

**KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM**

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

OP NO. 18/2021

- In the matter of** : Petition for Truing up of accounts filed by M/s Thrissur Corporation Electricity Department (TCED) for the year 2019-20.
- Petitioner** : M/S Thrissur Corporation Electricity Department (TCED)
(Represented by Shri. M.K Varghese, Hon'ble Mayor, Thrissur Corporation, Shri.V.V Lathesh Kumar, Asst. Secretary, Shri. T.S Jose, Electrical Engineer, Shri. Jino Shaju, Consultant, TCED)
- Date of Hearing** : 30-07-2021

ORDER DATED 10-09-2021

1. M/s Thrissur Corporation Electricity Department under Thrissur Municipal Corporation (*hereinafter referred as TCED or the Licensee*) is a deemed distribution licensee under the Electricity Act, 2003. M/s TCED has filed the instant petition for the Truing up accounts for the Financial Year 2019-20 (second year of the Control Period 2018-19 to 2021-22) vide their letter dated 25-02-2021. In this petition has been filed in accordance with the provisions of the KSERC (Terms and conditions for determination of Tariff) Regulations, 2018 (*hereinafter referred to as Tariff Regulations 2018*). As per Regulation 10(2) of the KSERC (Terms and conditions for determination of Tariff) Regulations, 2018, there was a delay of 87 days for filing the truing up petition. TCED attributed this delay on account of to the Covid-19 lockdown and related issues and sought enlargement of time till 28-02-2021 vide letter dated 14-12-2020. The Commission after examining the reasons mentioned in the petition for condonation of delay, vide Order dated 15-03-2021, condoned the delay and admitted the petition as OA 18/2021.
2. The Commission vide Order dated 08-11-2019 in OA 09/2019 had issued the Order on the ARR & ERC of the licensee for the Control Period from 2018-19 to 2021-22. The Commission had approved a revenue surplus of Rs.830.74 lakhs in the said ARR Order against the revenue deficit of Rs.492.70 lakhs proposed by the licensee. The revenue surplus as per the present Truing up petition filed by the

licensee for the year 2019-20 is Rs.4.54 lakhs. A comparison of the ARR approved in the Order dated 08-11-2019 and the Truing up claim for the financial year 2019-20 as per the petition along with the trued-up figures for the year 2018-19 is shown below:-

Table 1
Comparison of the Truing up of accounts for the period 2018-19 & 2019-20

Particulars	2018-19		2019-20		
	Truing Up Petition (Rs. in lakhs)	As per Truing up Order (Rs. In lakhs)	Approved in ARR (Rs. In lakhs)	Truing Up Petition (Rs. In lakhs)	Variance (Act-ARR) (Rs.Lakhs)
Revenue from Sale of Power	11650.79	11650.79	12712.65	12625.06	-87.59
Other Income	833.03	1163.30	1164.89	716.13	-448.76
Total Income	12483.82	12814.09	13877.54	13341.19	-536.35
Purchase of Power	10353.93	10273.24	11231.08	11035.30	-195.78
Employee Cost	1141.65	1092.60	1145.48	1244.82	99.34
R & M Expenses	95.36	82.01	85.98	106.09	20.11
A & G Expenses	400.92	74.81	83.52	354.06	270.54
Interest and Finance Charges	220.07	187.62	234.39	236.17	1.78
Depreciation	241.82	241.82	198.81	265.80	66.99
Return on Equity	93.61	93.61	67.54	94.41	26.87
Total Expenditure	12547.36	12045.71	13046.80	13336.65	289.85
Net Surplus/(Deficit)	(63.55)	768.38	830.74	4.54	-826.20

3. After examining the petition, the Commission sought clarification vide letters dated 21-04-2021 & 20-07-2021 and M/s TCED furnished their clarifications vide letters dated 10-06-2021 & 27-07-2021 respectively.

Hearing on the matter

4. The public hearing on the Truing up petition for the financial year 2019-20 was initially fixed by the Commission on 13-04-2021. Due to the precarious Covid-19 situation, the hearing on the application was postponed and later conducted through video conference mode on 30-07-2021. Shri. M.K. Varghese, worshipful Mayor, Thrissur Corporation who attended the hearing on behalf of the petitioner, in his opening remarks raised the issues of approval of the Commission for the 110 kV substation, which would provide alternative source of supply in the licence area. He also raised the issue of the amount pending from the Government on account of pension for employees who have retired from the Thrissur Corporation Electricity Department. Sri. T.S Jose, Electrical Engineer, Sri. Jino Shaju, Consultant and other officers of TCED represented the petitioner and explained the important submissions in the petition. The summary of the main points mentioned by the licensee during the hearing is briefed below:-

- The licensee has claimed a revenue surplus of Rs.4.54 lakh as against the revenue surplus of Rs.830.74 lakhs approved in the ARR Order for the year 2019-20.
 - The number of consumers and sale of power have increased from 39,594 to 39,955 and 1449.00 lakhs to 1511.90 lakhs respectively during the year 2019-20 compared to the previous year 2018-19.
 - The actual claim of employee cost is Rs.1244.82 lakhs against Rs.1145.48 lakh approved in the ARR. The major portion was account of salary, wages, pension contribution and earned leave encashment and employer contribution. The licensee made a request for the approval of arrears on pay revision actually paid to the employees.
 - The Repair and Maintenance charges claimed by the licensee for the year 2019-20 is Rs.106.09 lakh as against Rs.85.98 lakh approved in the ARR for the year 2019-20.
 - The A & G expenses claimed by the licensee as per the application for Truing up for the year 2019-20 is Rs.354.06 lakhs as against the approved amount of Rs.83.52 lakhs in the ARR Order. The major claim booked under A&G expenses of Rs.172.03 lakh towards rent, rates & taxes, Rs.88.96 lakh towards section 3(1) duty and Rs.25.26 lakhs of conveyance etc.
 - The interest on security deposits paid during the Financial Year 2019-20 amounts to Rs.195.08 lakhs.
 - The depreciation claimed for the year is Rs.265.80 lakhs including the asset additions amounting to Rs.386.73 lakh.
 - An amount of Rs.14.31 lakh was shown under the head provision for bad and doubtful debts.
5. During the hearing the Commission commented about the power factor penalty payable by TCED. The licensee stated that, it had conducted a study on the industrial consumers within the 66 kV substation limits and imposed penalty on consumers who were not maintaining the power factor of 0.95. The Commission directed the licensee to submit the details of penalty imposed and amount collected in the year 2019-20. Regarding amount receivable from the Government for payment of pension to the retired employees of TCED, the Commission offered all cooperation for the efforts initiated by TCED in getting the amount due from the Government.

6. Regarding the details on the rent charged by the Thrissur Corporation, the Commission directed the licensee to urgently sort out the issue since the same is being pending for a long time.
7. Regarding the receivable from sale of power, the Commission directed the licensee to furnish age wise analysis of sundry debtors. The Commission also directed the licensee to submit suitable proposals for One Time Settlement (OTS) scheme for collection of outstanding dues from the consumers, for the approval of the Commission.
8. The Commission also discussed the proposed investment in the Small Hydel Project by M/s TCED.. The Commission directed the licensee not to proceed with the project unless and until its economic viability is clearly established. The licensee pointed out that, they have submitted a Techno Economic Feasibility Report (TEFR) to Government in this regard, based on the Detailed Project Report (DPR) from M/s KSEB Ltd, to determine whether the project is viable.
9. Sri. Rajagopal M G, Rtd. Chief Electrical Inspector, Ernakulam commented on the proposal of M/s TCED for construction of a building with a budget of Rs.120 crore. He further also commented on the rationale of the requirement of 110 kV substation which is being coming up in the area of Agriculture University and the position of the enquiry regarding the theft of approximately Rs.50 lakh worth of copper wires from the licensee's store. According to the licensee, the matter is being investigated by the Police Crime Branch. The Commission directed the licensee to furnish a report on theft reported in the store of licensee. Regarding capital investment, the Commission directed the licensee to follow the provisions of the Regulations regarding prior approval scrupulously.

Analysis and decision of the Commission

10. The Commission has carefully examined the petition submitted by the licensee, the comments and arguments during the hearing, the written submissions and additional clarifications furnished by the licensee vide letters dated 10-06-2020 & 27-07-2021 respectively. The analysis and decision of the Commission are detailed below:

Energy sales and Number of consumers

11. The Commission notes that, the number of consumers which was 39,594 during the year 2018-19 increased to 39,955 ie by 361 in the year 2019-20. The sale of energy as per the instant petition for the year 2019-20 is 1511.90 lakh units. During the year 2018-19, the sale of energy was 1449.00 lakh units. The comparison of the actual number of consumers and the sale of power claimed for the year 2019-20 with that of tried up figures for 2018-19 is shown below:

Table 2
Comparison of No of Consumers and energy sales for 2018-19 and 2019-20

Category	Actuals 2018-19		For Truing Up 2019-20	
	No of consumers	Sales (lakh Units)	No of consumers	Sales (lakh Units)
Domestic	21,383	398.80	21,566	422.50
Non domestic	17,152	546.20	17,329	590.10
Agriculture	195	0.80	187	0.60
Industrial	523	34.90	508	33.90
Street lighting	224	17.80	245	17.70
High Tension	117	449.10	120	447.30
Self-Consumption	-	1.40	-	1.40
Total	39,594	1449.00	39955	1511.90

12. As per the Truing up petition, during the year 2019-20, both the sale of energy and the number of consumers have increased under the categories of domestic, non-domestic and street lighting. There is also a small decrease in consumers in agriculture and LT industrial consumers. The energy consumed by street lights at 17.70 lakhs has been included in the sale of power and is charged against Thrissur Corporation. There is no change in the self-consumption over the previous year. The no. of consumers have increased by 361 and the sales have increased by 62.90 lakh unit compared to the previous year. **After analyzing the details, the Commission approves the energy sale of 1511.90 lakh units for the year 2019-20.**

Energy requirement and Distribution Loss

13. During the year 2019-20, the energy purchased from KSEB Ltd was Rs.1618.30 lakh units, the energy generated by the solar PV of the licensee was 4.10 lakh units and purchase of energy from prosumers was 1.30 lakh units totaling 1623.70 lakh units. Based on this, the distribution loss for the year 2019-20 is tabulated below:

Table 3
Comparison of Energy Purchase and Distribution Loss

	Particulars	2018-19		2019-20	
		As per Truing Up Petition	Approved in Truing Up	ARR Approved	As per Truing Up Petition
1	Energy sales (lakh units)	1449.00	1449.00	1552.30	1511.90
2	Energy Requirement (lakh units)				
	(a) Purchase from KSEB Ltd	1565.70	1553.49	-	1618.30
	(b) Self-generation (solar)	3.60	3.60	-	4.10
	(c) Solar energy purchase	0.97	0.97	-	1.30
	Total	1570.27	1558.06	1664.70	1623.70
3 (2-1)	Distribution loss (lakh units)	121.27	109.06	112.40	111.80
4	Distribution loss (%)	7.72%	7.00%	6.75%	6.88%

14. The actual distribution loss has decreased from 7.72% during the year 2018-19 to 6.88% during the year 2019-20. The distribution loss claimed by the licensee for the year 2019-20 is 6.88% as against the approved loss of 6.75%. The actual distribution loss is higher than the approved level for the year 2019-20. The licensee justified the higher distribution loss than the target was due to the floods that occurred during the period of August and September 2019-20.
15. The Commission has examined the distribution loss figures of the licensee and the reasons for the higher loss when compared to the ARR&ERC approved loss percentage. It is a fact that the floods did occur in 2019, but the scenario was not as bad as the floods of 2018. As mentioned, the distribution loss for the year at 6.88% is higher than the approved loss level of 6.75%. However, the licensee managed to decrease the loss levels from the previous year level by about 0.84% (7.72%-6.88%). Hence the shortfall in distribution loss from the target for 2019-20 is only 0.13% (6.88%- 6.75%). Considering efforts put in by the licensee to reduce the distribution loss, and the improvement made by the licensee, the Commission is of the view that no disallowance is required in the distribution loss or power purchase cost.
16. ***Since, the licensee has reduced the distribution loss compared to the previous year, the Commission hereby approves the actual distribution loss of 6.88% for the year 2019-20 and there is no adjustment made in power purchase cost for the year 2019-20.***

Power Purchase Cost

17. In the true up petition, the licensee has shown the power purchase as Rs.110,35.30 lakhs for 1619.57 lakhs units. The Commission in the ARR Order for the year 2019-20 approved the power purchase of Rs. 11,231.08 lakhs for purchasing 1664.70 lakhs units. The details of power purchase cost as per the petition is given below:-

Table 4
Details of Power Purchase Cost for the year 2019-20

Source	Quantity purchased	Fixed charges	Energy charges	Other charges (PF penalty)	Total cost	Average Cost
	(lakh units)	(Rs.lakh)	(Rs.lakh)	(Rs.lakh)	(Rs.lakh)	(Rs./kWh)
KSEB Ltd	1,618.30	1,328.14	9,693.64	9.80	11,031.58	6.82
Solar energy from prosumers	1.30	-	3.72	-	3.72	2.94
Total	1,619.50	1,328.14	9,697.36	9.80	11,035.30	6.81

18. The Commission has examined the above table. The total energy purchased includes the power purchased from KSEB Ltd and solar energy purchased from

consumers. The average power purchase cost including the purchase of energy from prosumers is Rs.6.81/kWh. The solar energy purchased from consumers is 1.30 lakh units @2.94 per unit, costing Rs.3.72 lakh. The Commission further notes that the rate of Rs.2.94 per unit has not been approved by the Commission for 'TCED and hence the amount paid is treated as provisional only. The licensee may furnish the rationale for paying Rs.2.94 per unit in the purchase of energy from solar PV installations of the consumers.

19. The energy purchased from KSEB Ltd is 1618.30 lakhs units and the cost of Rs.11031.58 lakhs. The average cost of purchase from KSEB Ltd is works out to be Rs.6.82 per unit. The average cost of power purchase in 2018-19 was Rs.6.61per unit. ***Since there is no adjustment required in the power purchase cost based on the distribution loss, the Commission approves the power purchase cost as per the petition ie. Rs.11035.30 lakh, provisionally as mentioned above.***

O & M Expenses

20. Operation & Maintenance expenses are the controllable expenses such as employee cost, R & M expenses and A & G expenses. The relevant portion of Regulation 79(8) of the Tariff Regulations 2018 regarding O&M expenses is reproduced hereunder;

79. Operation and maintenance expenses... ..

.....

(8) The distribution business of the Trissur Corporation Electricity Department 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.

21. The Commission as per the provisions of clause 79(8) of the KSERC (Terms and Conditions for Determination of Tariff) Regulation 2018 has approved the Operation & Maintenance cost for the year 2019-20 at Rs.1314.98 lakh in the ARR& ERC Order. The actual claim as per the Truing Up Petition for the year 2019-20 and the amount approved as per norms for the year 2019-20 is shown below.

Table 5
Comparison of O&M Expenses for 2019-20

O & M Expenses	2018-19		2019-20		
	As per Truing Up Petition (Rs.lakh)	Trued Up (Rs.lakh)	Approved in the ARR norms (Rs.lakh)	As per Truing Up Petition (Rs.lakh)	% increase over the norms
Employee Expenses	1141.65	1092.60	1145.48	1244.82	8.67%
R & M expenses	95.36	82.01	85.98	106.09	23.39%
A & G expenses	400.92	74.81	83.52	354.06	323.92%
Total	1637.93	1249.42	1314.98	1704.97	29.66%

22. The above table shows that, the actual O & M expenses as per the Truing up petition for the year 2019-20 is higher by Rs.388.99 lakhs than the norms approved in the ARR Order for the year 2019-20. The Commission analyzed each of the components submitted by the licensee. The details are given below.

Employee Cost

23. The Commission had approved an employee cost of Rs. 1145.48 lakhs for the year 2019-20 as per norms. In the petition filed by the licensee for the year 2019-20, employee cost booked is Rs.1244.82 lakhs. In 2018-19, the Commission had approved an amount of Rs.1092.60 lakhs as employee cost. The comparison of employee cost for the year 2018-19 & 2019-20 is shown below.

Table 6
Comparison of Employee Cost for 2018-19 & 2019-20

Particulars	2018-19		2019-20	
	As per Truing Up Petition (Rs.lakh)	Trued Up (Rs.lakh)	Approved as per norms (Rs.lakh)	As per Truing Up Petition (Rs.lakh)
Salary	781.61	1092.60	1145.48	812.11
Wages	129.49			173.54
Pension Contribution	101.71			104.68
Bonus	6.97			9.65
Employer Contribution	22.90			15.51
Other Allowance	2.40			2.20
Earned leave encashment	96.57			104.34
Salary Arrears	-			22.79
Total	1141.65			1092.60

24. The Commission examined the claim of the licensee. The above table shows that, the actual employee cost as per the Truing up petition for the year 2019-20 is higher by Rs.99.34 lakh than the amount approved in the ARR Order for the year 2019-20. The major portion of employee cost is towards salary which constituted 65.24%. The licensee has also claimed Rs.22.79 lakhs as salary

arrears for the year. Excluding the salary arrears, the employee cost for the year is Rs.1222.03 lakh.

25. The Commission has sought the reason for the increase in employee cost and the details of salary arrears, bonus/festival allowances, stipend and wages vide letters dated 21-04-2021 and 20-07-2021. The licensee has vide their letters dated 10-06-2021 & 27-07-2021 furnished their replies for variance in employee cost as stated below:-

- **Earned leave surrender:** - According to the licensee earned leave surrender given was Rs.104.34 lakhs including terminal surrender of Rs.57.39 lakhs. Earned leave encashment has increased from Rs.96.57 lakh in 2018-19 to Rs.104.34 lakh. The increase is on account of pay revision.
- **Stipend and wages:-** The stipend and wages has increased by Rs.44.05 lakh from Rs.129.49 lakh in 2018-19 to Rs.173.54 lakh in 2019-20. According to TCED, the increase was on account of the fact that in the year 2018-19 only three months stipend was accounted and the balance 9 months expenses was accounted in the year 2019-20.
- **Bonus and Festival allowance:-** Bonus/ festival allowance was given in 2019-20 as per GO(P) No.116-2017 FIN dated 26-08-2019. The upper limit eligible for getting the bonus of Rs.4000/- was increased to Rs.27,360/-. The increase in expenses from Rs.6.97 lakh in 2018-19 to Rs.9.65 lakh was on account of increase in number of employees became eligible for bonus due to increase in ceiling limit.
- **Employer contribution:-** There is a reduction in employer contribution from Rs.22.90 lakh in 2018-19 to Rs.15.51 lakh in 2019-20. The licensee stated that Permanent Retirement Account Number was allotted to employees belonging to National Pension Scheme in TCED in the year 2018-19 only. Hence, employee has to remit pension contribution arrears from 2013 were remitted in 2018-19. TCED has also has to remit respective portion of employer contribution correspondingly in the year 2018-19. Hence, the expense under this head was higher in 2018-19.
- **Pay revision arrears:** - The licensee stated in the petition that as per the Government Order G.O Rt 1702/68/DD dated 07-03-1968 and G.O, (Ms)12/70/DDT dated 19-01-1970, employees of TCED are eligible for pay and allowances given to KSEB Ltd from time to time and the same is effective from 1970.

- KSEB Ltd implemented the 2013 pay revision in the year 2016 with retrospective effect. The pay revision for 2013 and salary arrears were pending for TCED employees from 2013. So budgetary provisions were made for 2013 pay revision in the accounts and a total of Rs.745.68 lakh was made as provision in the previous years.
- The Commission did not approve the said provisions since it was not actually paid. Out of this provision, in the year 2017-18, an amount of Rs.222.09 lakh was paid as arrears, which was adjusted against the provision. The Commission has allowed this Rs.222.09 lakh as part of the pay revision arrears for the years 2017-18. Of the balance amount of provision, Rs.452.86 lakhs was disbursed as arrears in 2018-19.
- The employees whose pay revision was deferred due to some reasons were granted the benefit in the year 2019-20. The amount disbursed in 2019-20 was adjusted against the balance provision of Rs.70.72 lakh available (70.72 lakh = 745.67 lakh-222.09 lakh-452.86 lakh) and the additional of Rs.22.79 lakh was included as salary arrears in 2019-20 accounts. Hence, according to TCED the full provision of Rs.523.59 lakh (Rs.748.68 lakh-Rs.222.09 lakh) along with current year arrear amount of Rs.55.61 lakh is eligible as pay revision arrears. The details furnished by the petitioner on the year wise provision and adjustment against the provision are as shown below:

Table 7
Split up details of salary arrears due to pay revision

Period	Opening balance (Rs.lakh)	Additional provision (Rs.lakh)	Expensed from Provision (Rs.lakh)	Closing Balance (Rs.lakh)
2012-13	-	164.54	-	164.54
2013-14	164.54	200.00		364.54
2014-15	364.54	-	-	364.54
2015-16	364.54	258.39	-	622.93
2017-18	622.93	122.75	222.09	523.59
2018-19	523.59	-	452.87	70.72
2019-20	70.72	-	70.72	-
Extra Arrear in 2019-20			55.61	
Booked in Salary (DA arrear)			32.82	
Booked in Salary Arrear (Employee Cost)			22.79	
Total Provision to be Approved			579.20	

- The licensee vide letters dated 10-06-2021 & 27-07-2021 requested the Commission to allow the total claim of Rs. 579.20 lakhs (Rs.523.59 lakh +55.61 lakh) towards pay revision arrears. The licensee has claimed an amount of Rs.452.87 lakh for the year 2018-19 towards payment of arrears

for the pay revision of 2013, which was effected from 2016. The licensee stated that since a provision was created against this amount in the earlier years, the same is not included in the truing up of accounts for 2018-19 and not claimed in the year 2018-19. The licensee mentioned that though periodically provision for pay revision is included in the accounts, the same was not approved by the Commission as part of the employee expenses on the reason that the same was not incurred. Considering this, the licensee claimed the actual payout of Rs.579.20 lakh for the year 2018-19 and 2019-20.

- 26.** The Commission examined the details furnished by the licensee on employee cost. The licensee has furnished the details on the increase in cost compared to previous year under the heads earned leave encashment, stipend and wages and bonus and allowances. Earned leave has increased (8.05%) due to pay revision, bonus and allowance has increased (38.45%) due to increase in upper limit of wages eligible for bonus. However, major component of employee cost ie., salary component, as per the account has increased by 3.9% only. The employee expenses has increased over the year by 9.04%. As against actual amount of Rs.1222.03 lakh excluding salary arrears, the approved cost for the year was Rs.1145.48 lakh as per the Regulations. Since the employee cost is a controllable item of expenses, the amount approved as per the provisions of the Regulation only can be allowed in the Turing up for the year 2019-20.
- 27.** In addition to the employee cost, the licensee has claimed the pay revision arrears disbursed to the employees in the year 2018-19 and 2019-20. Regulation 14 of the Tariff Regulation 2018 provides for allowing pay revision arrears which is reproduced below:

14. Mechanism for sharing of gains or losses on account of controllable factors.....

.....
(3) Expenses relating to pay revision, if any, during the control period for the same level of employees as admitted in the truing up of accounts for the year 2016-17 of the Generation business/company or Transmission business/licensee or distribution business/licensee may be considered for pass through after due prudence check.

- 28.** As per the details furnished by the licensee, the pay revision for 2013 was effected in 2017-18 and the licensee has claimed pay revision arrear to the tune of Rs.579.20 lakh (for 2018-19 and 2019-20). Out of this, Rs.452.87 lakh was for

the year 2018-19 and Rs.126.33 lakhs (Rs.70.72lakh from the balance provision and Rs.55.61 for the current year expense) for the year 2019-20.

29. The Commission has examined the details. The Commission notes that though the licensee has made provisions for the pay revision in their accounts, the same was not allowed. Only the actual arrears disbursed on account of pay revision was allowed. The Tariff Regulation 2018 provides for allowing the pay revision expenses for the same level of employees in 2016-17. The licensee has created provision for pay revision in the accounts from 2012-13. The total provision created till 2017-18 was Rs. 745.68 lakh. Of this Rs.222.09 lakh was disbursed in the year 2017-18 and the balance amount required for disbursing the pay revision arrears of Rs.579.20 lakh was claimed by the licensee. Out of this, Rs.452.87 lakh was for the year 2018-19. In 2019-20 the total amount required was Rs.126.33 lakh and an amount of Rs.77.72 lakh was available from the provision already created and balance amount of Rs.55.61 lakh was booked in the accounts for the year 2019-20 (Rs.22.79 lakh as arrears and Rs.32.82 lakh as DA arrears) under employee expenses. Since the Commission has not allowed any provisions in the previous years, no adjustment against the provisions is required and the actual claim for the disbursement of arrears of Rs.579.20 lakh accordingly can be allowed.
30. The Commission has allowed the employee cost for the year 2019-20 as per the norms. Hence, the pay revision expenses claimed by the licensee is allowed additionally. ***After duly considering the details furnished by the licensee, the employee cost for the year 2019-20 is approved Rs. 1724.68 lakh. (Rs.1145.48 lakhs +Rs.579.20 lakhs).***

Repair and Maintenance Expenses

31. The licensee in their petition has claimed Rs.106.09 lakh as the R&M expenses for the year 2019-20 as against the approved amount of Rs.85.98 lakhs in the ARR Order for the year 2019-20. R&M expenses claimed by the Licensee for the year 2019-20 is as shown below:

Table 8
Details of R&M Expenses for the year 2018-19 and 2019-20

Particulars	2018-19		2019-20	
	As per Truing Up Petition (Rs.lakh)	Trued Up (Rs.lakh)	ARR in Approved (Rs.lakh)	As per Truing Up Petition (Rs.lakh)
Plant and Machinery	3.89	82.01	85.98	16.21
Sub stations	-			19.96
Lines and cable networks	77.03			59.94
Vehicles	1.38			1.61
Furniture and Fixtures	1.18			2.56

Office Equipment	11.88			5.80
Total	95.36	82.01	85.98	106.09

32. The licensee has stated that increase in R&M expenses is due to one-time extraordinary expense incurred for conducting testing of Power transformers and equipment at 33kV and 110kV Substations at a cost of Rs.19.96 lakhs. This was done as a deposit work by KSEB. Though it was mentioned in the ARR petition, but no estimate was included in the ARR. According to the licensee, this testing is recommended every 3 years as a safety measure.
33. The Commission examined the claim of the licensee. The R&M expenses of Rs.106.09 lakhs shown in the petition for the year 2019-20 is higher than the norms of Rs.85.98 lakhs approved in the ARR Order as per the Tariff Regulations 2018 and the actual amount of Rs.82.01 lakhs for the year 2018-19. The actual R&M expense as per the petition for the year 2019-20 is about 11.24% higher than the previous year 2018-19. The Commission is of the view that R&M expenses is to be allowed as per the provisions of the Regulations.
34. The licensee has claimed Rs.19.96 lakh towards one time testing expense for the testing of power equipment. Excluding this one-time expense, the R&M expenditure for the year (Rs.86.13 lakh=106.09 lakh-19.96lakh) is comparable to the approved normative expenditure. As per the provisions of the Regulations 79(10), one time expenses not in the form of routine expenditure can be allowed as part of the R&M expenditure. The relevant portions of the Regulation are as shown below:-

79. Operation and Maintenance.....

(10) The one time maintenance of special nature not in the form of routine repair and maintenance if any is required and is undertaken for the distribution system, expenses for such maintenance may be allowed by the Commission after prudence check considering the details and justification furnished by the Distribution business/licensee for incurring such an expenditure to the satisfaction of the Commission

35. **After duly considering the details furnished by the licensee, the Repair and Maintenance for the year 2019-20 is approved at Rs. 105.94 lakh including the one time testing expenses of Rs.19.96 lakh (Rs.85.98 lakhs + Rs.19.96 lakhs).**

A&G Expenses

36. The A&G expenses claimed by the Licensee as per the petition is Rs.354.06 lakhs for the year 2019-20 against the approved amount of Rs.83.52 lakhs for the ARR Order 2019-20. The A&G expenses claimed by the Licensee for the year 2019-20 is shown below:

Table 9
Details of A&G Expenses for the year 2018-19 and 2019-20

Particulars	2018-19		2019-20	
	As per Truing Up Petition (Rs.lakh)	Trued Up (Rs.lakh)	ARR in Approved (Rs.lakh)	As per Truing Up Petition (Rs.lakh)
Rent, rates and taxes	172.03	74.81	83.52	172.03
Insurance	2.61			2.42
Telephone telex charges etc.	5.78			6.21
Legal charges	2.59			1.62
Consultancy charges	0.72			2.41
Technical fee	-			-
Other professional charges	5.78			2.51
Conveyance and vehicle expenses	12.92			25.26
KSERC charges	13.95			5.14
Training to staff	2.07			0.30
Other expenses	14.34			22.91
Self consumption	10.14			9.78
Section 3 Duty	85.13			88.96
Printing and stationery	8.73			8.58
Advertisement	5.00			2.10
Miscellaneous expenses	2.59			3.71
Book and periodicals	0.01			-
Bank charges	0.01			0.11
UJALA LED expenses	-			-
Housing Loan	6.51			-
Flood donation	50.00	-		
Total	400.92	74.81	83.52	354.06

37. The A&G expenses include various items such as rent, rates and taxes, insurance, telephone charges, internet and related charges, legal charges, audit fees, consultancy charges, printing and stationery, advertisement charges, other

expenses, statutory fees including payment to KSERC etc. The conveyance expense has almost doubled in the year 2019-20 compared to previous year 2018-20. The expenses under the head 'Others' is Rs.22.91 lakhs for the year 2019-20 which is higher by Rs.8.57 lakh compared to the previous year 2018-19.

38. The Commission vide letters dated 21-04-2021 and 20-07-2021 sought clarifications regarding increase in the above items. The licensee vide letters dated 10-06-2021 and 27-07-2021 furnished the details, which is given below:

- **Rent, rates & taxes:-**The licensee has claimed Rs.172.03 lakh under Rent, Rate and Taxes. In the Order on Truing up the accounts for the year 2018-19 the Commission had directed the licensee to finalize the rent for the building charged by the Corporation and furnish the results thereof to the Commission for consideration. The Commission also mentioned that unless the matter is finalized within time frame, the Commission may consider not approving the Rent component in future. Accordingly, the approval of Rent under A&G expenses for the year 2018-19 was deferred.

The licensee vide letter dated 19-10-2020 submitted that, the Licensee is occupying in the rented space of Thrissur Corporation. Thrissur Corporation periodically gives the demand notice for rent from TCED. The Licensee adjusts the rent amount with the charges due from Thrissur Corporation. The Commission pointed out that the rent charged by Thrissur Corporation for TCED is very high and directed to determine the rent in a reasonable manner. In reply to the reason for non-compliance of the direction of the Commission, the Licensee stated that they had made several requests to recalculate the rent rates applicable to Licensee's premises. Revenue Officer was arranged to finalize the rent component as per PWD rates before 01-07-2021. But due to Covid-19 Corporation Office was closed and officials were quarantined hence rent issue was not finalized.

Licensee vide letter dated 27-07-2021 submitted that, the issue of fixation of rent between the Thrissur Corporation and TCED has not been settled yet. The Deputy Secretary of Thrissur Corporation is authorized to revise the rent of TCED as per norms. The licensee also stated that, once demand for rent is finalized, the licensee will furnish the details to the Commission.

- **Conveyance expenses:-** The licensee claimed Rs.25.26 lakhs as conveyance charges for the year 2019-20 is which is higher compared to the amount of Rs. 12.92 lakh for previous year. The conveyance and vehicle charges include fuel charges, travelling allowances, travelling expenses, vehicle hire charges and vehicle tax. The split up details furnished by the licensee vide letter dated 10-06-2021 is shown below.:-

Table 10

Split up of Conveyance and vehicle expenses for the year 2019-20

Particulars	Amount (Rs.lakh)
Fuel Charges	2.25
Travelling Allowance	0.58
Travelling Expenses. Hire of Vehicles	22.39
Vehicle Tax	0.03
Total	25.26

- **The expenses under the head 'Others' :** The licensee claimed Rs. 22.91 lakhs under 'Others' for the year 2019-20, which is Rs.8.57 lakh higher than previous year. The 'Other' expenses comprise of postage, security staff wages, water bill payment, diesel for generator etc. The split up of expenses under the head 'Others' submitted by the licensee vide their letter dated 10-06-2021 for the year 2019-20 is shown below.

Table 11

Split up of 'Others' for the year 2019-20

Particulars	Amount (Rs.lakh)
Postage	0.63
Security Staff Wages	19.82
Water bill Payment	0.92
Diesel for Generator	1.55
Total	22.91

The main item under this head is security staff wages of Rs.19.82 lakhs. The licensee submitted that, TCED is deploying security staff in 110kV-66kV and 33kV substations and the store at Paravattani which is 4.5 km away from main office. Thrissur Corporation Electricity Department took the service of 6 security staff from Kerala State Ex-Servicemen Development and Rehabilitation Corporation at the rate of Rs. 740 per duty with GST.

39. The Commission has examined the details furnished by the licensee regarding A&G expenses. The licensee has booked Rs. 88.96 lakh towards Electricity Duty for the year 2019-20. 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 same is disallowed.***
40. Regarding rent, the Commission has directed the licensee to approach PWD for fixing the rent on a reasonable manner as per the PWD rates. The licensee has not yet complied with the said direction so far, but resorting to delaying tactics. The Commission is of the view that sufficient and more time have been given to

the licensee to comply to the direction. Unless the direction is complied with rent component of Rs.172.03 lakh will not be allowed as part of the A&G expenses. **Therefore the Commission decided to continue the decision as in the previous truing up and approval of rent under A& G expenses for the year 2019-20 is deferred.**

41. The Commission notes that there is considerable increase under conveyance expenses, which is Rs.25.26 lakh. The expenses under this head in 2017-18 was only Rs.4.61 lakh, which had increased by more than 5 times in two years. As per the clarifications given by the licensee, the increase in conveyance charges is on account of hired vehicles. However, the licensee did not provide the complete details on this item such as number of hired vehicles or other required details. It is to be noted that the licensee is operating in a very limited area of supply and the increase on account of vehicle hire and conveyance is disproportionately high. **The licensee shall take necessary steps to curtail the expenses. Further, the licensee shall furnish the year wise details from 2016-17 on this head within three months of the date of this Order**
42. Another head in which expenses was increased is under the head 'Others'. The main items under 'others' is security expenses. The licensee stated that security is being provided to the substations and the store as the reason for increase in expenses.
43. After considering the submission and clarifications submitted by the licensee, the Commission decided to allow A&G expenses excluding Rent of Rs.172.03 lakhs and Section 3(1) duty expenses of Rs. 88.96 lakhs. Accordingly, the A&G expenses approved for the year 2019-20 is **Rs.93.07 lakhs (Rs.354.06 lakh-Rs.172.03 lakh – Rs.88.96 lakh)**

Summary of O&M Expenses approved for 2019-20

44. The summary of O&M expenses approved by the Commission for the year 2019-20 is shown below:-

Table 12
Approved O & M expenses for the year 2019-20

O & M Expenses	2019-20		
	Approved in ARR (Rs.lakh)	As per Truing Up Petition (Rs.lakh)	Approved for Truing Up (Rs.lakh)
Employee Expenses	1145.48	1244.82	1145.48
Pay Revision expenses	-	-	579.20
R & M expenses	85.98	106.09	105.94
A & G expenses	83.52	354.06	93.07
Total	1314.98	1704.97	1923.69

Asset addition for the year 2019-20

45. The licensee in the petition stated that the total asset addition made for the year is Rs.386.73 lakhs. The licensee vide letter dated 10-06-2021 submitted the split up of asset addition is shown below:-

Table 13
Details of asset additions made during the year

	Amount (Rs. Lakh)
Distribution lines	95.48
Substation equipment	271.59
Meters	2.74
Furnitures	1.00
Office equipments	8.96
IT equipments	1.20
Software	5.76
Total	386.73

46. Since the detail furnished by the licensee in the petition was limited, the Commission has sought the details of capital additions made during the year. In reply, the licensee stated that the asset additions includes the following:
1. Solar PV project (150 kW) of Rs. 66.75 lakhs
 2. 4 nos of 500 kVA cable entry type transformers - Rs.27.88 lakhs
 3. 10 nos of 250kVA cable entry type transformers- Rs. 42.655 lakhs
 4. 250 nos of Steel Post 30 mts 9 ms galvanised - Rs. 35.94 lakhs
47. The licensee further stated that the items 2,3,& 4 are part of interlining of different feeders for which approval was sought as part of ARR petition.
48. The Commission has examined the details furnished by the licensee. Of the total asset addition for the year 2019-20, major items are under distribution lines and substation equipments. In the ARR&ERC Order for the Control Period, the licensee has proposed to install 2MW solar PV projects in three years (2019-20, 2020-21 and 2021-22) at various places. Out of this, the licensee during 2019-20 installed 150kW plant. The licensee furnished the details vide email dated 26-09-2021 regarding the solar project. The licensee stated that 150kW plant was installed through competitive tendering process. Out of this 125kW was installed at District hospital, Thrissur and 25kW was installed at Paravattani Store buildings. The project was implemented through competitive e-tendering process. 10 bidders participated and out of this 5 were valid tenders. The lowest rate arrived at was Rs.66.75 lakh and the same was approved by the Corporation council vide resolution No.108 dated 31/01/2020.

49. The Commission has examined the details furnished by the licensee. The licensee has followed the competitive tendering process for installation of solar PV plant. The average cost per kW works out to be Rs.44,500/- as against the benchmark cost approved by MNRE for the year as shown below:

Table 14
Benchmark Cost 2019-20: Grid Connected Rooftop Solar Power Plant

Capacity	States other than Special Category (Rs/Wp)	Special Category States (Rs/Wp)
Above 1KWp – 10 KWp	54	59
Above 10 KWp – 100 KWp	48	53
Above 100 KWp – 500 KWp	45	50

50. The benchmark cost as per MNRE guidelines is Rs.48,000/kW for 10kWp to 100kWp and Rs.45,000/- for above 100kWp. **Considering the fact that the cost of the project is lower than the benchmark cost and the same is implemented through competitive tendering process, the Commission approves Rs.66.75 lakhs the same as part of capital asset addition for the year.**
51. In the letter dated 26-08-2021, the licensee has submitted the detailed split up of asset addition during the year 2019-20 is shown below.

Table 15
Asset addition during the year 2019-20

Particulars	Amount (Rs.lakh)
AB switch 400 a	8.97
ACSR Rabbit and Reconducting	28.25
Cable bracket & UG cable	31.23
G I Pipe 1"	0.45
HRC Fuse Link	10.15
Lightening Arrester HT	2.93
Insulators	2.80
R.M.U. - 4 way CCCC (1 In & 4 Out)	2.34
stay clamp & Insulator	1.01
HRC fuse link 200A	0.54
11kv outdoor CT	0.32
Stay Set Complete	0.55
Steel Post LT 30' MS 9 m (Galvanized)	35.94
Transformer	165.77
X-arm Mounting 10'x 5 ½"	0.51
Sf6 gas filing adapter	2.45
Fire extinguisher	0.26

Inter trip relay	0.21
Coil 35 ohm 110vdc	0.23
Door beeding for LCC	0.02
Auxiliary switch	0.04
Water Container and Pump set	0.64
Glattol shell	0.04
BCS	0.03
11 KV 625*400*3mm phase barrier	0.08
vaccum circuit breaker	4.48
Consumable Kit	0.10
Total Plant & Machinery , Lines and Cables	300.32
SOLAR	66.75
Total	367.07
Office F&F	1.00
Office equipment	8.96
IT Equipments	1.20
Meter	2.74
Software	5.76
Gross Fixed Asset Addition	386.73

52. As shown above, the total asset addition of Rs.386.73 lakh is inclusive of Solar PV plant of Rs.66.75 lakh. The licensee also stated that the above amount is inclusive of the consumer contribution. The summary of assets created out of contribution and grants during the year 2019-20 is as follows:-

Table 16
Assets created out of Consumer Contribution for the year

Class of Asset	Amount (Rs.Lakh)
Plant & Machinery	23.78
Underground Lines (Cables)	13.21
Overhead Lines (Lines)	3.16
Total	40.15

53. Thus, the net amount of capital asset addition excluding contribution from consumers is Rs. 346.58 lakh (Rs.386.73 lakh – Rs.40.15 lakh). Based on the details furnished by the licensee, the Commission approves an assets addition of Rs, 346.58 lakh and consumer contributed assets of Rs.40.15 lakh for the year 2019-20.

Depreciation

54. The licensee has claimed the depreciation in the petition for the year 2019-20 in the straight line method as per Regulation 27(2)(a) of KSERC (Terms and Conditions of Determination of Tariff) Regulation 2018. The licensee has booked

depreciation of Rs.265.80 lakhs for the year 2019-20 against Rs.198.81 lakhs approved in the ARR Order for the year 2019-20 approved by the Commission.

55. The depreciation claimed by the licensee during the year 2018-19 is Rs.241.82 lakhs. The Commission has approved Rs.241.82 lakhs in the Truing up Order for the in the year. The details of the depreciation claimed by the licensee as per truing up petition for the year 2019-20 are as shown below.

Table 17
Depreciation claimed by the licensee for the year 2019-20

Particulars	GFA as on 01-04-2019 (Rs.lakh)	Assets Addition (Rs.lakh)	Adjustments & Deductions (Rs.lakh)	Depreciation (Rs.lakh)
Distribution Lines	2317.85	95.48	0.64	72.98
sub Station Equipments	3022.68	271.59	0.76	128.88
Furniture & Fixtures	21.17	1.00	-	1.01
Office Equipments	126.84	8.96	-	3.38
Departmental Vehicles	53.68	-	-	3.77
Land & Land rights	23.39	-	-	4.01
Building	119.93	-	-	-
Meter	593.22	2.74	-	31.39
Software	23.62	5.76	-	3.97
IT Equipment	108.80	1.20	-	16.41
Total	6411.18	386.73	1.40	265.80

56. The Licensee stated that the depreciation is calculated based on the rates as per the Tariff Regulations, 2018 for the first twelve years of useful life of assets. The remaining depreciable value has been spread over the remaining useful lives and depreciated accordingly. The residual value is considered at 10%. Further, in the case of assets capitalized during the year, depreciation is provided at 50% of the normal rates.
57. The Licensee in the petition stated that no depreciation has been provided on assets created out of consumer contribution.
58. The Commission notes that the licensee in their petition has not included depreciation for the assets created out consumer contribution. As per the details furnished by the licensee, the asset addition for the year excluding consumer contribution is Rs.346.58 lakh (Rs.386.73 lakh – Rs.40.15 lakh). Further, depreciation has been accounted as per the rates given in the Tariff Regulations. **Considering this, the Commission approves depreciation of Rs.265.80 lakh as claimed by the licensee for the year 2019-20.**

Interest and finance charges

59. The licensee had claimed interest and finance charges of Rs. 236.17 lakh for the interest on security deposits at an interest rate of 6.50%.The Commission had approved an amount of Rs.234.69 lakh in the Order on ARR&ERC for the year. The licensee has further stated that the total amount of interest charges paid to the consumers on the security deposits in the financial year is Rs.195.08 lakh
60. As per the provision of the Kerala Electricity Supply Code, the Licensee is bound to provide interest on security deposit collected from consumers. The Commission has been taking the consistent stand that, the actual disbursement of interest on security deposit during the year can only be allowed in the process of truing up. **Accordingly, Commission approves security deposit of Rs.195.08 lakhs for the year 2019-20 under interest and finance charges.**

Return on Net Fixed Assets

61. The Licensee has claimed Rs.94.41 lakhs as return on capital for the financial year 2019-20. The Commission approved Rs.67.54 lakhs in the ARR Order for the financial year 2019-20.
62. While truing up accounts for the financial year 2018-19, the Commission had approved an amount of Rs.93.61 lakhs. The return on net fixed assets sought by the licensee is as shown below:

Table 18
Return on NFA for the years 2018-19 and 2019-20

Particulars	2018-19 Trued Up (Rs.lakh)	2019-20 Truing Up Petition (Rs.lakh)
Gross Fixed Assets as on beginning of the year	6119.87	6411.18
Less: Cumulative Depreciation at the beginning of the year	(2509.21)	(2750.92)
Net Fixed Assets at the beginning of the year	3610.66	3660.26
Less:		
Fixed assets financed by Consumer contribution at the beginning of the year	(490.35)	(513.30)
Balance net fixed assets on which returns can be allowed	3120.31	3146.96
3 % on Net Fixed Assets	93.61	94.41

63. The Commission has examined the claim of the licensee. As per the Tariff Regulations, 2018, return on capital shall be allowed at the rate of 3% on net fixed assets as reduced by consumer contribution at the beginning of the financial year. **Based on the same, the Commission approves the return on NFA at Rs.94.41 lakhs for the Financial Year 2019-20.**

Claims deferred/disallowed in the Truing up for 2018-19

64. The Commission in the Order dated 20-08-2020 on the truing up of accounts for 2018-19 had directed the licensee to furnish within two months details of certain expenses such as excess power purchase cost on account of distribution loss (Para 19), pension (para 28) and Other expenses under A&G expenses (Para 44), which are deferred or disallowed. Based on the direction of the Commission, the TCED vide letter dated 19-10-2020 had furnished the compliance report. The details furnished by the licensee are given below:

(a) Excess cost of Power purchase cost on account of higher distribution loss (para 19 of the Order dated 20-08-2020)

65. In the Truing up Order for 2018-19, the Commission has directed as follows:-

“The licensee has not furnished any convincing reasons for higher distribution loss. It is also a fact that there is no continuous monitoring of losses and factors contributing the same. The Commission in the Order dated 28-4-2020 had directed the licensee to take measures for controlling the distribution loss. Considering these, the licensee may approach the Commission within two months of the date of issue of this Order with sufficient details on the measures taken by the licensee as per the directions of the Commission and the required details substantiating the reasons for higher distribution loss, the Commission may consider revising the loss level if found necessary.”

66. In compliance of the said direction, the licensee vide letter dated 19-10-2020 had furnished following details:

a) In accordance with KSERC’s approved ARR, the T&D loss of TCED for the year 2018-19 needs to be maintained at 7%. However the unforeseen flood and the resultant after effects of the flood in the month of August, 2018 had adversely affected to the distribution of electricity. The damages occurred in distribution field paved way for higher distribution losses. In support of the argument, the licensee has furnished the following table:

Table – I 2018-19

Month as per KSEB Bulk Bill	Purchase (Units)	Sale (Units)	T&D Loss (%)
September, 2018	126.24 MU	113.38 MU	10.19%
October, 2018	129.99 MU	116.71 MU	10.22%
November, 2018	131.04 MU	120.06 MU	8.38%

Total	387.27 MU	350.15 U	
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Table – II 2017-18

Month	Purchase (Units)	Sale (Units)	T&D Loss (%)
September, 2017	128.84	117.24	9.00%
October, 2017	119.89	115.64	3.50%
November, 2017	127.64	117.79	7.70%
Total	376.37	350.67	

67. The licensee has furnished a comparison of 3 months energy input and loss details for 2018-19 and 2017-18 to show the difference in losses. Based on the above details, the licensee claimed that the flood occurred during the month of August 2018 has affected TCED. According to the licensee the distribution loss for the flood affected months of September to November 2018 is higher compared the same period for the previous year. Due to the flooding, most of the 11kV feeders and transformers became faulty and TCED has managed the system by resorting to backfeeding and by sharing the load with other transformer and use of LT distribution system for long distance. 39 transformers were affected during the floods and to be switched off. Even after reconnecting, these transformers were run with no load or low load since due to flooding people were shifted to safe areas for about one month. No load/low load running of transformers again caused higher distribution loss.
68. The licensee further stated that they have continued to take efforts for reduction in distribution loss. In the month of July, 37 nos of faulty meters were detected and replaced. In the month of August, 19 nos of faulty meters were replaced. The licensee stated that considering fact that the Licensee made all attempts to reduce the distribution loss, disallowance of power purchase cost of Rs.80.70 lakh is to be restored.
69. The Commission examined the details submitted by the licensee. For the year 2018-19, the actual distribution loss was 7.72% as against the approved target of 7%. The Commission has arrived at the excess distribution loss as 12.21 lakh units and disallowed Rs.80.70 lakh towards cost of power purchase at the average power purchase cost of Rs.6.61/kWh. As mentioned above, the Commission has directed the licensee to furnish the required details for a revisit on the loss level if considered necessary. In the letter dated 19-10-2020 the licensee has claimed that the higher losses were due to the floods and substantiated the same using a comparison with the loss figures for previous year. Though from the details furnished by the licensee it may not categorically concluded that the excess distribution loss of 12.21 lakh units is attributed to the reasons furnished. However, the reasons provided by the licensee explains the

increase in losses during flooding. Since the magnitude of the increase in losses is difficult to arrive at, the Commission, as a one time measure accepts the prayer of the licensee and allows the actual power purchase cost for the year 2018-19. Accordingly, the Rs.80.70 lakh disallowed is restored for the year 2018-19

(b) Other expenses under A&G expenses (Para 44 of the Order dated 20-08-2020),

70. The licensee has claimed an Rs.14.34 lakh as Other Expenses in the Truing up petition for the Financial Year 2018-19. The major items under other expenses are security staff wages of Rs.8.54 lakhs and water bill payment of Rs.3.89 lakhs for which details were not furnished. The Commission directed the licensee to furnish the deployment details of security staff and details of water bill payment. Till the details are considered and approved, the security staff wages and water bill payment expenses for the year 2018-19 was deferred. In compliance of the Commission's direction in Order dated 20-08-2020, the licensee vide letter dated 19-10-2020 has submitted the justification for the claim.
71. Regarding **Security staff wages of Rs.8.54 lakhs**, the licensee stated that Electricity Department is deploying security staff in 110 kV-66 kV and 33 kV substations and its store at Paravattani at 4.5 km away from main office. TCED took the service of 6 security staff to cater TCED's need of guarding, from Kerala State Ex-Servicemen Development and Rehabilitation Corporation @ Rs.725 per duty from February 2019 in place of three security staffs deployed earlier. The licensee stated that the wages for the security staff is essential expenses and the amount of Rs.8.54 lakhs for security staff wages is to be approved.
72. Regarding **Water bill amount of Rs.3.89 lakhs**, the licensee stated that the **said amount is** an outstanding arrears from 2006 March to 2018 March for which water bill was issued. Hence the same was accounted as expenses in 2018-19. According to the licensee this amount is one time expenses in the year 2018-19. The Water bill for 2019-20 is only Rs.0.93 lakh.
73. The Commission examined the details furnished by the licensee. After considering the details, the Commission approves Rs.3.89 lakh towards the water bill and Rs.12.43 lakh towards security staff wages.

Based on the above, a total amount of Rs.93.13 lakh (Rs.80.70 lakh+8.54 lakh + 3.89lakh) is allowed as part of the Truing up for 2018-19, which is adjusted against the cumulative surplus for 2018-19 as shown in the next section.

(c) Details of pensioners and amount of pension contribution withheld (para 28 of the Order dated 20-08-2020)

74. While issuing the Truing up Order for the year 2018-19, the Commission had directed the licensee to furnish the details of number of pensioners, disbursement details and the last department in which the retired person have served from 2015-16 onwards to assess the correctness of the claim and the licensee. The Commission had also directed the licensee to furnish the year wise details of pension contribution withheld from remitting to Director of Urban Affairs (DUA) and adjustment against the arrears receivable from DUA. The relevant portion of the Order dated 20-08-2020 is given below:

*“28. The Commission examined the details furnished by TCED on the pension contribution and disbursements. As per the details furnished by the licensee there is gross shortage of allocation from DUA and accordingly, the pension disbursements are made from the regulatory surplus, which is not a desirable trend. The Commission notes that, the pension disbursement for the year 2018-19 and 2019-20 are substantially higher than disbursement of previous years. The Commission once again reiterates that it is not the responsibility of TCED to disburse pension and other terminal benefits to its retired employees. The Commission is also unable to exercise any prudence check to assess the correctness of these disbursements for want of the number of pensioners and pensioner-wise disbursement of these payments. The Commission notes with severe concern that Rs.48.78 crore is the pending dues of pension disbursed unauthorized and irregularly on behalf of the LSG Department. Such huge outstanding is bound to adversely impact the licensee’s operational requirements and its cash flows. **TCED is therefore directed to furnish the details of number of pensioners, disbursement details and the last department in which the retired person have served from 2015-16 onwards to assess the correctness of the claim. The details have to be furnished within 2 months of the date of this Order.***

29. The Commission also notes that at present the pension contribution is not being remitted to DUA and adjusted against the arrears receivable. This is contrary to the service condition and rules and shall adversely affect the staff and officers regarding their pension claims in future. In any case, as per the Government Order dated 4-3- 2016, the deficit in the amount is to be met from the ‘Own funds’ of the Local Bodies.

*Hence, the licensee shall take effective measures to realise these amounts from the 'Own funds' of Thrissur Corporation. **The licensee should also furnish the year wise details of pension contribution with held from remitting to DUA and adjustment against the arrears receivable from DUA.***

75. TCED vide letter dated 19-10-2020 furnished the details of pensioners and family pensioners. As per the details pertaining to March 2019, there are 144 regular pensioners and 84 family pensioners. In the clarification dated 10-06-2021, the licensee stated that as on March 2020, the regular pensioners are 155 and that of family pensioners are 84.
76. The licensee vide letter dated 19-10-2020 also furnished the month-wise pension contribution from May 2012 till June 2020. As per the said details, the total amount withheld is Rs.859.47 lakh till June 2020. The details furnished by the licensee are as shown below:

Table 19
Pension contribution payable to DUA

Month	Pension contribution (Rs.lakh)	Cumulative Amount (Rs.lakh)
2012-13	86.70	86.70
2013-14	102.00	188.70
2014-15	109.35	298.05
2015-16	113.67	411.72
2016-17	112.52	524.24
2017-18	106.35	630.59
2018-19	101.71	732.30
2019-20	104.68	836.98
2020-21 (till June, 2020)	22.49	859.47

77. The above details clearly show that the irregular and unjustified practice of being pension to retired employees of TCED is still being continued by the licensee in spite of the Commission's comments in the previous truing up orders. The Commission specifically once again reiterate that it is not the responsibility of the licensee to pay pension to retired employees of the Department. Since, the primary responsibility for payment of pension falls on the government, it is not understood as to how and why the licensee has been making such payments irregularly. It is also not understood as to how the other departments of TCED are making pension payments for their retirees. If the statement of the licensee is to be taken at its face value, then it appears that the retirees from other

departments of TCED are either not being paid pension or pension is being paid to the retirees of other departments from budgetary allocations.

78. The Commission also views seriously the fact that the practice of the licensee in setting off a portion of the pension dues against the irregularly amount paid as pension, by not remitting the pension contribution of the serving employees. This action of the licensee is completely unjustified and irregular. In addition, it may lead to difficulty in getting the pension of the current employees when they retire, since their pension contribution is not being remitted into the government coffers. Thus, the pension contribution of the current employees, irregularly being withheld by the licensee may jeopardize the pension claims of such employees.
79. **Hence, the Commission hereby directs the licensee to immediately take up this issue with the LSGD for allocation of sufficient funds to defray the pension payment. In addition, the Commission further directs the licensee to remit immediately on recovery, the pension contribution of serving employees to the appropriate government account.**
80. The Commission notes that in the truing up for 2018-19, while arriving at the interest income from the Regulatory Surplus, an amount of Rs.3739.12 lakh disbursed as pension from the Regulatory Surplus was inadvertently allowed as deduction. This error is now being corrected in view of the reasons mentioned in the preceding para. Thus, the interest income of Rs.325.30 lakh (Rs.3739.12 [lakh @ 8.7%](#)) is to be additionally considered for 2018-19. After taking into consideration the expenses allowed additionally for the year 2018-19 as above, the Regulatory Surplus for the year 2018-19 is to be restated. Thus, the revised regulatory surplus at the end of 2018-19 is as shown below:

Table 20
Revised approved Revenue surplus for 2018-19

	Amount (Rs. Lakh)
Revised cumulative Regulatory surplus at the beginning of 2018-19	13,889.42
Add: Additional Interest income on Regulatory Surplus	325.30
Add: Revenue surplus approved for 2018-19	768.38
Less Additional expenses allowed :	
Excess power purchase cost reverted	80.70
Additional A&G expenses allowed	12.43
Revised Revenue surplus as the end of 2018-19	14889.97

Revenue from sale of power

81. The Revenue from sale of power claimed by the licensee for the year 2019-20 is Rs. 12,625.06 lakhs for 1,511.90 lakhs unit against the approved amount of Rs.12,712.65 lakhs for 1,522.30 lakhs unit. The comparison of Revenue from sale of power for the year 2018-19 & 2019-20 is shown below:-

Table 21
Details of Revenue from sale of power for the year 2018-19 and 2019-20

Category	For Truing Up 2018-19			For Truing Up 2019-20		
	Sales (Lakh Units)	Revenue from sale of power (Rs.lakh)	Average realization Rs./kWh	Sales (Lakh Units)	Revenue from sale of power (Rs.lakh)	Average realization (Rs./kWh)
Domestic	398.80	2092.73	5.25	422.50	2382.16	5.64
Non domestic	546.20	5308.08	9.72	590.10	5853.94	9.92
Agriculture	0.80	2.34	2.93	0.60	2.09	3.48
Industrial	34.90	231.01	6.62	33.90	233.94	6.90
Street lighting	17.80	70.56	3.96	17.70	75.20	4.25
High Tension	449.10	3935.93	8.76	447.30	4067.95	9.09
Self Consumption	1.40	10.14	7.24	1.40	9.78	6.99
Total	1449.00	11650.79	8.04	1511.90	12625.06	8.35

82. As per the petition for 2019-20, revenue from sale of power is Rs.12625.06 lakhs is higher than the previous year Rs.11650.79 lakhs. The overall average realization is increased from Rs.8.04/kWh for the year 2018-19 to Rs.8.35/kWh for the year 2019-20 due to the tariff revision effected.
83. ***Considering the actual revenue realized for the year the Commission approves Rs.12625.06 lakhs of revenue from sale of power for 1511.90 lakhs units for the year 2019-20.***

Non-Tariff Income

84. The non-tariff income booked by the licensee is Rs.716.13 lakhs for the year 2019-20 against Rs.1164.89 lakhs approved by the Commission in the ARR Order 2019-20. The split up and comparison of non-tariff income claimed by the license for the year 2018-19 & 2019-20 are as shown below:-

Table 22
Details of Non- Tariff income for the year 2018-19 & 2019-20

Particulars	As per 2018-19 Truing Up Accounts (Rs.lakh)	As per 2019-20 Truing Up Accounts (Rs.lakh)
Income from sale of scrap etc..	58.80	0.68
Interest on investment, fixed and call deposit, bank balance	439.35	399.15
SD interest from KSEB	48.16	54.32
Miscellaneous receipt	113.66	80.82
Commission for collection of electricity duty	9.98	10.62
Interest on delayed or deferred payment	48.97	32.22
Pole rent income	40.76	31.47
Recovery of theft and pilferage of energy	17.03	59.54
Meter/metering equipment/service line rentals	55.91	47.31
UJALA LED income	0.41	
Total	833.03	716.13

85. During the year 2019-20, Rs. 80.82 lakh shown as Miscellaneous Receipt. The Commission sought the split up of Rs. 80.82 lakhs vide letter dated 21-04-2021. The licensee vide letter dated 10-06-2021 submitted the split of miscellaneous receipt is given below:-

Table 23
Split up of Miscellaneous Receipt

Particulars	Amount (Rs.Lakh)
Solar Energy Connectivity fees	1.69
Application Fees income	1.56
CDC Fees	2.04
Centages Meter	0.02
Conversion Charge Income	1.48
Cost of Tender form	1.14
Enhancement Charge income	4.76
HT on / off charge	0.3
Inspection fee	1.07
Power allocation fee	0.06
Processing Fee	1.47
Short Assessment	0.48
Additional Load Charge	2.5
Income from Asset recognition	46.96
Reconnection Fee	8.94
SOC Income	5.94
Feasibility charges	0.38
Total	80.82

86. Of the total Rs.80.82 lakh under miscellaneous receipts, Rs.46.96 lakh is income from asset recognition. Since the details on this head was not available, the Commission vide letter dated 20-07-2021 sought the details. The licensee vide letter dated 27-07-2021 stated that, TCED had fairly good amount of fixed deposits with bank in early years up to 2010. For the interest accrued from FDs, the bank had deducted TDS. As a local authority, no income tax is leviable from TCED. But, this amount so deducted was not refunded at that time and TDS refund was not booked in books due to dispute with Income Tax Department. However, on receipt of refund of the income tax so collected on the interest on FD, the bank deposited the same as another FD old PAN number and therefore this fact was not noticed at that time. During the preparation of the FD fact sheet for the year 2019-20, this FD was detected and necessary corrections were made after inspection of the accounts and confirmation from SBI site. So this FD was taken into the books with accumulated interest under other income in the Financial Year 2019-20 under miscellaneous receipts.
87. Pole rental income for the year was Rs.31.47 lakhs, which is lower than compared to the previous year (2018-19) actuals of Rs. 40.76 lakhs. According to the licensee, the reduction in income under this head is due to the reduction in the number of poles being used by cable TV operators. There are 5 Cable companies uses when the poles of TCED for their cable TV communication network. In 2018-19 "Asianet Communication" had rented 7600 TCED's Post but in 2019-20 the number has reduced to 5653 poles only. Thus, the reduction in pole rental income 2019-20 is on account of reduction in number of poles used. ***The Commission notes that there is a lack of clarity regarding the rent being charged by the licensee on per pole basis. In order to ensure that appropriate rent is recovered, the Commission hereby directs the licensee to submit the details of rent on per pole basis within three months of the date of this Order.***
88. The commission is also noted that there has been a substantial reduction in income from sale of scrap (Rs. 0.68 lakhs) compared to previous year 2018-19 (Rs.58.80 lakhs). In 2018-19 the sale of scrap including bulk copper scrap was substantial and accordingly, the higher income was reflected in accounts. In 2019-20, TCED could sell only battery scrap resulting lower income of Rs. 0.68 lakhs. During the hearing, on being asked the reason for such negligible sale of scrap, the licensee replied that there was a theft of scrap materials from the store and the associated events resulted in stoppage of scrap sales. In addition, the licensee submitted that the sale of scrap is not being done every year. The Commission notes with concern the theft. As per the information given by the licensee, the matter is under investigation by the police. ***The Commission***

hereby directs that the licensee shall communicate the progress of the investigation periodically.

89. An amount of Rs.59.54 lakh was included under the head 'recovery from theft and pilferage of energy' during the year 2019-20 is more than three times the amount received in 2018-19 (Rs. 17.03 lakhs). The reason furnished by the licensee is that, in order to regularize connected load and to detect unauthorized use of electricity and power theft, TCED reconstituted Anti Power Theft Squad. The Squad inspected many place and about 100 kW connected load was detected TCED, which is to penalize as per section 126 this was started in 2019 January.

Interest on accumulated surplus

90. The licensee has booked interest from FD and other deposits at Rs.399.15 lakhs and the same is accounted as part of the non-tariff income.
91. The interest income to be accounted as part of the non-tariff income includes the interest income on regulatory surplus also. As mentioned in previous section, the Commission has arrived at the revised cumulative surplus at the end of 2018-19 after accounting the excess interest income and additional expenses as **Rs.14889.97 lakh**. During this year also the licensee has made an asset addition of Rs.346.58 lakhs from surplus funds. Accordingly, the interest on accumulated surplus for the year is worked out as shown below:

Table 24
Interest on Revenue surplus for the year 2019-20

	2019-20 (Rs.lakh)
Revised cumulative surplus as the beginning of 2019-20	14,889.97
(Less) Capital Addition funded from Surplus	1,673.61
Revised surplus available for interest income	13,216.36
Rate of interest considered (SBI retail term lending rate upto 1 year)	6.80%
Revised Interest income on Surplus	898.71

92. The interest income is worked out on regulatory surplus after deducting the capital addition. The rate of interest considered for the year is the SBI retail term deposit rate for up to one year at the beginning of 2019-20, which is 6.80%. The total interest applicable for the balance surplus is Rs.898.71 lakh. The licensee has already accounted Rs.399.15 lakh towards interest on FD and bank balances. Thus the balance amount of Rs.499.56 lakh (Rs.898.71lakh – Rs.399.15 lakh) is accounted as interest income and included under non-tariff

income. **Accordingly the Commission approves Rs.1215.69 lakh (Rs.716.13 lakhs + Rs.499.56 lakh) as non-tariff income for the year 2019-20.**

Revenue Surplus/gap after Truing up of Accounts 2019-20

93. Based on the above the approved expense and revenue after truing up for 2019-20 is given below:-

Table 25
Aggregate Revenue Requirements after truing up for 2019-20

Particulars	2019-20		
	Approved in ARR	Truing Up Petition	Approved in Trued up
	(Rs. lakh)	(Rs. lakh)	(Rs. lakh)
Revenue from Sale of Power	12,712.65	12,625.06	12,625.06
Other Income	1,164.89	716.13	1,215.69
Total Income	13,877.54	13,341.19	13,840.75
Purchase of Power	11,231.08	11,035.30	11,035.30
Employee Cost	1,145.48	1,244.82	105.94
Pay revision Arrears			1,145.48
R & M Expenses	85.98	106.09	579.20
A & G Expenses	83.52	354.06	93.07
Interest and Finance Charges	234.39	236.17	195.08
Depreciation	198.81	265.80	265.80
Return on Equity	67.54	94.41	94.41
Total Expenses	13,046.80	13,336.65	13,514.28
Net Surplus	830.74	4.54	326.47

Orders of the Commission

94. The Commission after considering the petition filed by M/s.TCED for Truing up of accounts for the year 2019-20 and the clarifications and details provided by the licensee approves the following:-

- Total revenue is **Rs.13,840.75** lakh.
- Total expenditure is **Rs. 13514.28** lakh.
- The revenue surplus for the year is **Rs.326.47** lakh.
- The cumulative revenue surplus till 2019-20 will be **Rs.15216.44** lakh (Rs.14889.97 lakh + Rs.326.47 lakh).

95. The Commission issues the following directives for compliance:

- a. There is substantial increase in conveyance expenses over the years. Licensee shall take necessary steps to curtail the conveyance expenses and

shall furnish the year wise details including the number of vehicles taken on rent, fuel expenses, maintenance expenses, other expenses if any etc., from 2016-17 under this head within three months of the date of this Order.

- b. The licensee shall furnish within three months of the date of this Order, the rationale for paying Rs.2.94 per unit for the purchase of energy from solar PV installations of the consumers.
- c. The licensee shall submit the details of inspections conducted, power factor penalty imposed and amount realized in the year 2019-20, within three months of the date of this Order.
- d. The licensee shall urgently sort out the long pending issue regarding rent and report the matter within three months from the date of this Order.
- e. The licensee shall furnish the age wise analysis of sundry debtors within three months from the date of this Order.
- f. The licensee shall submit suitable proposals for One Time Settlement (OTS) scheme for collection of long pending outstanding dues from the consumers, for the approval of the Commission.
- g. The licensee shall not to proceed with the proposal on Small Hydro project unless and until its economic and financial viability is clearly established. Further, for capital investment, the licensee shall follow the provisions of the Regulations regarding prior approval scrupulously.
- h. The licensee shall furnish a report on theft reported in the store of licensee, within three months from the date of this Order.
- i. The licensee shall immediately take up issue of disbursement of pension with the LSGD for allocation of sufficient funds to defray the pension payment. It is further directed that the licensee shall remit immediately on recovery, the pension contribution of serving employees to the appropriate Government account.
- j. The Commission notes that there is a lack of clarity regarding the rent being charged by the licensee on per pole basis. In order to ensure that appropriate rent is recovered, the licensee shall submit the details of rent on per pole basis, agreement period, criteria for fixation of rent etc., within three months of the date of this Order.

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

Sd/-

Adv. A J Wilson
Member

Sd/-

Sri. Preman Dinaraj
Chairman

Approved for issue

Sd/-

Secretary (i/c)