

**KERALA STATE ELECTRICITY REGULATORY COMMISSION  
THIRUVANANTHAPURAM**

Petition No. : OP 36/2013

In the matter of : ARR & ERC of M/s Infopark, Cherthala for 2014-15

Petitioner : M/s. Infoparks, Kerala, Chertala

**PRESENT** : **Shri. T.M.Manoharan, Chairman**  
**Shri P Parameswaran, Member**  
**Shri. Mathew George, Member**

**ORDER DATED 23-04-2014**

**Introduction**

1. M/s. Infopark, Kerala, Chertala (*hereinafter called the licensee or Infopark*) a Government of Kerala undertaking, engaged in the development of infrastructure for information technology (IT) and information technology enabled services (IT enabled Services) is the petitioner. Infopark, Chertala was granted distribution licence vide order dated 10-5-2010 of the Commission and the electricity distribution operations have commenced from 1-7-2013. The Infopark Phase II campus at Kochi was granted distribution licence vide order dated 18-10-2011 and the operations are now being initiated.
2. The licensee has filed the petition for approval of ARR&ERC for the year 2014-15 on 2-12-2013. The Commission after preliminary scrutiny admitted the petition on 10-1-2014 and sought clarifications vide its letter dated 13-1-2014. A notice was issued to the petitioner and M/s Kerala State Electricity Board Limited for the hearing on the petition. The licensee has later modified the petition on 28-1-2014 and the same was uploaded in its website. The licensee has filed its clarifications vide its letter dated 17-2-2014. The hearing on the petition was held at the campus of M/s Infopark, Chertala on 4-2-2014. A summary of the petition is as shown below:

### Abstract of ARR&ERC for 2014-15

	<i>2013-14 (projections)</i>	<i>2014-15 (projections)</i>
1. INCOME	Rs. lakh	Rs. lakh
Revenue from sale of power	48.16	524.24
Other income	0.50	1.00
<b>Total Revenue</b>	<b>48.66</b>	<b>525.24</b>
2. EXPENDITURE		
Purchase of power	48.09	500.36
Repair and maintenance	0.20	17.00
Employee costs	4.59	10.32
A&G expenses	3.13	7.05
Depreciation	---	---
Interest & financing charges	---	---
Return on investment	---	---
<b>Total expenses</b>	<b>56.01</b>	<b>534.73</b>
<b>Surplus /Deficit</b>	<b>-7.35</b>	<b>-9.49</b>

3. As shown above, the licensee has proposed Rs.9.49 lakh as revenue gap for the year 2014-15. In order to bridge the revenue gap, the licensee has proposed to decrease the BST for the ensuing year from the existing rates.

#### Hearing on the Petition

4. Public hearing on the petition was held on 4-2-2014 at the Conference Hall, Infopark, Chertala. The licensee was represented by Shri.V.R.Vijayan, Manager, Projects, Infopark. Kerala State Electricity Board Limited (hereinafter referred to as KSEBL or the Board) was represented by Shri.B.Pradeep, Executive Engineer, and Shri. Prasad. S, Asst. Executive Engineer, TRAC, KSEBL. Shri. Vijayan, Manager, Infopark presented the petition and responded to the queries. He stated that contract demand for the Chertala park is 750 kVA which is received through a 11kV feeder from KSEB, for which the PPA has been executed with KSEB. The modalities of PPA was agreed to in the meeting with the Hon'ble Chief Minister of Kerala on 5-7-2012 and the subsequent meeting held with Member (Finance), of KSEB on 11-7-2012. In the meeting, it was agreed that the recovery of higher infrastructure cost of Infopark without adversely affecting the BST can be achieved, by recouping the cost from the budget allocation from the Government or through additional cess for quality power supply or one time payment or pass through payments from consumers. Based on this premise, in the ARR, the petitioner has included only O&M expenses and power purchase cost. The expenditure for

distribution network incurred by the licensee has been included in the project cost /lease rent for builtup space/lease premium for land. At present in Chertala there are only 13 consumers including one HT(1b) and street light connection. HT 1(b) is for the common amenities in the park. The phase II, Kochi campus construction is in progress. As per the present plans, the power requirements are estimated at 3MVA from April-May 2014.

5. Shri.B.Pradeep, Executive Engineer presented the comments of M/s.KSEB Limited on the petition. The Board also submitted a written statement. The KSEB Limited pointed out that as per the petition, the licence area mentioned in the petition is not consistent with the licence issued by the Commission. The licensee has entered into PPA with KSEB for distribution of electricity at Chertala for an area of 66.2 acres. Further to this, the Board had also agreed to provide supply of 3MVA at Kochi for distribution in 31.0862 acres in Kunnathunad and Puthencruz. Hence the petitioner may be directed to submit details applicable for the licence area only. The petitioner has classified the common facilities like chilling plant, lift, STP for IT building etc., under HT-I (B) tariff. It appears that the common facilities consumes major portion of electricity. As per the principle adopted in the case of common facilities in multi-storeyed buildings, where there is combination of occupation of different categories of consumers, common facilities shall be charged at the highest tariff applicable. Accordingly, the revenue estimates have to reworked.
6. KSEB Limited further pointed out that the O&M expenses is projected to increase drastically in the 2<sup>nd</sup> year of operations. Hence, the Commission may ensure that the licensee arranges the outsourcing of operation and maintenance through a transparent process of bidding. The Commission may also stipulate the distribution loss target for the licensee based on similarly placed utilities. According to M/s KSEB Limited, the request of the petitioner to reduce the BST needs to be looked in to only after determination of retail tariff applicable to the consumers and after considering the revenue gap/surplus fixed by the Commission for the year 2014-15.
7. The Commission allowed one week time for the petitioner to provide the clarifications on the petition and reply on the comments of KSEBL if any. The licensee in its letters dated 28-1-2014, 4-2-2014 and 17-2-2014 provided further clarifications and reply on the objections raised by the Board. In the reply, the licensee has clarified that the petition is filed for the licence area only in Chertala and Kochi and the other details given are with respect to Infopark Kochi Phase –I, which is not part of the licence area.

## Analysis and Decision of the Commission

8. The Commission has considered the petition and clarifications filed by the licensee, oral submissions during the hearing, and the observations presented by the Board on the petition. The decision of the Commission is given in the following sections.
9. **Energy Sales:** The license has projected the energy sales for 2013-14 at 6.78 lakh units and 80.64 lakh units for 2014-15 as shown below:

### Energy Sales projections for 2014-15

consumer category	2013-14			2014-15		
	No. Of consumers	Connected load/contract demand (kW)	Sales (lakh units)	No. Of consumers	Connected load/contract demand (kW)	Sales (lakh units)
HT 1B	1	400	5.4	3	3400	68.69
LT IV B	9	70	0.88	13	470	9.47
LT VII A	2	15	0.23	6	105	2.11
Street lighting	1	9.25	0.27	1	9.25	0.37
<b>Total</b>	<b>13</b>	<b>494.25</b>	<b>6.78</b>	<b>23</b>	<b>3984.25</b>	<b>80.64</b>

10. As per the estimation of the licensee, the energy sales for 2014-15 is estimated at 80.64 lakh units, which is inclusive of Chertala and Kochi. The total number of consumers in the two areas is expected to increase to 23 from 13. Two additional HT connections are expected at Kochi. The licensee has estimated sales in the Kochi area to pick up from the beginning of the year. However, if there is any delay, the expected sales may not materialise and accordingly, the fixed costs have to be distributed among the existing consumers. Though this being the case, the projections of the licensee can be approved for the purpose of ARR.
11. **Distribution loss:** The distribution loss projected by the licensee for 2014-15 is 2%. the licensee has projected the distribution loss as shown below :

	2014-15
Energy sales (lakh units)	80.65
Energy input (lakh units)	82.29
Distribution loss (lakh units)	1.64
Distribution loss (%)	2.0%

**12. Cost of Power Purchase:** The licensee has projected the cost of power purchase at Rs.500.36 lakh based on the estimated energy sales of 82.29 lakh and distribution loss of 2%. The Commission has provisionally fixed the BST of the licensee same as that applicable to Technopark ie., Rs.300/kVA of demand charges and Rs.4.85 per unit as energy charges for the year 2013-14. The licensee has estimated the power purchase cost based on these rates. The proposed demand charges for the year 2014-15 works out to Rs. 1012.5 lakh and energy charges Rs.399.11 lakh. The estimated average demand for the year 2014-15 will be 2815 MVA and energy requirement/purchase will be 82.29 lakhs units.

**Approved Cost of Power Purchase for 2014-15**

	Proposed by the licensee	Approved by the Commission
Energy purchase (lakh units)	82.29	82.29
Average billing demand per month (KVA)	2813	2813
Demand Charges (Rs./KVA)	300	300.00
<b>Total Demand charges (Rs in lakh) A</b>	<b>101.25</b>	<b>101.25</b>
Energy Charges (Rs./kWh)	4.85	4.85
<b>Total energy charges (Rs.in lakh) B</b>	<b>399.11</b>	<b>399.11</b>
<b>Cost of power purchase A +B</b>	<b>500.36</b>	<b>500.36</b>

The cost of power purchase of the licensee for 2014-15 is approved at Rs. 500.36 lakh.

**13. Depreciation and financing charges:** The licensee has not proposed depreciation and interest and financing charges. Accordingly, no information about the distribution assets or assets of licensed business has been provided in the petition. According to the licensee, as per the agreement, cost of investments in the distribution assets are to be included in the lease rent/cost of land to be allotted to the consumers, so as to avoid cross subsidisation with BST.

14. The approach of the licensee in this regard is not acceptable. The licensee has to clearly show the accounts of the distribution business as part of the ARR&ERC exercise. The assets may be initially funded through different ways, but it has to be replaced and also periodic repair and maintenance have to be carried, cost of which has to be loaded in to the ARR. Hence, the books of accounts of distribution business have to be segregated and details of all assets and the mode of financing the assets are to be clearly shown in the books and also are to be part of ARR every year. Accordingly, M/s Infopark, Chertala is directed to maintain independent registers for distribution assets clearly showing all essential details

like date of acquisition, book value etc. They should also maintain separate books of accounts showing the value of assets and mode of financing like equity/debt etc.

**15. R&M Expenses:** The licensee has projected Rs. 17 lakh towards repair and maintenance expenditure as shown below

	Amount (Rs.lakh)
Maintenance cost of Infopark, Chertala	2.00
Operation Expenses for Infopark Kochi Phase II	9.00
Additional Operations expenses for Infopark, Chertala	6.00
<b>Total</b>	<b>17.00</b>

16. The licensee has stated that the maintenance operations in both the parks are to be outsourced through a competitive financial bidding process and the expected cost is proposed as the R&M charges for the year. As the licensee has not furnished the details of assets, it is difficult to benchmark the R&M costs projected by the licensee. Further, there is no past data to validate the proposal. Hence, the Commission approves the proposed figures provisionally.

**17. Employee Cost :** The employee cost projected by the licensee is Rs.10.32 lakh. Details are given below:

**Employee Cost proposed for 2014-15**

Designation	No. of employees	Rate per month	% to licensee business	Employee cost (Rs. lakh)
Resident Engineer	1	Rs.40,000	50%	2.40
Shift operators	6	Rs.12,000	100%	7.20
Accountant	1	Rs.24,000	25%	0.72
<b>Total</b>				<b>10.32</b>

The licensee has proposed that the number of employees will increase as soon as the operations in Kochi commence. The licensee has also proposed apportionment of the total cost into the licensee business. However, it can be seen that the licensee has proposed to outsource the maintenance operations and hence there is no requirement for employing shift operators, which will be part of the outsourced operations. Hence the provision for salary for shift operators is redundant and disallowed. Hence the Commission approves an employee cost of Rs.3.12 lakh for the year 2014-15.

**18. Administrative and General Expenses :** The A & G expense projected by the licensee for 2014-15 is Rs.7.05 lakh where as the A&G expenses estimated for 2013-14 is Rs.3.13 lakh. Of the expenses projected, major items are vehicle hire charges (Rs.2.07 lakh) and statutory fees & charges (Rs.3 lakh). The licensee has not given explanation for projecting such higher level of expenses over the current year. The Commission has been maintaining the view that A&G expenses are controllable expenses. Considering the low level of operations, 20% increase in A&G expenses is allowed to cover the expected increase in operations and inflation and an amount of Rs.3.80 lakh as A&G expenses is approved for the year 2014-15.

**19. Statutory Surplus/Return on Equity:** The licensee has not projected any return for the investment. However, the license has to submit the details of assets and its financing sources for the information of the Commission. The Commission will finalise its views on the proposed model of funding and sharing of charges shortly. Till such period, Rs.10 lakh is allowed as statutory return for the licensee.

**20. Aggregate Revenue Requirement:** The Aggregate Revenue Requirement approved for 2014-15 is summarised as given below:

**Approved Aggregate Revenue Requirements for 2014-15**

	2014-15	
	<i>Proposed by the licensee (Rs.lakh)</i>	<i>Approved by the Commission (Rs.lakh)</i>
EXPENDITURE		
Purchase of power	500.36	500.36
Repair and maintenance	17.00	17.00
Employee costs	10.32	3.12
A&G expenses	7.05	3.80
Depreciation	----	0.00
Interest & financing charges	----	0.00
Return on investment	----	10.00
<b>Total expenses</b>	<b>534.73</b>	<b>534.28</b>

**21. Revenue from Sale of Power:** The licensee has projected, Rs.524.24 lakh towards revenue from sale of power for the year 2014-15. The details of the revenue from tariff are furnished below:

### Revenue from sale of power projected for 2014-15

Particulars	No. of consumers	Load (kW)	No. hours of operation	Units	Energy Charges (Rs.lakh)	Fixed Charges (Rs.lakh)	Total charges (Rs.lakh)
<b><u>HT connections</u></b>							
HT 1B	1	400	12	17.28	86.40	18.00	104.40
HT 1B	2	2550	8	51.41	257.04	91.80	348.84
<b>sub Total</b>				<b>68.69</b>	<b>343.44</b>	<b>109.80</b>	<b>453.24</b>
<b><u>LT Connections</u></b>							
LT IV B	13	470	8	9.48	48.32	3.38	51.71
LT VII (A)	6	105	8	2.12	16.93	1.26	18.19
<b>sub Total</b>				<b>11.59</b>	<b>65.26</b>	<b>4.64</b>	<b>69.90</b>
Public lighting	1	9.25	11	0.37	1.10	0.00	1.10
<b>Total</b>				<b>80.65</b>	<b>409.80</b>	<b>114.45</b>	<b>524.24</b>

22. The licensee has estimated the revenue as per the existing retail supply tariff. The HT I(b) connections are mainly for the common amenities. The Board in their comments have stated that the HT connection is mainly for chilling plants and for common amenities, which also include commercial purpose. According to the Board, as per the latest approved schedule of tariff, tariff for common amenities shall be charged as per the highest tariff and hence LT VII tariff is applicable. However, the argument of the Board is not sustainable as the said provision is relating to LT tariff. In the case of HT connections, no such stipulation is mentioned. Further, the common amenities are maintained for the purpose of IT business and the approach taken by the licensee cannot be held to be at fault.

23. The estimation of revenue by the licensee is reasonable and hence taken for the purpose of ARR&ERC

24. **Non – Tariff Income:** The licensee has not projected any non-tariff income for 2014-15. However, interest on security deposits held with KSEB and other miscellaneous charges are recoverable and the same has to be part of ARR. The Commission will account for this at the time of truing up of accounts. The licensee shall include these items in the ARR&ERC properly in the ensuing years.

25. **Revenue Surplus/Gap :** The revenue gap proposed by the licensee as per the ARR &ERC for 2014-15 was Rs.9.49 lakh excluding return on equity. Against this, the Commission has arrived at an Aggregate Revenue Requirement of Rs. 534.28 lakh and Expected Revenue from Charges of Rs. 524.24 lakh, leaving a revenue gap of Rs. 10.04 lakh as shown below:



### Approved Revenue gap for 2014-15

Particulars	Projected (Rs.lakh)	Approved (Rs.lakh)
Purchase of Power	500.36	500.36
R&M Expenses	17.00	17.00
Employee costs	10.32	3.12
A & G expenses	7.05	3.80
Depreciation		0.00
Interest & Finance charges		0.00
Return on Equity		10.00
<b>Total expenses</b>	<b>534.73</b>	<b>534.28</b>
<b>Revenue</b>		
Revenue from sale of power	524.24	524.24
Non-Tariff Income		
<b>Total Revenue</b>	<b>524.24</b>	<b>524.24</b>
<b>Revenue Surplus/(Gap)</b>	<b>(9.49)</b>	<b>(10.04)</b>

26. The distribution cost (except cost of power purchase) for the year 2014-15 based on the approved ARR for the year is 42 paise per unit.

#### Orders of the Commission

27. The Commission approves an Aggregate Revenue Requirements of Rs.534.28 lakh and expected revenue from charges of Rs.524.24 lakh and a revenue gap of Rs.10.04 lakh for the year 2014-15 in respect of M/s Infopark, Chertala. The Commission also directs the licensee M/s Infopark, Chertala to maintain the asset registers and books of accounts of capital assets in respect of the electricity distribution business as indicated in para 14 of this order.

28. The details of non-tariff income shall be furnished as directed in para 24. The existing BST & RST shall continue until further orders.

29. Petition disposed of. Ordered accordingly.

Sd/-  
**P. Parameswaran**  
Member

Sd/-  
**Mathew George**  
Member

Sd/-  
**T.M.Manoharan**  
Chairman

**Approved for Issue**

**Secretary**