

**KERALA STATE ELECTRICITY REGULATORY  
COMMISSION**

**THIRUVANANTHAPURAM**

**Petition No: OP 75 / 2023**

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

**In the matter of** : Petition filed by M/s Smart City, Kochi for the Truing Up of Accounts for the financial year 2021-22

**Petitioner** : M/s Smart City, Kochi Infrastructure Private Limited

**Represented by** : Sri.Jinu John Jacob, Company Secretary  
Sri.Ranjithlal, Senior Manager- Asset & Infrastructure

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

**Represented by** : Sri. Rajan, Deputy Chief Engineer, TRAC, KSEB Ltd  
Sri. Ajith Kumar K.N, Executive Engineer, KSEB Ltd  
Sri.Shan B.S, Asst. Executive Engineer, KSEB Ltd  
Smt. Archana M, Asst. Engineer, KSEB Ltd

**Date of Hearing:** : 13.02.2024 at Court Hall of the Commission

**Order Dated 24.04.2024**

1. M/s SmartCity (Kochi) Infrastructure Private Limited (hereinafter referred to as SCK or the licensee or the petitioner) is an Information Technology Special Economic Zone in Kochi, Kerala. SCK is a Joint Venture company formed by Government of Kerala (16% holding) and Dubai Holding (84% holding) for development of infrastructure for knowledge-based industries. The Kerala State Electricity Regulatory Commission (hereinafter referred to as 'the Commission') had granted distribution license to SmartCity (Kochi) Infrastructure Private Limited vide Notification No. 1756/C.Engg/SCK/2013 dated 17.07.2014 and commenced distribution business in the year 2016.
2. As per the Regulation 10(1) of KSERC (Terms and Conditions for Determination of Tariff) Regulations 2018, the petition for Truing Up of Accounts for the year 2021-22 should have been filed by 30.11.2022. However, the licensee filed the petition for Truing Up of Accounts only on 22.09.2023 i.e., after delay of 9 months and 28 days. The licensee had filed petition for condonation of delay (IA 06/2023). The licensee had submitted the following reasons for the delay in filing the petition for truing up of accounts for the year 2021-22.

- a. Submission and approval of truing up petition for the year 2020-21 and capital investment approval petition for the years 2016-17,2017-18, 2018-19 and 2019-20.
  - b. The statutory audit report for the year 2021-22 of SmartCity Main Business could only be finalized in the month of September 2022 and the same was approved by the Board of Directors in the meeting held on the last week of September 2022.
  - c. Smart City is engaging only minimal staff to carry out the distribution business functions in order to minimize the overall cost. Moreover these employees are also doing other functions of Smartcity. It is also stated that the work load of staff involved in matters relating to the Commission is high and several sittings are required for ensuring correctness of submissions made before the Commission.
3. The Commission after examining the reasons mentioned in the petition, condoned the delay and admitted the present petition is for the last year of the Control Period ie. 2021-22 as OP 75/2023.
  4. The Commission vide Order dated 08.11.2019 in OA 02/2019 had issued Order on ARR & ERC of the licensee for the control period from 2018-19 to 2021-22. In the present petition for truing up the accounts, the licensee has claimed a **revenue gap of Rs.94.34 lakh** compared to revenue surplus of Rs.119.37 lakh approved by the Commission in the Order on ARR&ERC. A comparison of the ARR approved in the Order dated 08.11.2019 and the Truing up claim for the financial year 2021-22 as per the petition along with the trued-up figures for the years 2020-21 and 2019-20 is shown below;

**Table 1**  
**Comparative of the Truing up of accounts (Rs. lakh)**

Particulars	2019-20		2020-21		2021-22	
	Truing Up Petition	Trued Up	Truing Up Petition	Trued Up	ARR Order	Truing Up Petition
Purchase of power	348.28	348.28	281.32	281.32	830.63	335.57
Employee Cost	13.72	10.66	16.43	16.24	49.61	16.46
R&M Expenses	19.51	19.51	16.47	16.47		21.09
A&G Expenses	4.12	4.12	4.46	4.46		5.64
Depreciation	58.58	56.34	78.87	78.87	-	78.87
Prior period Depreciation	-	76.07	-	-	-	-
Interest and financing charges	88.72	56.18	73.21	1.85	-	9.10
Prior period Interest and financing charges	-	85.32	-	-	-	-
Return on equity/NFA	54.60	47.59	48.59	-	-	-
Prior period Return on equity	-	62.34	-	-	-	-
<b>Total Expenditure</b>	<b>587.53</b>	<b>766.41</b>	<b>519.35</b>	<b>399.21</b>	<b>880.24</b>	<b>466.73</b>

Revenue from sale of power	388.90	388.90	291.76	291.76	993.25	364.78
Other income	11.14	11.14	4.76	4.76	6.36	7.61
<b>Total income</b>	<b>400.04</b>	<b>400.04</b>	<b>296.52</b>	<b>296.52</b>	<b>999.61</b>	<b>372.39</b>
<b>Revenue(Gap)/surplus</b>	<b>(187.49)*</b>	<b>(366.37)*</b>	<b>(222.83)</b>	<b>(102.69)</b>	<b>119.37</b>	<b>(94.34)</b>

*\*Increase in trued up Revenue Gap in 2019-20 compared to the corresponding claim of the licensee is because of prior period expenses (depreciation, interest and finance charges and return on equity) approved by the Commission in the Order dated 09.12.2022 on capital expenditure (OP 67/2021)*

## Hearing on the Petition

5. The hearing on the petition was conducted on 13.02.2024 at Court Hall of the Commission. Sri.Jinu John Jacob, Company Secretary, Sri. Ranjithlal, Senior Manager - Asset & Infrastructure represented the petitioner and responded to the queries of the Commission. Sri.Ranjithlal made a presentation on the petition before the Commission and the team representing the petitioner replied to the queries of the Commission. The main points mentioned in the presentation are briefed below;
- The number of consumers during the year 2021-22 is 62 and the actual sale for the year is 37.33 lakh units, which is higher than the previous year. The sale during 2020-21 was 28.75 lakh units and the number of consumers was 53.
  - The energy purchased from KSEB Ltd is 39.32 lakh units compared to 30.57 lakh units in the previous year.
  - The licensee has stated in the petition that they have commissioned grid connected solar plant at SCK 01 of capacity 564.46 kWp consisting of two units with individual capacity of 475 kWp (Roof top of SCK01 building) 89.46 kWp (Bike parking roof).The electricity injected to the distribution network from solar plant is requested to be treated as power generated by prosumer. During the year, 713626 units of solar energy was used for common area lighting, common area loads like lifts, pumps, HVAC units etc.
  - The overall distribution loss for the year 2021-22 is 5.045% which includes the sharing of Infopark losses.
  - The actual power purchase cost for the year is Rs. 335.37 lakh. The power purchase cost incurred during the year includes Rs.21.62 lakh towards wheeling charges for drawing power from KSEB Ltd through Infopark 220 KV substation.
  - As per the norms fixed by the Commission vide Tariff Regulation 2018, ceiling prescribed for Operation and Maintenance expense is Rs.49.61 lakh. Against this, the licensee has claimed a total operation and maintenance expense of Rs.43.19 lakh.

- g) The Employee cost claimed for the year 2021-22 is Rs.16.46 lakh. The licensee has apportioned 50% of the total salary of three employees towards the distribution business activity.
  - h) The actual R&M expense for the year is Rs.21.09 lakh, which includes the O&M cost of the outsourced agency. The claim made by the licensee is higher than the expenses incurred during the previous year.
  - i) The A&G expenses claimed for the year is Rs.5.64 lakh. The licensee has apportioned some expenses as part of A&G (10% to 15% of the total expense) such as Telephone & Postage, Water charges, Printing & Stationery, Office Expenses, V-sat, Internet and related charges.
  - j) The depreciation claimed for the year 2021-22 is Rs. 78.87 lakh which is in line with the Tariff Regulations 2018.
  - k) The licensee for 2021-22 has claimed Interest and Finance Charges of Rs.6.15 lakh and interest on security deposit of Rs.2.95 lakh.
  - l) The licensee has not claimed any amount towards RoE
  - m) The **total expenditure** incurred in 2021-22 is **Rs.466.73 lakh**
  - n) The Revenue from sale of power in 2021-22 is Rs. 364.78 lakh. Major revenue realisation is from LT VI B consumers
  - o) The Non Tariff Income claimed by the licensee is Rs. 7.61 lakh which includes interest on deposits, interest on delayed payments.
  - p) The **total revenue** for the year 2021-22 is **Rs.372.39 lakh**
  - q) The petition for the truing up of accounts for the year 2021-22 is submitted with a **revenue gap of Rs.94.34 lakh.**
6. KSEB Ltd submitted their comments on the petition, which is summarized below;
- a. The licensee has not complied with the directives issued by the Commission in the Order on truing up of accounts for 2020-21.
  - b. The distribution loss claimed in the petition is higher than the distribution loss level approved by the Commission. It was submitted that distribution loss is a controllable factor and higher loss compared to the approved level is to be disallowed.
  - c. The employee cost consists of salary and benefits paid to own employees. It was submitted that as the R&M is on contract basis, the salary of employees projected to serve the limited consumers of around 62 numbers is on the higher side. The employee cost may be limited and thereby the O&M expenses may be limited to reasonable amount.
  - d. Interest and finance charges and RoE may be approved only based on the compliance of the direction and filing of petition by the licensee.
  - e. The energy purchase and the power purchase cost tally with the records of KSEB Ltd.

## Analysis and Decision of the Commission

7. The Commission has carefully examined the petition submitted by the licensee, the comments and arguments during the hearing, the comments/observations of KSEB Ltd. The analysis and decision of the Commission on the petition for truing up of accounts for the year 2021-22 are detailed below:

### Energy Sales and Consumer Mix

8. The licensee in the petition for approval of ARR & ERC had projected a sale of 127.89 lakh units anticipating the growth in the IT sector, which was approved by the Commission as such. The growth had not materialised and the actual sale is significantly low compared to the projected sales. The energy sale as per the petition for truing up of accounts for the year 2021-22 is only 37.33 lakh units. The actual sale of the licensee during the previous year 2020-21 was 28.75 lakh units. A comparison of the actual sale of power for different consumer categories is given below;

**Table-2**  
**Comparison of number of consumers and sales during 2020-21 and 2021-22**

Tariff Category	2020-21		2021-22	
	Number of Consumers	Energy sales units (In lakh)	Number of Consumers	Energy sales units (In lakh)
LT IV (B) -Industrial IT &IT Enabled	30	15.26	35	14.95
LT VI (F) -Construction	19	4.74	23	5.08
HT I (B)	2	4.42	2	11.17
HT II (B)	2	4.33	2	6.13
<b>TOTAL</b>	<b>53</b>	<b>28.75</b>	<b>62</b>	<b>37.33</b>

9. Compared to the previous year, there is increase in the number of consumers and the sales. The increase in the number of consumers and sale of energy shows sign of recovery of economic activity from COVID 19 related lockdowns and restrictions. ***After analyzing the details and duly considering the recovery from COVID 19, the Commission hereby approves the actual energy sales of 37.33 lakh units as claimed in the petition for Truing Up of Accounts for the financial year 2021-22. The Commission also directs the licensee to take earnest efforts for effective use of distribution assets which were created at their own discretion, failing which the Commission will be constrained to initiate regulatory measures to safeguard consumer interests.***

### Energy requirement and Distribution Loss

10. As per details provided in the petition, during the year 2021-22, the energy purchased from KSEB Ltd was 39.32 lakh units. As against the approved distribution loss of 2.20%, the overall distribution loss for the year 2021-22 is

5.045% which includes the sharing of Infopark losses. A comparison of the losses is tabulated below.

**Table-3  
Comparison of Distribution loss for 2020-21 & 2021-22**

Particulars	2020-21			2021-22	
	ARR Approved	As per Truing up petition	Trued Up	ARR Approved	As per Truing up petition
Energy Purchased (lakh units)	90.91	30.57	29.25	130.77	39.32
Energy Sold (lakh units)	88.91	28.75	28.75	127.89	37.33
Distribution Loss (lakh units)	2.00	1.82	0.50	2.88	1.99
<b>Distribution Loss %</b>	<b>2.20%</b>	<b>5.94%</b>	<b>1.71%</b>	<b>2.20%</b>	<b>5.045%</b>

11. As per the details provided in the petition, out of the total distribution loss of 5.045%, loss of 4.50% is the transmission loss incurred with regard to sharing of Infopark losses. It is pertinent to note that, the Commission while truing up the accounts for the year 2021-22 had approved a loss of 1.71% considering the distribution loss incurred in the system of licensee. Commission while truing up the accounts for the year 2019-20, specific direction was issued with regard to reviewing Clause 8.1 of the PPA. Paragraph 13 of the order is quoted below;

*“The distribution loss of 4.50% approved by the Commission is for the distribution of power in Infopark area and considering the same rate for the high voltage transmission (220/33 KV) of electrical energy to Smart City lacks reasonability. The Commission examined the submission of the licensee and observes that loading the same rate of distribution loss (approved for power distribution system in Infopark) for the transmission of power to Smart City through the 220/33 KV substation is not prudent. Thus, the Commission is of the considered view that all the three parties to the PPA (Smart City, Infopark and KSEB Ltd) shall review the PPA specifically with regard to clause 8.1 and a considered decision is to be taken to rectify the anomaly.”*

12. Since no significant progress was achieved in the matter, the Commission while truing up the accounts in 2020-21 viewed that no further interference is required in the matter as long as the parties to the contract has no objection on the commercial arrangement followed exclusively for billing purpose. The Commission still is of the considered view that no further interference is required in the matter as long as the parties to the contract has no objection on the commercial arrangement
13. As per the regulations issued by the Commission, distribution loss is a controllable factor and reduction in distribution loss is an important efficiency parameter. Therefore the Commission would be regulating the distribution loss incurred in the system of licensee and approves the loss of 0.77% for the year 2021-22 as shown below.

**Table-4**  
**Approved Distribution loss for 2021-22**

Particulars	2021-22		
	ARR Approved	As per Truing up petition	Trued Up
Energy Purchased (lakh units)	130.77	39.32	37.62
Energy Sold (lakh units)	127.89	37.33	37.33
Distribution Loss (lakh units)	2.88	1.99	0.29
<b>Distribution Loss %</b>	<b>2.20%</b>	<b>5.045%</b>	<b>0.77%</b>

14. *Accordingly, the Commission approves the distribution loss of 0.77% for the year 2021-22.*

### **Power Purchase Cost**

15. The actual cost for the 39.32 lakh units of power purchased at the periphery is Rs.335.57 lakh. The power purchase cost incurred during the year includes Rs.21.62 lakh towards wheeling charges for drawing power from KSEB Ltd through Infopark 220 KV substation. Compared to the ARR approved power purchase cost of Rs. 830.63 lakh, the decrease in the power purchase cost during 2021-22 is because of non-materialisation of anticipated growth.
16. Smart City has signed (September 2019) Power Purchase agreement for 3000 kVA with KSEB Ltd for availing power through Infopark 220 kV substation. The licensee has also stated that, since the power is wheeled through the network of Infopark, the wheeling charges as per the approved rate and sharing of distribution loss were considered by the licensee while calculating the power purchase cost for the year. The power purchase cost claimed by the licensee is shown below.

**Table- 5**  
**Details of the cost of power purchase claimed for 2021-22**

Energy Purchase (Lakh Units)	39.32
Demand Charges (Rs. Lakh)	91.80
Energy Charges (Rs. Lakh)	222.15
Wheeling Charge to Infopark (Rs. Lakh)	21.62
<b>Total (Rs. Lakh)</b>	<b>335.57</b>

17. The licensee has in the petition stated that they have commissioned (October 2019) grid connected solar plant of capacity 564.46 kWp consisting of two units with individual capacity of 475 kWp (Roof top of SCK01 building) and 89.46 kWp (Bike parking roof). The licensee also requested that the electricity injected to the distribution network from solar plant to be treated as power generated by a prosumer. During the year the solar generation is 713626 units

of energy, which is used for common area lighting, common area loads like lifts, pumps, HVAC units etc. The Commission observes that no power (net) is injected to the grid, which is to be treated as power generated by a prosumer, and the entire energy can be accounted against the RPO of the licensee.

18. ***After considering the above details, the actual power purchase cost of Rs.335.57 lakh claimed by the licensee in the petition is approved for the year 2021-22.***

### **Operation & Maintenance Expenses**

19. Operation and Maintenance expenses are controllable expenses which include Employee cost, Repair & Maintenance expenses and Administrative & General expenses. The Commission while approving the norms in the Tariff Regulations 2018 had approved the Operation and Maintenance expense of Rs.49.61 lakh for 2021-22. The licensee in the petition has claimed total operation and maintenance expense of Rs.43.19 lakh. A comparison of the expenses in 2020-21 and 2021-22 is tabulated below.

**Table-6**  
**Comparison of the O&M expenses for 2020-21 and 2021-22 (Rs. Lakh)**

Particulars	2020-21			2021-22	
	ARR Order	Truing Up Petition	Trued Up	ARR Order	Truing Up Petition
Employee Cost	47.32	16.43	16.24	49.61	16.46
R&M Expenses		16.47	16.47		21.09
A&G Expenses		4.46	4.46		5.64
<b>Total</b>	<b>47.32</b>	<b>37.36</b>	<b>37.17</b>	<b>49.61</b>	<b>43.19</b>

### **Employee cost**

20. The employee cost claimed by the licensee for the year 2021-22 is Rs.16.46 lakh. The licensee in the truing up petition has apportioned 50% of the total salary of three employees, towards distribution business activity. The actual employee cost for the year 2020-21 was Rs.16.43 lakh. The Commission while truing up the accounts for 2020-21 had disallowed Rs.0.19 lakh claimed towards provision for gratuity payment and had approved Rs.16.24 lakh as the employee cost considering the fact that the licensee has maintained only the very essential staff. With regard to the claim of Rs.16.46 lakh for the year 2021-22, the licensee has clarified that the claim is excluding gratuity payments. A comparison of the employee cost claimed is shown below.

**Table-7**  
**Comparison of the Employee expenses (Rs. lakh)**

Particulars	2019-20		2020-21		2021-22
	As per Truing Up Petition	Trued Up	As per Truing Up Petition	Trued Up	As per Truing Up Petition
Basic Salary	6.13	6.13	6.13	6.13	6.13
House Rent Allowance	3.91	3.91	3.91	3.91	3.91
Conveyance Allowance	1.68	1.68	1.68	1.68	1.68
Other Allowances	3.54	3.54	3.54	3.54	3.54
Provident Fund Contribution	0.77	0.77	0.77	0.77	0.77
Gratuity Payment	0.25	0.00	0.19	0.00	0.34
Others (Personal Accident)	0.23	0.23	0.20	0.20	0.42
<b>Gross Employee Expenses</b>	<b>16.53</b>	<b>16.26</b>	<b>16.43</b>	<b>16.24</b>	<b>16.80</b>
Less: Expenses Capitalised	5.61	6.61	-	-	-
Less Gratuity Payment	-	-	-	-	0.34
<b>Net Employee Expenses</b>	<b>10.91</b>	<b>10.66</b>	<b>16.43</b>	<b>16.24</b>	<b>16.46</b>

21. The licensee in the petition has submitted the employee wise detailed split up of the employee expenses for the year 2021-22 which is shown below.

**Table - 8**  
**Split up of the employee expenses for the year 2021-22 (Rs. lakh)**

Particulars	Assistant Director- Asset & Infrastructure	Deputy Manager-MEP	Deputy Manager-Accounts
Basic Pay	5.52	2.90	3.84
HRA	4.44	1.14	2.24
Conveyance	1.44	1.24	0.68
Children Education Allowance	1.92	0.68	1.07
Other Allowances	1.86	0.81	0.74
PF Employer Contribution	0.70	0.37	0.48
Medical Insurance / Expenses	0.36	0.16	0.20
Life Insurance / Expenses	0.05	0.02	0.03
Total	16.29	7.32	9.30
Grand Total	32.91		
50% of the salary considered for Licensee	<b>16.46</b>		

22. Commission had gone through the details submitted by the licensee. It is seen that there is no significant variation in the employee cost over the previous year. Considering the fact that the licensee has maintained only the very essential staff, ***the Commission hereby approves the employee cost of Rs.16.46 lakh for the year 2021-22.***

### **Repair and Maintenance Expenses**

23. The licensee in the petition has claimed Rs.21.09 lakh as R&M expenses for the year 2021-22. A comparison of the R&M expense of the licensee is tabulated below;

**Table-9**  
**Details of R&M expenses** (Rs Lakh)

Particulars	2019-20	2020-21	2021-22
	Claimed and Trued Up	Claimed and Trued Up	For Truing Up
Technical Executive	3.96	4.00	3.94
Electricians	8.93	8.19	8.46
Housekeeping Staffs	3.75	2.61	3.90
<b>Total</b>	<b>16.64</b>	<b>14.80</b>	<b>16.30</b>
Material & Services	2.87	1.67	4.79
<b>Grand Total</b>	<b>19.51</b>	<b>16.47</b>	<b>21.09</b>

24. The repair and maintenance expense claimed by the licensee includes Rs.16.30 lakh for the O&M cost of the outsourced agency and Rs.4.79 lakh for materials and services. As per the details submitted, there are seven employees of the outsourced O&M agency, which includes one Technical Executive, four Electricians and two Housekeeping Staffs. The licensee stated that the man power is utilized for operation and maintenance of two 33 KV substations in Land A & Land B.
25. ***Considering the fact that the operation and maintenance of the substation is outsourced to an agency appointed through competitive bidding process, the Commission approves the actual R&M expense of Rs.21.09 lakh incurred in the year 2021-22.***

### **A&G Expenses**

26. The A&G expenses claimed by the licensee as per the petition for truing up of accounts for 2021-22 is Rs.5.64 lakh. The actual expenses for the year 2020-21 was Rs.4.46 lakh which was approved by the Commission. Compared to the previous year, the main increase is on account of periodical inspection charges of Rs.0.85 lakh. Other than the inspection charges claimed, there is only a minimal increase in the A&G expenses compared to 2020-21. The split up of the claim made by the licensee is shown below.

**Table 10**  
**Comparison of A&G expenses** (Rs. Lakh)

Particulars	2019-20 Claimed and Trued Up	2020-21 Claimed and Trued Up	2021-22 For Truing Up
Insurance	0.90	1.05	1.13
Telephone & Postage, etc.	0.17	0.16	0.15
Audit Fees	0.20	0.25	0.25
Conveyance	-	0.14	0.04
Periodical Inspection charges	0.01	-	0.85
Water charges	0.09	0.10	0.12
Printing & Stationery	0.13	0.08	0.08
Advertisement			0.15
Bank Charges	1.54	1.46	1.49
Office Expenses	0.70	0.70	0.70

License Fee and other related fee	0.13	0.11	0.14
V-sat, Internet and related charges	0.20	0.20	0.21
Books & periodicals	0.00	0.00	0.00
Computer Stationery	0.03	0.01	-
Others -PPA, ARR	-	0.20	0.33
<b>Total A&amp;G Expenses</b>	<b>4.12</b>	<b>4.46</b>	<b>5.64</b>

27. The licensee has apportioned some expenses as part of A&G (10% to 15% of the total expense) such as Telephone & Postage, Water charges, Printing & Stationery, Office Expenses, V-sat, Internet and related charges. The details of the apportionment made by the licensee is shown below;

**Table 11**  
**Apportionment of A&G expenses for the year 2021-22 (Rs. lakh)**

Particulars	Total Expense	Apportionment %	Distribution Business Expense
Insurance	1.13	100%	1.13
Telephone & Postage, etc.	1.02	15%	0.15
Audit Fees	0.25	100%	0.25
Periodical Inspection charges	0.85	100%	0.85
Water charges	0.80	10%	0.12
Printing & Stationery	0.53	15%	0.08
Bank Charges	1.49	100%	1.49
Advertisement, exhibition publicity	0.15	15%	0.15
Office expenses	4.69	15%	0.70
License Fee and other related fee	0.14	100%	0.14
V-sat, Internet and related charges	1.35	15%	0.21
Books & periodicals	0.02	15%	0.00
Conveyance	0.04	100%	0.04
Others – PPA,ARR	0.33	100%	0.33
<b>Total A&amp;G Expenses</b>	<b>12.79</b>		<b>5.64</b>

**28. After considering the licensee's submission, the Commission hereby approves the actual A&G expenses of Rs.5.64 lakh for the year 2021-22.**

**O&M Expenses Approved**

29. The O&M expense, which is inclusive of Employee costs, R&M expenses, and A&G expenses, approved by the Commission for the year 2021-22, is Rs.43.19 lakh as shown in table below.

**Table 12**  
**O&M Expenses approved for 2021-22 (Rs. lakh)**

O&M Expenses	Approved in ARR	Truing Up Petition	Trued Up
Employee expenses	49.61	16.46	16.46
R&M expenses		21.09	21.09
A&G expenses		5.64	5.64
<b>Total O&amp;M expenses</b>	<b>49.61</b>	<b>43.19</b>	<b>43.19</b>

**30. The Commission hereby approves the O&M expenses of Rs.43.19 lakh for the year 2021-22 as claimed by the licensee.**

## Depreciation

31. The depreciation claimed by the licensee in the petition for Truing Up of Accounts for the year 2021-22 is Rs. 78.87 lakh. The Commission while truing up the accounts for the year 2020-21 had provisionally approved depreciation of Rs.78.87 lakh. The depreciation claimed by the licensee as per the petition for Truing Up of Accounts 2021-22 is detailed below;

**Table-13**  
**Depreciation claimed for the year 2021-22 (Rs.lakh)**

Asset Group	Rate of depreciation (%)	Gross Fixed assets		Depreciation		
		At the beginning of the year	Addition during the year	Cumulative in beginning of the year	Additions during the year	Cumulative at the end of year
Land & land rights	1.01%	21.14	0.00	1.06	0.21	1.27
Other Civil works	3.34%	206.38	0.00	10.86	6.89	17.75
<b>HV distribution system</b>						
Distribution lines	5.28%	286.86	0.00	23.86	15.15	39.01
Transformers	5.28%	123.78	0.00	10.30	6.54	16.84
Switchgears, Control gear & Protection	5.28%	229.34	0.00	27.06	12.11	39.17
Batteries	5.28%	9.26	0.00	0.77	0.49	1.26
Others	5.28%	247.75	0.00	27.14	13.08	40.22
<b>LT distribution system</b>						
Distribution lines	5.28%	95.60	0.00	22.58	5.05	27.63
Transformers	5.28%	87.35	0.00	20.74	4.61	25.35
Switchgears, Control gear & Protection	5.28%	61.26	0.00	13.93	3.23	17.16
Batteries	5.28%	4.92	0.00	1.30	0.26	1.56
Others /DG	5.28%	200.24	0.00	49.69	10.57	60.26
Meters	5.28%	7.47	0.00	0.83	0.39	1.22
IT Equipments	15.00%	1.86	0.00	1.15	0.28	1.43
<b>Total</b>		<b>1583.23</b>	<b>0.00</b>	<b>211.28</b>	<b>78.87</b>	290.15

32. The Commission has examined the details furnished by the licensee and observes that, the claim is based on the Tariff Regulations, 2018. Accordingly, ***the Commission hereby approves the depreciation of Rs.78.87 lakh as claimed by the licensee for the year 2021-22.***

## Interest and Finance Charges

33. The licensee in the petition has projected Rs.6.15 lakh as interest and finance charges and Rs.2.95 lakh as interest on security deposit. The Commission while truing up the accounts for the year 2020-21 had approved the change in the capital structure as 100% Debt Capital and had directed licensee to file a separate petition before the Commission for redetermination of provisionally approved interest and finance charges for the years 2015-16 to 2019-20, based on the changes approved in the capital structure. The interest and finance

charges for the year 2020-21 was also deferred. The licensee has not yet filed the petition before the Commission. Accordingly, the Commission is not in a position to address the issue and **directs the licensee to file a separate petition for reconsidering the provisionally approved/deferred interest and finance charges without delay.**

34. An amount of Rs.2.95 lakh has been claimed as Interest on consumer security deposit for the year 2021-22. **The Commission has considered the claim made by the licensee and approves Rs.2.95 lakh as interest on security deposit paid to consumers.**
35. The Commission had in the Trued-up Order 2020-21 approved Rs.516.07 lakh as the cumulative revenue gap till 2020-21. The Carrying cost of cumulative revenue gap is to be allowed considering the cost of funds actually incurred by the entity for funding the revenue gap. The rate of interest to be considered for computing the carrying cost is at the rate of 5.00% per annum (the retail term deposit rate of SBI for tenure of one year as on 01-04-2021). **Accordingly, the carrying cost for past revenue gaps to be considered for an amount of Rs.516.07 lakh works out to Rs.25.80 lakh (Rs.516.07 lakh\*5.00%).**
36. **Thus, the Commission provisionally approves an amount of Rs.28.75 lakh as interest and finance charges for the year 2021-22.**

#### **Return on Equity / Net Fixed Assets**

37. The licensee in the petition has not claimed any return on equity/RoNFA for the year 2021-22. Regulation 28 of the Tariff Regulation clearly specifies the methodology of allowing Return on Equity. Based on the change in the capital structure, the equity invested in the regulated business is not clearly identifiable and therefore the licensee is eligible for Return on Net Fixed Assets instead of Return on Equity. Return at the rate of three percent shall be allowed on the net fixed assets at the beginning of the financial year. Considering the change in the capital structure, the Commission had directed the licensee to file separate petition for determining RoNFA. Since the licensee has not yet filed the petition before the Commission, the Commission is not in a position to address the issue and accordingly directs the licensee to file the petition without further delay. Therefore, the **Commission defers the approval of return on net fixed assets for the year 2021-22 and directs the licensee to file a separate petition for approval of return based on the revised Capital structure, with all relevant details.**

#### **Revenue from Sale of Power**

38. The total revenue from sale of 37.33 lakh units in 2021-22 is Rs.364.78 lakh. The Commission in the Order on ARR&ERC had approved sale of 127.89 lakh

units for a total revenue of Rs.993.25 lakh. Category wise comparison of the revenue from sale of power for the year 2020-21 and 2021-22 are as shown below.

**Table-14**  
**Comparison of Revenue from Sale of Power**

Tariff Category	2020-21 – Trued Up			2021-22 Truing up		
	Energy sales units (In lakh)	Revenue from Sales (Rs. lakh)	Avg. realization (Rs/kWh)	Energy sales units (In lakh)	Revenue from Sales (Rs. lakh)	Avg. realization (Rs/kWh)
LT IV (B) -Industrial IT &IT Enabled	15.26	128.83	8.44	14.95	127.12	8.50
LT VI (F) -Construction	4.74	54.62	11.52	5.08	61.24	12.06
HT I (B)	4.42	48.83	11.05	11.17	102.85	9.21
HT II (B)	4.33	59.48	13.74	6.13	73.57	12.00
<b>TOTAL</b>	<b>28.75</b>	<b>291.76</b>	<b>10.15</b>	<b>37.33</b>	<b>364.78</b>	<b>9.77</b>

39. The Commission has examined the claim made by the licensee and notes that there is increase in the sales and revenue compared to previous year which in turn shows signs of recovery from the general industrial slowdown due to the Covid-19 pandemic. **Accordingly, the Commission hereby approves the revenue from sale of power at Rs. 364.78 lakh as claimed by the licensee for the purpose of Truing Up of Accounts for the year 2021-22.**

#### Non-tariff income

40. The licensee has claimed non-tariff income of Rs.7.61 lakh for the year 2021-22. The non-tariff income has increase compared to the previous year. The split-up details of Non-Tariff income claimed are shown below.

**Table 15**  
**Comparison of Non-Tariff Income (Rs.lakh)**

Particulars	2020-21 Claimed and Trued Up	2021-22 For Truing Up
Interest on security deposits	4.15	5.93
Commission for collection of electricity duty	0.15	0.15
Interest on delayed or deferred payment of bills	0.45	0.63
Application fee (Renewable Energy)	0.01	0.90
<b>Total</b>	<b>4.76</b>	<b>7.61</b>

41. The Balance Sheet of power distribution business of the licensee showed an amount of Rs.30.00 lakh towards security deposit with KSEB Ltd under the head 'loan & advances' and Rs.71.69 lakh under fixed deposits in bank taken for issuing Bank guarantee and letter of credit to KSEB Ltd towards security deposit. **The Commission considers the claims and approves Rs.7.61 lakh as non-tariff income for the year 2021-22.**

42. Based on the above, the provisionally approved expenditure and revenue for the year 2021-22 after Truing Up is as shown below:

**Table 16**  
**Income and Expenditure Statement after**  
**Truing Up of Accounts of 2021-22 (Rs.lakh)**

Particulars	2021-22		
	ARR Order	Truing Up Petition	Trued Up
Purchase of power	830.63	335.57	335.57
Employee Cost	49.61	16.46	16.46
R&M Expenses		21.09	21.09
A&G Expenses		5.64	5.64
Depreciation	-	78.87	78.87
Interest and financing charges	-	2.90	28.75
Return on equity/NFA	-	-	-
<b>Total Expenditure</b>	<b>880.24</b>	<b>466.73</b>	<b>486.38</b>
Revenue from sale of power	993.25	364.78	364.78
Other income	6.36	7.61	7.61
<b>Total income</b>	<b>999.61</b>	<b>372.39</b>	<b>372.39</b>
<b>Revenue(Gap)/surplus</b>	<b>119.37</b>	<b>(94.34)</b>	<b>(113.99)</b>

#### Revenue (Gap)/Surplus for 2021-22

43. Accordingly, as against the approved Revenue surplus of Rs.119.37 lakh for the year 2021-22, the licensee in the petition for Truing Up of Accounts has claimed a Revenue Gap of Rs.94.34 lakh. The provisionally approved Revenue (Gap)/ Surplus for the year 2021-22 after Truing Up the accounts is as shown below.

**Table 17**  
**Provisionally Revenue (Gap)/ Surplus Approved for the year 2021-22**

Particulars	ARR Approved (Rs. lakh)	As per Truing Up Petition (Rs. lakh)	Trued Up (Rs.lakh)
Total Income	999.61	372.39	372.39
Total Expenditure	880.24	466.73	486.38
Revenue (Gap)/Surplus	<b>119.37</b>	<b>(94.34)</b>	<b>(113.99)</b>

#### Orders of the Commission

44. The Commission after considering the petition filed by M/s. Smart City for Truing Up of Accounts for the year 2021-22, views presented by the licensee during the hearing and the clarifications and details provided by the licensee, approves the following:

- a) Total income is Rs.372.39 lakh**
- b) Total provisional expenditure is Rs.486.38 lakh**
- c) The provisional revenue gap for the year 2021-22 is Rs.113.99 lakh**
- d) Total provisional cumulative revenue gap till 2021-22 will be Rs.630.06. lakh (Rs.516.07 lakh as opening cumulative revenue gap + current year provisional revenue gap of Rs.113.99 lakh)**

**Directives**

45. The Commission issues the following directives for compliance by the licensee.
- a) The licensee shall make sure that the infrastructure created is utilized at optimum level in order to make the licensee's operations more cost effective.
  - b) The licensee is directed to file a separate petition before the Commission for redetermination of provisionally approved/deferred interest and finance charges and return on equity/ RoNFA based on the changes approved in the capital structure.
46. 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