

**KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM**

Petition No: OP 79 / 2023

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

In the matter of : Petition for approval of truing up of accounts for the financial year 2022-23

Petitioner : M/s Thrissur Corporation Electricity Department

Represented by : Sri.Krishnakumar, Assistant Secretary
Sri. T.S Jose, Electrical Engineer
Sri. Sreenath K, Consultant

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

Date of Hearings : 14.02.2024

Venue : Court Hall, Office of the Commission

Order Dated 04.11.2024

1. M/s Thrissur Corporation Electricity Department under Thrissur Municipal Corporation (*hereinafter referred as TCED or the Licensee*) is a deemed distribution licensee under the Electricity Act, 2003, having an operational history since August 1937, when the generation & distribution business of Cochin State Power & Light Corporation Ltd was purchased by the then Thrissur Municipality. The current license area of the TCED corresponds to the administrative limits of the old Thrissur Municipality covering an area of approximately 12.65 sq.km.
2. The Commission had notified the KSERC (Terms and Conditions for Determination of 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 2022-23 as per the provisions of the KSERC (Terms and Conditions for determination of Tariff) Regulations 2021. The present petition is for the first year of the Control Period. The Commission vide Order in OP No 56/2022 dated 27.02.2024 has approved the ARR&ERC for the Control Period. In the

petition for truing up the accounts based on audited accounts, the licensee has claimed a **revenue gap of Rs.14.07 lakh** compared to revenue surplus of Rs.543.67 lakh approved by the Commission in the Order on ARR&ERC.

3. A comparison of the ARR approved in the Order dated 27-02-2024 and the Truing up claim for the financial year 2022-23 as per the petition along with the trued-up figures for the year 2021-22 is shown below:-

Table 1
Comparison of ARR&ERC for the period 2021-22 & 2022-23 (Rs.lakh)

Particulars	2021-22			2022-23	
	Approved ARR&ERC	Truing up petition	Trued Up	Approved ARR&ERC	Truing up petition
Power Purchase Cost	12008.41	9511.93	9511.93	11591.52	11632.97
Employee cost	1259.05	1273.18	1259.05	1315.13	1081.96
Provision	-	107.07	-	-	127.50
Prior Period Employee Cost	-	-	1200.92	-	-
R&M Expenses	94.51	74.51	74.51	98.71	79.31
A&G Expenses	91.80	221.20	91.80	106.85	304.42
Depreciation	198.81	207.39	207.39	207.39	231.88
Prior Period Depreciation	-	-	1.05	-	-
Interest and FinanceCharges	255.18	168.60	158.08	174.21	174.21
Return on NFA	55.61	89.30	89.30	155.60	148.91
Total Expenditure	13963.37	11653.18	12594.03	13649.41	13781.16
Revenue from sale of power	13609.25	11033.50	11033.50	13237.58	13237.58
Other income	1194.13	570.44	1001.90	955.50	529.51
Total income	14803.38	11603.94	12035.40	14193.08	13767.09
Revenue Surplus (+)/ Gap (-)	(+)840.01	(-)49.24	(-)558.63	543.67	(-) 14.07

4. The Commission admitted the petition as **OP No. 79/2023**.

Public Hearing on the Petition

5. The hearing on the petition for the Truing Up of Accounts for the year 2022-23 was conducted at the Court Hall, Office of the Commission on 14-02-2024. The licensee was represented by Sri.Krishnakumar, Assistant Secretary, Sri. T.S Jose, Electrical Engineer, Sri. Sreenath.K, Consultant and other officers of the licensee. Sri. Rajan, Deputy Chief Engineer, TRAC and Sri. Ajith Kumar K.N, Executive Engineer represented KSEB Ltd.
6. Sri. Sreenath.K, presented the petition before the Commission and replied to the queries of the Commission. The main points mentioned in the presentation are briefed below.

- a) The number of consumers during the year was 41831 and the actual sales is 1483.61 lakh units.
- b) The energy purchased from KSEB Ltd was 1586.05 lakh units. The energy generated by the solar PV of the licensee was 5.50 lakh units and purchase of energy from prosumers was 5.15 lakh units. The actual distribution loss claimed is 7.08%.
- c) The licensee has claimed the purchase of power of 1591.20 lakh units for the year 2022-23 at a total cost of Rs.11632.97 lakh.
- d) The employee cost claimed by the licensee for the year is Rs. 1081.96 lakh. An additional amount of Rs. 127.50 lakh has been claimed towards Provision for Pay Revision.
- e) The R&M expenses claimed for the year is Rs79.31 lakh as against Rs.98.71 lakh approved in the ARR.
- f) The A&G expenses claimed by the licensee is Rs.304.42 lakh as against Rs.106.85 lakh approved in the ARR. The licensee has claimed Rs.59.68 lakh as rent for the building and Rs.87.38 lakh as Section 3(1) duty.
- g) The licensee during the year has made total asset addition of Rs.137.29 lakh towards Plant & Machinery, Furniture and Fittings, Cables etc and a deduction of Rs.35.52 lakh was also claimed. The net addition in the fixed asset register is Rs.101.77 lakh
- h) The licensee has booked depreciation of Rs.235.35 lakh for the year in the straight-line method as per the provisions of the regulations.
- i) The licensee has claimed interest and finance charges of Rs.174.21 lakh towards interest on security deposits at the interest rate of 4.25%.
- j) The licensee has claimed Rs.148.91 lakh as return on net fixed assets for the financial year 2022-23 at the rate of 5.5% of Net Fixed Assets.
- k) The revenue from sale of power of 1483.61 lakh units is Rs.13237.58 lakh. The major sale of power and revenue realisation is from LT I A, LT VII A, HT II B and HT IV category of consumers.
- l) The non-tariff income booked by the licensee for the year is Rs.529.51 lakh.
- m) The licensee has claimed a revenue deficit of Rs.14.07 lakh for the year 2022-23 as against the revenue surplus of Rs.543.67 lakh approved in the Order on approval of ARR&ERC.

7. KSEB Ltd vide letter dated 13.02.2024 submitted their written comments. The major points raised by KSEB Ltd are the following:
- a) The T&D loss approved by the Commission was 6.70%. As against this, the licensee has claimed T&D loss of 7.08%. Distribution loss may be limited to the approved level.
 - b) The O&M expenses claimed in truing up petition may be approved after prudence check as the O&M expenses are controllable expenses.
 - c) The Commission in previous truing up Orders disallowed Section 3 Duty and the claim of the licensee on Electricity Duty may be disallowed.
 - d) An appropriate decision may be taken with regard to the rent to be allowed to the licensee under A&G expenses.
 - e) Since the A&G expenses claimed are higher, the same may be limited to the norms approved by the Commission.
 - f) Asset additions made during 2022-23 may be approved after examining the justification and documents supporting the additions.
 - g) Depreciation and RoNFA may be allowed only after prudence check of asset additions made by the licensee and justification in the matter.
 - h) The licensee has not considered any interest on the accumulated surplus which needs to be considered as part of the non-tariff income.

Analysis and decision of the Commission

8. The Commission has carefully considered the petition for Truing Up of Accounts for the year 2022-23, the clarifications submitted by the licensee, the counter statements furnished by KSEB Ltd, the views presented by the licensee during the hearing and additional clarifications submitted by the licensee. The analysis and decisions of the Commission on the petition for truing up of accounts for the Financial Year 2022-23 are detailed below.

Energy Sales and Consumer mix

9. The number of consumers during the year 2021-22 was 41068 which has increased to 41831 in the year 2022-23 ie an increase of 763 consumers. The actual sale during the year 2022-23 is 1483.61 lakh units. The actual sale during the year 2021-22 was 1291.60 lakh units. There is increase in the sales and the number of consumers compared to the previous year. The comparison of the actual number of consumers and energy sales claimed for the year 2022-23 with that of trued up figures for 2021-22 is shown below:

Table 2
Comparison of No of Consumers and Sales in 2021-22 and 2022-23

Particulars	2021-22		2022-23	
	Number of consumers	Units Sold in lakhs	Number of consumers	Units Sold in lakhs
LT Categories				
LTI	22161	415.48	22526	400.99
LT IV A	497	27.66	484	32.44
LT IV B	1	0.04	2	0.24
LT V A	189	0.49	185	0.53
LT V B	2	0.04	2	0.01
LT VI A	254	17.32	249	21.59
LT VI B	463	23.29	473	24.93
LT VI C	494	40.77	501	47.34
LT VI D	30	0.72	31	0.78
LT VI E	39	0.64	43	0.65
LT VI F	685	48.62	722	50.02
LT VI G	78	10.23	78	10.70
LT VII A	14186	318.69	14361	421.46
LT VII B	1493	5.90	1656	7.22
LT VII C	9	0.42	13	1.49
LT VIII B	274	11.72	292	12.12
LTII	1	0.01	1	0.00
LT IX	80	0.47	76	0.70
LT III	1	0.00		0.62
LT X	-	-	2	0.08
HT Categories				
HT- I A	4	5.20	5	6.73
HT- II A	7	16.11	8	20.58
HT- II B	30	163.91	31	175.20
HT- IV A	53	97.80	53	130.85
HT- IV B	36	81.93	36	111.83
SPS	1	3.01	1	3.22
Self-consumption		1.11		1.30
Total	41068	1291.60	41831	1483.61

10. Compared to the previous year, major increase in LT consumer sales is for LT VII A category and for HT consumer sales is for HT II B, HT IV A and HT IV B category of consumers. This shows that the economic activity has improved and has recovered from the slowdown. Considering the significant improvement in the sales, ***the Commission hereby approves the actual energy sales of 1483.61 lakh units as per petition for the purpose of Truing up of Accounts for the financial year 2022-23.***

Energy requirement and Distribution Loss

11. As per the Truing Up petition of 2022-23, the energy purchased from KSEB Ltd was 1586.05 lakh units, the energy generated by the solar PV of the licensee

was 5.50 lakh units and purchase of energy from prosumers was 5.15 lakh units. Accordingly, the total energy input for the year 2022-23 is 1596.70 lakh units. The licensee has claimed a distribution loss of 7.08% as against an approved loss of 6.70% in the ARR&ERC Order dated 07.02.2024. The comparison of Energy Requirement and Distribution Loss as per the petition are as shown below.

Table 3
Comparison of Energy Purchase and Distribution Loss

Particulars		2020-21	2021-22	2022-23	
		Claimed and Trued Up	Claimed and Trued Up	Approved in ARR&ERC Order	For truing up
1	Energy Requirement (lakh units)				
	(a) Purchase from KSEB Ltd	1293.30	1375.90	1579.55	1586.05
	(b) Self-generation (solar)	5.60	5.30	5.50	5.50
	(c) Solar energy purchase	2.50	3.10	5.10	5.15
	Total	1301.40	1384.30	1590.15	1596.70
2	Energy sales (lakh units)	1211.90	1291.60	1483.61	1483.61
3	Distribution loss (lakh units) (1-2)	89.50	92.70	106.54	113.09
4	Distribution loss (%)	6.87%	6.70%	6.70%	7.08%

12. The energy banked by the solar prosumers and the own generation of TCED are taken into consideration for computation of distribution loss. The licensee has stated that, in order to curtail the loss, the licensee has started conducting regular annual energy audits and submit the same to the BEE and PFC and implementing the recommendations of the audit. The licensee has also stated that the T&D loss approved by the Govt of Kerala vide Corrigendum number 6474/10/PD dated 18/12/2015 is 8.00%. The licensee has requested the Commission to reset the T&D loss reduction targets according to the corrigendum approved by Govt of Kerala.
13. Commission has analysed the submissions made by the licensee. Compared to the previous year, the distribution loss is higher than that of the previous year. The distribution loss was showing a reducing trend and now had peaked up, which is not a prudent practice. Distribution loss is a controllable parameter as per Tariff Regulations, 2021. Regulation 73(3) clearly specifies the methodology to be considered to account for any variation between the actual level of distribution loss and the approved level of the distribution loss. The relevant portions of the Regulation are as shown below:

73. Distribution loss...

.....

(3) Any variation between the actual level of distribution loss and the approved level of the distribution losses shall be dealt with, as part of the truing up of the respective financial year 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 purchase 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 the power purchase cost corresponding to the difference in distribution loss for that financial year at the average cost of power purchase for the respective financial year, shall be shared between the distribution business/licensee and the consumers in the ratio of 2:1

14. Considering the fact that the licensee during previous years has achieved a lower distribution loss, the Commission is of the considered view that the loss of 6.70% as approved in the Order for ARR&ERC, is to be considered for truing up also. **Accordingly, the Commission hereby approves the distribution loss of 6.70% for the year 2022-23 and accordingly adjusts the power purchase cost at the average cost of power purchase. The Commission also directs the licensee to continue all efforts to reduce the distribution loss.** Considering the approved distribution loss of 6.70%, the approved energy requirement for the year 2022-23 is as shown below:

Table 4
Approved Energy input & Distribution Loss for the year 2022-23

Particulars	Approved in ARR	As per Truing up petition	Trued up
Energy Sales (lakh units) (1)	1483.61	1483.61	1483.61
Distribution Loss (%)	6.70	7.08	6.70
Distribution Loss (lakh Units)	106.54	113.09	106.54
Energy Requirement (lakh units)	1590.15	1596.70	1590.15
Self- Solar Generation (lakh units)	5.50	5.50	5.50
Solar Energy from Prosumers (lakh units)	5.10	5.15	5.15
Energy purchase from KSEB Ltd (lakh units)	1579.55	1586.05	1579.50

Power Purchase Cost

15. In the Truing Up petition, the cost claimed for the purchase of power of 1591.20 lakh units for the year 2022-23 is Rs.11632.97 lakh. Out of this, Rs.11619.12 lakh is towards purchase of energy from KSEB Ltd and Rs.13.85 lakh for energy purchased from solar prosumers. The licensee has stated that the solar energy purchased from consumers is 5.15 lakh units @2.69 per unit, the average power purchase cost approved by the Commission. The Commission in the ARR&ERC Order for the year 2022-23 approved the power purchase cost of Rs.11591.52 lakh for purchasing 1584.65 lakh units. The details of power purchase cost as per the petition is given below:-

Table 5
Details of Power Purchase Cost for the year 2022-23

Source	Energy purchased (lakh units)	Fixed charge (Rs.lakh)	Energy charges (Rs.lakh)	Incentive (Rs.lakh)	Total cost (Rs.lakh)	Average cost (Rs./kWh)
KSEB Ltd	1586.05	1488.46	10135.22	4.56	11619.12	7.33
Solar energy from prosumers	5.15		13.85		13.85	2.69
Total	1591.20	1488.46	10149.07	4.56	11632.97	7.31

16. The Commission has examined the power purchase cost claimed by the licensee. The total energy purchased includes the power purchased from KSEB Ltd and solar energy purchased from prosumers.
17. The solar energy purchased from consumers is 5.15 lakh units @2.69 per unit, costing Rs.13.85 lakh. The Commission examined the submission of the licensee to approve the purchase cost for solar energy at the average power purchase cost approved by the Commission i.e., Rs.2.69/unit. ***The Commission approves the amount of Rs.13.85 lakh towards cost of solar power purchase from the prosumers during the year 2022-23 as claimed by the licensee.***
18. Considering the approved distribution loss, the quantum of power purchase corresponding to the excess distribution loss is disallowed at the average cost of power purchase and the approved power purchase cost is shown below;

Table 6
Details of the cost of power purchase approved for 2022-23

Particulars	
Actual distribution loss at 7.08% (lakh units) (1)	113.09
Energy loss at approved distribution loss at 6.70% (lakh units) (2)	106.54
Excess distribution Loss (lakh units) (1-2)	6.55
Average power purchase cost from KSEB Ltd Rs. /kWh	7.33
Excess distribution Loss at average power purchase cost (Rs. lakh) (3)	48.01
Actual Power purchase cost (Rs. lakh) (4)	11632.97
Approved Power purchase cost (Rs. lakh) (4-3)	11584.96

19. ***Accordingly, the Commission hereby approves Rs.11584.96 lakh as the cost of power purchase for the year 2022-23.***

O & M Expenses

20. Operation & Maintenance expenses are controllable expenses and include expenses of Employee cost, Administrative & General Expenses and Repair & Maintenance Expenses. Regulation 80 (2) of the Tariff Regulations, 2021, clearly specifies that the distribution licensees shall be allowed to recover the operation and maintenance expenses as per the norms specified in Annexure 7 of the Regulations. The Commission as per the above Regulation

of the Tariff Regulations, 2021 had approved the licensee to recover O&M costs of Rs.1520.70 lakh as per norms for the year 2022-23. The licensee has claimed as O&M expenses Rs.1465.69 lakh in the petition. The Operation and Maintenance expenditure claimed for the year 2022-23 is lower than the norms approved in the Tariff Regulations, 2021. The comparison of O&M expenses over the years are shown below:

**Table 7
Comparison of O&M Expenses (Rs.lakh)**

Particulars	2020-21		2021-22		2022-23	
	Truing up petition	Trued Up	Truing up petition	Trued Up	Norms	Truing up petition
Employee Cost	1267.37	1200.92	1273.18	1259.05	1315.13	1081.96
R & M Expenses	89.91	89.91	74.51	74.51	98.71	79.31
A & G Expenses	217.24	87.56	221.20	91.80	106.85	304.42
Total	1574.52	1378.39	1568.89	1425.36	1520.70	1465.69

21. The table above shows that, the actual employee cost and R&M expenses are lower than the norms, whereas the A&G expenses are higher than the approved norms. The Commission has analyzed each of the components submitted by the licensee. The details are given below:

Employee cost

22. The employee cost claimed by the licensee for the year 2022-23 is lower than the norms approved in the Tariff Regulations 2021. As per the details provided in the petition, the employee cost for the year is Rs.1081.96 lakh as against the norms of Rs.1315.13 lakh. The comparison of employee cost of the licensee is shown below.

**Table 8
Comparison of Employee Cost (Rs. lakh)**

Particulars	2020-21		2021-22		2022-23	
	Truing up claim	Trued Up	Truing up claim	Trued Up	Norms	Truing up claim
Basic Salary	808.70	1200.92	741.48	1259.05	1315.13	743.43
Earned Leave Encashment	52.84		54.57			40.87
Employer Contributions	12.43		17.18			13.13
Other Allowances	0.31		3.57			3.36
Bonus/Festival Allowance	6.17		7.06			8.99
Pension Payments	86.44		87.18			87.37
Stipend and Wages	127.68		182.42			179.01
Grade promotion Arrear	16.91		2.19			5.80
Pensioners' Pay Revision Arrear	155.89		-			-
DA Arrear	-		177.53			-
Gross Employee Expenses	1267.37	1200.92	1273.18	1259.05	1315.13	1081.96

23. The major claim of the licensee included basic salary, Earned Leave Encashment, Pension Payments and Stipend and Wages. The licensee had stated that, as per the pay revision order 2013, the DA declared in KSEB Ltd is only allowed to TCED employees and the DA declared by the government from time to time is not given to TCED employees. The pay revision order 2018 of KSEB Ltd is so far not implemented in TCED and is still under the consideration of Govt. of Kerala and that is the main reason for the reduced employee cost when compared to the previous financial year. The pension disbursement made by TCED from its own fund to the retired employees is accounted as loans and advances receivable from the government and is not included under employee cost.
24. The licensee has claimed an additional amount of Rs.127.50 lakh as a provision for pay revision. The Commission over the years have been taking the stand that any provision created for discharging any future liability cannot be claimed in the truing up petition and had stated that the expense can only be allowed during the year in which the actual payment is made. **Accordingly, the said provision created for the pay revision is not allowed.**
25. The licensee had filed petition before the Commission for the approval of the employee cost detailing the required/available employee strength, qualifications, experience, scale of pay, number engaged in shifts, etc. to arrive at the optimal employee strength. The Commission vide Order dated 19.03.2024 in OP 52/2023 had directed TCED to conduct a need-based work study taking into account technological advancements and phased adoption of new technologies in the near future, by engaging a competent agency to assess the staff requirement for the optimum utilisation of its manpower, with proposals to utilise the excess manpower to the activities of Thrissur Municipal Corporation. It was further directed to submit a copy of the study report along with the recommendations to the Commission. The licensee vide letter dated 20.06.2024 submitted that, the licensee had floated tender for conducting a work study and the work will be awarded soon after getting the administrative sanction from Corporation Council.
26. The Commission has examined the submission of the licensee and noted the fact that the licensee has limited the employee cost to a level lower than the norms fixed by the Commission. The major reason for reduction of employee cost compared to past two financial year is that there was no Pay Revision arrear and DA arrear incurred during the current year. Though there is decrease in the total employee cost as such, the Commission notes that there has not been any decrease in the number of employees and no redeployment is seen being done for the optimum utilisation of its manpower by the licensee.

27. The Commission hereby directs the licensee to maintain control over the expenses associated with employee cost. ***Considering the details submitted and the actual employee cost being within the norms fixed, the Commission hereby approves the actual employee expenses of Rs.1081.96 lakh for 2022-23.***

Repair and Maintenance Expenses

28. The licensee in the petition has claimed Rs.79.31 lakh as the R&M expenses for the year 2022-23 as against the norm of Rs.98.71 lakh. The comparison of the R&M expenses is shown below.

**Table 9
Comparison of R&M Expenses (Rs. lakh)**

Particulars	2020-21	2021-22	2022-23	
	Claimed and Trued up	Claimed and Trued up	ARR Approved	For Truing Up
Plant & Machinery	29.71	18.34	98.71	15.82
Buildings	-	0.08		0.96
Labour Works	-	4.83		0.47
Lines & Cable Networks	49.52	40.67		47.26
Vehicles	2.10	2.26		1.82
Furniture & Fixtures	0.03	0.98		1.26
Office & IT Equipment	8.55	7.35		11.71
Gross R&M Expenses	89.91	74.51		98.71

29. The major expenses booked under R&M is for Plant & Machinery, Lines & Cable Networks and Office Equipment. The claim for the current year is lower than the norms specified by the Commission. During the previous year, the actual R&M expense claimed was Rs.74.51 lakh which was approved by the Commission and noted that reducing R&M expenses without properly maintaining the equipment is not a prudent practice. The Commission also directed the licensee to maintain the equipment as per required standards and effective functioning of the equipment.

30. ***The Commission has duly considered the submission made by the licensee and hereby approves the actual amount of Rs.79.31 lakh as R&M expense for the year 2022-23.***

A&G Expenses

31. The A&G expenses claimed for the year 2022-23 is Rs.304.42 lakh which is significantly higher compared to the normative amount of Rs.106.85 lakh. The major amounts booked as part of administrative and general expenses are the rent, conveyance and vehicle expenses, security and staff wages, PET testing

charges, printing and stationery expenses and duty under Section 3 of the Kerala Electricity Act 1963. A comparison of the claims made over the years is tabulated below;

Table 10
Comparison of A&G Expenses (Rs lakh)

Particulars	2020-21		2021-22		2022-23	
	Truing up claim	Trued Up	Truing up claim	Trued Up	ARR Approved	Truing up claim
Rent Rates & Taxes	50.58	Approved as per norms 87.56	50.58	Approved as per norms 91.80	Approved as per norms 106.85	59.68
Insurance	2.54		1.85			4.04
Telephone & Postage, etc.	7.55		5.51			5.82
Legal charges	0.65		0.91			3.24
Consultancy charges	1.91		5.01			12.91
Other Professional charges	6.82		6.67			8.79
Conveyance	23.41		23.55			27.47
Water charges	-		1.02			0.59
Printing & Stationery	11.36		7.47			4.16
Advertisements, exhibition publicity	1.26		2.90			6.82
Training expenses	-		0.18			0.58
Miscellaneous Expenses	2.41		2.30			7.92
Bank Charges	-		-			6.83
License Fee and other related fee	7.17		7.00			4.22
Accident Compensation	-		-			10.16
Others	22.36		22.58			2.89
Security Staff Wages	-		-			19.51
Self-Consumption	7.71		7.73			9.26
PET test	-		-			22.15
Gross A&G Expenses	145.73					145.25
Ele. Duty u/s 3(l), KED Act	71.52		75.95			87.38
Net A&G Expenses	217.25	87.56	221.20	91.80	106.85	304.42

32. The rent claimed for the year 2022-23 is Rs.59.68 lakh. The licensee has not clearly submitted the details to justify the methodology adopted for calculating the rent. The licensee had until 2019-20 claimed rent at the rate of Rs.172.03 lakh per annum. The Commission had disallowed the claim and had directed the licensee to finalise rent as per the PWD rates. During 2021-22, the licensee had claimed Rs.50.58 lakh as rent for the building which is stated as calculated by authorised engineers of the Corporation based on G.O (Rt.) No/.269/2016/PWD. The licensee has stated that rent of the yard occupied for substations and store were calculated proportional to market value of the property. The Commission viewed that the estimation of rent by the engineers of the Corporation was not proper and prudent and had directed the licensee to approach PWD for fixing the rent on a reasonable manner as per the PWD rates. The licensee had stated that Hon'ble Mayor has initiated steps

to reevaluate the rent factor, whereas has not submitted details with regard to justifying the rent. The licensee vide letter dated 22.02.2024 requested the Commission to allow some more time to finalise the rent as the Corporation Council has now taken a lenient stand.

33. The Commission again directed vide letter dated 12.07.2024 the licensee to furnish detailed year wise calculation for the period from 2011-12 onwards for taking a final decision on the rent claimed by the licensee from time to time. In compliance with the directions, the licensee vide letter dated 09.08.2024 filed a detailed calculation of annual rent for the period from 2014-15 to 2022-23. A comparison of the rent claimed as per Truing up petitions and rent as per the detailed calculation statements is given below:

Table 11
Comparison Statement of Rent on buildings claimed (Amount ₹ in lakh)

Year	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
As per Truing up petition	172.03	172.03	172.03	172.03	172.03	172.03	50.58	50.58	59.68*
As per detailed calculation	12.58	45.45	44.86	44.27	44.50	40.28	46.08	42.86	44.09

*the claim has been subsequently revised to ₹56.78 lakh

34. The Commission has gone through the detailed calculation statements and observed that the rent is refixed every year and consisted of two components viz. Rent of land calculated based on the fair value of the land published by the Revenue authorities from time to time and Rent of building calculated based on the Plinth area rates as per Delhi PAR 2019 from time to time. It is also noticed that the rent is calculated following the PWD guidelines for fixing the rent of private buildings taken for Government offices though buildings owned by Thrissur Corporation do not come under private buildings. The Commission further noticed that the same Plinth Area Rate (₹23500/25500) and the rate for cost of Internal water supply and sanitary arrangements (4%), cost of external service connections (5%) and cost of internal electrical installations (12.5%) adopted for working out the value of the Corporation office main building is also applied while working out the value of Building in respect of Paravattani Store building and Rent (6% of value of building) is calculated accordingly irrespective of the fact that one is a multistoried Office building (age 74 years) and the other is a store building (age 21 years). Besides, in respect of Paravattani Store building the Cost Index adopted for the year 2020-21 is 160% whereas for other buildings the Cost Index adopted is 136%. The Commission noticed wide fluctuation in the monthly rent calculated as shown below:

Table 12
Statement showing Monthly Rent and Annual Rent per building (Amount in ₹)

SI No	Building	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
1	TCED main office	2.06	2.05	2.03	2.01	2.15	2.30	2.51	2.49	2.69
2	Paravattani Electrical store	-	2.75	2.71	2.67	2.61	2.50	2.92	2.65	2.65
3	Corporation office northern side building	1.01	1.01	1.00	0.99	1.05	1.11	1.21	1.20	1.29
4	Paravattani shed	-	-	-	-	-	0.33	0.38	0.37	0.37
5	Total monthly rent (1+2) - (3+4)	1.05	3.79	3.74	3.69	3.71	3.36	3.84	3.57	3.67
6	Annual rent (5 X 12)	12.58	45.45	44.86	44.27	44.50	40.28	46.08	42.86	44.09

35. The Commission further noticed that as per PWD guidelines the value of land has to be ascertained based on the Land value certificate indicating the market value of the land on the date of occupation issued by Tahsildar but no such certificate is obtained and produced before the Commission. Further, rent is calculated every year taking land value at two times the fair value of land from time to time. The PWD guidelines provide that the rent fixed should be in force for a minimum period of three years and rent should be revised only after completion of three years but the licensee revised the rent every year based on land value, plinth area rate and cost index. The Commission is of the opinion that this method of calculation is ad hoc and arbitrary and is not acceptable. Similarly, for the Paravattani Store Building the plinth area considered for Ground floor is 745.82 sq. mtr and extent of land area admissible is considered as 1065.46 sq.mtr. The total plinth area considered for Paravattani store building is 1456.64 sq. mtr. There are wide variations in the plinth area occupied as per the claim in 2014-15 Truing up petition and that as per the present detailed calculation as shown below:

Table 13
Statement showing variation in area of building/land in different submissions

Sl. No	Particulars	Area as per present calculation		Area as per original claim in 2014-15
		Sq. mtr	Sq. ft	Sq. ft
1	TCED Office	898.34	9669.73	7000.00
2	Paravattani Store building	1456.64	15679.27	2000.00
3	Paravattani Store land area	1065.46		698.00 sq. mtr

36. This indicates that the data adopted for present calculation is unrealistic and highly inflated. As per PWD guidelines depreciation is to be calculated on a straight-line basis during the useful economic life of the building. As such, the cumulative depreciation amount should increase every year as depreciation for

the current year is added to the cumulative depreciation at the beginning of the year. The Commission however, noticed that the cumulative depreciation amount worked out for arriving at the depreciated value of the building is even decreasing in many years as shown below:

Table 14
Statement showing Total Depreciation on 3 main buildings (Amount in ₹)

SI No	Building	2017-18	2018-19	2019-20	2020-21	2021-22
1	TCED main office	297.38	295.36	286.06	320.23	324.68
2	Paravattani Electrical store	120.64	125.49	126.88	160.29	153.85
3	Corporation Office	109.23	108.92	105.90	118.99	121.08

37. In view of these inconsistencies and errors, the Commission does not consider it prudent to accept the calculation and claims submitted by the licensee as such. The Commission noticed that there are four buildings for which rent is calculated viz., two buildings owned by Thrissur Corporation but occupied by the licensee and two buildings owned by the licensee but occupied by Thrissur Corporation. The rent of the buildings owned by the licensee is deducted from the rent of the building owned by Thrissur Corporation and net amount only claimed. The rent calculated for Paravattani Store building is the major amount and is higher than that of the Thrissur Corporation office building in the prime location occupied by the licensee's main office. The Commission considered the fact that in the Truing up petition for 2014-15, the licensee claimed rent of Buildings for a total area of 9000 sq. ft. comprising TCED Office building (7000 sq. ft) and Paravattani Store Building (2000 sq. ft) whereas in the present calculation plinth area taken for TCED Office building is 9669.73 sq.ft. and for Paravattani Store building is 15679.27 sq. ft. The Commission considers it not appropriate to approve this calculation in view of the inconsistencies and abnormalities in the data adopted for the calculations. However, taking a lenient view to resolve the issue of rent, the Commission accepts the rent calculation for TCED Office building for the year 2014-15 but limiting the plinth area to be 7000 sq. ft. and the calculation for Paravattani Store building for the year 2015-16 but limiting the plinth area to be 2000 sq. ft. as claimed in the Truing up petition for the year 2014-15.
38. Revision of rent every year based on prevailing fair value of land and plinth area rate of building is also not envisaged in the PWD guidelines. As per the PWD guide lines, rent once fixed based on the fair value of land and Plinth Area Rate of building shall continue to be paid for three years and 5 % enhancement is admissible after three years. In view of the above, the Commission is of the considered opinion that rent claimed by the licensee for the year 2014-15 for the main office of the licensee in the Corporation Office

building has to be reworked proportionately for a plinth area of 7000 sq. ft. and can be approved. Similarly, in respect of Paravattani Store building the rent has to be reworked proportionately for a plinth area of 2000 sq. ft. and can be approved. Necessary deduction towards rent for the buildings owned by the licensee but occupied by Thrissur Corporation will be made as claimed by the licensee. The licensee has not furnished rent calculation for the years 2011-12 to 2013-14. For the year 2014-15 the licensee calculated monthly rent of ₹2.06 lakh for 9669.73 sq. ft. area of the building occupied for its main office and proportionate rent for 7000 sq. ft. works out to ₹1.49 lakh. After deducting the rent for the building owned by the licensee but occupied by Thrissur Corporation amounting to ₹1.01 lakh, the net monthly rent works out to ₹0.48 lakh and the total rent for the year is ₹5.76 lakh. Similarly, for Paravattani Store building the monthly rent claimed for the year 2015-16 for 15679.27 sq. ft. is ₹2.75 lakh and proportionate rent for 2000 sq. ft. works out to ₹0.35 lakh and the total rent for the year 2014-15 is ₹4.20 lakh. Further, the Commission approves enhancement of rent at the rate of 5% after completion of every 3 years from 2014-15 in line with the applicable provisions in PWD guidelines. Though the licensee has not furnished rent calculation for the years 2011-12 to 2013-14, considering the fact that approval of rent claimed by the licensee is a long pending issue, the Commission is inclined to take a lenient view and to approve rent at the rate of ₹5.49 lakh for the years from 2011-12 to 2013-14 doing a reverse calculation adopting the same analogy.

39. Accordingly, the Commission hereby approves rent for the period 2011-12 to 2022-23 as below.

Table 15
Rent approved for the period 2011-12 to 2016-17 (₹ in lakh)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
TCED Main office (1)	17.03	17.03	17.03	17.88	17.88	17.88
Paravattani Store building (2)	-	-	-	-	4.20	4.20
Paravattani shed (3)	-	-	-	-	-	-
Corporation office Northern side Building (4)	11.54	11.54	11.54	12.12	12.12	12.12
Total Annual Rent (1+2-3-4)	5.49	5.49	5.49	5.76	9.96	9.96

Table 16
Rent approved for the period 2017-18 to 2022-23 (₹ in lakh)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
TCED Main office (1)	18.72	18.72	18.72	19.68	19.68	19.68
Paravattani Store building (2)	4.20	4.44	4.44	4.44	4.68	4.68
Paravattani shed (3)	0.00	0.00	3.96	3.96	3.96	4.16
Corporation office Northern side Building (4)	12.72	12.72	12.72	13.36	13.36	13.36
Total Annual Rent (1+2-3-4)	10.20	10.44	6.48	6.80	7.04	6.84

40. The amount of rent approved as above has to be adjusted against rent already approved provisionally or as per norm and excess approved, if any, has to be clawed back. The excess amount of rent provisionally approved in previous years amounting to Rs.207.34 lakh is clawed back as shown below:

Table 17
The excess amount of rent to be recovered (₹ in lakh)

Year	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Rent provisionally approved	172.00	0.00	17.20	17.20	18.21	19.28
Rent finally approved	5.49	5.49	5.49	5.76	9.96	9.96
Excess rent to be reverse	166.51	-5.49	11.71	11.44	8.25	9.32

Table 18
The excess amount of rent to be recovered (₹ in lakh)

Year	2017-18	2018-19	2019-20	2020-21	2021-22	Total
Rent provisionally approved	0.00	0.00	0.00	22.77*	23.87*	290.53
Rent finally approved	10.20	10.44	6.48	6.80	7.04	83.11
Excess rent to be reverse	-10.20	-10.44	-6.48	15.97	16.83	207.42

*Included in norms

41. Considering the above paragraph, the Commission noticed that the excess amount of rent Rs.207.42 lakh which as already allowed provisionally in previous years has resulted in decrease in the accumulated surplus of the licensee. As a result, the amount of Rs.207.42 lakh is to be increase from the cumulative surplus at the beginning of the year. **Accordingly, the Commission hereby approves the amount of Rs. -207.34 lakh as clawback due to excess amount of rent provisionally approved in previous years (2011-12 to 2021-22) which will be shown as a separate item under expenditure side as prior period item so that the cumulative surplus will be increased to that extent. Further, the Commission hereby approves Rs.6.84 lakh as rent for the year 2022-23.**
42. The licensee has booked an amount of Rs.27.27 lakh as conveyance and vehicle expense which is higher than the previous year. It is stated that the expense is towards the hiring charges for 4 vehicles for the section offices. While truing up the accounts for the previous year, the licensee had submitted that, they were taking steps to curtail the vehicle hiring expenses and proposed their intend to reduce the number of hired vehicles from four to two, which has not seen materialised.
43. The licensee had claimed an amount of Rs.22.15 lakh as PET testing charges which was not claimed in the previous years. The licensee has also claimed Rs. 12.91 lakh as consultancy charges, Rs. 8.79 lakh as other professional charges. The licensee in the petition has stated that the consultancy charges include Rs.10.62 lakh which is the expense towards the mandatory Energy

audit conducted by EMC. An expense of Rs.19.51 lakh towards security staff expenses on contract is also booked under A&G expenses.

44. An amount of Rs.10.16 lakh has been claimed as accident compensation paid to deceased contract worker as per court verdict. The licensee has also claimed bank charges of Rs.6.83 lakh which is charged by banks for issuing/renewing bank guarantee.
45. The licensee has booked Rs.87.38 lakh towards Electricity Duty for the year 2022-23. The Commission in the previous Orders had stated that duty under Section 3 cannot be passed on to the consumers in view of the statutory provisions of the Kerala Electricity Duty Act, 1963. **Hence the same is disallowed.**
46. After duly considering the claims made by the licensee, the clarifications and details submitted, **the Commission noted that an additional expense of Rs.10.16 lakh for accident compensation, Rs.12.91 lakh for consultancy charges (Rs.10.62 lakh for Energy audit and Rs.2.29 lakh for preparation for DPR for RDSS projects) can be allowed in addition to the norms approved by the Commission.** In addition to this the Commission noted that, in 2019-20 the licensee had incurred as one-time extra ordinary expense for conducting testing of Power transformers and equipment at 33kV and 110kV Substations and this testing has recommended every 3 years as a safety measure. **Considering this, the Commission hereby allows Rs.22.15 lakh as Power Equipment Testing charges for the year 2022-23 in addition to the norms approved by the Commission.**
47. **Regarding the additional expenses or one-time expenses, the licensee shall submit all data to substantiate the expenses in the petition which shall be considered if prudent. The Commission is of the considered view that A&G expenses are controllable expenses and the Commission hereby approves Rs.158.91 lakh (106.85+12.91+10.16+6.84+22.15) as A&G expenses for the year 2022-23.**

Summary of O&M Expenses approved for 2022-23

48. The O&M expenses approved, which includes Employee costs (Rs.1081.96 lakh), R&M expenses (Rs.79.31 lakh), and A&G expenses (Rs.158.91 lakh) totalling to Rs.1320.18 lakh for the year 2022-23 which is lower than the O&M expenses of Rs.1465.69 lakh approved as per the Tariff Regulations, 2021. Hence, there is a gain of Rs.145.51 lakh (Rs.1465.69 lakh – Rs.1320.18 lakh). As per Regulation 14 of the Tariff Regulations, 2021, the aggregate gain on the controllable parameters is to be shared in the ratio of 2:1 i.e., 2/3rd of gain is to

be retained by the licensee and 1/3rd is to be passed on to the consumers. The relevant portion of the Regulation is shown below.

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

(1) The aggregate gain to the generating business/company or transmission business/licensee or distribution business/licensee or State Load Despatch Centre, as approved by the Commission, on account of controllable factors shall be dealt with in the following manner: -

(i) one-third of the amount of such gain as approved by the Commission shall be passed on to the consumers as rebate in the tariff ;

(ii) the remaining two third of the amount of such gain, may be utilized at the discretion of the generating business/ company or transmission business/ licensee or distribution business/ licensee:

49. The Commission had allowed retaining the benefit of efficiency gain to the licensee due to the O&M expenses incurred lesser than the norms fixed and accordingly is eligible for the benefit as per Regulation 14 of Tariff Regulations 2021. Hence, the Commission hereby approves Rs.1417.18 lakh as the Operation and Maintenance expenses after considering the gains on O&M expenses for the year 2022-23 as shown below.

**Table 19
O&M Expenses approved for the year 2022-23**

Sl.no	Particulars	Rs. lakh
1	Total O&M expenses as per the Tariff Regulations	1465.69
2	Total O&M expenses Trued Up	1320.18
3	Total Efficiency Gain (1-2)	145.51
4	Efficiency Gain to be retained by the licensee (2/3 rd of (3)) = 145.51*2/3	97.00
5	Approved O&M expenses for the Truing Up of accounts (2+4)	1417.18

Asset additions

50. The licensee in the petition stated that the total asset addition made during the year is Rs.137.29 lakh. The licensee has also stated that a deduction of Rs.35.52 lakh has been made from the fixed assets. Further licensee stated that, out of this asset's addition an amount of Rs.13.53 lakh was created from consumer contribution for services connection lines and associated works. The details of assets addition during the year is shown below.

Table 20
Details of asset additions and deductions made during the year 2022-23
(Rs. lakh)

Asset Description	Total Addition to Assets*	Deductions from fixed assets	Net Additions in fixed asset Register
Building	-	-	-
Solar	-	-	-
Office equipment	0.13	-	0.13
IT Equipment	14.58	-	14.58
Office F&F	0.69	-	0.69
Plant & Machinery	19.79	8.53	11.26
Lines & Cables	85.37	24.25	61.12
Meters	14.37	2.74	11.63
Software	2.36	-	2.36
Total	137.29	35.52	101.77

51. The licensee has filed a separate petition before the Commission for approval of capital investments for the Control Period (OP 52/2022). The Commission vide Order dated 16.08.2024 had approved the order on Capital Investment Projects for the Control Period. Based on the above approved Order the Commission noted that, the licensee had not submitted the year wise financial outlay and GFA additions of the proposed items instead of scheme wise. ***Therefore, the depreciation and other finance charges for the asset's addition will be considered only after incorporating the decisions of the Commission vide Order dated 16.08.2024 (OP 52/2022). Further, the Commission hereby directs that, the licensee has to claim assets addition for the year 2022-23 (incorporating with decisions in the Order dated 16.08.2024) and other appropriate documents at the time of Truing Up of accounts for 2023-24.***

Adjustment of assets created through Regulatory Surplus

52. The Commission noted that, the licensee has created assets of Rs.1766.93 lakh from 2015-16 to 2021-22 using their accumulated surplus. The accumulated regulatory surplus is over and above the regulated return and reasonable expenses including efficiency gains allowed by the Commission to the licensee. Hence, the said surplus belongs to the consumers to be adjusted against the consumer tariffs in future. Since such frequent tariff adjustment process is not undertaken due to uniform retail tariff, such surplus is allowed to be retained by the licensee as a source of fund for future. If any financing cost such as depreciation and interest charges are allowed for such funds, it would result in double payment by the consumers. Hence, the licensee is not eligible for any financing costs such as interest charges and depreciation on the assets created by utilising such surplus.

53. The Commission further noted that, if the rate of return of distribution companies is unable to recover the risk for infusing funds into the distribution business, it would be difficult to attract investment in the distribution sector. This might create pressure for the distribution companies to reduce maintenance and new capital expenditure below optimum level, thus less motivation for improvisation and consequent degradation in quality of service to consumers. Considering this, the Commission noted that the assets additions during the Control period is done by the licensee with the approval from the Commission, the licensee is reasonably eligible for return on NFA thereon.
54. Therefore, the assets created through accumulated surplus is only considered for the inclusion in the asset base, subject to the condition that the licensee is not eligible for depreciation and Interest and finance charges on the said items and the licensee is only eligible for the Return on NFA for the asset's addition during the current Control period 2022-23 to 2026-27.
55. As per Regulation 26(3a) of the Kerala State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) (First Amendment) Regulations, 2023 states that, where the equity and loan employed are not clearly identifiable, the total approved capital cost after adjusting for grants, regulatory surplus allowed for creation of assets and/ or consumer contributions will be treated as normative loan. The relevant portion of the Kerala State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) (First Amendment) Regulations, 2023 is quoted in below.
- “(3a) Where the equity and loan employed are not clearly identifiable, the total approved capital cost after adjusting for grants, regulatory surplus allowed for creation of assets and/ or consumer contributions will be treated as normative loan.”*
56. Considering the above provision of Regulation, the Commission hereby considers opening balance of NFA of Rs.1547.98 lakh for the year 2022-23 and assets eligible for depreciation is Rs.4551.08 lakh from 2022-23 onwards. The details are shown below.

Table 21

Calculation of Opening balance of Normative Loan for the year 2022-23

	Particulars	Rs. lakh
	GFA Balance as on 01-04-2022	6887.03
Less:	Consumer Contribution	569.03
Less:	Accumulated Depreciation	3489.88
Less:	Net Assets additions from Accumulated Surplus*	1280.15
	Assets Eligible for Normative Loan	1547.97

*Gross Assets additions from Accumulated Surplus (**Rs.1766.93 lakh**)- Accumulated Depreciation for the Assets Additions from accumulated Surplus 2015-16 to 2021-22 (**Rs.486.78 lakh**)

Table 22
Calculation of assets eligible for depreciation for the year 2022-23

GFA Balance as on 01-04-2022	6887.03
Less- Consumer Contribution	569.03
Less- Gross Assets additions from Accumulated Surplus	1766.93
Gross Assets Eligible for Depreciation	4551.07

Depreciation

57. Depreciation is to be claimed in the straight-line method as per the provisions of the Tariff Regulations, 2021 quoted below;

“27.Depreciation.–

(1) *Depreciation shall be calculated on the original capital cost of the asset as approved by the Commission:*

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

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

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

(i) *“depreciation shall be allowed upto a maximum of 90% of the approved capital cost of asset.*

(ii) *depreciation shall be computed annually based on the straight line method at the rates specified in Annexure 1 to these Regulations for the first thirteen financial years from the date of Commercial operation;*

(iii) *the remaining depreciable value as on the thirty first day of March of the financial year ending after a period of thirteen financial years from the date of Commercial operation shall be spread over the balance useful life of the assets;*

(iv) *the generating business/ company or transmission business/ licensee or distribution business/ licensee, shall file all such details and documentary evidence, as may be required under these Regulations and as may be required by the Commission from time to time, to substantiate the above claims;*

(v) *No depreciation shall be allowed for assets created through consumer contribution, deposit works, capital subsidies and grants;*

(vi) *the salvage value of the fully depreciated asset shall be ten per cent of the allowable capital cost as approved by the Commission;*

Provided that the salvage value of Information Technology equipment and computer software shall be considered at zero percent of the allowable capital cost.

(3)

58. The licensee has claimed depreciation of Rs.235.35 lakh for the year 2022-23. The Commission had approved a depreciation of Rs.207.39 lakh while approving the Order on ARR& ERC. The details of the depreciation claimed by the licensee for the year 2022-23 are as shown below.

Table 23
Depreciation claimed by the licensee for the year 2022-23

Particulars	GFA as on 01-04-2022	Assets Addition	Adjustments & Deductions	Depreciation	Adjustment on deprecation
	(Rs.lakh)	(Rs.lakh)	(Rs.lakh)	(Rs.lakh)	(Rs.lakh)
Distribution Lines	2435.67	85.37	24.25	69.63	1.65
Sub Station Equipment	3320.54	19.78	8.53	89.27	1.60
Furniture & Fixtures	31.85	0.69	-	1.68	-
Office Equipment	137.94	0.13	-	3.66	-
Vehicles	53.68	-	-	0.29	-
Land & Land rights	23.39	-	-	-	-
Building	119.93	-	-	3.50	-
Meter	612.43	14.37	2.74	55.34	0.22
Software	34.63	2.36	-	5.48	-
IT Equipment	116.99	14.58	-	6.50	-
Total	6887.04	137.29	35.52	235.35	3.47

59. As per the details in the petition, depreciation is calculated based on the provisions of the Tariff Regulations, 2021. The licensee has not claimed any depreciation on assets created out of consumer contribution.

60. The Commission is of the considered view that depreciation for the years of control period shall be based on the approval of the capital Investment plan. Based on the direction mentioned in paragraph 51 of this Order, depreciation shall be approved while finalising truing up the accounts for the year 2023-24. **However, the Commission hereby provisionally approves depreciation amounting to Rs.153.25 lakh at the average rate for the assets of Rs.4551.08 lakh as per Table 22 above $(235.35/6988.81 * 4551.07)$**

Interest and finance charges

61. The licensee has claimed interest and finance charges of Rs.174.21 lakh for the year 2022-23 towards interest on security deposits at an interest rate of 4.25%. The licensee has also stated vide letter dated 20.06.2024 that, based on the direction of the Commission, security deposit of Rs.43.02 lakh in respect

of 889 consumers permanently disconnected consumers has already been adjusted towards their arrears.

62. As per the provision of the Kerala Electricity Supply Code, the licensee is bound to provide interest on security deposit collected from consumers. The Commission has been taking the consistent stand that, the actual disbursement of interest on security deposit during the year can only be allowed in the process of truing up.
63. It is seen that, based on the audited accounts of the licensee, the total amount of interest charges paid to the consumers on the security deposits is Rs.168.60 lakh which pertains to the financial year 2021-22. **Accordingly, Commission approves interest on security deposit of Rs.168.60 lakh actually paid during the year 2022-23 under interest and finance charges.**
64. As per Regulation 26(3a) of the Kerala State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) (First Amendment) Regulations, 2023 states that, where the equity and loan employed are not clearly identifiable, the total approved capital cost after adjusting for grants, regulatory surplus allowed for creation of assets and/ or consumer contributions will be treated as normative loan. The relevant portion of the Kerala State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) (First Amendment) Regulations, 2023 is quoted below.

“(3a) Where the equity and loan employed are not clearly identifiable, the total approved capital cost after adjusting for grants, regulatory surplus allowed for creation of assets and/ or consumer contributions will be treated as normative loan.”

65. As per Regulation 29 of the Kerala State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2021 if the licensee does not have any actual loan portfolio, interest charges shall be calculated at Base rate. The relevant portion of Regulations is shown below.

29. Interest, Finance charges and Carrying cost. –

- (1) The loans arrived at in the manner indicated in Regulation 26 shall be considered as gross normative loan for calculation of interest on the loans:*

Provided that the interest and finance charges on capital works in progress shall be excluded from such consideration and will not be considered in the ARR and truing up processes:

Provided further that in case of retirement or replacement of the assets, the normative loan amount approved by the Commission shall be reduced to the extent of outstanding loan component of the original value of the retired or replaced assets; based on documentary evidence.

- (2) *The normative loan outstanding as on the first day of April, 2022, shall be worked out by deducting the amount of cumulative repayment as approved by the Commission upto the thirty first day of March, 2022, from the normative loan.*
- (3) *Notwithstanding any moratorium period availed by the generating business/ company or the transmission business/ licensee or the distribution business/ licensee, the repayment of loan shall be considered from the first financial year of the declaration of the commercial operation date of the project and shall be equal to the depreciation allowed for that financial year.*
- (4) *The rate of interest allowed shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each financial year applicable to the generating business/ company or the transmission business/ licensee or the distribution business/ licensee or State Load Despatch Centre:*

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

Provided further that if the generating business/ company or the transmission business/ licensee or the distribution business/ licensee or State Load Despatch Centre does not have any actual loan outstanding, but normative loan is outstanding, then interest shall be allowed at the base rate.

- (5) *The interest on loan shall be calculated on the normative average loan as per the norms approved by the Commission for the financial year, by applying the weighted average rate of interest.*

66. Considering the above provisions and decision mentioned in the Para 56 of this Order, the interest on normative loan amounting to Rs.97.84 lakh is approved for the year 2022-23 as shown below;

Table 24
Interest on Normative Loan for the year 2022-23

Particulars	2021-22
Opening Normative Loan	1547.97
Less: provisional depreciation for the year 2022-23 as repayment of loan	153.25
Closing Normative Loan	1394.72
Average Normative Loan	1471.35
Rate of Interest	6.65%
Interest on normative loan	97.84

*SBI 1-year EBLR – 6.65% on 01-04-2022

67. **Accordingly, the Commission hereby approves Rs.266.44 lakh (168.60+97.84) as Interest and finance charges for the year 2022-23.**

Return on Net Fixed Assets

68. The licensee has claimed Return on NFA for the year 2022-23 computed as per Regulation 28 of KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2021. As per Regulation 28(2) of the Tariff Regulations 2021, if there is no equity invested in the business or equity invested in the regulated business of the distribution licensee is not clearly identifiable, return at the rate of 5.50% shall be allowed on the net fixed assets at the beginning of the financial year for such regulated business. The Commission while approving the ARR & ERC for the year 2022-23 had approved Rs.155.60 lakh as RoNFA. The Commission while truing up the accounts for the year 2021-22 had approved RoNFA of Rs.89.30 lakh as claimed at the rate of 3% as per the provision of the Tariff Regulations, 2018. The Commission in the Tariff Regulations, 2021 has revised the rate of return on NFA to 5.50%. Accordingly, the claim for the current year is Rs.148.91 lakh. The details of RoNFA claimed by the licensee is tabulated below.

Table 25
Return on NFA for the years 2020-21, 2021-22 and 2022-23 (Rs. lakh)

Particulars	2020-21 Claimed and Trued Up	2021-22 Claimed and Trued Up	2022-23 Truing Up petition
Balance net fixed assets on which returns can be allowed	3226.56	2976.68	2707.45
Return on Net Fixed Assets	96.80 @3 %	89.30@3 %	148.91 @5.5 0%

69. The Commission has examined the claim of the licensee. As per the Tariff Regulations, 2021, return on net fixed assets shall be allowed at the rate of 5.5% on net fixed assets as reduced by consumer contribution at the beginning of the financial year. Based on the above, the Commission hereby approves the Return on NFA for the year 2022-23 as shown below.

Table 26
Return on NFA for the years 2022-23 (Rs. lakh)

Particulars	Trued Up
Gross Fixed Assets as on beginning of the year	6887.04
Less: Cumulative Depreciation at the beginning of the year (3281.44+207.39+1.05)	3489.88
Net Fixed Assets eligible for at the beginning of the year	3397.16
Less: Fixed assets financed by Consumer contribution at the beginning of the year (566.82+2.21)	569.03
Balance net fixed assets on which returns can be allowed	2828.13
Return on Net Fixed Assets (2829.18*5.50%)	155.55

70. ***The Commission hereby approves the return on NFA at Rs.155.55 lakh for the Financial Year 2022-23.***

Revenue from Sale of Power

71. During the year 2022-23, the revenue from the sale of power of 1483.61 lakh units is Rs.13237.58 lakh compared to the sale of 1291.60 lakh units and revenue of Rs.11033.50 lakh in 2021-22. There is an increase of 192.01 lakh units compared to the previous year. The major sale of power and revenue realisation is from LT I A, LT VII A, HT II and HT IV category of consumers. The category wise Revenue from Sale of power for the year 2022-23 is as shown below.

Table 27
Comparison of Revenue from Sale of Power for 2022-23

Particulars	2022-23			
	Number of consumers	Units Sold in lakhs	Total Revenue (Rs.lakh)	Average Realisation (Rs/kwh)
LT Categories				
LT I	22526	400.99	2440.64	6.09
LT IV A	484	32.44	228.79	7.05
LT IV B	2	0.24	2.01	8.38
LT V A	185	0.53	2.21	4.18
LT V B	2	0.01	0.05	4.99
LT VI A	249	21.59	163.28	7.56
LT VI B	473	24.93	204.16	8.19
LT VI C	501	47.34	529.14	11.18
LT VI D	31	0.78	1.76	2.27
LT VI E	43	0.65	4.41	6.77
LT VI F	722	50.02	511.85	10.23
LT VI G	78	10.70	108.52	10.14
LT VII A	14361	421.46	4507.85	10.70
LT VII B	1656	7.22	50.39	6.98
LT VII C	13	1.49	23.62	15.89
LT VIII B	292	12.12	58.06	4.79
LT II	1	0.00	0.06	30.03
LT IX	76	0.70	15.28	21.74
LT III		0.62	11.30	18.29
LT X	2	0.08	0.63	7.48
HT Categories				
HT- I A	5	6.73	56.69	8.42
HT- II A	8	20.58	155.29	7.54
HT- II B	31	175.20	1615.40	9.22
HT- IV A	53	130.85	1359.40	10.39
HT- IV B	36	111.83	1142.28	10.21
SPS	1	3.22	35.26	10.96
Self-consumption		1.30	9.26	7.11
Total	41831	1483.61	13237.58	8.91

72. As per the details provided in the petition, the collection efficiency of the licensee for the year 2021-22 is 97.36%. Commission notes that the collection

efficiency for 2021-22 was 99.80%. Reduction in the collection efficiency of the licensee is not a positive sign. The licensee shall take effective steps to collect the amounts as in the bills raised for the financial year, as timely collection of revenue is a parameter for assessing efficiency.

73. The Commission vide Order dated 14.12.2023 had approved the “One Time Settlement Scheme 2023 (OTS 2023)” and the scheme shall be open from 14.12.2023 to 29.02.2024. The Commission vide letter dated 05.03.2024 had extended the period of OTS-2023 up to 31.03.2024 based on request of TCED and further directed to submit the consumer wise details of the arrears settled till date under the scheme, with all particulars including the tariff category, principal amount, age of the arrears, interest due, interest settled, instalment facilities availed by the consumers etc. Non-compliance of the directions shall force the Commission to initiate punitive action against the licensee. The licensee vide letter dated 15.03.2024 had submitted the report on arrears collection through OTS-2023. Further vide letter dated 20.06.2024, the licensee has stated that, the TCED could collect Rs.11.86 lakh.
74. Considering the growth in sales, recovery from the general industrial slowdown and improvement in business activity of the licensee, ***the Commission hereby approves the revenue from sale of power at Rs.13237.58 lakh for the purpose of Truing Up of Accounts for the year 2022-23.***

Non-tariff income

75. The non-tariff income booked by the licensee for the year 2022-23 is Rs.529.51 lakh. The comparison of the claims of non-tariff income over the years is tabulated below.

Table 28
Comparison of Non-Tariff Income (Rs.lakh)

Particulars	2020-21 Truing Up Accounts	2021-22 Truing Up Accounts	2022-23 Truing Up Accounts
Interest on investment, fixed and call deposit, bank balance	353.58	268.53	275.24
SD interest from KSEB	40.11	36.66	36.66
Miscellaneous receipt	28.42	27.22	36.92
Commission for collection of electricity duty	8.21	8.93	10.80
Interest on delayed or deferred payment	123.12	136.10	76.90
Pole rent income	39.21	42.74	45.86
Recovery of theft and pilferage of energy	4.51	3.62	0.07
Meter/metering equipment/service line rentals	46.69	46.62	47.06
Total	643.85	570.44	529.51

76. Compared to the previous year, there is decrease in the non-tariff income mainly on account of drastic decrease in Interest on delayed or deferred payment. The main components of non-tariff income are the interest from fixed

deposits which amounts to Rs.275.24 lakh, Interest on security deposit with KSEBL Rs.36.66 lakh, interest on belated payment Rs.76.90 lakh, pole rental income Rs.45.86 lakh, collection charges for section 4 duty Rs.10.80 lakh, meter rent Rs.47.06 lakh, income grouped under miscellaneous are mainly reconnection fee Rs. 14.07 lakh, SOC Rs.7.01 lakh, CDC fee Rs.2.02 lakh, Cost of tender form Rs.1.90 lakh, additional load charge Rs.2.82 lakh etc.

77. In the petition the licensee stated that, the pension disbursement is not the responsibility of TCED and is distributing pension on behalf of Director of Urban Affairs to help the Govt of Kerala. The pension allotments are received once in a while, but non-disbursement of pension will lead to unnecessary legal battles between the pensioners and the Govt. of Kerala and wastage of public money on account of this. But the Govt is not considering this aspect while sanctioning pension allotment and is not giving the nominal interest for the amount spent for pension disbursement. The licensee has further stated that, the Commission while truing up the accounts has been treating this amount as regulatory surplus and charging interest to the tune of 9% which is unfair. TCED has requested the Commission not to treat that amount as part of regulatory surplus.
78. Vide letter dated 02.07.2024, the licensee has submitted the corresponding letters between Govt.of Kerala and TCED. The licensee vide letter dated 05.03.2024 (Letter to the Chief Secretary, Govt of Kerala) stated that, there are 165 regular pensioners and 83 family pensioners and Rs.65,66.61 lakh was due from the Govt as on 31.01.2024 as pension disbursement. TCED requested the Govt to give direction to the Commission as per Sec 108 of Electricity Act, 2003 for non-charging of interest portion of pension disbursement from Regulatory Surplus. In addition to this correspondence, TCED vide letter dated 24.05.2024 (Letter to the Chief Secretary, Govt of Kerala) stated that, TCED has spent Rs.66.83 Crore from its own fund for pension distribution until 31.03.2024. Since 2021, no further amount has been sanctioned, and the licensee spends an average of Rs.80 lakh per month on pensions. Additionally, the financial benefits for retiring employees must be paid from the private fund as instructed by the Principal Director of the Local Self-Government Department. According to the Kerala Electricity Duty Act, 1963, an average of Rs.1.00 Crore per month is to be paid as Electricity Duty. Given the government's financial crisis, a possible solution is to deduct the municipality's pension and benefits expenditure from the electricity duty payment. The current pension distribution status is unsustainable. The municipal electricity department is using the security deposit collected from customers for daily expenses, which must be returned when smart meters are installed by 2025. This will force to suspend salary payments, a legal obligation of the department.
79. The Commission examined the submission of the licensee and noted that, there was gross shortage of allocation of funds from DUA for disbursement of

pension and accordingly the pension disbursements are met from the regulatory surplus of TCED, which is not desirable. The Commission further noted that the primary responsibility for payment of pension falls on the State Government. Citing Rule 9 of the Kerala Municipality (Employees Death cum Retirement Benefit) Rule, 1996, the Hon'ble High Court in various judicial pronouncements upheld that the DUA is obliged to withdraw from Central Pension Fund the amount required for pension and other pensionary benefits and transfer to the Secretary of the concerned local self-government. As per the details furnished by the licensee, they had utilised Rs.66.83 Crore from their own fund for disbursing pension up to 31.03.2024. Further, they are not remitting the pension contribution to Government. The Commission specifically once again reiterates that it is not the responsibility of the licensee to pay pension to the retired employees of the Department.

80. The Commission also views seriously the fact that the practice followed by the licensee by setting off a portion of the amounts irregularly paid as pension, by not remitting the pension contribution of the serving employees. This action of the licensee is completely unjustified and irregular. In addition, it may lead to difficulty in getting the pension of the current employees when they retire, since their pension contribution is not being remitted into the government coffers. Thus, the pension contribution of the current employees, irregularly being withheld by the licensee may jeopardize the pension claims of such employees.
81. The Commission also places on record that in spite of the repeated directions through previous Orders on Truing Up to take up the issue with Government for allocation of sufficient funds to defray the pension payment, no fruitful progress has been achieved in this regard.
82. The cumulative revenue surplus till 2021-22 is Rs.16351.87 lakh. The Commission notes that the licensee has not considered the interest on accumulated surplus as part of the non-tariff income for the year 2022-23. The interest income is worked out on regulatory surplus held by the licensee. The rate of interest considered for the year is the SBI retail term deposit rate for a tenure up to one year prevailing as on 01.04.2022, which is 5.10%.
83. The Commission in the previous Truing Up Orders while computing the interest income took a consistent stand with regard to allowing interest on accumulated surplus after duly reducing the surplus to the tune of asset addition considering the request of the licensee. The total assets additions from surplus approved by the Commission up to 2021-22 is Rs.1766.93 lakh.
84. The Commission in the previous Truing Up Orders while computing the interest income took a consistent stand with regard to allowing interest on accumulated surplus after duly reducing the surplus to the tune of asset addition. The interest on accumulated surplus is calculated as shown below;

Table 29
Interest on Revenue Surplus for the year 2022-23

Particulars	Rs. lakh
Cumulative surplus at the beginning of 2021-22	16351.87
(Less) Capital Addition funded from Surplus 2021-22 (1695.34*+71.59)	1766.93
Accumulated Surplus available for interest income as on 01-04-2022	14584.94
Rate of interest considered (SBI retail term deposit rate for a tenure up to one year)	5.10%
Interest income on Surplus	743.83

*(Capital Addition funded from Surplus as on 01-04-2020= Rs.1673.61 lakh+ Rs.21.73 lakh for 2020-21)

85. The total interest applicable for the Cumulative Revenue Surplus is Rs.743.83 lakh. The licensee has already accounted Rs.275.24 lakh towards interest on FD and bank balances. Thus, the balance amount of Rs.468.59 lakh is accounted as interest income and included under non-tariff income. **Accordingly, the Commission approves Rs.468.59 lakh as interest on accumulated surplus for the year 2022-23.** Thus, the total non-tariff income for the year 2022-23 is as shown below:

Table 30
Non-Tariff Income for the year 2022-23 (Rs. lakh)

Particulars	As per Truing Up Petition	Trued Up
Other Income	529.51	529.51
Interest on accumulated surplus	-	468.59
Total	529.51	998.10

86. **The Commission hereby approves Rs.998.10 lakh as Non-Tariff Income for the year 2022-23 as against Rs.529.51 lakh claimed in the petition.**
87. Based on the above, the approved expenditure and revenue for the year 2022-23 after Truing Up is as shown below:

Table 31
Income and Expenditure after Truing Up of Accounts for 2022-23 (Rs. lakh)

Particulars	2022-23		
	Approved ARR&ERC	Truing up petition	Trued Up
Power Purchase Cost	11591.52	11632.97	11584.96
Employee cost	1315.13	1081.96	1417.18
Provision	-	127.50	
R&M Expenses	98.71	79.31	
A&G Expenses	106.85	304.42	
Prior Period Item (Excess amount of Rent)	-	-	-207.42
Depreciation	207.39	231.88	153.25

Particulars	2022-23		
	Approved ARR&ERC	Truing up petition	Trued Up
Interest and Finance Charges	174.21	174.21	266.44
Return on NFA	155.60	148.91	155.55
Total Expenditure	13649.41	13781.16	13369.96
Revenue from Sale of Power	13237.58	13237.58	13237.58
Other income	955.50	529.51	998.10
Total income	14193.08	13767.09	14235.68
Revenue Surplus (+)/ Gap (-)	543.67	(-) 14.07	865.72

Revenue (Gap)/Surplus for 2022-23

88. Accordingly, as against the approved Revenue surplus of Rs.543.67 lakh for the year 2022-23 in ARR&ERC Order, the licensee in the petition for Truing Up of Accounts has claimed a Revenue Gap of Rs.14.07 lakh. After Truing Up of accounts for the year 2022-23, the Commission hereby approves the Revenue Surplus of Rs.865.72 lakh is as shown below.

Table 32
Revenue (Gap)/ Surplus Approved for the year 2022-23 (Rs.lakh)

Particulars	2022-23		
	Approved ARR&ERC	For truing up	Trued Up
Total Expenditure	13649.41	13781.16	13369.96
Total income	14193.08	13767.09	14235.68
Revenue Surplus (+)/ Gap (-)	543.67	(-) 14.07	865.72

Orders of the Commission

89. The Commission after considering the petition filed by M/s. Thrissur Corporation Electricity Department for Truing Up of Accounts for the year 2022-23, 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.14235.65 lakh**
- b) **Total expenditure is Rs.13369.96 lakh**
- c) **The revenue surplus for the year 2022-23 is Rs.865.72 lakh**
- d) **Total cumulative revenue surplus till 2022-23 will be Rs.17217.59 lakh (Rs. 16351.87 lakh as opening cumulative revenue surplus + current year revenue surplus of Rs.865.72 lakh).**

Directives

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

- a) *The licensee shall take effective measures to meet the targets for reduction of the distribution loss as approved in ARR&ERC for the Control Period.*
- b) *The licensee shall submit the details of the asset additions made during 2022-23 and other appropriate documents at the time of Truing Up of accounts for 2023-24 in line with the decisions in the Order of the Commission in OP No.52/2022 dated 16.08.2024.*

91. 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