

**KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM**

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

Petition No: OP 03/2025

In the matter of : Truing Up of accounts of M/s KINESCO Power and Utilities Private Limited for the financial year 2023-24.

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

Represented by : Smt.Geesha.A.K, CEO in-charge, KPUPL
Sri. S. N. Ashok Kumar, Manager (Finance), KPUPL
Smt.Sreedevi, Asst. Manager (Finance), KPUPL
Sri. Sajeew M.S., Resident Engineer, KPUPL

Respondent : M/s Kerala State Electricity Board Limited

Represented by : Sri. Rajesh.R, Asst. Executive Engineer, KSEB Ltd
Smt. Biji Christudas , Asst. Executive Engineer, KSEB Ltd

Date of hearing : 04.03.2025

Order Dated 23.04.2025

1. KINESCO Power and Utilities Private Limited (hereinafter referred to as KPUPL or licensee or the petitioner) is a 100% subsidiary of KINFRA which was earlier a joint venture between KINFRA and NESCL and constituted originally for the electric supply to the units in industrial parks under KINFRA. Before the formation of KPUPL, the electricity distribution licence was in the name of KINFRA Export Promotion Industrial Park (KEPIP) and this licence was transferred to the name of KPUPL on its formation by transferring the electricity distribution assets of KEPIP to KPUPL. The service area of the distribution licensee consists of following five industrial parks of KINFRA;
 - (1) KEPIP Kakkanad (180.126 Acres)
 - (2) Hi- Tech Park Kalamassery (240 Acres)
 - (3) KIITP Kanjikode (350 Acres)
 - (4) KINFRA Mega Food Park Kozhipara, Kanjikode, Palakkad (97.51 Acres)
 - (5) KINFRA Petrochemical Park, Ambalamugal, Kochi (311.79 Acres)

2. The Commission had notified the KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2021 (hereinafter referred to as the Tariff Regulations, 2021) for the five-year Control Period starting from the first day of April 2022 and ending on the thirty first day of March 2027. The licensee has filed the petition for truing up of accounts for the year 2023-24 as per the provisions of the KSERC (Terms and Conditions for determination of Tariff) Regulations 2021. The present petition is for the second year of the Control Period. KPUPL has filed the present petition for Truing Up of Accounts for the year 2023-24 with the following prayers:

1. *Approve the Truing Up petition based on the forms and annexures submitted herewith for the financial year 2023-24.*
2. *Approve the actual T&D loss of 2.65% for the year 2023-24.*
3. *Allow an increase of 16% over and above Normative O&M Costs approved for KPUPL for the year 2023-24.*
4. *Revise the Normative O&M Expenditure for the year 2023-24 before finalization of the truing up petition.*
5. *Approve One-time expenditure incurred for managing the licensee operations of KPUPL as 'over and above norms' which come to Rs.102.38 lakh for the year 2023-24.*
6. *Approve the Tax Expenses of Rs.233.99 lakh for the year 2023-24.*
7. *Approve CSR Expenditure of Rs. 11.05 lakh for the year 2023-24.*
8. *Approve Interest on Security Deposit of Rs. 40.30 lakh for 2023-24.*
9. *Approve the capital expenditure of Rs.26.06 lakh for the year 2023-24.*
10. *Approve the depreciation claimed in the schedule for the year 2023-24.*
11. *Exempt interest on Regulatory Surplus, otherwise, compute interest on the regulatory surplus after removing the expenses that have not been approved by the Hon'ble Commission like Electricity duty u/s.3 amounting to Rs. 741.90 Lakh and other expenses till the year 2023-24.*
12. *Compute ROE on the equity and share premium account as per Commission's earlier (2006) clarification.*
13. *Approve the revenue surplus of Rs.524.21 lakh for the year 2023-24.*
14. *Pass such other and further order as deemed fit and proper in the facts and circumstances of the case.*
15. *Condone any inadvertent omission, error, shortcomings and permit KPUPL to add/change/modify/alter this filing and make further submission as may be required at a future date.*

3. The Commission vide Order in OP No.14/2023 dated 19.03.2024 has approved the ARR&ERC for the Control Period. **In the present petition for truing up the**

accounts, the licensee has claimed a revenue surplus of Rs.524.21 lakh compared to revenue surplus of Rs.1044.27 lakh approved by the Commission in the Order on ARR&ERC. A comparison of the ARR approved in the Order dated 19.03.2024 and the Truing up claim for the financial year 2023-24 as per the petition along with the trued-up figures for the years 2022-23 and 2021-22 is shown below;

Table 1
Comparison of Income and Expenditure for 2023-24 (Rs. lakh)

Particulars	ARR &ERC Petition	ARR & ERC Approved	Truing Up Petition
Purchase of Power	5901.25	5755.92	7379.23
Employee Cost	103.62	65.54	67.78
A &G Expenses	123.56	49.85	130.98
R&M Expenses	152.90	104.69	143.76
Depreciation	143.31	67.17	73.81
Interest & Finance Charges	119.18	41.18	103.07
Return on Equity	60.74	4.43	45.64
Tax Expenses	169.00	0.00	233.99
CSR Expenses	-	-	11.05
Total Expenditure	6773.56	6088.78	8189.31
Revenue from Sale of Power	6792.01	6792.01	8417.93
Non-Tariff Income	165.58	341.04	295.59
Total Income	6957.59	7133.05	8713.52
Net Surplus/(Deficit)	184.03	1044.27	524.21

Table 2
Comparison of Income and Expenditure (Rs. lakh)

Particulars	2021-22		2022-23		2023-24
	Revised Truing Up Petition	Trued Up	Revised Truing Up Petition	Trued Up	Truing Up Petition
Purchase of Power	4587.68	4482.03	6016.82	5817.44	7379.23
Employee Cost	67.93	59.19	82.78	73.05	67.78
R&M Expenses	95.68	80.01	111.82	102.73	143.76
A &G Expenses	110.46	70.63	115.46	48.92	130.98
Depreciation	67.17	67.17	69.96	68.46	73.81
Interest & Finance Charges	69.26	55.95	97.45	81.30	103.07
Return on Equity	45.64	4.43	45.64	4.43	45.64
Tax Expenses	-	-	324.85	1.23	233.99
CSR Expense	-	-	-	-	11.05
Total Expenditure	5043.82	4819.41	6864.78	6197.56	8189.31
Revenue from Sale of Power	5267.07	5251.09	6935.45	6911.79	8417.93
Non-Tariff Income	195.95	301.51	218.10	371.39	295.59
Total Income	5463.02	5552.60	7153.55	7283.18	8713.52
Net Surplus/(Deficit)	419.20	733.19	288.77	1085.62	524.21

5. After examining the petition, the Commission admitted the petition as **OP No. 03/2025.**

Hearing on the Petition

6. The public hearing on the Truing Up petition was conducted at the Court Hall, Office of the Commission on 04-03-2025. Smt.Geesha.A.K, CEO in-charge, Sri. S. N. Ashok Kumar, Manager (Finance), Smt.Sreedevi, Asst. Manager (Finance), Sri. Sajeev M.S., Resident Engineer represented the licensee. Sri. Sajeev M.S, Resident Engineer made a presentation on the Truing Up petition and responded to the queries of the Commission. The main points made by the licensee are:
- a) There is decrease in the number of consumers and increase in sale of power compared to the previous year. The actual energy sale during the year 2023-24 is 1002.90 lakh units for 539 consumers.
 - b) The distribution loss for the year 2023-24 is 2.66%.
 - c) The licensee has claimed Rs.7379.23 lakh for the purchase of 1030.54 lakh units. Out of the energy input of 1030.54 lakh units, 1025.50 lakh units was purchased from KSEB Ltd and 5.04 lakh units was from solar generation.
 - d) The Chief Executive Officer and the Accounts Officer were engaged on regular role and all technical and administrative functions were outsourced through man power agency. The licensee for the year 2023-24 has claimed an amount of Rs.67.78 lakh as employee cost for the year.
 - e) The R&M Expenses for the year is Rs.143.76 lakh.
 - f) The distribution areas under KPUPL are spread over at different locations at Kakkanad, Kalamassery and Palakkad which cause more administrative expenses. On the other side, the company has taken all the effective measures to limit the A&G expenses under control. The licensee in the petition has claimed A&G expenses of Rs.130.98 lakh which also includes duty under section 3 of the Kerala Electricity Duty Act.
 - g) During the year, a capital addition of Rs.26.06 lakh has been made by the licensee and Rs.73.81 lakh is claimed as depreciation for the year.
 - h) The licensee has claimed an amount of Rs.103.07 lakh towards Interest and Finance charges and Rs. 45.64 lakh as Return on Equity.
 - i) The licensee has claimed an amount of Rs. 233.99 lakh as tax expenses and Rs.11.05 lakh as CSR Expenses.
 - j) The revenue from sale of power is Rs. 8417.93 lakh and the non-tariff income booked for the year is Rs.295.59 lakh.
 - k) Accordingly, for the year 2022-23, the revenue surplus is Rs.524.21 lakh.

7. The KSEB Ltd filed the following comments on the Truing Up petition.
- i. The distribution loss is higher than the approved value, which is not a prudent practice. As per Regulation 73(3) of Tariff Regulations, 2021, distribution loss is a controllable parameter and the methodology for accounting variations is specified. The Commission to approve the distribution loss within the approved limits.
 - ii. The licensee has not accounted for interest on accumulated surplus as non-tariff income, as required by the Commission in previous orders.
 - iii. The O&M expenses claimed in truing up petition is higher than approved cost. Since O&M expenses are a controllable expense the O&M expenses may be limited to approved level.
 - iv. The employee cost claimed by the licensee being higher than the norm, the claim may be allowed only after prudence check.
 - v. The licensee has claimed Rs 143.76 Lakh for R&M expenses in FY 2023-24, which exceeds the norms in Tariff Regulations, 2021. The Commission should approve this claim after a prudence check.
 - vi. Electricity Duty under section 3(1) is also claimed in the A&G expenses. The Commission may adopt uniform approach regarding sec 3(1) duty. A&G expenses for the year may be allowed only after prudence check.
 - vii. KPUPL has sought approval for Rs 26.06 lakh in capital expenditure for 2023-24, financed from accrued surplus, without prior approval from the Commission. As per the truing-up order (10.02.2025, OP 07/2024), KPUPL must submit a separate petition for capital investments. KPUPL should be directed to submit this petition urgently, and the additional capitalization may be approved after a prudence check.
 - viii. The depreciation for the assets created out of government grants and accumulated surplus is to be deducted from the depreciation amount. Depreciation may be allowed only after verifying the asset details and exercising prudence checks.
 - ix. KPUPL has claimed Rs 62.77 lakh for interest, which should be on a normative basis as per Regulation 29. Additionally, Rs 40.30 lakh claimed as interest on consumer security deposits should be verified by the Commission for proper disbursement.
 - x. The equity may be limited to Rs 31.64 lakh as decided by the Commission in the previous years and ROE may only be allowed accordingly.
 - xi. There is some variation in the power purchase cost claimed by the licensee with accounts of KSEB Ltd.

- xii. The solar self-generation cost is also added in the power purchase cost. If the licensee claims depreciation, interest on loan etc for the cost of installation of solar generation, the cost of self-generation cannot be included in power purchase cost. Even if the purchase cost from any source is to be included, the cost of that power is to be approved by the Commission. Such approval is also not obtained by KPUPL. Hence self-generation cost cannot be included in power purchase cost.
- xiii. The liability provision of Rs.57 lakh is claimed for RPO in 2023-24. It is not specified whether KPUPL has purchased RE certificates. In true up process, the actual amount spent is to be taken. As such, the provision for RPO shall not be taken in power purchase cost.
- xiv. The total units of green energy purchased tally with the details of KSEB Ltd.
8. The licensee vide letter dated 21.03.2025 submitted the counter to the comments of KSEB Ltd, modifications based on the suggestions made by the Commission and the revised revenue surplus for the year was Rs.536.25 lakh as shown below;

Table 3
Comparison of Income and Expenditure for 2023-24 (Rs. lakh)

Particulars	ARR & ERC Petition	ARR & ERC Approved	Revised
Purchase of Power	5901.25	5755.92	7367.19
Employee Cost	103.62	65.54	67.78
A & G Expenses	123.56	49.85	130.98
R&M Expenses	152.90	104.69	143.76
Depreciation	143.31	67.17	73.81
Interest & Finance Charges	119.18	41.18	103.07
Return on Equity	60.74	4.43	45.64
Tax Expenses	169.00	0.00	233.99
CSR Expenses	-	-	11.05
Total Expenditure	6773.56	6088.78	8177.27
Revenue from Sale of Power	6792.01	6792.01	8395.82
Non-Tariff Income	165.58	341.04	317.70
Total Income	6957.59	7133.05	8713.52
Net Surplus/(Deficit)	184.03	1044.27	536.25

9. The licensee requested the Commission to consider the revision and to kindly;
1. Approve the power purchase cost of Rs. 7367.19 lakhs for the year 2023-24 considering the modifications made in the solar settlement amount.
 2. Approve one-time expenditure incurred for additional license area of KPUPL as 'over and above norms' the year 2023-24.
 3. Exempt interest on Regulatory Surplus, otherwise, compute interest on the regulatory surplus after removing the expenses that have not been approved by the Hon'ble Commission like Electricity duty u/s.3 till the year 2023-24.

4. Approve the revenue surplus of Rs.536.25 lakhs for the year 2023-24.
5. Pass such other and further order as deemed fit and proper in the facts and circumstances of the case.
6. Condone any inadvertent omissions, errors, shortcomings and permit KPUPL to add/change/modify/alter this filing and make further submissions as may be required at a future date.

Analysis and decision of the Commission

10. The Commission considered the petition of the licensee for Truing Up of Accounts for the year 2023-24 along with the clarifications provided in the public hearing and the comments of KSEB Ltd and the counter of the licensee. The analysis and decisions of the Commission as per the provisions of the Tariff Regulations, 2021 on the petition for Truing Up of Accounts for the year 2023-24 are detailed below.

Energy Sales and Consumer Mix

11. Compared to the previous year, there is increase in the sale but decrease in the number of consumers. The actual sale of energy as per the Truing Up of accounts is 1002.90 lakh units for the year 2023-24. During 2022-23, the total sales was Rs.828.33 lakh units. A comparison of the actual sale of power and category wise number of consumers is given below.

Table-4
Comparison of number of consumers and sales

Particulars	2021-22		2022-23		2023-24	
	Number of consumers	Units Sold (lakh units)	Number of consumers	Units Sold (lakh units)	Number of consumers	Units Sold (lakh units)
HT Categories	55	519.08	62	645.66	69	794.52
Deemed High Tension (DHT)	41	71.08	42	79.62	36	81.16
LT Categories	365	74.61	446	103.04	434	127.22
Total	461	664.77	550	828.33	539	1002.90

12. The licensee has stated that the decrease in the number of consumers during the year was due to 24 consumers, including 1 HT and 23 LT, leaving Geonair Building at KEPIP, Kakkanad, following a fire in May 2023 that resulted in total destruction of the building and stoppage of business units.
13. There is significant increase in the energy sales to the HT category (23.46%) which shows a positive growth in the industry. Considering the increase in the sales, ***the Commission hereby approves the actual energy sales of 1002.90 lakh units as per petition for the purpose of Truing Up of Accounts for the financial year 2023-24.***

Energy Requirement and Distribution loss

14. As per the Truing Up petition, the total energy input during the year 2023-24 is 1030.53 lakh units. Out of this energy input, 1025.50 lakh units was purchased from KSEB Ltd, 5.04 lakh units was from self-solar generation units and from solar prosumers. The Commission while approving ARR&ERC for the Control Period has approved 1.73% as distribution loss for the period 2023-24 and the licensee has claimed a distribution loss of 2.66%. As compared to previous year the distribution loss has been increased from 2.07% to 2.66%. The details of the distribution loss for the year 2023-24 as per the petition are as shown below.

Table 5
Distribution loss for the year 2022-23 and 2023-24

Sl. No.	Particulars	2022-23 (Actual)	2023-24 (Actual)
1.	Energy Purchased from KSEB Ltd and Solar generation (lakh units)	845.95	1030.53
2.	Energy Sales (lakh units)	828.50	1003.17
3.	Distribution Loss (lakh units) (1) - (2)	17.45	27.36
4.	Distribution Loss % $[(3/1) * 100]$	2.06%	2.66%
5.	Wheeled Energy input (lakh units)	1.75	-
6.	Total Energy Input (lakh units) (1) + (5)	847.70	1030.53
7.	Wheeled Energy Sales (lakh units)	1.67	-
8.	Total Energy Output (lakh units) (2) + (7)	830.17	1003.17
9.	Distribution Loss (lakh units) (6)-(8)	17.53	27.36
10.	Net Distribution Loss % $[(9/6) * 100]$	2.07%	2.66%

15. In the petition, the licensee has stated that the increasing trend of distribution loss is due to the following reasons.
- A major fault occurred in the 22kV metering CT/PT unit at the KSEBL-KPUPL interface in July 2023. The faulty PT was replaced, and power supply was restored by KSEBL in October 2023. During this period, unmetered supply was provided by KSEBL, and bills were based on average consumption. As a result, power purchase units remained constant while sales decreased, causing higher distribution loss at the Mega Food Park, leading to a net distribution loss of 12.89% for 2023-24.
 - The power is distributed among 339 consumers in different locations within the area of 280.126 acres in Kakkanad at 110 KV level at receiving end, around 240 acres of land to feed about 125 consumers at Hi Tech Park, Kalamassery at 11KV and around 350 acres of land to feed about only 28 consumers at Palakkad at 22KV at KIITP and around 97.51 acres of land to feed about only 44 consumers at Palakkad at 22KV at Mega Food Park and 311.79 acres of land to feed only about 3 consumers with 11 kV at KINFRA Petrochemical Park at Ambalamugal, Kochi.

- For good reliable power, there is provision for 100% back feeding for feeders and transformers. Hence, transformers are restricted to 50% loading to ensure the back-feeding reliability. So, the transformers could not be operated at the maximum efficiency level (nearly at 90%).
- In Kakkanad license area, where 77.08% of total sale of energy occurred, an increase of 12.32 MU in sale of energy occurred during 2023-24 compared to that of previous year 2022-23. This has resulted in an increase of loss compared to previous year. Further, some equipment breakdown occurred during this period at Kakkanad substation which caused additional loss of energy. Timely intervention in the matter was taken by the Company to reduce the loss.

16. The following table shows the area wise distribution loss claimed by licensee in the petition for the year 2023-24.

Table 6
Distribution loss claimed by the licensee for the year 2023-24

License Area	Purchase (Lakh Units)		Total (Lakh Units)	Total Sales (Lakh Units)	T & D Loss (Lakh Units)	T & D Loss (%)
	KSEB Ltd	RE				
Infopark & KEPIP, Kakkanad	789.35	0.84	790.19	773.21	16.98	2.15%
KINFRA Hi Tech Park, Kalamassery	105.44	0.41	105.84	101.52	4.32	4.08%
KIITP, Kanjikode, Palakkad	92.98	0.48	93.46	91.63	1.82	1.95%
KINFRA Mega Food Park, Palakkad	30.88	3.31	34.19	29.79	4.41	12.89%
KINFRA Petrochemical Park, Kochi	6.86	0.00	6.86	6.75	0.10	1.50%
Stn. Aux.				0.03	-0.03	
Total	1025.50	5.04	1030.53	1003.17	27.36	2.66%

17. The Commission notes that, about 77.08% of the total sale of power is in Kakkanad area and the T&D loss is 2.15% as against 1.38% in 2022-23. As compared to previous year the T&D loss in areas of Kalamassery and Kanjikode have decreased in the current year, whereas in mega food park, Palakkad it has increased from 5.70% to 12.89%. The phase wise comparison of number of consumers, sales units and distribution loss of the licensee is given below.

Table 7
Comparison of distribution loss for the year 2022-23 and 2023-24

License Area	Acres	Voltage Level	No. of Consumers		Sales Unit		Distribution Loss	
			2022-23	2023-24	2022-23	2023-24	2022-23	2023-24
Kakkanad	280.126	110 KV	353	339	666.17	773.21	1.38%	2.15%
Kalamassery	240.00	11 KV	124	125	66.00	101.52	6.45%	4.08%
KIITP	350.00	22 KV	27	28	72.37	91.63	3.12%	1.95%
Mega Food Park	97.51	22 KV	46	44	23.79	29.79	5.70%	12.89%
Petrochemical Park	311.79	11 KV		3		6.75		1.50%
Total			550	539	828.33	1002.90	2.06%	2.66%

18. The Commission noted that the distribution loss of licensee has increased to 2.66% as against the actual distribution loss of 2.06% (excluding wheeled energy) in the year 2022-23. The actual distribution loss for the licensee for the year is 2.66%, whereas the loss approved by the Commission in the ARR & ERC Order for the year 2023-24 was 1.73%. The Commission noticed that in Kakkanad area where 77.08% of the power sale occurred, the distribution loss has been increased from 1.38% in 2022-23 to 2.15% in 2023-24, which is the main reason for overall increase in T&D loss, there is no justification for this increase. Regulation 73 (3) of Tariff Regulations 2021 requires 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. The relevant portion of the Regulations is shown below.

73. Distribution Losses. –

- (3) *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: -*
- (i) *If the actual distribution loss is higher than the approved level of distribution loss for any particular financial year of the Control Period, then the quantum of power purchased corresponding to the excess distribution loss for that financial year, shall be disallowed at the average cost of power purchase for the respective financial year;*
- (ii) *If the actual distribution loss is lower than the approved level of distribution loss for any particular financial year of the Control Period, then the savings in power purchase cost corresponding to the difference in distribution loss for that financial year at the average cost of power purchase for the respective financial year, shall be shared between the distribution business/ licensee and its consumers in the ratio of 2:1;*
- (iii) *Export of power to other states, if any, and the revenue thereof shall be considered by the Commission appropriately, while determining the disallowance on account of excess distribution loss.*

19. As seen from the above Regulation, the licensee is to adhere to the distribution loss as approved by the Commission in the ARR & ERC for the respective year. ***Keeping this factor in mind the Commission hereby approves the distribution loss of 1.73% as per ARR&ERC Order. The Commission also directs the licensee to strictly adhere to the approved ARR percentages as mentioned in the Commission's Order on ARR&ERC dated 19.03.2024 in OP 14/2023 for the rest of the Control Period. Hence, the Commission decides to retain the approved distribution loss of 1.73% for the purpose of truing up of accounts for 2023-24 also.*** Accordingly, based on the approved distribution loss, the energy requirement for the year 2023-24 is tabulated below.

Table 8
Distribution loss approved for the year 2023-24

Particulars	ARR Approved	As Per Truing Up Petition	Approved in Trued Up
Total Energy Output (lakh Units)	824.15	1003.17	1003.17
Distribution Loss (%)	1.73%	2.66%	1.73%
Distribution Loss (lakh Units)	14.51	27.36	17.66
Gross energy in the system (lakh units)	838.66	1030.53	1020.83
Solar Generation Units (lakh units)	1.50	5.04	5.04
Wheeled Energy input (lakh units)	19.56		
Energy to be purchased from KSEB Ltd (lakh units)	817.60	1025.50	1015.79
Excess Distribution Loss (in lakh units) (1025.50-1015.79)			9.71

Power Purchase Cost

20. The power purchase cost as per the petition for Truing Up of accounts is Rs.7367.19 lakh for 2023-24 which includes Rs.7303.61 lakh for power purchased from KSEB Ltd, Rs.6.58 lakh for solar from prosumers and Rs.57.00 lakh for provision for Renewable Power Obligation. The details of Power purchase cost claimed by the licensee is shown below;

Table 9
Power Purchase cost claimed for the year 2022-23 and 2023-24

Particulars	2022-23 Truing Up Petition (Rs. lakh)	2023-24 Truing Up Petition (Rs. lakh)
Contract Demand (kVA)	19000	25000
Maximum Demand (kVA)	19173	24026
Excess Demand (kVA)	173	579
Units Purchased (lakh units)	842.49	1025.50
Solar generation (Self) (lakh units)	1.09	1.22
Solar Purchase (Consumers)	2.36	3.82
Fixed Charges (Rs. lakh)	764.20	985.04
Variable Charges (Rs. lakh)	5072.86	6318.57
Sub Total	5837.06	7303.61
Solar generation (Self) (Rs. lakh)	2.94	
Solar Purchase (Consumers) (Rs. lakh)	6.35*	6.58
Renewable Power Obligation (Rs. lakh)	176.83	57.00
TOTAL (Rs. lakh)	6016.82	7367.19
Average Rate (Rs. per unit)	7.13	7.16

(*This amount of Rs. 6.35 lakh was settled during the month of April 2023 and accounted in the FY 2023-24. Therefore, this amount not considered for power purchase cost for the year 2022-23.)

21. It is seen that there is an increase in the purchase of power and cost compared to the previous year. The licensee has claimed an amount of Rs.57.00 lakh as part of power purchase cost towards meeting the Renewable Power Obligation. It may

be noted that no expenditure on purchase of RE Certificate for meeting this obligation has been incurred by the licensee during the year. ***As this expense can be considered only on production of proof of purchase on this account, the licensee's claim of Rs.57.00 lakh is not approved.***

22. In the truing up order of 2022-23 Petition No IA No 01/24 & OP 7/2024 dated 10.02.2025, the Commission had noted that the licensee had stated that the amount of Rs. 6.35 lakh, relating to solar prosumers, was settled in April 2023 and accounted for in the year 2023-24. Accordingly, this settlement amount of Rs. 6.35 lakh was excluded from the Truing up of accounts for the year 2022-23. As such, the Commission had provisionally disallowed the cost of solar power (2.36 lakh units) purchased from the prosumer at the rate of Rs. 2.69 per unit, totalling Rs. 6.35 lakh. The Commission had further directed that the licensee may claim this amount in 2023-24 Truing up petition, subject to the admissibility of such claims. As said, the licensee has claimed Rs. 6.35 lakh as settlement of pooled solar energy for the year 2022-23 which was accounted during the month of April 2023. Further, the licensee also claimed the shortfall in solar settlement for the year 2021-22 amounting to Rs.0.23 lakh which was paid in November 2023. ***Therefore, the Commission hereby approves Rs.6.35 lakh for pooled solar energy for the year 2022-23 and Rs. 0.23 lakh for solar settlement for the year 2021-22 released in November 2023.***
23. Further KSEBL has stated that, even though the quantum of energy purchased for 2023-24 claimed by the licensee tally with records of KSEBL, the cost of purchase for 2023-24 claimed by the licensee does not tally with records of KSEBL. The licensee has submitted their clarification regarding this matter that, the difference between the total charges as per KSEBL records and the total charges as per the Truing-Up submitted is due to the additional components Green Energy and Power factor incentive/ Penalty. The split-up details of total charge as per KSEBL records and truing up petition for the year 2023-24 is tabulated below:

Table 10
Power Purchase Cost (Rs. Lakh)

AREA	Demand Charge	Ex DC	Energy Charge	Total Charge as per KSEBL Record	Total Charge as per Truing Up	Difference	Power Factor Adjustment	Green Energy	Power factor adjustment + green energy
	(1)	(2)	(3)	(4)= (1)+(2)+(3)	(5)	(6) = (4)-(5)	(7)	(8)	(9) = (7) +(8)
KKD	724.80	0.67	4905.45	5630.92	5580.35	50.85	-73.58	23.00	50.85
KLSY	114.87	0.49	655.92	771.28	770.65	0.63	-0.63	0.00	0.63
KIITP	99.88	2.26	577.81	679.96	668.18	11.78	-11.78	0.00	11.78
KMFP	35.31	0.00	191.61	226.93	226.65	0.28	-0.28	0.00	0.28
KPCP	15.39	0.00	43.20	58.59	57.79	0.8	-0.80	0.00	0.8
TOTAL	990.25	3.42	6374.00	7367.67	7303.61	64.06	-87.06	23.00	64.06

24. In the petition the licensee stated that, the amount of Rs. 12.04 lakh relating to power purchase from the solar prosumers was settled during the month of April 2024 and accounted in the year 2024-25. Hence this settlement amount of Rs. 12.04 lakh is not included in Truing up of accounts for the year 2023-24. In the clarifications submitted, the licensee itself has stated that Rs. 12.04 lakh was settled during the month of April 2024 and will be accounted in the year 2024-25. The licensee shall claim the amount in the petition for truing up for the year 2024-25.
25. As per the details furnished by the licensee, the average power purchase cost (KSEB Ltd) for the year 2023-24 is worked out at Rs.7.12/kWh (Rs.7303.61 lakh/1025.50 lakh units). As per Regulation 73, excess distribution loss, shall be disallowed at the average cost of power purchase. Considering the approved distribution loss in para 17 and the excess energy loss on account of the higher distribution loss, the approved power purchase cost is worked out as shown below.

Table 11
Power Purchase Cost approved for the year 2023-24

SI No	Particulars	Approved in Truing up
1	Total cost of power purchase (Rs. lakh)	7367.19
2	(Less) Solar purchase	6.58
3	(Less) Renewable Power Obligation	57.00
4	Power Purchase cost from KSEB Ltd	7303.61
5	Actual quantum of power purchased (in lakh units)	1025.50
6	Average cost of purchase (Rs. /kWh) (4 / 5)	7.12
7	Excess distribution loss (in lakh units) (Table 8)	9.71
8	Excess Distribution Loss (Rs. lakh) (3*4)	69.14
9	Power purchase approved for 2023-24 (4-8) (Rs. lakh)	7234.47

26. The excess distribution loss of Rs.69.14 lakh is hereby disallowed from the power purchase cost **and the Commission hereby approves power purchase cost of Rs.7241.05 lakh for truing-up for the year 2023-24 (excluding the provision of RPO obligation) incurred for the power purchased from KSEB Ltd, for pooled solar energy for the year 2022-23 and for solar settlement for the year 2021-22 released in November 2023. It is also directed that the licensee shall reconcile the figures of power purchase cost with KSEB Ltd.**

Operation & Maintenance Expenses

27. Operation and Maintenance expenses are controllable expenses which include Employee cost, Repair & Maintenance expenses and Administrative & General expenses. The Operation and Maintenance expenditure claimed for the year 2023-24 is higher than the norms approved in the Tariff Regulations, 2021. The

Commission while approving the norms in the Tariff Regulations, 2021 had approved the Operation and Maintenance expenses of Rs.220.08 lakh for 2023-24. The licensee in the petition has claimed total operation and maintenance expense of Rs.342.52 lakh. During the year 2022-23, the actual O&M expenses claimed was Rs.310.06 lakh. The Commission had considered the submission and after prudence check had approved Rs.224.70 lakh as total O&M expenses for 2022-23. A comparison of the expenses in 2022-23 and 2023-24 is tabulated below.

Table 12
Comparison of the O&M expenses for 2022-23 and 2023-24 (Rs. Lakh)

Particulars	2022-23			2023-24	
	Approved Norms	For Truing Up	Trued Up	Approved Norms	For Truing Up
Employee Cost	62.75	82.78	73.05	65.54	67.78
R & M Expenses	100.23	111.82	102.73	104.69	143.76
A & G Expenses	47.73	115.46	48.92	49.85	130.98
Total O&M	210.71	310.06	224.70	220.08	342.52

28. 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 Expenses is taken up separately for analysis.

Employee cost

29. The employee cost claimed by the licensee for the year 2023-24 is Rs.67.78 lakh. The Commission in the Tariff Regulations, 2021 had approved an amount of Rs.65.54 lakh as the employee cost for the year. Compared to the previous year, there is decrease in the actual employee cost. The licensee has submitted that the Chief Executive Officer and an Accounts Officer were engaged on regular role and all technical and administrative functions were outsourced to keep the employee cost on lower side. A comparison of the actual employee cost claimed is shown below.

Table 13
Employee Cost over the years (Rs. lakh)

Particulars	2021-22		2022-23		2023-24
	Truing up petition	Trued up	Truing up petition	Trued up	Truing up
Basic Pay	19.05	59.19	15.05	73.05 (Considering actual escalation and additional expenses due to pay revision arrears)	15.49
Dearness allowance AO)	5.72		5.85		6.54
House Rent Allowance	0.22		0.17		0.18
Earned leave encashment	0.00		0.83		0.00
Other Allowance	0.52		0.75		0.09
Medical Reimbursement	0.68		0.90		1.12
Interim Relief/Wage Revision	-		8.74		0.00

Staff Welfare Expense	0.82		1.92		1.22
Provident Fund Contribution	1.26		1.22		1.25
Manpower outsourced for support functions (Payment to Consultants and outsourced staff)	39.65		47.35		41.90
Total Employee Cost	67.93	59.19	82.78	73.05	67.78

30. The Commission in the Order on truing up of accounts for the year 2019-20 dated 18.02.2022 had directed the licensee to file a separate petition showing the employee details. The licensee had submitted that, Govt. of Kerala has been requested through KINFRA to create vacancies and to fill the same with experienced and qualified personnel. It was also stated that, in view of additional license area and other expansion work, the licensee is in the process of manpower planning. It was further stated that the licensee is in the process of compiling the data of the required/available employee strength, qualifications, experience, scale of pay, number engaged in shifts etc. based on CEA norms. In the Order on truing up of accounts for the year 2021-22, the Commission had directed the licensee to submit an updated report detailing the development in the matter within 3 months from the date of the Order which has not yet been submitted by the licensee.
31. As per the Tariff Regulations, 2021, the licensee shall be allowed to recover the operation and maintenance expenses as per the norms specified in Annexure-7 of Tariff Regulations for each financial year of the Control Period. The Annexure-7 of Tariff Regulations 2021 specifies, the base year (2021-22) norms as per Table-9 and approved norms (Third Table under para 3(iii) of Annexure-7) of the O&M expenses of KPUPL. The details are given below.

Table 14
O&M Expenses as per the Tariff Regulations, 2021 (Rs. lakh)

Particulars	Base year	Control period				
	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Employee Cost	60.07	62.75	65.54	68.46	71.51	74.70
R&M Expenses	95.96	100.23	104.69	109.36	114.23	119.32
A&G Expenses	45.69	47.73	49.85	52.07	54.39	56.81
Total	201.72	210.71	220.08	229.89	240.13	250.83

32. The paragraph-1 of the Annexure-7 of the Tariff Regulations, 2021 specifies inflation rate adopted for tariff determination for the Control Period from 2022-23 to 2026-27. Further, the 'Note' to the paragraph-1 to Annexure-7 permits that, the actual inflation will be allowed at the stage of truing up for the respective years. The relevant provisions of the Regulations, 2021 is stated below.

“Methodology adopted for specifying the Normative Operation & Maintenance (O&M) Costs for the 5-year Control Period (2022-27)

1. The O&M costs consist of:

- Employee cost;
- Administrative & General (A&G) expenses; and
- Repair & Maintenance (R&M) costs.

The annual inflation/ escalation rate under the Control Period (2018-22) was fixed at 4.84% based on the CPI (Industrial workers) & WPI indices in the weightage ratio 70:30, for the 4-year period (2013-14 to 2016-17). Considering the 5-year MYT period in this Regulation and the subdued performance of the economy in the year 2020-21 due to the 'Covid 19' pandemic; it is proposed to fix the annual escalation factor for the 5-year MYT Control Period (2022-23 to 2026-27) as follows: -

a) The average of the increase in the CPI & WPI indices, for the 4-year period (2017-18 to 2020 -21), as given in Table- 1 below:

Table- 1
Computation of Escalation Factors for this MYT Regulation

Sl.No	Escalation factors/ year	2017-18	2018-19	2019-20	2020-21
1	CPI (Industrial Workers) 2001=100	284.42	299.90	322.50	338.69
2	Annual CPI increase %	3.08	5.44	7.54	5.02
3	WPI (2011-12) series	114.90	119.80	121.80	123.40
4	Annual WPI increase %	2.96	4.26	1.67	1.31
5	CPI:WPI (70:30) weightage (%)	3.04	5.09	5.78	3.91
6	Average 4 Year annual increase @ 70:30 weightage (%)	4.454%			

Note:

The Commission notes that there has been severe fluctuations as far as the inflation indices are concerned. Further, due to the outbreak of COVID 19, and the overall depressing economic situation faced by all major industries in the country, the offtake of electricity during this period has considerably reduced and there is a glut as far as the electricity market is concerned.

However as of now, the economy seems to be on a path of revival and the increase in oil prices have also added to the overall inflation in the economy. Hence, the Commission feels that any data of past indices may not completely reflect the true economic situation in the country and its inflationary trends and therefore is of the opinion that, for the purpose of ARR&ERC for the Control Period, it would be advisable to rely on historical inflation data for the previous four years. But, the actual escalation rates based on the actual inflation existing for each year of the Control Period shall be considered at the time of the truing up of the concerned financial year and would be a more reliable basis. Hence, the actual inflation indices will be allowed at the stage of truing up for the respective years."

33. As discussed in the preceding paragraphs and as specified under Annexure-7 of the Tariff Regulations, 2021, the base year O&M expenses for the Year 2021-22 is Rs.201.72 lakh. The average escalation rate approved by the Commission for the Control Period from 2022-23 to 2026-27 based on the average of the 'consumer price index and whole sale price index' is 4.454%. By applying the escalation rate of 4.454% on the O&M expenses of the base year 2021-22, the O&M Expenses for 2023-24 is Rs.220.08 lakh. However, the Note to the paragraph-1 to the Annexure-7 of the Tariff Regulations 2021 provides that, the

escalation rates based on the actual inflation indices shall be adopted for approving the O&M expenses while truing up of the respective years. The actual inflation rate of the year 2023-24 is 3.14%.

34. Based on the actual escalation of 3.14% in the year 2023-24, the revised O&M expenses of KPUPL are approved by the Commission considering actual inflation as given below.

Table 15
Revised O&M expenses of KPUPL approved for the year 2023-24 considering Actual Inflation (Rs. lakh)

Particulars	2022-23	Control Period- 2023-24	
	Revised approved	Actual inflation	O&M Approved
Employee Cost	64.31	3.14%	66.33
R&M Expenses	102.73	3.14%	105.96
A&G Expenses	48.92	3.14%	50.46
Total	215.96		222.75

35. The Commission further noted that, there is an additional expense incurred as employee cost for the Petrochemical Park. The Commission noticed that KPUPL was granted extension of area of license covering the KINFRA Petrochemical Park, Ambalamugal, Kochi which started operations from 28.10.2023. The area was not considered while finalizing the norms. The additional employee cost incurred for Petrochemical Park is Rs.1.89 lakh.
36. ***Considering all these aspects, the Commission hereby approves the employee expenses of Rs.68.22 lakh (66.33+1.89) for the year 2023-24.***

R & M Expenses

37. The licensee for the year 2023-24 has claimed an R&M expense of Rs.143.76 lakh as against the normative amount of Rs.104.69 lakh. The claim for 2023-24 is higher than the claim of Rs.111.82 lakh in the previous year. The Commission while truing up the accounts for the year 2022-23 had approved Rs.102.73 lakh considering the actual escalation of 7.06%.
38. The licensee stated that major part of R&M Expenses is incurred for the operation and maintenance of the sub-stations which are awarded through proper tendering process. There are 110 KV and 22KV Substations and 11KV control station spread at different locations. The licensee has also stated that the R&M expenses have also increased on account of contract value considering separate man power for the KINFRA Mega Food Park and Petrochemical Park. The R&M expense for Mega Food Park is Rs.8.83 lakh and that of Petrochemical Park is Rs.0.71 lakh. A comparison of the R&M for the year 2022-23 and 2023-24 is tabulated below. The details of claim submitted by the licensee is shown below.

Table 16
R&M expenses for the year 2022-23 and 2023-24 (Rs. Lakh)

Particulars	2022-23		2023-24	
Operation and Maintenance: SS at Kakkanad	44.95		53.03	
Operation and Maintenance: Kalamassery LA	20.11		25.90	
Operation and Maintenance: SS at KIITP, Kanjikode	20.58		32.23	
Operation and Maintenance: Kinfra MFP Kanjikode	0		7.45	
Operation and Maintenance: Petrochemical Park	-		0.71	
<i>Sub Total</i>		85.64		119.32
Repairs/ Break-down maintenance:				
Kakkanad	13.48		12.09	
Kalamassery	0.29		4.03	
KIITP, Palakkad	0.05		4.61	
Kinfra Mega Food Park, Kanjikode	8.96		1.38	
<i>Sub Total</i>		22.78		22.11
Spares & Consumables		2.91		1.96
Repair and Maintenance: Building, Office Equipment/ Furniture & fixtures etc		0.49		0.37
Total		111.82		143.76

39. In the petition, the licensee stated that, there are 110 KV and 22KV Substations and 11KV control station spread at different locations. The operation and maintenance of substations are carried out with qualified personnel as specified in CEA manual relating to Safety & Electric Supply Regulations 2010. The licensee has also stated that, for supplying uninterrupted power to the areas, KPUPL is using 11KV RMUs and UG cabling system with ring mains in all license areas except Mega Food Park, Palakkad. It was further stated that due to limited competition for bidding contracts of such small magnitude, there has been an increase of expenditure for operation and maintenance contract for the year 2023-24. The licensee in the petition has stated that the licensee had an aggregate sales and purchase growth of 16% from 2018-19 to 2023-24 apart from the average annual inflation/escalation rate determined for the control period. The licensee has requested the Commission to kindly allow an increase of 16% over and above normative O&M costs approved for KPUPL. The Commission is of the considered opinion that the O&M expenses will not increase directly in proportion to the growth in aggregate sales and purchases as more than 87% of the total sales is in Kakkanad and Kalamassery areas, where the infrastructure created is sufficient to cater to additional demand there in.
40. The Commission noticed that KPUPL was granted extension of area of license and the KINFRA Petrochemical Park, Ambalamugal, Kochi started operations from 28.10.2023. The area was not considered while finalizing the norms. The licensee has claimed operation and maintenance expenses towards KINFRA Petrochemical Park, Ambalamugal, Kochi amounting to Rs.0.71 lakh. The Commission is inclined to approve the same over and above the norm.

41. Considering Para 34 of this Order, the Commission has already approved Rs.105.96 lakh as R&M Expenses based on actual inflation rate for the year 2023-24. **Considering the additional expenses for the extended license area, the Commission hereby approves Rs.106.67 lakh (Rs. 105.96 lakh + Rs. 0.71 lakh) as R&M expenses for the year 2023-24.**

A & G Expenses

42. The licensee has claimed A&G expenses significantly higher than the normative amount approved by the Commission. As against the normative amount of Rs. 49.85 lakh approved in the Tariff Regulations, 2021, the A&G expenses claimed is Rs.130.98 lakh. The major claim booked under A&G expenses are towards Rent, rates & taxes, other professional charges, vehicle running expenses, advertisement expenses, Electricity Duty under Section 3 of the Kerala Electricity Duty Act, 1963 and license fee and other related fees. The comparison of the actual claim of A&G expenses over the years is tabulated below;

Table 17
Comparison of Administrative & General Expenses claimed over the years

Particulars	2021-22		2022-23		2023-24
	For truing up	Trued up	For truing up	Trued Up	For truing up
Rent Rates & Taxes	12.08	12.08	12.56	48.91 (Approved on the basis of actual inflation of 7.06%.)	11.55
Insurance	1.34	1.34	1.34		1.43
Telephone & Postage, etc.	0.58	0.58	0.65		0.65
Legal charges	0.00	0.00	0.00		0.00
Audit Fees	1.48	1.48	1.59		1.60
Other Professional charges	8.14	8.14	16.46		13.79
Conveyance / Travelling Expense	0.23	0.23	0.34		0.13
Vehicle Hiring Expenses Truck / Delivery Van	6.71	6.71	8.22		10.07
Electricity charges	0.98	0.98	0.73		0.92
Entertainment	0.34	0.34	0.97		1.14
Printing & Stationery	0.76	0.76	1.61		1.30
Contribution / Donation	0.00	0.00	0.00		4.00
Training expenses/ Stipend	0.24	0.24	0.31		0.00
Miscellaneous Expenses	0.72	0.72	3.69		0.86
Purchase Related Advertisement Expenses	11.85	11.85	0.26		0.03
Bank Charges	2.85	2.85	2.90		3.56
Office Expenses	1.47	1.47	1.46		1.50
License Fee and other related fee	18.22	18.22	10.10		8.61
Others	2.64	2.64	2.75		4.34
Power Connectivity Charges	0.00	0.00	0.00		5.15
Gross A&G Expenses	70.63	70.63	65.94	48.91	70.63
Ele. Duty u/s 3(I), KED Act	39.83	0.00	49.52	-	60.35
Less: Expenses Capitalised	0.00	0.00	0.00	0.00	0.00
Net A&G Expenses	110.46	70.63	115.46	48.91	130.98

43. The major A&G expenses incurred by the licensee during the year is shown below.

Table 18
A&G Expense – Split up of major expenditures

Particulars	Rs lakh	Details
Rent Rates & Taxes	11.55	Office rent
Professional Charges	13.79	- Payment for Energy Audit to KSPC - Retainer fee for Company Secretary - Payment for GST audit, GST filing, Cost audit etc.
Hiring of vehicle	10.07	-Hiring of vehicle for the use of CEO and office.
License fee & other fee	8.61	- License renewal fee - Electrical Inspectorate towards periodical inspection fee - other statutory fee to KSEBL
Electricity Duty	60.35	Payment of Ele. Duty u/s 3(I), KED Act

44. The amount of Electricity Duty under Section 3 (1) of the Kerala Electricity Duty Act, 1963, cannot be admitted as an item of expenditure in the truing up petition. The Commission has, in its previous orders also, consistently pointed out that the Electricity Duty payable by the licensee under Section 3 (1) of the Kerala Electricity Duty Act cannot be included in the A&G expenses and passed on to the consumers. **Hence, the Commission disallows the licensee's claim of Rs.60.35 lakh as Section 3(1) duty.**
45. KPUPL was granted extension of area of license and the KINFRA Petrochemical Park, Ambalamugal, Kochi started operations from 28.10.2023. The area was not considered while finalizing the norms. The licensee has claimed expenses towards KINFRA Petrochemical Park, Ambalamugal, Kochi amounting to Rs.7.71 lakh, including power connectivity charges of Rs. 5.15 lakh.
46. The actual expense claimed for 2023-24 is significantly high and the licensee has not submitted any proper explanation for the increase in the A&G expenses compared to the previous years. Since there is no convincing reasoning for higher expenses, the Commission is bound to go by the norms. Considering Para 34 of this Order, the Commission has already approved Rs.50.46 lakh as A&G Expenses based on actual inflation rate for the year 2023-24. Considering the expenses **towards the new license area, the Commission hereby approves an amount of Rs.58.17 lakh (Rs. 50.46 lakh + Rs. 7.71 lakh) as the A&G expenses for the year 2023-24.**

O&M Expenses Approved

47. The total O&M expenses for the year 2023-24, which includes Employee costs, R&M expenses and A&G expenses approved by the Commission is as shown below;

Table 19
Approved O&M expenses for 2023-24 (Rs. Lakh)

Particulars	2023-24		
	Approved Norms	For Truing Up	Trued Up
Employee Cost	65.54	67.78	68.22
R & M Expenses	104.69	143.76	106.67
A & G Expenses	49.85	130.98	58.17
Total O&M	220.08	342.52	233.06

Asset Addition

48. The licensee has claimed a total asset addition of Rs. 26.06 lakh through accumulated surplus available with KPUPL. The licensee in the petition has submitted a detailed write up/justification for the area wise capital expenditures incurred during the year and has stated that the asset additions are sourced through accrued surplus of KPUPL. The assets addition made during the year 2023-24 are shown below:

Table 20
Assets Addition for the year 2023-24

	Description of Asset	Unit	Qty.	Rs. lakh
	Kakkanad License Area			
1.	Office equipments – Router , Mobile phone, Aluminium ladder	LS	1	0.06
2.	Substation Equipment - Earth Discharge rode for 110 kV S/s	Nos	6	0.34
3.	Substation Equipment-Purchase of Electric Impact Wrenches & Socket	Set	1	0.36
4.	Furniture & Fixtures – Exhaust Fan, Wall fan & Chairs	LS	1	0.16
5.	Air conditioner-1 Ton Inverter AC for Kakkanad Office meeting room	Nos	1	0.62
6.	Transformers – 110kV, 110/1A Current Transformer for Metering at 110 kV S/s.	Nos	3	6.83
7.	Transformers- 110 kV Potential Transformer for Metering at 110 kV s/s.	No.	3	6.52
8.	Computer & Accessories -Network Printer, PCs & Peripherals	LS	1	2.37
9.	Motor Vehicles- Electric scooter for Office Use	No.	1	1.70
	KIITP, Kanjikode			
10.	Purchase of 22kV/ 110 V , 100/5A CT&PT Unit for Metering	Set	1	1.59
	KINFRA Mega Food Park, Kozhippara			
11.	Transformers - 22kV/ 110 V , 40/5A outdoor CT&PT Unit for Metering	Set	1	0.89
	KINFRA Petro Chemical Park			
12.	Metering Devises - 11kV/ 110 V , 60/5A outdoor CT&PT Unit, Meter - 3 phase 4 wire HT TOD Meter 0.2s Class, ABT Meters, TOD Metering Enclosures	Set	1	4.61
	TOTAL			26.06

49. The licensee also submitted details for each item of capital expenditure incurred during 2023-24 in the petition. The details are shown as below.

I. Purchase of Office equipments – Router, Mobile phone, Aluminum ladder – Rs. 0.06 lakh

The expenditure incurred in connection with the purchase of network Router and an Aluminium Ladder for Office and feature phone for Substation Operator, Kakkanad.

II. Purchase of Substation Equipment - Earth Discharge rod for 110 kV S/s– Rs. 0.34 lakh

The 110kV KINESCO substation in Kakkanad currently has only six Earth Discharge Rods, the minimum required for operation. In case of any damage to one, it could lead to a shortage of earthing rods for yard work. To mitigate this risk, it was decided to purchase six additional rods as spares. After inviting quotations from local contractors, M/s. Concert Engineering Enterprises, South Kalamassery, submitted the lowest bid of Rs. 28,800 plus applicable GST, which was deemed reasonable. Consequently, a Purchase Order was issued to them for the supply of the rods.

III. Purchase of Substation Equipment - Purchase of Electric Impact Wrenches & Socket for 110kV S/s, Kakkanad – Rs. 0.36 lakh.

The During maintenance activities at the 110 kV Substation in Kakkanad and the distribution network, conventional manual tools like spanners and wrenches were found to be time-consuming and labor-intensive. To improve efficiency, KPUPL decided to purchase power tools, including wired and wireless impact wrenches and impact wrench sockets. These tools are essential for maintaining the 110 kV substations at Kakkanad and the upcoming Hi-Tech Park, Kalamassery. After inviting quotations, M/s. Tool Stop submitted the lowest bid of Rs. 36,400 plus applicable GST. The rate was deemed reasonable, and a purchase order was issued to them, with the items delivered to the site.

IV. Purchase of Furniture & Fixtures – Exhaust Fan, Wall fan & Chairs – Rs. 0.16 lakh

The expenditure incurred in connection with the purchase of Exhaust Fan for wash room, Wall fan for Office and Chairs for 110 kV Substation, Kakkanad.

V. Supply and installation of a 1 Ton inverter AC at CEO meeting room of KINESCO, Kakkanad – Rs. 0.62 lakh

Currently, KPUPL lacks a dedicated meeting room, and the room adjacent to the CEO's office is used for meetings, discussions, and audits. However, it lacks air conditioning or proper ventilation, making the ambient temperature high. To address this, it was deemed necessary to install a 1 Ton inverter AC. Quotations were invited, and three contractors submitted bids. M/s. Power Electrics offered the lowest bid of Rs. 48,925, which was found

reasonable after further negotiation. A work order was issued to them, and the installation was successfully completed.

VI. Purchase of Metering equipments for 110 kV Substation, Kakkanad

a) 110 kV, 110/1A Current Transformer – Rs. 6.83 Lakh

b) 110 kV, Potential Transformer – Rs. 6.52 Lakh

On 28.12.2022, a fault occurred at the 110kV KINESCO Substation in Kakkanad, damaging the 110kV Potential Transformer, Current Transformers, and Lightning Arresters. These equipments needed urgent replacement. The tender for the supply of 110kV Current Transformers (CTs) and Potential Transformers (PTs) was issued in early 2023, with M/s. Electro Fine being the lowest bidder for both. The contract for 3 CTs was awarded at Rs. 5,78,820 and for 3 PTs at Rs. 5,52,690 (Plus extra GST), both below the estimated cost. Factory testing for these items took place in August 2023, and the materials were delivered to the site by 26.08.2023.

VII. Purchase of Computer & Accessories - Network Printer, PCs & Peripherals – Rs. 2.37 lakh

a) PCs and Desktop printer – Rs. 1.60 lakh

b) Heavy Duty Printer – Rs. 0.77 lakh

Two new employees were recruited at KINESCO, and there was an urgent need to procure two new PCs and desktop printers. The existing PC was too slow for current software requirements, and there was a shortage of one more PC. Additionally, the office only had one common printer, causing delays. Therefore, two PCs and two LaserJet printers were procured with specific configurations. The tender for these items was issued in October 2023, and M/s. Tenfos Cybernetics emerged as the lowest bidder at Rs. 1,88,800, delivering the required items as per the order. Regarding the heavy-duty printer, the Toshiba printer in use at KINESCO was frequently breaking down, causing delays in printing monthly bills. A tender was issued for a replacement, and M/s. Futura Automation offered the lowest bid of Rs. 64,831, completing the delivery of the new printer.

VIII. Motor Vehicle – Electric Scooter for Office use – Rs. 1.70 Lakhs

To facilitate frequent travel across the distribution licensee areas at Kakkanad, Hi Tech Park, and Petrochemical Park, KPUPL decided to procure an electric scooter for staff use, approved by the Board of Directors in March 2022. After evaluating options, the TVS iQube S was selected for its performance and features. Two local dealers, M/s. Cochin Motors Pvt. Ltd and M/s. S V Automotives, submitted offers. M/s. Cochin Motors provided the best deal, with a total on-road price of Rs.1,92,065, including additional benefits like a 3-year warranty and SmartXonnect features. The purchase was made through M/s. Cochin Motors Pvt. Ltd, with a proforma invoice of Rs.1,70,000 after applying the FAME subsidy of Rs.22,065.

IX. Purchase of 22 kV/110 V, 100/5A outdoor CT-PT Metering Unit at KIITP, Kanjikode – Rs. 1.59 Lakh

KINESCO's power demand exceeded its current capacity, requiring an upgrade. A tender for a new 22kV CT-PT unit was awarded to M/s. Power Best Electrical (P) Ltd. at a negotiated price of Rs. 1,35,135, to meet the enhanced demand and avoid penalties.

X. Purchase of 22 kV/110 V, 40/5A outdoor CT-PT Metering Unit at KINFRA Mega Food Park, Kozhippara, Palakkad – Rs. 0.89 Lakh

KPUPL, located at Mega Food Park in Palakkad, has faced frequent failures with its 22kV metering setup, which includes an indoor 40/5A CT-PT unit. These failures, caused by moisture ingress, have led to several disruptions in power supply. To address this issue, KPUPL decided to replace the faulty indoor CT-PT unit with a more reliable outdoor type. After soliciting quotes from three suppliers, M/s. Power Best Electrical Pvt Ltd provided the lowest bid of ₹75,000 for a refurbished 40/5A outdoor CT-PT unit, which was found to be in good condition. The purchase order was issued, and the unit was supplied to the site, aiming to prevent future failures and system interruptions.

XI. Metering Devices - 11kV/ 110 V, 60/5A Outdoor CT&PT Unit, 2 numbers of 3 phase 4 wire HT TOD Meter 0.2s Class, 11 kV ABT Meters & TOD Metering Enclosures – Rs. 4.61 Lakh

KPUPL, as part of its infrastructure development at KINFRA Petrochemical Park, Ambalamugal, Kochi, applied for 1 MVA power connectivity at 11 kV. To meet this requirement, KPUPL procured various metering equipment, including an outdoor 11kV CT-PT unit, HT ToD meters, ABT meters, and an enclosure for energy metering. After conducting competitive bidding and local enquiries, KPUPL awarded contracts to the lowest bidders: M/s. ResiTech Electricals for the CT-PT unit, M/s. Vijoy Electricals for the HT ToD meters, M/s. Vinker Techno Marketing for the ABT meters (due to better warranty and future upgrade options), and M/s. Sreelakshmi Engineering Corporation for the metering enclosure. The procurement process was completed efficiently, ensuring compliance with CEA regulations and supporting the park's power infrastructure.

50. The Commission has analysed the submissions of the licensee and the documents furnished by them in support of the capital expenditure. It is seen that the capital expenditure has been incurred after assessing the necessity and also after observing tender formalities. ***Considering the details submitted by the licensee and the provisions of the Tariff Regulations, 2021 the Commission hereby approves the assets addition of Rs.26.06 lakh for the year 2023-24. Further, the Commission allows the licensee to fund the asset additions (excluding consumer contributions) utilizing the accumulated regulatory***

surplus approved by the Commission. It is also clarified that the licensee is not eligible to claim depreciation, interest on normative loan and Return on NFA on the assets created by utilizing the approved regulatory surplus. Details of assets approved for the year 2023-24 is given below:

Table 21
Assets Addition approved for the year 2023-24

	Description of Asset	Rs. lakh
	Kakkanad License Area	
1	Office equipments – Router, Mobile phone, Aluminium ladder	0.06
2	Substation Equipment - Earth Discharge rode for 110 kV S/s	0.34
3	Substation Equipment-Purchase of Electric Impact Wrenches & Socket	0.36
4	Furniture & Fixtures – Exhaust Fan, Wall fan & Chairs	0.16
5	Air conditioner-1 Ton Inverter AC for Kakkanad Office meeting room	0.62
6	Transformers – 110kV, 110/1A Current Transformer for Metering at 110 kV S/s.	6.83
7	Transformers- 110 kV Potential Transformer for Metering at 110 kV s/s.	6.52
8	Computer & Accessories -Network Printer, PCs & Peripherals	2.37
9	Motor Vehicles- Electric scooter for Office Use	1.70
	KIITP, Kanjikode	
10	Purchase of 22kV/ 110 V, 100/5A CT&PT Unit for Metering	1.59
	KINFRA Mega Food Park, Kozhippara	
11	Transformers - 22kV/ 110 V, 40/5A outdoor CT&PT Unit for Metering	0.89
	KINFRA Petro Chemical Park	
12	Metering Devises - 11kV/ 110 V, 60/5A outdoor CT&PT Unit, Meter - 3 phase 4 wire HT TOD Meter 0.2s Class, ABT Meters, TOD Metering Enclosures	4.61
	TOTAL	26.06

51. The Commission further noted that, the licensee in the petition for 2022-23 has stated that an amount of Rs.570.93 lakh received as grant from Government was transferred by KINFRA to the Company for execution of power infrastructure at Kakkanad and Palakkad license areas, the ultimate beneficiary of which shall be KPUPL. The amount has been kept in fixed deposit for various periods of time and the interest on which has been taken to the revenue. The assets developed out of Govt grants and of KINFRA Fund, if decided to be transferred to KPUPL by KINFRA, would be done with the approval of the Commission.
52. The Commission hereby re-iterates that, as per Tariff Regulations, the capital investment plan for creation of assets for distribution of electricity in the license area requires prior approval of the Commission. ***Therefore, the Commission directs the licensee to file separate petition detailing the Capital Investment Plan and obtain prior approval of the Commission for creation of distribution assets in the license area.***

Depreciation

53. The licensee in the petition has claimed Rs.73.82 lakh as depreciation for the year 2023-24. The Commission while truing up the accounts for 2022-23 had approved

a depreciation of Rs.68.46 lakh. During 2023-24, the licensee has incurred a capital expenditure of Rs.26.06 lakh and depreciation has been claimed for the same. The increase in depreciation during 2023-24 is on account of the asset additions made during the year. The depreciation is claimed under straight line method. Details of the depreciation claimed for the year 2023-24 is shown below.

Table 22
Depreciation claimed for the year 2023-24 (Rs. lakh)

Asset Group (as per notification in respect of depreciation)	Rate of depreciation (%)	Gross fixed assets				Depreciation for the year
		At the beginning of the year	Additions during the year	Adjustment & deductions	At the end of the year	
Land & land rights	3.34%	239.11	0.00	0.00	239.11	8.49
Other Civil works - Building	3.34%	164.46	0.00	0.00	164.46	5.41
HV Distribution system		0.00	0.00	0.00	0.00	0.00
Distribution lines	5.28%	289.30	0.00	0.00	289.30	4.30
Sub-station equipments	5.28%	0.00	0.00	0.00	0.00	0.00
Transformers	5.28%	229.75	16.81	0.00	246.56	8.89
Switchgears, Control gear & Protection	5.28%	424.85	0.00	0.00	424.85	18.11
Batteries	5.28%	3.83	0.00	0.00	3.83	0.10
Others (Sub-station assets)	5.28%	97.90	0.70	0.00	98.60	4.22
LT Distribution system		0.00	0.00	0.00	0.00	0.00
Distribution lines	5.28%	297.12	0.00	0.00	297.12	10.48
Sub-station equipment- IPD	5.28%	82.45	0.00	0.00	82.45	4.35
Transformers		0.00	0.00	0.00	0.00	0.00
Switchgears, Control gear & Protection		0.00	0.00	0.00	0.00	0.00
Batteries		0.00	0.00	0.00	0.00	0.00
Others (AC, Safety equipment, Refrigerator)	5.28%	4.34	0.62	0.00	4.96	0.26
Communication equipment		0.00	0.00	0.00	0.00	0.00
Meters	5.28%	135.36	3.63	0.00	138.99	4.41
Solar Plants	5.28%	58.94	0.00	0.00	58.94	3.11
Furniture & fixtures	6.33%	10.34	0.16	0.00	10.50	0.65
Office Equipment	6.33%	1.95	0.06	0.04	1.97	0.12
Assets of Partnership projects/ GOI Grants etc.	5.28%	0.00	0.00	0.00	0.00	0.00
Capital spares of HV & LT transmission/ ASIDE Grant		380.82	0.00	0.00	380.82	0.00
Assets taken over & pending final valuation		1630.60	50.60	0.00	1681.20	0.00
IT Equipment	15.00%	11.11	2.37	0.00	13.48	0.92
Computer Software	15.00%	2.23	0.00	0.00	2.23	0.00
Any other items (Motor Vehicle)	5.28%	0.00	1.70	0.00	1.70	0.00
Gross Assets		4064.45	76.65	0.04	4141.06	73.82
Less: Consumer contribution		1630.60	50.60	0.00	1681.20	0.00
Less: Government grants		380.82	0.00	0.00	380.82	0.00
Less: Share of GOI Grants		177.62	0.00	0.00	177.62	0.00
less: Assets disallowed by KSERC		1.86	0.00	0.00	1.86	0.00

Less: Additions during the year from KINFRA fund		0.71	0.00	0.00	0.71	0.00
Less: Capital Subsidies		0.00	0.00	0.00	0.00	0.00
Net Asset considered for depreciation (2021-22)		1872.84	26.06	0.04	1898.85	73.82

54. Regulation 27 of the Tariff Regulations, 2021 clearly specifies that the depreciation shall be computed annually based on straight line method for the first thirteen years from the date of commercial operation as per the rates specified in the regulations, and the remaining depreciable value shall be spread over the balance useful life of the assets. The salvage value of the asset shall be ten percent of the allowable capital cost excluding the cost of assets created out of contributions and grant. The depreciation shall be maximum of ninety per cent of the capital cost of the assets.
55. Accordingly, considering the GFA in line with the previous year true up Order and duly considering the asset addition made during the year, the depreciation approved for the year 2023-24 is tabulated below;

Table 23
Depreciation approved for 2023-24 (Rs. lakh)

Asset Group (as per notification in respect of depreciation)	Rate of depreciation (%)	Gross fixed assets				Depreciation for the year
		At the beginning of the year	Additions during the year	Adjustment & deductions	At the end of the year	
Land & land rights	3.34%	239.11	0.00	0.00	239.11	8.49
Other Civil works - Building	3.34%	164.46	0.00	0.00	164.46	5.41
Distribution lines	5.28%	289.30	0.00	0.00	289.30	4.30
Sub-station equipments	5.28%	0.00	0.00	0.00	0.00	0.00
Transformers	5.28%	246.56	16.81	0.00	246.56	8.89
Switchgears, Control gear & Protection	5.28%	424.85	0.00	0.00	424.85	18.11
Batteries	5.28%	3.83	0.00	0.00	3.83	0.10
Others (Sub-station assets)	5.28%	98.60	0.70	0.00	98.60	4.22
LT Distribution system		0.00	0.00	0.00	0.00	0.00
Distribution lines	5.28%	297.12	0.00	0.00	297.12	10.48
Sub-station equipment- IPD	5.28%	82.45	0.00	0.00	82.45	4.35
Others (AC, Safety equipment, Refrigerator)	5.28%	4.96	0.62	0.00	4.96	0.26
Meters	5.28%	138.99	3.63	0.00	138.99	4.41
Solar Plants	5.28%	58.94	0.00	0.00	58.94	3.11
Furniture & fixtures	6.33%	10.50	0.16	0.00	10.50	0.65
Office Equipment	6.33%	1.97	0.06	0.04	1.97	0.12
Assets of Partnership projects/ GOI Grants etc.	5.28%	0.00	0.00	0.00	0.00	0.00
Capital spares of HV & LT transmission/ ASIDE Grant		380.82	0.00	0.00	380.82	0.00
Assets taken over & pending final valuation		1630.60	50.60	0.00	1681.20	0.00
IT Equipment	15.00%	13.48	2.37	0.00	13.48	0.92
Computer Software	15.00%	2.23	0.00	0.00	2.23	0.00

Any other items (Motor Vehicle)	5.28%	1.70	1.70	0.00	1.70	0.00
Gross Assets		4064.44	76.65	0.04	4141.06	73.82
Less: Consumer contribution		1630.60	50.60	0.00	1681.20	0.00
Less: Government grants		380.82	0.00	0.00	380.82	0.00
Less: Share of GOI Grants		177.62	0.00	0.00	177.62	6.36
less: Assets disallowed by KSERC		1.91	0.00	0.00	1.86	0.10
Less: Additions during the year from KINFRA fund		0.71	0.00	0.00	0.71	0.04
Less: Capital Subsidies		0.00	0.00	0.00	0.00	0.00
Less: Assets created from accumulated surplus	5.28%	0.00	26.06	0.00	26.06	1.38*
Net Asset considered for depreciation (2022-23)		1872.88	0.00	0.04	1872.79	65.94

*(Depreciation for approved for the assets addition for 2023-24 from the accumulated surplus i.e., $26.06 \times 5.28\% = 1.38$)

56. Accordingly, the Commission hereby approves depreciation of Rs.65.94 lakh for the year 2023-24.

Interest and Finance Charges

57. The licensee has claimed an amount of Rs.62.77 lakh towards Interest and Finance charges. The details as per the petition are furnished below.

Table 24
Interest on loan for the year 2023-24 (Rs. lakh)

Debt at the end of the year	Rate of interest	As per Truing Up Petition
Interest paid on the Debt portion of the consideration for Asset Transfer, Rs.737.41 lakh	11.50%	62.77
Total amount		62.77
Less: Capitalised		0.00
Net amount of interest		62.77

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

59. The licensee also submitted that they had earlier availed a loan of Rs.235.00 lakh from KINFRA at an interest rate of 11.50% per annum, the rate at which KINFRA has been obtaining funds from Govt. of Kerala, for completion of the first phase of

the sub-station at Kinfra Integrated Industrial & Textile Park at Palakkad. Refund of the loan of Rs.235.00 lakh commenced at 60 equated monthly instalments (EMI) from April 2017. Refund of the loan of Rs.737.41 lakh and the interest on loan commenced from 01.04.2018 at 180 EMIs.

60. In the Order on Truing Up of accounts for the year 2017-18, the Commission has examined the matter and observed that the above adjustments have been made by the licensee in the accounts for 2017-18 itself. The licensee had made the same submissions in the petition for the Truing Up for 2017-18; and the Commission had arrived at an opening balance of normative loan of Rs.648.57 lakh as on 01-04-2017.
61. As per Regulation 29 of Tariff Regulations, 2021, Tariff Regulations, 2018 and Regulation 30 of KSERC (Terms and Conditions for Determination of Tariff) Regulations 2014 (hereinafter referred to as the Tariff Regulations, 2014), interest is to be allowed based on normative loan. The Tariff Regulations state that, the normative loan outstanding as on the First day of April of the relevant financial year, shall be worked out by deducting the amount of cumulative repayment as approved by the Commission up to the Thirty First day of March of the year, from the normative loan. Accordingly, the interest on normative loan for the year 2023-24 is as below:

Table 25
Normative loan approved for the year 2023-24 (Rs. lakh)

Particulars	2023-24
Opening Normative Loan	411.64
Less: Value of Assets dismantled/removed	0.04
Less: Depreciation for the year as repayment	65.94
Closing Normative Loan	345.66
Average Normative Loan	378.65
Rate of Interest	11.50%
Interest on normative loan	43.54

62. ***Accordingly, the Commission hereby approves Rs.43.54 lakh as interest on normative loan for the year 2023-24 as against Rs.62.77 lakh claimed by the licensee.***
63. The licensee has claimed an amount of Rs.40.30 lakh towards interest on the Security Deposit of the consumers against their service connections for the year 2022-23 as on 30.06.2023. ***The Commission examined the submission and approves Rs.40.30 lakh as claimed by the licensee towards the Interest on security deposits.***

Other Expense - Corporate Social Responsibility (CSR) Expenses

64. The licensee in the current petition has claimed an amount of Rs.11.05 lakh as expense towards Corporate Social Responsibility (CSR) Expenses. The licensee

has stated that as per Section 135 of the Companies Act, 2013 companies must mandatorily contribute a certain amount towards CSR activities fulfilling any of the following conditions in the preceding financial year:

- Net worth of more than Rs.500 crore
- Turnover of more than Rs.1000 crore
- Net profit of more than Rs.5 crore

65. The licensee in the petition has stated that they are obligated to spend CSR funds as per Section 135 of the Companies Act, 2013. CSR obligation for 2023-24, which represents 2% of the average profit (PBT) of the company for the past three years, works out to Rs. 11.05 lakhs.
66. The Commission has examined the claim of the licensee regarding Corporate Social Responsibility (CSR) expenses amounting to Rs. 11.05 lakh for the year 2023-24. As per Section 135 of the Companies Act, 2013, CSR obligations arise only when a company meets specific financial thresholds related to net worth, turnover, or net profit in the preceding financial year. CSR expenditure is a statutory obligation of the company and is to be borne by the licensee from its own surplus. It is not a cost that can be passed on to consumers through tariff determination. ***Thus, the Commission disallows the claim of Rs. 11.05 lakh claimed by the licensee towards CSR expense for the year 2023-24.***

Return on Equity

67. The licensee has claimed return on equity of Rs. 45.64 lakh for the year 2023-24. The details of claim made by the licensee are shown below;

Table 26
Return on Equity claimed for the year 2023-24

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

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

69. The licensee has also cited the Hon. APTEL Order on Appeal No. 121 of 2011 dated 3rd October 2011 in support of their claim of return on equity on the share premium amount. The contention of the petitioner is that as per the Assets Transfer Agreement dated 07-09-2016 and the Supplementary Agreement dated 27-10-2017, the effective date of transfer of the assets was considered as 01-02-2010. The debt: equity ratio as per the Asset Transfer Agreement is 70:30. Accordingly, the company has issued 2,16,438 equity shares of Rs.10/- each at a premium of Rs.136/- each, aggregating to an amount of Rs.3,15,99,948/- during the year. Hence, the total equity participation by the promoter is increased from Rs.10,00,000/- to Rs.3,25,99,948/-. The Company is, therefore, eligible to get ROE of Rs.45.64 lakh for the year 2023-24.
70. The Commission has examined the contention of the licensee in detail vis-a-vis the provisions of Tariff Regulations and had addressed the matter while issuing the Orders on truing up of accounts in OP 34.2020 dated 29.03.2021. As such the issue is settled and the Commission does not intend to re-open the same.
71. Regulation 28 of Tariff regulations, 2021 clearly specify that Return on equity shall be computed in rupee terms, on the paid-up equity share capital. Accordingly, the licensee is eligible for return on equity only on the amount shown as paid-up equity capital and not on the share premium amount. It is to be noted that the licensee was allowed return on NFA up to 2016-17 as per the provisions in the Regulations. However, in the present petition, since the licensee has claimed ROE on the basis of equity contribution, the admissible return on equity for the year 2023-24 works out as under.

Table 27
Return on Equity approved for the year 2023-24

Particulars	Amount (Rs. lakh)
Opening Equity as on 01-04-2023	31.64
Add: Additions for 2022-23	0.00
Closing Equity as on 31-03-2024	31.64
Return on Equity @ 14% (Rs.31.64 lakh *14%)	4.43

72. ***Accordingly, the Commission hereby approves Rs.4.43 lakh as Return on Equity for the year 2023-24 as against Rs.45.64 lakh claimed by the licensee.***

Tax on Return on Equity

73. The licensee has claimed Rs. 233.99 lakh as tax expense for the year 2023-24 through Form D1.1 of the Truing Up petition for the year 2023-24. KPUPL has paid an advance tax of Rs.179 lakh for the year 2023-24, apart from a sum of Rs.35.37 lakh towards TDS on various heads. The computation of Income Tax for the AY 2023-24 is attached as 'Annexure # K' for the kind perusal of the Commission. The Income tax authorities have finalised the tax liability of the

Company as Rs.233.99 lakh for the FY 2023-24 (AY 2024-25); copy of the assessment order dt 22.11.2024 is attached as 'Annexure # K'.

74. Regulation 31(2) of the Tariff Regulations, 2021, 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 notes that, as per Regulation 31, the Income Tax based on the permissible return on equity share capital or return on net fixed assets, as approved by the Commission be allowed to be recovered through Aggregate Revenue Requirements. The relevant portion of the Regulation is stated below.

31. Tax on returns. – (1) The Commission shall provisionally approve the Income Tax payable for the appropriate years of the Control Period, if any, based on the 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:

(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.

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 the tariff or charges from the consumers or beneficiaries.

75. The Commission has carefully examined the licensee's claim in the petition and noted that, the licensee has paid Rs.233.99 lakh (without considering late fee and interest) as income tax for the total income of Rs.841.09 lakh as per income tax Act for the year 2023-24. Considering this the proportionate amount of income tax paid based on Return on Equity is Rs.1.23 lakh ($233.99/841.09 \times 4.43$) for the year 2023-24. **Accordingly, the Commission hereby approves the amount of Rs.1.23 lakh against the claim of Rs.233.99 lakh towards Tax on Return on Equity.**

Revenue from Sale of Power

76. The actual revenue realised from the sale of 1002.90 lakh units for the year 2023-24 is Rs.8395.82 lakh. As per the petition, the major revenue is from sale to the HT category. The category wise detail of the revenue from sale of power for the year 2022-23 and 2023-24 is shown below.

Table 28
Details of Revenue from Sale of Power for the year 2022-23 and 2023-24

Particulars	2022-23			2023-24		
	Units Sold (lakh Units)	Sales (Rs.lakh)	Avg. realisation per KWh (Rs)	Units Sold (lakh Units)	Sales (Rs.lakh)	Avg. realisation per KWh (Rs)
HT I A	285.41	2108.01	7.39	351.11	2639.95	7.52
HT I B	319.03	2709.10	8.49	390.48	3338.44	8.55
HT II A	3.79	36.20	9.56	4.12	41.06	9.97
HT II B	2.83	42.27	14.91	3.09	48.67	15.77
HT III B	0.32	4.33	13.69	0.31	5.43	17.60
HT IV A	2.16	29.79	13.78	6.99	76.75	10.98
HT IV B	32.12	283.37	8.82	38.43	346.28	9.01
DHT I A	1.24	12.26	9.87	1.17	11.76	10.08
DHT I B	72.50	678.05	9.35	74.22	657.56	8.86
DHT II B	5.27	67.50	12.80	5.77	69.73	12.08
DHT IV A	0.61	13.57	22.22	-	-	-
LT II	-	-	-	0.04	0.44	11.38
LT IV A	22.15	181.64	8.20	26.31	227.33	8.64
LT IV B	50.52	414.49	8.20	61.78	511.53	8.28
LT VI A	0.04	0.61	16.73	0.00	0.04	40.80
LT VI B	3.44	27.80	8.08	4.22	35.10	8.31
LT VI C	3.61	37.84	10.48	4.88	54.30	11.12
LT VI F	17.25	196.87	11.41	22.65	250.32	11.05
LT VII A	5.74	66.36	11.57	6.92	78.24	11.30
LT VII B	0.06	0.44	7.33	0.09	0.81	9.19
LT VIII B	0.23	1.03	4.58	0.19	0.93	4.95
LT IX	0.00	0.13	-	-	-	-
LT X	0.01	0.13	15.56	0.14	1.15	7.94
Gross Total	828.33	6911.79	8.34	1002.90	8395.82	8.37

77. It is seen that in respect of six categories of consumers, there is reduction in the average realization. The licensee provided additional clarifications and stated that the total number of Deemed HT (DHT) consumers decreased from 42 in 2022-23 to 36 in 2023-24, while energy sales increased from 7.9622 MU to 8.1161 MU. Despite this growth in consumption, revenue realization declined due to a significant drop in fixed charges from Rs.104.97 lakh to Rs.80.50 lakh (a 23% decrease) and other charges, including LVSC and PF penalties/incentives, from Rs.127.19 lakh to Rs.96.40 lakh (a 24% decrease). Although energy charges increased from Rs.539.18 lakh to Rs.562.14 lakh (a 4.3% rise), this was insufficient to offset the decline in fixed charges and surcharges, leading to a total revenue drop from Rs.771.39 lakh to Rs.739.05 lakh, a shortfall of Rs.32.34 lakh.

78. The no.of consumers during the year have decreased from 555 to 539. The licensee has stated that the fall in number of consumers during the fiscal is due to leaving of 24 consumers together from Geonair Building at KEPIP, Kakkanad due to fire accident occurred in the building during the month of May 2023 resulting total destruction of the building and stoppage of business units. There were one HT and 23 LT consumers in the building running on KPUPL power supply.
79. The Commission notes that, major share of the sale is to the HT category which consists of 69 consumers and constitutes about 77.38% of total sale of power. ***Considering the increase in the sales and revenue, the Commission hereby approves the revenue from energy sales of Rs.8395.82 lakh for 1002.90 lakh units for the year 2023-24 as per the petition.***

Non-tariff Income

A. Other Operational Income

80. As per the petition there is revenue of Rs.22.11 lakh from other operational income. The details furnished by the licensee in Form D.2.1 are shown below:

Table 29
Other Operational Income for 2023-24 (Rs.in lakh)

Particulars	2023-24
Meter/metering equipment/service line rentals	6.91
Application Fees	0.14
Collection Charges	4.38
Installation Charges	10.40
Supervision Charges	0.28
Total	22.11

81. ***After examining the nature of the income and the amount, the Commission hereby approves Rs.22.11 lakh as Other Operational Income for the year 2023-24 as claimed by the licensee.***

B. Income from wheeling charges

82. The licensee submitted that, M/s. TATA Consultancy Services Ltd (TCS Ltd) and M/s Nitta Gelatine (I) Ltd, at Infopark/KEPIP Park, Kakkanad have obtained sanction for availing power through Short Term Open Access (STOA) for 1.98 MW each from state nodal agency, SLDC vide Reg. No. 0033/STOA/TCSIFP dated 08.03.2018 and Reg. No.0040/STOA/NGIFP dtd. 19.07.2019, respectively. M/s. TATA Consultancy Services Ltd and M/s. Nitta Gelatine have started availing power through open access from April 2018 and August 2019 onwards respectively. During the year 2023-24 both consumers did not avail power through Short Term Open Access.

83. ***The Commission notes that the licensee in the current petition has not claimed any wheeling charges as there is no energy drawal recorded through Short Term Open Access.***

C. Other Income

84. The licensee has claimed other income of Rs.295.59 lakh for the year 2023-24 which includes Interest on Bank Fixed Deposits, interest on delayed payments and other miscellaneous receipts. The claim of the licensee is tabulated below:

Table 30
Other Income (Rs lakh)

Particulars	Truing Up Petition 2021-22	Truing Up Petition 2022-23	Truing Up Petition 2023-24
Interest on Bank Fixed Deposits/others	156.50	196.41	282.42
Interest on delayed payments	5.85	10.94	2.96
Other miscellaneous receipts	1.54	7.22	10.21
Total amount	163.89	214.57	295.59

85. As per the details submitted in the petition, there is increase in the Interest on Bank Fixed Deposits compared to previous years. The licensee in the petition has stated that the increase was mainly due to the increase of rate of interest.
86. The Commission while truing up the accounts for the previous years had approved a non- tariff income which included the interest on accumulated revenue surplus. The licensee in the current petition has also not accounted the interest on accumulated surplus as part of non- tariff income. The legal position on this has already been clarified by the Commission in the previous Truing Up Orders whereby it has been made clear that interest on the accumulated surplus at the beginning of the year has to be accounted as other income for the concerned year.
87. The erstwhile licensee M/s KEPIP had erroneously reported the revenue from sale of power including Section 4 duty for the period from 2004-05 to 2008-09 and the revenue approved in the Order dated 06-12-2011 was inclusive of the Electricity Duty under Section 4. The total amount of duty for these years was Rs.124.80 lakh. Since the said amount was already remitted to the Government, based on the request submitted by the licensee, the Commission in Order dated 31-03-2020 had decided to exclude this amount only for the limited purpose of calculating the interest on accumulated revenue surplus as a special case. The rate of interest considered for the year is the SBI retail term deposit rate for tenure up to one year prevailing at the beginning of 2023-24, which is 6.80%. Accordingly, the interest on accumulated surplus (excluding the amount utilised for asset addition) to be considered as other income works out as under.

Table 31
Interest on Accumulated Surplus for 2023-24

Particulars	Rs. in lakh
Accumulated Surplus at the beginning of the year	7603.39
Less: Section-4 duty	124.80
Surplus excluding the duty	7478.59
Less: Surplus utilised for asset addition	26.06
Net surplus	7452.53
Interest rate applicable (%)	6.80
Interest on Accumulated surplus	506.77

88. The total interest applicable for the balance surplus is Rs.506.77 lakh. The licensee has already accounted Rs.282.42 lakh towards interest on Bank FD and others. Thus, the balance amount of Rs.224.35 lakh (Rs.506.77 lakh – Rs.282.42 lakh) is accounted as interest on accumulated surplus. Based on above, the Commission hereby approves Rs.224.35 lakh as interest on accumulated surplus for the year 2023-24. **Accordingly, the Commission hereby approves Rs.519.94 lakh as other income for the year 2023-24.**

Table 32
Approved Other Income for 2023-24

Particulars	Rs. lakh
Interest on Bank Fixed Deposits/others	282.42
Interest on delayed payments	2.96
Other miscellaneous receipts	10.21
Interest on Accumulated Surplus	224.35
Total amount	519.94

89. Based on the details as above, ***the Commission hereby approves Rs.542.05 lakh as Non-Tariff income for the year 2023-24*** as shown below.

Table 33
Approved Non- Tariff Income for the year 2023-24

Particulars	Rs. lakh
Other Operational Income	22.11
Income from wheeling charges	0.00
Other Income	519.94
Total Non-tariff Income	542.05

Revenue (Gap)/Surplus after Truing Up of Accounts for 2023-24

90. The Commission after detailed examination and analysis of each item of expenditure and income as described in the preceding paragraphs, has arrived at the revenue surplus of Rs. 1308.32 lakh for the year 2023-24. The approved Total

Expenditure and Total Revenue for the year 2023-24 after truing up is as shown below.

Table 34
Approved Truing Up of Accounts for the year 2023-24 (Rs. lakh)

Particulars	ARR & ERC Approved	Revised Truing Up Petition	Trued Up
Purchase of Power	5755.92	7367.19	7241.05
Employee Cost	65.54	67.78	68.22
A &G Expenses	49.85	130.98	106.67
R&M Expenses	104.69	143.76	58.17
Depreciation	67.17	73.81	65.94
Interest & Finance Charges	41.18	103.07	83.84
Return on Equity	4.43	45.64	4.43
Tax Expenses	0.00	233.99	1.23
CSR Expenses	-	11.05	-
Total Expenditure	6088.78	8177.27	7629.55
Revenue from Sale of Power	6792.01	8395.82	8395.82
Non-Tariff Income	341.04	317.70	542.05
Total Income	7133.05	8713.52	8937.87
Net Surplus/(Deficit)	1044.27	536.25	1308.32

Orders of the Commission

91. The Commission after considering and detailed examination of the petition of the licensee for the Truing Up of accounts for the year 2023-24, additional information submitted thereon and the comments /remarks by KSEB Ltd., approves the following.

- (i) The Income for the year 2023-24 is **Rs.8937.87 lakh**
- (ii) Total Expenditure for the year 2023-24 is **Rs.7629.55 lakh**
- (iii) The revenue Surplus for the year 2023-24 is **Rs.1308.32 lakh**
- (iv) The cumulative revenue surplus up to 2023-24 is **Rs. 8911.71 lakh** (Rs.7603.39 lakh+ Rs.1308.32 lakh). The licensee shall keep the surplus in a separate fund and utilize it as per the Orders of the Commission.
- (v) The Commission has noted inconsistency in billing green tariff on KPUPL by KSEB Ltd and accounting the same by KPUPL. It is clarified that KSEB Ltd cannot apply green tariff on procurement of power by KPUPL under the PPA. The petitioner and respondent are directed to process collection and

remittance of green tariff in respect of consumers of KPUPL in a similar manner as in the case of fuel surcharge.

92. The petition is disposed of. Ordered accordingly.

Sd/-
Sri. T.K Jose
Chairman

Sd/-
Adv. A. J. Wilson
Member

Sd/-
Sri. B. Pradeep
Member

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