

**KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM**

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

OP 42/2022

In the matter of : **Truing Up of Accounts of M/s Rubber Park India Private Limited for the Financial Year 2020-21.**

Petitioner : **M/s Rubber Park India Private Limited (RPIL)**

Represented by : **Sri. M S Samuel, CFO & CS
Sri. Anees TM, Asst. Manager (Electrical)**

Date of hearing : **12-07-2022**

ORDER DATED 15-07-2022

1. M/s. Rubber Park India (P) Limited (hereinafter referred to as RPIL or the licensee or petitioner), is a distribution licensee of the Kerala State Electricity Regulatory Commission (herein after referred to as the Commission) under the Electricity Act,2003 for distribution of electricity to the Industrial units within the industrial park at Valayanchirangara near Perumbavoor in Ernakulam District.
2. The Commission had notified the KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2018 (hereinafter referred to as Tariff Regulations, 2018) for the Control Period 2018-19 to 2021-22 vide notification in the Official Gazette dated 26-10-2018. The second proviso of Regulation 10(1) of the said Regulations mandates the filing of yearly petition for Truing Up of Accounts for the respective years and is reproduced below:
 - a. *Every generating business/company or transmission business/licensee or distribution business/licensee or State Load Despatch Centre shall file, on or before the thirty first day of October 2018, the following petitions for the Control Period:*
 - i. *Petition for approval of Aggregate Revenue Requirement and determination of tariff for each year of the Control Period*
 - ii. *Petition for truing up of Aggregate Revenue Requirement for the financial years till 2016-17:*

Provided that the truing up for the respective financial years shall be carried out under the relevant Regulations applicable to the respective years.

Provided further that every generating business/company or transmission business/licensee or distribution business/licensee or State Load Despatch Centre shall on or before the first day of January, 2019 file the petition for Truing up of Aggregate Revenue Requirement for the financial year 2017-18 and shall file on or before the Thirtieth day of November of every subsequent financial years during the Control Period, the petition for Truing up of Aggregate Revenue Requirement for the financial years subsequent to 2017-18.

3. The licensee vide letter No. RP/F/04/015563 dated 20-05-2022 has filed a petition for the Truing Up of Accounts for the financial year 2020-21 along with the accounts audited under the Companies Act, 2013. A copy of the Statutory Audit Report and Comments of the C&AG was also enclosed. In the Comments of CAG it has been stated that on the basis of the supplementary audit, nothing significant has come to the knowledge of CAG to comment upon or supplement to the statutory auditors' report under Section 143(6)(b) of the Companies Act, 2013.
4. As per second proviso to Regulation 10(1) of the Tariff Regulations 2018, the petition for Truing Up of Accounts for 2020-21 is to be filed by the licensee on or before 30-11-2021. However, the licensee has filed the petition for the Truing Up of Accounts for the year 2020-21 only on 27-05-2022 with a delay of 175 days. The licensee has also filed the petition for condonation of delay along with the petition for the Truing Up of Accounts. The Commission after due consideration of the reason for the delay condoned it vide Order dated 02-06-2022 and admitted the petition as OP No. 42/2022.
5. The Commission had approved the ARR & ERC of the licensee for the Control Period from 2018-19 to 2021-22 as per Order dated 08-11-2019. As per this Order, the Commission had approved a revenue surplus of Rs. 82.89 lakh for the period 2020-21. In the present petition, the licensee has arrived at a revenue deficit of Rs.26.55 lakh for the year 2020-21, as against a revenue surplus of Rs. 82.89 lakh approved by the Commission in the ARR Order dated 08-11-2019. A comparison of the ARR approved in the Order dated 08-11-2019 and the latest Truing Up claim vide submission dated 20-05-2022 along with the Trued-Up figures as per the Order dated 26-03-2022 for the year 2019-20 is shown below.

Table-1
Comparison of ARR&ERC for the period 2019-20 and 2020-21

Particulars	2019-20		2020-21		
	Truing Up Petition	Trued Up	Approved in ARR (A)	Truing Up Petition (B)	Difference (C)=(B)-(A)
	(Rs. lakh)	(Rs. lakh)	(Rs. lakh)	(Rs. lakh)	(Rs. lakh)
Revenue from Sale of Power	1734.05	1734.05	2132.04	1958.17	-173.87
Income from wheeling charges	2.66	2.66	0.21	7.75	7.54
Non-Tariff Income	2.24*	29.78	12.69	3.60	-9.09
Total Income	1738.95	1766.49	2144.94	1969.52	-175.42
Purchase of Power	1442.16	1442.16	1855.47	1646.11	-209.36
Employee Cost	71.12	51.19	117.55	67.21	70.70
R&M Expenses	37.41	37.41		47.50	
A &G Expenses	47.11	28.35		73.54	
Prior Period A&G Expenses	-	12.13		-	-
Depreciation	30.12	0.00	43.10	44.41	1.31
Interest & Finance charges/ Bank Charges	0.77	0.77	2.19	0.75	-1.44
Interest on Normative Loan	59.03	6.11	1.70	56.85	55.15
Return on Equity	43.31	37.80	42.04	43.67	1.63
Tax on RoE	11.63	0.00	-	16.03	16.03
Total Expenditure	1742.67	1615.92	2062.05	1996.07	-65.98
Net Surplus/(Deficit)	-3.72	150.57	82.89	-26.55	-109.44

6. The Commission vide letter dated 05-07-2022 sought clarifications from the licensee under the respective heads and directed the licensee to submit replies to the clarifications latest by 08-07-2022. The licensee furnished the details vide letter RP/F/04/015635 dated 08-07-2022.

Public Hearing on the Petition

7. The hearing on the petition was held on 12-07-2022 at 12.00 Noon through video conference. Shri George V James, Managing Director, Shri. M S Samuel, CFO &CS, Shri Anees T M, Asst. Manager (Electrical), Shri. Asha P.S, Accounts Officer participated in the hearing representing the licensee. Shri. Anees, presented the details of the petition on the Truing Up of Accounts for the year 2020-21. The important submissions made by licensee during the hearing are summarized below.
- a. The energy sale for the year 2020-21 as per the petition is 297.59 lakh units, the power purchased during the year is 301.30 lakh units and the distribution loss for the year is 1.24%.

- b. The power purchase cost incurred for the year 2020-21 is Rs.1646.11 lakh for a purchase of 301.30 lakh units
- c. The employee cost booked for the year 2020-21 amounts to Rs.67.21 lakh.
- d. The Repair and maintenance cost claimed by the licensee for the year 2020-21 amounts to Rs.37.41 lakh including one time R&M expenditure of Rs.7.98 lakh on account of testing of substation equipments and oil filtration of Power transformer. The licensee also claimed increase of Rs.0.90 lakh in outsourced R&M cost due to implementation of GST.
- e. The A&G expenses booked by the licensee during the year 2020-21 is Rs.73.54 lakh including Rs.14.37 lakh towards rebate on demand charge.
- f. The depreciation claimed by the licensee for the year 2020-21 is Rs 44.41 lakh.
- g. The return on equity claimed by the licensee amounts to Rs 43.67 lakh which is calculated at the rate of 14% on 30% of the equity at the beginning of the year and on pro rata basis for the assets put to use during the financial year.
- h. The tax on RoE claimed by the licensee for the year is Rs. 16.03 lakh
- i. The interest and finance charges claimed by the licensee for the year amounts to Rs.57.60 lakh. This includes interest on normative loan amounting to Rs.56.85 lakh and Rs.0.75 lakh bank charges for providing BG and LC to KSEB Ltd towards security deposit.
- j. The total revenue from sale of power for sale of 295.80 lakh units accounted by the licensee is Rs.1958.17 lakh. The licensee has also accounted wheeling charge of Rs. 7.75 lakh for wheeling power to M/s M Fuel and M/s Classic Auto Tubes Ltd.
- k. The non-tariff income booked by the licensee amounts to Rs.3.60 lakh which includes interest income, miscellaneous receipts and commission for collection of Electricity Duty.
- l. There is a revenue gap of Rs.26.55 lakh for the year 2020-21.

Analysis and decision of the Commission

8. The Commission has carefully considered the licensee's petition for Truing Up of Accounts for the year 2020-21, the additional clarifications submitted by the licensee vide letter dated 27-05-2022 and 08-07-2022, the views presented by the licensee during the hearing held on 12-07-2022. The licensee, vide letter dated 24-06-2022, has also submitted the details as directed by the Commission vide Order dated 26-03-2022, while finalizing the Truing Up of accounts for the year 2019-20 in OP No. 61/2021. As part of the disposal of the Truing Up petition, the claim of the licensee towards each of the components has been analysed in detail. The analysis and decisions of the Commission as per the provisions of the Tariff Regulations 2018 on the petition for Truing Up of Accounts for the year 2020-21 are detailed below:

Sales and Consumer mix

9. The total energy sale as per the petition for Truing Up of Accounts for 2020-21 is 301.58 lakh units including open access sales units of 5.78 lakh as against the approved sale of 323.10 lakh units as per ARR&ERC Order dated 08-11-2019.
10. A comparison of the actual sale of power and number of consumers category wise for the year 2019-20 and 2020-21 is given below.

Table 2
Comparison of Energy Sales and No of Consumers for 2019-20 and 2020-21

Particulars	As per Trued Up 2019-20		As per Truing Up Petition 2020-21	
	No. of Consumers	Sales (lakh units)	No. of Consumers	Sales (lakh units)
LT IV A	23	31.20	23	22.33
LT VI B	1	0.20	1	0.09
LT VI F	2	1.00	2	0.85
LT VII A	15	3.30	17	2.22
Street Light	6	0.30	6	0.35
HT-1 A	18	219.20	17	265.96
Sub Total	65	255.20	66	291.80
Open Access KSEB (M/s M Fuel)		1.71		1.69
Open Access M/s Classic Auto Tube Ltd		1.30		4.09
Total		258.20		297.58

11. In the petition the licensee claimed total energy sale as 297.58 lakh units including open access sale of 1.69 lakh units to M/s M Fuel (KSEB Ltd) and 4.09 lakh units to M/s Classic Auto Tube Ltd.
12. The Commission examined in detail the submission of the licensee and noted that the actual sale of 297.49 lakh units for the year 2020-21 is higher than the previous year sale of 258.20 lakh units by 39.29 lakh units. The Commission noted that during the previous year there was general industrial slowdown due to covid pandemic which resulted in lower energy sales. As there is sign of recovery during the current year, there is increase in sale of electricity during the current year.
13. The Commission further noted that the major increase in sales of 46.76 lakh units (265.96 lakh units - 219.20 lakh units) was under the category of HT-1 consumers which indicates the impact of recovery from the covid pandemic slowdown. **After examining the details furnished by the licensee, the Commission hereby approves the energy sales of 297.58 lakh units including open access sales for the year 2020-21 as claimed by the licensee.**

Distribution loss

14. The distribution loss as per the petition for Truing Up of Accounts for the year 2020-21 is 1.24%. The Commission had approved a distribution loss of 1.90% for the year 2020-21 as per the Order dated 08-11-2019 on ARR&ERC. As per the petition, the total energy input is 301.30 lakh units, which is inclusive of 295.50 lakh units of energy purchased from KSEB Ltd and 5.80 lakh units for open access consumption. The licensee has estimated the distribution loss based on the total energy input and output (including wheeled energy), i.e., the energy wheeled through their system to the M/s. M Fuel and M/s. Classic Auto Tubes Ltd had also been taken into consideration while estimating the losses.
15. The details as per the petition are tabulated below:

Table-3
Comparison of Distribution loss

Particulars	2019-20			2020-21	
	ARR Approved	As Per Truing Up Petition	Trued Up	ARR Approved	As Per Truing Up Petition
Energy Requirement (lakh units)	313.80	263.40	263.40	329.40	301.31
Total Energy Sales (lakh units)	307.80	258.20	258.20	323.10	297.59
Distribution loss (lakh units)	6.00	5.20	5.20	6.30	3.72
Distribution loss %	1.90%	1.98%	1.98%	1.90%	1.24%

16. In 2019-20, the Commission had approved 1.98% distribution loss including the wheeled energy. The Commission noted that, there is a decrease of 0.74% of distribution loss in 2020-21, compared to the actual loss of 1.98% claimed by the licensee for 2019-20. The distribution loss approved in the ARR & ERC Order dated 08-11-2019 was 1.90%. The licensee submitted that one out of the two 10/12.5 MVA power transformers in their 110/11 kV EHT substation became faulty on 09-04-2020 which was repaired and energized after fault rectification on 10-04-2021 i.e. after a lapse of one year. As such the licensee carried out the power distribution operations with single power transformer during the year 2020-21. This resulted in lower distribution loss compared to the previous year.
17. The Commission considered the justification furnished by the licensee for decrease in the distribution loss. The Commission noted that during the year one of the 10/12.5 MVA Power transformer was in use only for 8 days and hence virtually power distribution activities were carried out with single transformer during the year. As such, there should have been around 50% reduction in the distribution loss i.e. by 0.99%

compared to the actual reduction of 0.74% (1.98%-1.24%). The licensee, however explained that this distribution loss included not only the transformer loss but also the loss on account of the distribution system. The Commission, however is not in a position to ascertain the actual distribution loss on account of the above stated reasons.

18. The Commission also notes that, reduction of distribution loss is an important performance parameter which has a direct impact on power purchase cost and energy available for distribution; it is a criterion that the licensees should continuously strive to improve upon. Regulation 12 of the Tariff Regulations, 2018 require that, if the actual distribution loss is higher than the approved level of distribution loss, then the quantum of power purchased corresponding to the excess distribution loss shall be disallowed at the average cost of power purchase as per the provisions of Clause 72(4) of the Tariff Regulations 2018. The relevant portion of the Regulations is shown below:

“72. Distribution loss:

(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 for that financial year shall be disallowed at the average cost of power purchase for the respective financial year”

19. As seen from the above Regulation, the licensee is required to adhere to the distribution loss as approved by the Commission in the ARR & ERC Order for the respective year. Keeping this factor in mind, the Commission analysed the details furnished in the petition. Accordingly, the Commission approves the distribution loss, energy requirement and energy sales for the year 2020-21 for the purpose of Truing Up of Accounts as shown below:

Table-4
Approved distribution loss for 2020-21

Particulars	ARR Approved	As Per Truing Up Petition	Approved in Trued Up
Energy Requirement (lakh units)	329.40	301.31	301.30
Total Energy Sales (lakh units)	323.10	297.59	297.58
Distribution loss (lakh units)	6.30	3.72	3.72
Distribution loss %	1.90%	1.24%	1.24%

20. **The Commission hereby approves the actual distribution loss of 1.24% as claimed by the licensee in the Truing Up petition as a one-time measure. The Commission further directs the licensee to strictly adhere to the approved ARR percentages of distribution loss as mentioned in the Commission's Order dated 08-11-2019 for the rest of the Control Period.**

Power Purchase Cost

21. The power purchase cost claimed by the licensee as per the Truing Up petition is Rs.1646.11 lakh for 295.50 lakh units. The Commission in the ARR&ERC Order dated 08-11-2019 had approved the cost of power purchase of Rs.1855.47 lakh for a purchase of 329.40 lakh units. Compared to the previous year 2019-20 (Rs.5.54/per unit) average power purchase cost has increased by Rs.0.03/per unit in the year 2020-21 (Rs.5.57/per unit). The details of the claim made by the licensee are shown below.

Table-5
Power Purchase Cost claimed for 2020-21

Particulars	Approved in ARR 2020-21	As per Truing Up Petition 2020-21
Energy purchase (lakh units) (A)	329.40	295.50
Demand Charge (Rs in lakh) (B)	290.82	241.08
Energy Charge (Rs/kWh) (C)	4.75	4.75
Energy Charges (Rs in lakh) (D)	1564.65	1405.03
Total Power Purchase Cost (Rs in lakh) (E)= (B)+(D)	1855.47	1646.11
Average Power Purchase Cost (Rs. /Per unit) (F)= (E)/ (A)	5.63	5.57

22. As per 72(4) of the Tariff Regulations, 2018, the quantum of power purchased corresponding to the approved distribution loss only is allowed at the average cost of power purchase. In view of the approval of actual distribution loss of 1.24% for 2020-21 as per Para 20 of this Order, **the Commission hereby approves Rs. 1646.11 lakhs as power purchase cost for 295.50 lakh units in the year 2020-21.**

Operation & Maintenance expenses

23. Operation & Maintenance expenses are controllable items of expenditure and includes expenses like Employee Cost, Repair & Maintenance Expenses and Administrative & General Expenses. The admissibility of Operation & Maintenance expenses to RPIL are governed by Regulation 79(5) of Tariff Regulations 2018 and the relevant portion of the regulation is extracted below:

"79. Operation & Maintenance expenses.....

(5) The distribution business of Rubber Park of India (P) Ltd (RPIL) shall be

allowed to recover operation and maintenance expenses as per the norms specified in Annexure-IX to these Regulations for each financial year of the Control Period.”

24. The Commission as per Regulation 79(5) of the Tariff Regulations, 2018 had approved the Operation & Maintenance cost of RPIL for the Control Period in the ARR Order dated 08-11-2019 and Rs.117.55 lakh was approved for the year 2020-20. The Commission however noted that, while Truing Up of Accounts for the year 2019-20, the Commission had approved Rs.116.95 lakh towards Operation & Maintenance expenses against the licensee claim of Rs.155.64 lakh. In the Truing Up petition for 2020-21, the licensee has claimed Rs.188.25 lakh as Operation & Maintenance expenses. This exceeds by Rs.70.70 lakh (Rs.188.25 lakh - Rs.117.55 lakh) when compared to the ARR&ERC approved amount of Rs. 117.55 lakh. A comparison of the claim made by the licensee and the amount approved by the Commission is shown below.

Table-6
Comparison of the O&M expenses for the year 2019-20 and 2020-21

O&M Expenses	2019-20		2020-21	
	As Per Truing Up Petition	Trued Up	As per Regulations	As per Truing Up Petition
	(Rs. lakh)	(Rs. lakh)	(Rs. lakh)	(Rs. lakh)
Employee expenses	71.12	51.19	55.99	67.21
R&M expenses	37.41	37.41	38.63	47.50
A&G expenses	47.11	28.35	22.92	73.54
Total	155.64	116.95	117.55	188.25

25. From the above, it can be seen that the Operation & Maintenance expenditure claimed by the licensee has increased by Rs.32.61 lakh to Rs.188.25 lakh in 2020-21 from the licensee claim of Rs.155.64 lakh in 2019-20. However, it is pertinent to note that the actual trued up amount approved by the Commission for 2019-20 was limited to Rs.116.95 lakh. Further, an analysis of the three items constituting the head O&M expenses indicates the nature of each of the three items of expenditure and its relevance to the actual operational requirement of the Electricity distribution business. Each component of the Operation & Maintenance Expense is taken up separately for analysis.

Employee cost

26. The licensee in the petition of Truing Up of Accounts has claimed employee cost for Rs.67.21 lakh for the year 2020-21 as against the approved employee cost of Rs.55.99 lakh in the Tariff Regulations, 2018. A comparison of the employee cost for the current year 2020-21 and previous year 2019-20 is shown below:

Table-7
Comparison of Employee Cost for the year 2019-20 and 2020-21

Particulars	2019-20		2020-21	
	Audited (Rs. lakh)	Trued Up (Rs. lakh)	As per Regulations (Rs lakh)	Actual (Rs. lakh)
Basic Salary	28.29	51.19	55.99	29.61
Dearness Allowance (DA)	19.61			18.91
House Rent Allowance	1.82			1.91
Conveyance Allowance	1.40			1.57
Earned Leave Encashment	4.75			5.49
Other Allowances	0.15			0.15
Medical Reimbursement	5.47			3.81
Staff welfare expenses	0.54			0.13
Net Employee Costs	62.03			61.58
Provident Fund Contribution	5.50			5.62
Gratuity Payment	3.59			0.00
Gross Employee Expenses	71.12			67.21
Less: Expenses Capitalised	-			-
Net Employee Expenses	71.12			51.19

27. The Major Portion of the Employee Cost is towards Basic salary, DA, Earned leave encashment, Medical Reimbursement and Provident fund contribution etc. In the petition the licensee stated that, the licensee has incurred an additional expenditure of Rs.3.12 lakh during the year 2020-21 by way of increase in pay due to pay revision implemented from 01-07-2016 in line with the pay revision order of the State Government vide GO (P) No.85/2011/Fin dt.26.02.2011 with effect from 01-07-2012. The licensee had implemented the pay revision of the employees on 01/07/2016. The licensee further submitted that, as the payrevision of the employees was implemented in the financial year 2016-17, the effect of the increase in the salary of the employees was not covered in the normative employee expenditure arrived at by the Commission based on the expenses for the year 2015-16'.

28. In addition to above, the licensee claimed an amount of Rs.1.76 lakh towards increase in the salary of Managing Director which is not reflected in normative employee cost. In this regard, licensee submitted that the salary of MD actually paid for the year 2015-16 was only for 9 months (i.e., Rs.4.23 lakh) which was reckoned by the Commission while arriving at the normative amount. This uncovered salary of Rs.1.41 lakh of (3-month Salary) is claimed by the licensee with escalation rate up to 2020-21 (i.e., Rs.1.76 lakh).

29. The Commission has examined the details furnished by the licensee regarding each of the items of employee cost. The Commission also considered the licensee's claim of Rs.3.12 lakh towards updated amount of increase in pay due to implementation of pay revision in 2016-17, which was not covered in the normative amount of employee cost

arrived at by the Commission as it was worked out based on the expenses for the year 2015-16. Similarly, the Commission considered the explanations furnished by the licensee regarding the increase of Rs.1.76 lakh in the salary of MD proportionate to three months' salary which the Commission did not reckon while working out the normative employee cost. The Commission fails to understand the reasons for the licensee still sticking to a pay revision that happened over 5 years ago. In addition the Commission advises the licensee that once a truing up petition has been approved, the Commission's reliance would be on the trued up figures and not on the ARR&ERC figures which are only budgetary projections. The licensee should take notice of these facts and understand the principles of accounting rather than relying on budgetary projections to justify excess expenditure. Considering the above, the Commission hereby allows the additional expenditure of Rs.3.12 lakh and Rs.1.76 lakh totalling Rs.4.88 lakh as increase in employee cost as claimed by the licensee.

30. The licensee has also claimed Rs.19.66 lakh as expenditure incurred towards pay and allowances, DA, HRA etc. of Manager Technical, who is a Civil Engineer and not an Electrical Engineer. The Commission, while approving the Truing up of accounts for the year 2019-20, expressed the strong view that only duly and appropriately qualified engineers and staff must be deployed for electricity distribution business. Utilizing the services of engineers and technicians who are not qualified in the electrical stream is not correct and cannot be permitted, considering the risk involved in the electricity distribution business. Hence, the Commission had directed that deployment of inappropriately qualified officers and technicians in the electricity distribution business must be stopped forthwith.

31. The licensee further clarified that the Manager Technical is also holding the charge of CGRF chairperson and Nodal officer of the power distribution business for reporting to Bureau of Energy Efficiency. The Commission, however, did not find any justification for including this expenditure in the Electricity Distribution Business. Under such circumstances, the Commission had disallowed the salary and allowances paid to the Manager Technical from the Electricity Distribution Business. The licensee has however continued to engage the same person during the year 2020-21 also in the electricity distribution business ignoring the directions issued by the Commission while issuing truing up orders for the previous year. This is a serious lapse and the Commission shall be constrained to take action for violation of the license conditions under the relevant regulations which may even lead to suspension of license. **Therefore, as a first step the Commission again is disallowing the Salary and related expenses amounting to Rs.19.66 lakh pertaining to Manager Technical from the employee cost.**

32. The licensee has also claimed Rs.8.55 lakh being 100% of the salary and allowances

paid to the Accounts Officer. During the hearing, the Commission enquired whether the Accounts Officer is attending the works related to the other business of the licensee. The licensee clarified that the Accounts Officer is looking after the other business also. Considering the above clarifications and explanations the Commission hereby allocates 80% of the Salary and allowances of the Accounts Officer to the Electricity Distribution business. Accordingly, ***the Commission approves Rs.6.84 lakh (Rs.8.55 lakh *80%) towards Salary and allowances of the Accounts Officer for the year 2020-21.***

33. Regarding the expenses of Rs.3.81 lakh towards medical reimbursement, it is pertinent to mention that while approving the Truing up of accounts for the year 2019-20, the Commission noted that only 6 number of employees were borne on the strength of the electricity distribution business. Hence, the Commission recommended to the licensee to explore the possibility of taking medical insurance for these 6 employees. The licensee in the hearing explained that the employees have already taken medical insurance policy and the licensee is reimbursing the premium paid by the employees. They further clarified that they were reimbursing the medical expenses which are not covered in the medical insurance policy. The Commission is of the strong view that allowing the employee to purchase the health insurance policy and thereafter reimbursing him is highly irregular. Further, reimbursement of medical expenses which are not admissible as per medical insurance policy is also not allowable and highly irregular. It is also not clear as to whether the reimbursement of medical insurance premium has been limited to eligible family members who satisfy the conditions of dependency ie. the income ceiling and ensuring that the dependent is actually staying with the employee as defined in the applicable Service Rules. The Commission also noted that the medical reimbursement expenditure for the year 2020-21 per employee works out to Rs.63,500/- (Rs.3.81 lakh/6 employees) which is on the higher side. ***The Commission directs that reimbursement of medical insurance premium should be limited to the dependent family members of the employees as defined in the Service Rules. Further, reimbursement of medical expenses in addition to medical insurance premium is not admissible. Therefore, the Commission hereby directs to furnish the actual amount of medical insurance premium reimbursed in respect of the insurance policy taken for the employees and their dependent family members within three months of the date of this order. The Commission would be constrained to provisionally disallow the expenditure towards medical reimbursement for the time being.***

Table – 9
Employee cost approved for the year 2020-21

Particulars	As per Regulations (Rs lakh)	As per Truing Up Petition (Rs lakh)	Trued Up (Rs lakh)
Employee Cost	55.99	67.21	42.03

34. **Accordingly, the Commission hereby provisionally approves Rs.42.03 lakh as allowable employee cost as against Rs.67.21 lakh claimed by the licensee.**

R & M Expenses

35. The actual amount of Repair and maintenance cost claimed by the licensee is Rs.47.50 lakh as against the approved amount of Rs.38.63 lakh for the year 2020-21 as per the Tariff Regulation, 2018. The actual claim made by the licensee is higher by Rs.8.87 lakh (Rs.47.50 lakh- Rs.38.63 lakh) when compared to the norms in Tariff Regulations, 2018. The licensee has submitted that the R&M expenses include one-time expenditure of Rs.7.08 lakh towards PET testing, Relay Testing and Oil filtration of Power Transformer which are not carried out every year. It is also submitted that the R&M expenses claimed includes Rs.0.90 lakh towards increase in taxes due to introduction of GST which does not form part of the normative R&M expenses arrived at by the Commission. The comparison of R&M expenses for the years 2019-20 and 2020-21 as shown below.

Table – 10
Details of R&M expenses for the years 2019-20 and 2020-21

Particulars	2019-20		2020-21	
	As Per Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)	As per Regulations (Rs lakh)	As per Truing Up Petition (Rs. lakh)
Lines & Cable Networks	37.41	37.41	38.63	39.52
One-time repair and maintenance	-	-	-	7.08
Differential GST	-	-	-	0.90
Total	37.41	37.41	38.63	47.50

36. The Commission has carefully examined the submission of the licensee and noted that against Rs.7.08 lakh claimed by the licensee the actual one-time repair and maintenance charges, as per the details furnished by the licensee, is Rs.7.07 lakh comprising expenses for PET Testing of Substation equipments (Rs.2.10 lakh), Relay testing of Substation (Rs.0.75 lakh), Oil filtration of Power Transformer (Rs.1.16 lakh), Transformer oil (Rs.1.23 lakh) and DG set charges for power supply (Rs.1.83 lakh).

37. The licensee vide letter dated 08-07-2022 submitted that they are using two power transformers simultaneously for supply of power and one of their power transformers was under repair during the year and power supply was carried out with single transformer. The licensee also submitted that they carried out the preventive maintenance of the power transformer to ensure the healthiness of the transformer. They further submitted that the PET testing and oil filtration has been carried out with the help of DG sets as there was no other alternate source of power supply. For this, they incurred a total amount of Rs.1.83 lakh towards hire charges, fuel charges, operator charges, etc of the DG set. **After examining the details and explanations furnished by the licensee the Commission approves the one time repair and maintenance charges of Rs.7.08 lakh as claimed by the licensee.**

38. The Commission after considering the details in the petition approves the R&M expenses for the year 2020-21 as shown below.

Table-15
R&M expenses approved for truing up 2020-21

Particulars	As per Regulations (Rs lakh)	As per Truing Up Petition (Rs lakh)	Trued Up (Rs lakh)
R&M expenses	38.63	47.50	47.50

39. **The Commission considering the above clarification hereby approves the R&M expenses of Rs.47.50 lakh for the year 2020-21 as claimed by the licensee.**

Administration & General expenses

20. The A&G expenses claimed by the licensee as per the petition for Truing Up of Accounts is Rs.73.54 lakh as against the approved amount of Rs.22.92 lakh in Tariff Regulations, 2018. **The Commission notes that A&G expenses are those items of expenditure which are supplementary to and support the actual operation of the licensee. Hence, there is a requirement to keep such directly non-operational expenditure at its absolutely required limits.** The Commission also noted that A&G expenses include various items such as rent, rates and taxes, insurance, legal charges, vehicle running expenses, license fee, security arrangement and electricity duty payable etc. The details of claim made by the licensee are furnished below.

Table 16
Comparison of A&G expenses for the year 2019-20 and 2020-21

Particulars	2019-20		2020-21	
	Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)	Approved in ARR (Rs. lakh)	Truing Up Petition (Rs. lakh)
Rent Rates & Taxes	0.41	0.41		0.43
Insurance	2.98	2.98		3.01

Telephone & Postage, etc.	0.21	0.21		0.33
Legal charges	1.03	0.00		4.55
Audit Fees	1.31	1.31		1.48
Other Professional charges	1.95	1.95		1.67
Conveyance	0.49	0.49		0.86
Vehicle Running Expenses Truck / Delivery Van	6.07	6.07		8.05
Electricity charges	1.30	1.30		1.24
Water charges	0.42	0.42		0.65
Printing & Stationery	0.67	0.67	22.92	0.59
Advertisements, exhibition publicity	0.44	0.44		1.50
Training expenses	0.20	0.20		0.03
Miscellaneous Expenses	1.16	1.16		1.73
Office Expenses	0.70	0.70		1.37
License Fee and other related fee	2.54	2.54		1.62
V-sat, Internet and related charges	0.18	0.18		0.10
Security arrangements	9.76	7.32		12.34
Others-Covid rebate on demand charge	-	-		14.37
Gross A&G Expenses	31.83	28.35		55.92
Ele. Duty u/s 3(l), KED Act	18.24	0.00		17.62
Net A&G Expenses	50.92	28.35	22.92	73.54

39. In the petition the licensee stated that, the licensee had incurred an actual A&G expenditure of Rs.41.55 lakh during the 'year 2020-21 as against the ARR approved amount of Rs.22.92 lakh and Trued up amount of Rs.28.35 lakh for the year 2019-20. In addition to the above, under A&G expenses, the licensee claimed Rs.17.62 lakh towards electricity duty payable to the Government under Section 3(1) of the Kerala Electricity Duty Act 1963 and Rs.14.37 lakh towards rebate on demand charge allowed to eligible consumers in view of Covid restrictions. Thus, the total amount of A&G expenses claimed during the year 2020-21 is Rs.73.54 lakh.

40. While considering the petition No.62/2021 seeking approval for the expenses of Rs.14.37 lakh towards rebates/relaxations extended to the eligible consumers in connection with covid restrictions, the Commission noted that these rebates/relaxations were extended to the consumers without obtaining prior approval from the Commission. Further, any rebate or relief extended as a part of the Government policy cannot be claimed from the beneficiaries or consumers. Therefore, the Commission vide order dated 14-02-2022 directed the licensee that the financial commitment of Rs.14.37 lakh on account of allowing the above rebates/relaxations would not be considered during the Truing up of 2020-21, but has to be adjusted from their own accumulated surplus/own funds. **Accordingly,**

the Commission disallows the licensee's claim of Rs.14.37 lakh towards Covid rebate as the claim is not in compliance with the orders of the Commission dated 14-02-2022.

41. Another major expense is Rs.12.34 lakh towards security arrangements, Rs.4.55 lakh towards legal charges, Rs.8.05 lakh towards vehicle running expenses and Rs.3.01 lakh towards insurance.

42. The licensee in connection with the Truing up of accounts for the year 2019-20 clarified that they had outsourced a total of 8 numbers of security personnel for the company and in which 3 number of security personnel were deployed for substation protection. The licensee submitted in the clarification dated 08-07-2022 that during the year 2020-21 the company engaged 8 security personnel for the company and in which 3 number of security personnel were deployed for substation protection. The company had booked 50% of the total security cost of the company to the power distribution business in the year 2020-21. During the hearing, the Commission enquired about the reason for increase in the Security charges during the year. The licensee clarified that as part of compliance with Covid protocol they engaged two additional security personnel for 8.5 months (01-05-2020 to 14-01-2021) which resulted in increase in the security expenses. As such, there is increase in security expenses from Rs.9.76 lakh to Rs.12.34 lakh. The total security expenses during the year is Rs.24.68 lakh including Rs.3.96 lakh incurred for additional security personnel engaged due to Covid. During the previous year, the Commission noted the fact that only 3 security personnel were deployed for the protection of substation and the Commission was of the view that the cost of security services can be allowed on pro rata basis to the total number of security personnel engaged in Distribution Business. Accordingly, the Commission allowed only 3/8th of the total security expenses. In the same lines, during the current year also the Commission allows only pro rata security expenses for the 3 security personnel deployed for substation security. As per the audited accounts, total Security service expenses incurred during the year 2020-21 is Rs.24.68 lakh and the licensee claimed Rs.12.34 lakh (50%) under A&G expenses. The Commission noted that security expenses for the 8 security personnel engaged throughout the year is Rs.20.72 lakh (Rs.24.68 lakh-Rs.3.96 lakh) and Rs.3.96 lakh is incurred for additional security due to Covid. ***The Commission hereby allows Rs.7.77 lakh (Rs.20.72 lakh/8*3) being proportionate expenses for 3 security personnel engaged for substation security. In addition, the Commission also approves Rs.1.98 lakh being 50% of the expenses incurred for arranging additional security. Thus, the Commission approves Rs.9.75 lakh against Rs.12.34 lakh claimed by the licensee.***

43. The licensee, while submitting the details vide letter dated 29-07-2021 in connection with the Truing up of accounts for the year 2019-20 stated that, the licensee has been booking fifty per cent of the vehicle running expenditure of the general vehicle and fifty per cent of the vehicle running expenditure of the vehicle hired for Managing Director in the vehicle running expenditure column of the A&G expenditure. During the previous year the licensee incurred Rs.12.14 lakh towards vehicle running expenses and claimed Rs.6.07 lakh (50 per cent) in the Truing up petition and the Commission allowed the same. During the current year the licensee claimed Rs.8.05 lakh as vehicle running expenses and included in the A&G expenditure. The Commission noted that as per the audited accounts for the year 2020-21 the total expenditure towards vehicle rent/hire charges is Rs.11.68 lakh (Rs.4.41 lakh + Rs.7.27 lakh) and proportionate amount admissible for Distribution business in Rs.5.84 lakh (50% of Rs.11.68 lakh). **Therefore, the Commission allows Rs.5.84 lakh towards vehicle running expenses as against Rs.8.05 lakh claimed by the licensee.**
44. The Commission notes that the legal charges of Rs.4.55 lakh including Rs.1.03 lakh were incurred by the licensee for challenging the Commission's orders in the APTEL and other related litigations. The Commission is of the firm view that such expenditure unless otherwise Ordered by Hon APTEL in their judgement, cannot be allowed. **Hence, the Commission disallows this expenditure of Rs.4.55 lakh claimed by the licensee.**
45. In the petition the licensee submitted that they had advertised the tender for capital work of construction of new USS one English and Malayalam daily two times during the year 2020-21. Consequently, there is increase in advertisement expenses from Rs.0.44 lakh to Rs.1.50 lakh. Similarly, the licensee also submitted that the increase in Office expenses from Rs.0.70 lakh to Rs.1.37 lakh during the year 2021 is due to additional expenditure incurred for sanitization of office premises and substation due to Covid spread. **The Commission considered the clarifications and allows the advertisement expenses of Rs.1.50 lakh and Office expenses of Rs.1.37 lakh as claimed by the licensee.**
46. The licensee has booked Rs.17.62 lakh towards Electricity Duty under A&G expenses. The Commission in the previous orders had stated that Duty under section 3 cannot be passed on to the consumers in view of the statutory provisions of the Kerala Electricity Duty Act, 1963. **Hence, the claim of Rs.17.62 lakh amount is disallowed.**

47. The total A&G expenses approved for the year 2020-21 is shown below.

Table-19
A&G expenses approved for the year 2020-21

Particulars	2020-21		
	Approved in Regulations (Rs. lakh)	Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)
Rent Rates & Taxes		0.43	0.43
Insurance		3.01	3.01
Telephone & Postage, etc.		0.33	0.33
Legal charges		4.55	0.00
Audit Fees		1.48	1.48
Other Professional charges		1.67	1.67
Conveyance		0.86	0.86
Vehicle Running Expenses Truck / Delivery Van		8.05	5.84
Electricity charges		1.24	1.24
Water charges		0.65	0.65
Printing & Stationery	22.92	0.59	0.59
Advertisements, exhibition publicity		1.50	1.50
Training expenses		0.03	0.03
Miscellaneous Expenses		1.73	1.73
Office Expenses		1.37	1.37
License Fee and other related fee		1.62	1.62
V-sat, Internet and related charges		0.10	0.10
Security arrangements		12.34	9.75
Others-Covid rebate on demand charge		14.37	00.0
Gross A&G Expenses		55.92	32.20
Electricity Duty u/s 3(l), KED Act		17.62	0.00
Net A&G Expenses	22.92	73.54	32.20

48. **Accordingly, the Commission hereby approves Rs.32.20 lakh as A&G for the year 2020-21 as against Rs.73.54 lakh claimed by the licensee.**

O&M Expenses Approved

49. The O&M expenses, which includes Employee costs, R&M expenses and A&G expenses, totaling into Rs.121.73 lakh is approved by the Commission for the year 2020-21 as shown in Table below.

Table-20
O&M Expenses approved for 2020-21

O&M Expenses	As per the Regulations (Rs lakh)	As per Truing Up Petition (Rs lakh)	Trued Up (Rs lakh)
Employee expenses	55.99	67.21	42.03
R&M expenses	38.63	47.50	47.50
A&G expenses	22.92	73.54	32.20
O&M expenses for 2020-21	117.54	188.25	121.73

50. The Commission hereby approves the O&M expenses of Rs.121.73 lakh in this Truing Up Order as against the licensee's claim of Rs.188.25 lakh.

Asset Additions during the year 2020-21

51. In the petition for Truing Up of Accounts, the licensee has claimed only Rs.7.36 lakhs for the year 2020-21. The Commission had in the Order dated 08-11-2019 approved Rs.11.20 lakh as Asset addition for the year 2020-21 while approving the capital expenditure for the MYT period. The split-up details of the asset additions during the year 2020-21 are shown below.

Table 21
Assets additions during the year 2020-21

Particulars	Date of Purchase	Amount (Rs. lakhs)
11kV Indoor VCB	24-08-2020	4.15
TV and accessories for Video conferencing	20-07-2020	0.63
Fencing in Substation	25-01-2021	2.58
Total		7.36

52. The Commission vide order dated 08-11-2019 in OA 10/2019 had approved an amount of Rs.11.20 lakh for the capital addition for the year 2020-21. This included purchase of compatible 11kV Vacuum Circuit Breaker as spare for the existing 11kV circuit breakers in the substation. The Commission approved the capital investment with the direction to conduct competitive tendering with due diligence while incurring the capital expenditure. The licensee submitted that they purchased the spare 11kV VCB from the same supplier of the existing VCB as the existing panel can accommodate the same make as that of the existing VCBs supplied by M/s ABB. Accordingly, the licensee procured spare 11 kV VCB incurring Rs.4.15 lakh.

53. Similarly, consequent upon the spread of Covid 19 pandemic, they have to shift from holding physical meetings to virtual meetings. To facilitate online meetings, the licensee purchased TV and video/audio accessories for video conferencing after inviting open quotation and incurred Rs.0.63 lakh. Further, the licensee had provided additional fencing above the compound wall of the substation in low height areas to prevent unauthorized entry of outsiders jumping over the wall. After inviting competitive bids, the fencing work was awarded to the lowest bidder and the work was completed incurring Rs.2.58 lakh.

54. The Commission examined the submissions made by the licensee and noticed that the Commission had already approved the proposal for purchasing spare 11kV VCB and approved the cost of Rs.6.00 lakh. As the actual cost of Rs.4.15

lakh is less than the approved amount, the Commission approves the same. In respect of the other two capital investments totaling Rs.3.21 lakh the Commission noted that as per the provisions of Tariff Regulations, capital expenditure beyond Rs.5 lakh requires Commission's prior approval. Since the amount incurred for video conferencing equipments and additional fencing is less than the threshold limit of Rs.5 lakh, the Commission approves the capital investment of Rs.3.21 lakh also. **Thus, the Commission hereby approves Rs. 7.36 lakh as the licensee's Capital Expenditure as claimed by the licensee in the Truing Up of accounts for the year 2020-21.**

55. In the Truing up order for the year 2019-20, the Commission did not approve asset addition of Rs.5.27 lakh in the absence of documentary evidence to substantiate that the licensee had executed the work after completing all due procedures of competitive bidding. The licensee vide clarification dated 24-06-2022 submitted that the work of Augmentation of USS was carried out after observing the due process of competitive bidding and the work was awarded to the lowest bidder as below:

Table 22

Details of Tender for Augmentation of USS during 2019-20

Sl.No	Name of Bidder	Quoted Amount	Status
1	Power Electricals	3,00,000+GST	L1
2	E Power Solutions	3,90,000+GST	L2
3	JR Associates	4,60,000+GST	L3

56. The work was awarded to the L1 bidder at Rs.3.54 lakh (Rs.3.50 lakh +18%GST). The cost approved by the Commission in the ARR was Rs.3.50 lakh. Though the actual cost is marginally higher than that approved by the Commission, considering the introduction of GST with effect from 01-07-2017 the Commission approves the cost of Rs.3.54 lakh. In addition to the above the licensee submitted that they had additionally constructed a plat form at a height of 1.5 meter above ground level purchasing material (MS Angles and Chequer plates) worth Rs.1.33 lakh and incurred labour charges Rs.0.40 lakh for carrying out the work. Thus, the total cost of capital addition was Rs.5.27 lakh. **Considering the clarifications and explanations furnished by the licensee, the Commission hereby approves the asset addition of Rs.5.27 lakh for the year 2019-20.** Thus, the total asset addition approved for the year 2019-20 is Rs.9.47 lakh including Rs.4.20 lakh approved vide order dated 26-03-2022.

Depreciation

57. The depreciation claimed by the licensee in the petition for Truing Up of Accounts for the year 2020-21 is Rs.44.41 lakh as against Rs.43.10 lakh approved in the Order on ARR&ERC. The licensee has claimed an asset addition of Rs.7.36 lakh for the year 2020-21. The details of claim made by the licensee are shown below.

Table-23
Depreciation claimed for the year 2020-21

Particulars	Rate (%)	Gross fixed assets			Depreciation		
		At the beginning of the year	Additions during the year	At the end of the year	Cumulative upto the beginning of the year	Additions during the year	Cumulative at the end of the year
Land & land rights	0	26.85		26.85			
Civil works for EHT Substation	3.34	9.26		9.26	5.39	0.31	5.70
HV Distribution system/Transmission line	5.28	99.00		99.00	58.48	2.65	61.13
HT Distribution lines	5.28	122.03		122.03	71.22	3.68	74.90
Sub-station equipments	5.28	489.05	4.15	493.20	283.01	23.74	306.75
Transformers	5.28	0.00		0.00	0.00		0.00
Switchgears, Control gear & Protection	5.28	3.50		3.50	0.54	0.18	0.72
Batteries	5.28	0.00		0.00	0.00		0.00
Others (Testing Equipments)	5.28	23.37		23.37	2.12	1.23	3.35
LT Distribution System	5.28					0.00	
Distribution lines	5.28	0.28		0.28	0.16		0.16
Sub-station equipments	5.28	0.00		0.00	0.00		0.00
Transformers	5.28	0.00		0.00	0.00		0.00
Switchgears, Control gear & Protection	5.28	31.20		31.20	20.21	1.71	21.92
Batteries	5.28	0.44		0.44	0.03	0.02	0.05
Others	5.28	0.00	0.63	0.63	0.00	0.02	0.02
Communication equipment	6.33	0.00		0.00	0.00		0.00
Meters	5.28	1.18	-0.53	0.65	0.84	-0.65	0.19
Vehicles	6.33	0.00		0.00	0.00		0.00
Furniture & fixtures for Substation	6.33	0.77		0.77	0.36	0.00	0.36
Office Equipments	6.33	0.00		0.00	0.00		0.00
Capital spares of HV & LT transmission	5.28	0.00		0.00	0.00		0.00
IT Equipments	15	2.02		2.02	1.16	0.00	1.16
Any other items		228.00	0.00	228.00	107.90	10.99	118.89
Fences, wells, tube wells	100	0.00	2.58	2.58	0.00	0.47	0.47
Gross Asset		1036.95	6.83	1043.78	551.41	44.41	595.82

58. In the Previous Truing Up Order dated 26-03-2022 the Commission has directed the licensee to submit a statement of Fixed Assets indicating therein, its procurement cost, date of procurement, date of capitalization, life of the Asset, remaining useful life of the asset, depreciation claimed till date etc. within three months from the date of issue of the Order.

59. The licensee submitted the details of statement of fixed assets vide letter dated 24-06-2022 and the Commission has examined the details. On examination of the details of Fixed Assets furnished, it has been noted that the data furnished are not reliable and not in a dependable form for considering depreciation. E.g., there are assets viz. Civil works for EHT substation, HV Distribution system/Transmission line, Substation equipments, etc for which split up details of the assets are stated as not available and the date of capitalization of many assets also stated as not available. In respect of assets categorized as 'Any other item' valuing Rs.228.00 lakh no details are furnished. The Commission noted that, the depreciation has to be calculated as per the provisions of Tariff Regulations applicable. The relevant provisions of Tariff Regulations 2018 are extracted below.

27. Depreciation. – (1) The value base for the purpose of depreciation shall be the original capital cost of the asset as approved by the Commission:

Provided that no depreciation shall be allowed on increase in the value of assets on account of revaluation of assets.

Provided further that depreciation shall not be allowed on assets funded through consumer contribution, deposit works, capital subsidies and grants.

(2) The generation business/company or transmission business/licensee or distribution business/licensee shall be permitted to recover depreciation on the value of fixed assets used in their respective business, computed in the following manner: -

- (a) depreciation shall be computed annually based on the straight line method at the rates specified in the Annexure-I to these Regulations for the first twelve financial years from the date of commercial operation;*
- (b) the remaining depreciable value as on the Thirty First day of March of the financial year ending after a period of twelve financial years from the date of commercial operation shall be spread over the balance useful life of the assets as specified in Annexure- I;*
- (c) the generating business/company or transmission business / licensee or distribution business/licensee, shall submit all such details and documentary evidence, as may be required under these Regulations and as may be required by the Commission from time to time, to substantiate the above claims;*
- (d) the salvage value of the asset shall be ten per cent of the allowable capital cost as approved by the Commission excluding cost of assets*

created out of contributions and grants and depreciation shall be a maximum of ninety percent of such approved capital cost of the asset.

(3) 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 up to the Thirty First day of March, 2018, from the gross depreciable value of the assets.

(4) Depreciation shall be chargeable from the first financial year of commercial operation:

Provided that in the case of commercial operation of the asset for part of the financial year, depreciation shall be charged on pro-rata basis:

Provided further that depreciation shall be re-calculated for assets capitalised during the financial year at the time of truing up, based on documentary evidence for capitalization of assets submitted by the applicant, subject to the prudence check of the Commission, in such a way that the depreciation is calculated proportionately from the date of capitalisation.

(5) In case a single tariff needs to be determined for all the units of the generating station, the depreciation shall be computed from the effective date of commercial operation of each of the unit taking into consideration the depreciation of individual generating units thereof.

60. From the above, it is clear that the licensee is eligible for depreciation at the rate specified in the Regulations for first twelve financial years from the date of Commercial Operation, and after twelve years, the remaining depreciable value shall be spread over the balance useful life of the assets. The salvage value of the asset is ten per cent and depreciation shall be a maximum of ninety per cent of the asset. The Commission is not in a position to reliably estimate the actual percentage of depreciation applicable for assets from the information given by the licensee. Hence, in the absence of this information, the Commission is not in a position to determine the depreciation admissible as per the provisions of Regulations. Here it is pertinent to mention that the licensee vide detailed submission dated 08-07-2022 stated that in respect of 11 items valued at Rs.542.93 lakh the split-up details of the asset category are not available. Further, in respect of 15 items valued at Rs.889.21 lakh the date of capitalisation is stated as 'not available'. Similarly, there are assets like PT, Substation Battery charger with negative value.

61. These indicate that the required details for working out depreciation as per the Regulations are not available with the licensee. Thus, the licensee failed to furnish the required details of fixed assets for arriving at the depreciation admissible as per Regulations despite repeated directions issued by the Commission through Truing up orders during the last 3 years.

62. Under these circumstances, the Commission is of the considered view that till such

time, complete information on the Fixed Assets is furnished by the licensee; the approval of depreciation is to be deferred. **The licensee is therefore directed to file a separate petition for allowing depreciation of Fixed Assets along with the complete information on the Fixed Assets indicating therein, the Assets category, procurement date and cost, salvage value, useful life of assets, capitalisation date, completed years as on 01-04-2020, remaining life of the assets, depreciation claimed till date etc. with two category viz. (a) Assets below 12 years of age and (b) Assets with more than 12 years of age within a period of three months from the date of this Order for the determination of depreciation admissible as per Regulations 27. For the time being, the Commission is constrained to provisionally disallow depreciation for the year 2020-21.**

Interest and Finance Charges

63. The licensee has claimed Rs.57.60 lakh towards interest and finance charges in the Truing Up petition for 2020-21 including Rs.56.85 lakh as interest on normative loan and Rs.0.75 lakh as bank charges for the security provided to KSEB Ltd. The details are given below:

Table-24
Interest and Finance Charges claimed for the years 2019-20 and 2020-21

Particulars	2019-20		2020-21	
	As per Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)	ARR Approved (Rs. lakh)	As per Truing Up Petition (Rs. lakh)
Interest on Normative Loan	59.03	6.11	1.70	56.85
Bank Charges	0.77	0.77	2.19	0.75
Total	59.80	6.88	3.89	57.60

a) Interest on Normative Loan

64. The licensee has claimed the normative interest of Rs.56.85 lakh for the year 2020-21, which is inclusive of interest on the additional capitalization made during the year. The interest charges claimed by the licensee are shown below.

Table-25
Interest on normative loan claimed for 2020-21

Gross Normative loan – Opening	1036.95
Net Additions during the Year	7.36
Net Additions during the year on pro- rata basis	3.40
70% Capital cost approved by Commission	728.24
Cumulative repayment of Normative Loan up to previous year	21.19
Net Normative loan – Opening	707.05
Increase/Decrease due to ACE/de-capitalization during the Year	2.87
Repayments of Normative Loan during the year	45.06

Net Normative loan – Closing	664.86
Average normative loan	685.96
Weighted average Rate of Interest.	8.55%
Interest on Normative loan	56.85

65. The licensee has claimed the opening balance of gross fixed assets of Rs.1036.95 lakh as opening gross normative loan. In this context, the directions in the Order of the Hon. APTEL dated 18-06-2020 in Appeal No.114 of 2018 filed by M/s Rubber Park India (P) Ltd against the Orders dated 26-07-2017 and 13-12-2017 of the Commission in the matter of Truing up of Accounts for the year 2015-16 and the Review thereof is relevant.

66. In the said appeal, the appellant, RPIL raised two issues, (1) Disallowance of interest on normative loan for the existing assets for the year 2015-16 (2) Disallowance of Return on Equity for the addition of assets during 2015-16, in connection with the Truing Up of Accounts of the licensee for the year 2015-16. The Hon. APTEL in its remand Order dated 18-06-2020 directed remission of the issues to the State Commission for re-consideration and fresh adjudication in accordance with law.

67. After examining the matter in detail in the light of directions by Hon. APTEL and based on the material placed before the Commission as well as the provisions of the Tariff Regulation 2006 and 2014, the Commission vide Order dated 19-10-2020 ordered that the interest charges for the assets created from the year 2015-16 alone can be allowed. The relevant portion of the Order is given below.

“48. After examining the matter in detail in the light of directions by Hon.APTEL vide its Order dated 18.06.2020 and the material placed before the Commission and the provisions of the Tariff Regulation 2006 and 2014, the Commission came to the conclusion;

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

“21. Thus, there were no provisions for treatment of funding of existing

assets as on 01.04.2007 in a normative manner, and the only treatment mentioned in the Regulation is on allowing actual basis or as approved by the Commission in case there is any loans. In other words, in the case of existing assets, whatever is approved in the previous occasions are to be taken as a base. On the other hand, the future addition of assets that is assets added after 01.04.2007 can be treated with normative debt -equity ratio of 70:30. Hence, normative treatment is possible for the addition of assets from 01.04.2007 to 31.03.2014 as per Regulations and interest charges on the said loanis allowable.”

68. In previous years, the Commission adopted the practice of allowing normative interest on additions to fixed assets. Accordingly, in 2018-19 vide truing up order dated 22-04-2021, the Commission has allowed interest on normative loan of Rs.6.59 lakh on the average normative loan balance of Rs.80.82 lakh. Similarly, the Commission, vide truing up order dated 26-03-2022, has allowed interest on normative loan of Rs.6.11 lakh during the year 2019-20 on the Average normative loan balance of Rs.71.45 lakh. Therefore, the Commission decided to continue the same decision as per the Order dated 22-04-2021 and 26-03-2022. In the present petition the Commission has deferred the depreciation till the submission of complete information on the Fixed Assets by the licensee. Based on this, the Commission has allowed interest on normative loan during the year 2020-21 on the normative loan balance of Rs.71.45 lakh as on 01-04-2020, without considering the asset additions during 2020-21 as loan addition and the depreciation for the year 2020-21 as the repayment of normative loan.

69. As per second proviso to Regulation 29(4) of Tariff Regulations, 2018, if the licensee does not have any actual loan portfolio, interest charges shall be calculated at Base rate. The relevant portion of Regulations is shown below.

29. Interest and finance charges. –

(4) The rate of interest allowed shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each financial year applicable to the generating business/company or the transmission business/licensee or the distribution business/licensee or State Load Despatch Centre:

Provided that if there is no actual loan for a particular financial year of the control period but normative loan is still outstanding, the weighted average rate of interest on the last available loan shall be considered:

Provided further that if the regulated business of the generating business/company or the transmission business/licensee or the distribution business/licensee or State Load Despatch Centre does not have actual loan,

but normative loan is outstanding, then interest shall be allowed at the base rate.

70. The interest on normative loan approved for the year 2020-21 is shown below;

Table-26
Interest on normative loan for approved in 2020-21

Sl No	Particulars	Rs. In lakh
1	Gross Normative loan – Opening on 01-04-2020	71.45
2	Cumulative Depreciation up to 01-04-2020	21.19
3	Net Normative loan – Opening on 01-04-2020 (1) – (2)	50.26
4	Assets Addition during the year 2019-20	9.47
5	Assets Addition during the year 2020-21	7.36
5	Proportionate depreciation of Assets Addition during the year 2020-21	-
6	Net Normative loan – Closing on 31-03-2021 (3) + (4) +(5)-(6)	67.09
7	Average Normative loan [(3) + (6)] / 2	58.68
8	Base Rate of interest as on 1-04-2020	7.75%*
9	Total Normative Interest charges for 2020-21 (Rs. lakhs)	4.55

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

b) Bank charges

71. The licensee has claimed an amount of Rs.0.77 lakh during the year 2019- 20 on account of bank guarantee and letter of credit charges as demanded by KSEB Ltd and other bank charges. The claim bank guarantee and letter of credit charge is for the double security mechanism proposed in Article 8.9 and 8.12 of the PPA. The details of the bank charges are shown below.

Table-27
Bank charges approved for the year 2019-20 and claimed for 2020-21.

Particulars	2019-20	2020-21
	Trued Up (Rs. lakh)	As per Truing up Petition (Rs. lakh)
LC & BG charges	0.67	0.73
Other Bank Charges	0.10	0.02
Gross Bank Charges	0.77	0.75

72. The Commission noted that, the L.C. and Bank Guarantee charges claimed by the licensee for 2020-21 is Rs.0.75 lakh as against Rs.0.77 lakh approved in the truing up for the year 2019-20. The licensee, in the petition, submitted that KSEBL insisted double security mechanism i.e., one in the form of LC equivalent to 1.05 times the average billing demand and the second one in the form of security deposit equivalent to two months' electricity charges. Hence the licensee had provided both

security deposit and opened LC in favour of KSEBL incurring bank charges of Rs.0.75 lakh during the year.

73. **After examining the details and clarification furnished by the licensee, the Commission hereby approves Rs.0.75 lakh as Bank Charges for the year 2020-21 as claimed by the licensee.**

74. The Interest and Finance charges approved for the year 2020-21 is shown below.

Table-28
Interest and Finance Charges approved for the year 2020-21

Particulars	As per Truing up petition (Rs. lakh)	Trued Up(Rs. lakh)
Interest on Normative Loan	56.85	4.55
Bank Charges	0.75	0.75
Total	57.60	5.30

75. **Accordingly, the Interest and Finance charges approved by the Commission for the year 2020-21 is Rs.5.30 lakh as against Rs.57.60 lakh claimed by the licensee.**

Return on Equity

76. The licensee has claimed Return on Equity of Rs.43.67 lakh in the petition for Truing Up of Accounts for the year 2020-21. The Commission had approved a return on equity of Rs.42.04 lakh in the Order on ARR&ERC which was 14% of 30 % of the equity share capital. While Truing Up of Accounts for the year 2019-20, the Commission had approved an amount of Rs.37.80 lakh as against Rs.43.31 lakh claimed by the licensee. The licensee worked out return on equity for the year 2020-21 as shown below:

Table-29
Return on Equity claimed for the year 2020-21

Particulars	(Rs. Lakh)
Opening level of GFA/Equity at the beginning of the year	1036.95
Capitalisation during the year	7.36
Capitalisation on pro rata basis	3.40
Decrease due to decapitalization during the year	0.53
Equity at the end of the year on pro rata basis	1039.81
Return on equity at the beginning of the year	43.55
Return on equity portion of capitalization	0.12
Total Return on equity	43.67

77. As per Regulation 28, Return on equity is to be “computed in rupee terms, on the **paid-up equity share capital** determined in accordance with the Regulation 26 and shall be allowed at the rate of fourteen per cent for generating business/companies,

transmission business/licensee, distribution business/licensee and State Load Despatch Centre”.

78. The Commission in its Order dated 19-10-2020 confirmed that the licensee is eligible for the return on equity on 30% of Rs.900 lakhs only and not on any additions unless there is an increase in the paid-up equity capital corresponding to the GFA additions claimed. This was on account of the fact that the licensee had not produced any document to establish that the Board had approved and enhanced the paid-up capital after due approval of MCA and CLB to the extent of increase in value of assets. The Commission had therefore approved an amount of Rs. 37.80 lakh towards Return on Equity for the year 2015-16 at the time of truing up considering Rs.900 lakhs as the share of total paid up capital for the distribution business. The licensee has now claimed RoE for the year 2020-21 an amount of Rs.43.67 lakh, which is calculated at the rate of 14% on 30% of the equity at the end of the year on pro-rata of Rs.1039.81 lakh.

79. As mentioned above RoE on increased equity can be allowed only when there is an increase in equity share capital and corresponding issue of shares to the shareholders. Here, no such documents to substantiate any such increase has been produced by the licensee in spite of the Commission observation in para 70 of the Truing Up Order dated 22-04-2021 and para 101 of the Truing up Order dated 26-03-2022. The licensee is well aware of this requirement but has not complied with it, if they were to claim additional RoE.

80. Further the Commission had vide Order dated 19-10-2020 considered for return on equity 30% of Rs.900 lakhs which according to the licensee is the segregated portion of the paid-up capital for distribution business. The Commission has already allowed interest on normative loan for the entire portion of the cost of assets additions from 2015-16 onwards. In the previous Truing Orders dated 22-04-2021 and 26-03-2022 the Commission admitted ROE on this basis only. Since the licensee has not been able to produce any documents to prove the increase in paid up equity, the licensee is only eligible for the RoE for the actual capital employed of Rs. 900 lakhs. RoE of 14% shall be applicable for 30% of the equity i.e., Rs.900 lakh. ***Thus, an amount of Rs.37.80 lakh (Rs.900 lakh X 30%X 14%) is approved as Return on Equity for the year 2020-21 as against Rs.43.67 lakh claimed by the licensee.***

Tax on Return on Equity

81. The licensee has claimed an amount of Rs.16.03 lakh as Tax on Return on Equity. The licensee stated that, the RoE is calculated as 14% of 30% of gross fixed assets, which amounts to Rs 43.67 lakh. Whereas the net profit according to the statement

of the profit and loss account of the company prepared for the purpose of statutory audit is Rs 306.99 lakh. The difference between Net profit and RoE of Rs 263.32 lakh (Rs.306.99 lakh- Rs.43.67 lakh) attributes to the profits from other businesses of the company. The licensee has paid a total of Rs 112.69 lakh as income tax based on the Net profit of the company. On the basis of the above, tax expenditure for Truing Up of Accounts has been taken in the ratio of RoE to Net profits (43.67/306.99) which amounts to Rs.16.03 lakh (112.69*43.67/306.99).

82. The Commission examined the submission of the licensee with the provision of Tariff Regulations, 2018. The Relevant portion of Regulations is given below.

31. Tax on returns. – (1) The Commission shall provisionally approve Income Taxpayable for the appropriate years of the Control Period, if any, based on permissible return on equity share capital or return on net fixed assets, as approved by the Commission relating to the generating business/company or transmission business/licensee or distribution business/licensee or the State Load Despatch Centre, as the case may be and included in the Aggregate Revenue Requirements:

Provided that no Income Tax on the amount of efficiency gains or incentive earned by the generating business/company or transmission business/licensee or distribution business/licensee or State Load Despatch Centre shall be approved for recovery through tariff or charges from the consumers or beneficiaries:

(2) The difference between the Income Tax on regulated business actually paid and that approved by the Commission in the Aggregate Revenue Requirement of the generating business/company or transmission business/licensee or distribution business/licensee or the State Load Despatch Centre shall, subject to prudence check, be adjusted in the truing up process in the respective years.

(3) The tax on any income other than from the regulated business, shall not in any circumstances be allowed to be recovered through Aggregate Revenue Requirements.

(4) Changes if any in taxes other than income tax otherwise allowed as a pass through in tariff, shall be considered for determination of aggregate revenue requirements after prudence check

83. Regulation 31(2) of the Tariff Regulations, 2018, states that the difference between the Income Tax on regulated business actually paid and that approved by the Commission in the Aggregate Revenue Requirement can be allowed subject to prudence check in the Truing Up process. The Commission noted that the licensee has not claimed any amount as Tax on Returns from Equity in the ARR&ERC

petition. Hence, the Commission approved the licensee's ARR & ERC for 2020-21 without any tax on return on equity. Further the Commission noted that, as per Regulation 31(3), the tax on any income other than from the regulated business, shall not in any circumstances be allowed to be recovered through Aggregate Revenue Requirements.

84. The Commission has carefully examined the licensee's claim in the petition and the audited financial statements of the Company and Form D P&L Profit & Loss Account of the Distribution Business. The audited financial statements reveal that the Company is not maintaining any separate or segment accounts for the electricity distribution business. Further, as per Form D submitted by the licensee, there is a provision of Rs.16.03 lakh for income tax, whereas the Company has claimed to have paid total income tax of Rs.112.69 lakh for the combined business. As proof of payment of income tax, the licensee furnished a copy of the Acknowledgement of filing of Income Tax Return for the Assessment Year 2021-22. On scrutiny of the copy of the Acknowledgement of the Return, the Commission observed that the total income disclosed is Rs.402.23 lakh as against Rs.306.99 lakh claimed in the petition. Similarly, the income tax due on the total income of Rs.402.23 lakh is Rs.101.23 lakh and interest payable due to delay in remittance of advance tax is Rs.9.39 lakh. Thus, the total amount payable is Rs.110.62 lakh against which total amount paid is Rs.112.69 lakh resulting in a refund of Rs.2.07 lakh. From the above documents it cannot be authentically established as to whether any income tax has actually been paid on the claimed return on equity, especially since it is still shown as a provision for more than a year of closure of the financial year. ***In the above circumstances, the Commission provisionally disallows the claim of Rs.16.03 lakh towards Tax on Return on Equity. In order to establish this payment, the Commission hereby directs that the licensee shall produce documentary evidence to prove that income tax on account of the electricity distribution business has actually been paid, within 3 months of the date of this Order.***

Revenue from Sale of Power

85. As per the petition, the licensee has claimed total revenue from sale for power of Rs.1958.17 lakh for a sale of 291.80 lakh units against approved amount of Rs.2132.04 lakh for a sale of 323.10 lakh units in the Order on ARR.

86. In the petition the licensee furnished Open access sale to M/s.M Fuel only whereas in Form D.2.2 wheeling charges from M/s M Fuel and M/s Classic Auto Tubes Ltd were shown. Therefore, the Commission sought clarification vide letter dated 05-07-2022. The licensee vide e-mail dated 08-07-2022 submitted the clarification regarding the energy sales during the year 2020-21 as follows:

Table-31
Details of Sales units as per the revised submission

Category	Sales (lakh units)
LT IV A	22.33
LT VI B	0.09
LT VI F	0.85
LT VII A	2.22
Street Light	0.35
HT-1A	265.96
Sub Total	291.80
Open Access KSEB (M/s M Fuel)	1.70
Open Access Classic Auto Tube Ltd	4.10
Total	297.60

87. A category wise comparison of the revenue from sale of power for the years 2019-20 & 2020-21 is as shown below:

Table-32
Details of Revenue from Sale of Power for 2019-20 & 2020-21

Particulars	2019-20				2020-21			
	Trued up				Truing up Petition			
	No. of Consumers	Energy Sales (Lakh Units)	RevenueRs. Lakh	Avg. realisation (Rs/k Wh)	No. of Consumers	Energy Sales (Lakh Units)	RevenueRs. Lakh	Avg. realisation (Rs/k Wh)
LT IV A	23	31.20	209.01	6.70	23	22.33	155.17	6.95
LT VI B	1	0.20	1.43	9.05	1	0.09	0.93	10.55
LT VI F	2	1.00	9.74	9.41	2	0.85	8.09	9.51
LT VII A	15	3.30	32.65	9.80	17	2.22	22.79	10.25
Street Light	6	0.30	1.14	4.37	6	0.35	1.49	4.31
HT-1	18	219.20	1480.09	6.71	17	265.96	1769.70	6.55
Total	65	255.20	1734.05		66	291.80	1958.17	

88. As per the above table, the majority of sales (265.96 lakh units) pertain to the HT category which consists of 17 consumers and is about 91% of total sale of power. It is seen that the actual sale for the year is higher than the previous year. The increase in sales shows signs of recovery from the general industrial slowdown due to the Covid-19 pandemic during the year 2019-20. Based on careful consideration of the figures given in the Truing Up petition and the clarification proceedings thereof **the Commission hereby approves the revenue from sale of power at Rs.1958.17 lakh as claimed by the licensee for the purpose of Truing Up of Accounts for the year 2020-21.**

Wheeling Charges

89. The licensee has claimed wheeling charge of Rs.7.75 lakh for wheeling power of 5.80 lakh units to M/s M Fuel and M/s Classic Auto Tubes Ltd in the petition. The revenue from energy wheeled through the open access by KSEB Ltd (to M/s. M Fuel) is Rs.0.98 lakh for 1.70 lakh units and open access by M/s. Classic Auto Tubes Ltd is Rs. 6.77 lakh for 4.10 lakh units. **After careful consideration, the Commission hereby approves the wheeling charges of Rs.7.75 lakh received for the year 2020-21 as claimed by the licensee.**

Non-tariff Income

90. The non-tariff income claimed by the licensee in the petition for the year 2020-21 is Rs.3.60 lakh as against the approved amount of Rs 12.69 lakh in the ARR dated 08.11.2019. The split-up details of Non-Tariff income claimed are shown below.

Table-33
Details of Non-Tariff Income for the years 2019-20 and 2020-21

Particulars	2019-20		2020-21
	As per Truing Up Petition	Trued Up	As per Truing up Petition
	(Rs. lakh)	(Rs. lakh)	(Rs. lakh)
Income from insurance claim	-	-	1.94
Miscellaneous receipts	0.84	0.84	0.49
Commission on collection of electricity duty	0.49	0.49	0.48
Interest on delayed payment	-	-	-
Interest on investments, fixed and call deposits and bank balances	0.91	0.91	0.69
Interest on security deposit with KSEB Ltd	-	10.84	-
Interest on Accumulated Surplus	-	16.70	-
Total	2.24	29.78	3.60

91. The Commission however notes that the petitioner has not indicated any receipt on account of interest on deposit with KSEB Ltd. Hence, the Commission sought clarification on the same vide letter dated 05-07-2022 and the licensee submitted that during FY 2020-21, the licensee received Rs.11.58 lakh as interest on cash deposit from KSEB Ltd. The Commission noted that as per Form D BS and Audited Accounts, cash security deposit with KSEBL is Rs.173.37 lakh. The licensee in the hearing also clarified that the interest of Rs.11.58 lakh has been received on this account. Further, the licensee's claim that the security deposit with KSEBL of Rs.173.37 lakh has been paid from the Park business is not correct since this amount is reflected in the Form D BS.
92. **The Commission strongly disapproves the fact that the licensee did not disclose this receipt in their Truing Up petition. This is a very serious lapse and even casts doubt regarding the true and fair view of the Affidavit submitted by the licensee. The licensee repeated the same practice of non-disclosing the interest on security deposit received despite strong warning issued by the Commission during the previous orders. *The licensee is hereby directed to be more careful in its submissions before the Commission. Any further dereliction shall be dealt with seriously as per the relevant provision of the Act/Regulations/CPC.***
93. **Accordingly, the Commission hereby approves Rs.11.58 lakh as the interest income received on security deposit with KSEB Ltd for the year 2020-21.**
94. As per the Order of the Commission dated 26-03-2022, the licensee is holding an accumulated surplus of Rs. 396.18 lakh at the end of the year 2019-20. Accordingly, the interest on the revenue surplus is approved at a rate of 5.70% per annum (the retail term deposit rate of SBI for a tenure of one year as on 01-04-2020) for an amount of Rs.396.18 lakh amounting to Rs.22.58 lakh (Rs.396.18 lakh x 5.70%) isto be provided.

Table-34
Details of Non-Tariff Income approved for 2020-21

Particulars	2020-21	
	As per Truing Up Petition	Trued Up
	(Rs. lakh)	(Rs. lakh)
Miscellaneous receipts	0.49	0.49
Commission on collection of electricity duty	0.48	0.48
Interest on investments, fixed and call deposits and bank balances	0.69	0.69
Income from insurance claim	1.94	1.94
Interest on security deposit with KSEB Ltd	-	11.58
Interest on Accumulated Surplus (Rs.396.18 lakh *5.70%)	-	22.58
Total	3.60	37.76

95. **Accordingly, the total non-tariff income of Rs.37.76 lakh is approved for the year 2020-21 as against Rs.3.60 claimed by the licensee.**

96. Based on the above, the approved expenditure and revenue for the year 2020-21 after Truing Up of Accounts is as shown below

Table-35
Total Income and Expenditure after Truing Up of Accounts for 2020-21

Particulars	2020-21		
	Approved in ARR&ERC (Rs. lakh)	Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)
Revenue from Sale of Power	2132.04	1958.17	1958.17
Income from wheeling charges	0.21	7.75	7.75
Non-Tariff Income	12.69	3.60	37.76
Total Income	2144.94	1969.52	2003.68
Purchase of Power	1855.47	1646.11	1646.11
Employee Cost	55.99	67.21	42.03
R&M Expenses	38.63	47.50	47.50
A &G Expenses	22.93	73.54	32.20
Prior Period A&G Expenses	-	-	-
Depreciation	43.10	44.41	0.00
Interest & Finance charges/ Bank Charges	2.19	0.75	0.75
Interest on Normative Loan	1.70	56.85	4.55
Return on Equity	42.04	43.67	37.80
Tax on ROE	-	16.03	0.00
Total Expenditure	2062.05	1996.07	1810.94
Net Surplus/(Deficit) provisional	82.89	-26.55	192.74

Orders of the Commission

97. The Commission after considering the petition filed by M/s. RPIL for Truing Up of Accounts for the year 2020-21 and the clarifications and details provided by the licensee approves the following:

- a. Total income is Rs. 2003.68 lakh
- b. Total expenditure is Rs.1810.94 lakh
- c. The revenue surplus for the year is Rs.192.74 lakh
- d. The accumulative revenue surplus up to 2019-20 is Rs.396.18 lakh. Total accumulative revenue surplus till 2020-21 will be Rs.588.92 lakh (Rs. 396.18 lakh + Rs.192.74 lakh).

98. The Commission issues the following directives for compliance by the licensee.

- a. The licensee is to strictly adhere to the approved ARR percentage of distribution loss as mentioned in the Commission's Order dated 08-11-2019 for the rest of the Control Period (Para 20).
- b. The licensee shall file a separate petition claiming Depreciation furnishing the complete information on the Fixed Assets indicating therein, its Assets category, procurement date and cost, salvage value, useful life of assets, capitalisation date, completed years as on 01-04-2020, remaining life of the assets, depreciation claimed till date etc. with two category viz. (a) Assets below 12 years of age and (b) Assets with more than 12 years of age within a period of three months from the date of this Order for the determination of depreciation admissible as per the provisions of 27 Regulations. (Para 62)
- c. The licensee shall produce documentary evidence to prove that income tax on account of the electricity distribution business has actually been paid, within 3 months of the date of this Order. (Para 84)
- d. The Commission hereby directs that the licensee shall henceforth disclose the interest on security deposit received from KSEBL as non-tariff income. (Para 92)

99. With the above, the petition is disposed of. Ordered accordingly.

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

Sd/-
PremanDinaraj
Chairman

Approved for issue

Sd/-
Secretary