.23	195.56	29.98
Depreciation	131.25	300.30	138.94
Interest & Finance Charges	0.33	98.58	30.72
Interest on security deposits	93.98	81.36	81.36
Interest on Working Capital	-	-	-
Return on NFA	58.41	114.30	31.60
ARR- Total Expenditure	5865.15	6559.90	5,926.08
Net Surplus/(Deficit)	594.05	(165.78)	497.49

Orders of the Commission

98. The Commission after considering the application filed by M/s. Technopark for truing up of accounts for the year 2018-19, and the clarifications and details provided by the licensee approves the following:

- a) Total revenue is Rs. 6423.57 lakh
- b) Total expenditure is Rs.5926.08 lakh
- c) The revenue surplus for the year is Rs.497.49 lakh
- d) The revised accumulative revenue surplus up to 2017-18 is Rs. 1183.38 lakh. Total cumulative revenue surplus till 2018-19 will be Rs.1680.87 lakh (Rs.1183.38 lakh + Rs.497.49lakh).
- e) The licensee shall examine the possibility of installing CC TV cameras and re-deployment of security personnel on priority.
- f) As mentioned in para 52,58 and 68(Vii) of this Order, the licensee is permitted three months from the date of this Order for compliance and to give the split-up details of the R&M expenditure for Commission's consideration.

99. The petition is disposed of. Ordered accordingly.

Sd/-
Adv.A.J.Wilson
Member(Law)

Sd/-
Preman Dinaraj
Chairman

Approved for issue

Sd/-
Secretary(i/c)