

**KERALA STATE ELECTRICITY REGULATORY COMMISSION  
THIRUVANANTHAPURAM**

**OA 13/2017**

**In the matter of Truing up of accounts of M/s Infopark for the financial  
year 2015-16**

**Applicant : M/s Infopark, Kerala**

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

**PRESENT : Shri K.Vikraman Nair, Member  
Shri S.Venugopal, Member**

**ORDER DATED 10/10/2017**

1. M/s. Infoparks, Kerala, Kochi (*hereinafter referred as 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 applicant. Infopark was granted distribution licence vide order dated 10-5-2010 of the Commission and the electricity distribution operations commenced on 1-7-2013. The Infopark Phase II campus at Kochi was included in the distribution licence area vide order dated 18-10-2011.
2. The Commission had notified the KSERC (Terms and Conditions for Determination of Tariff) Regulation, 2014 (*hereinafter referred as the Tariff Regulation, 2014*) applicable for the first control period from 2015-16 to 2017-18 on 14.11.2014 as per notification No.787/SEA/2011/KSERC. The application submitted by the licensee is in accordance with regulation 11 of the Tariff Regulations, 2014 and the relevant portion of the said regulation is reproduced below;

*11. Filing under multi-year tariff (MYT) framework.-*

*(2) Every generating business/company or transmission business/licensee or distribution business/licensee or state load despatch centre shall file, on or before the Thirtieth day of November of every subsequent financial year during the control period, the following applications:*

*(a) Application for approval of revised aggregate revenue requirement, if any, for the ensuing financial year and determination of tariff for the ensuing financial year:*

*(b) Application for truing up of aggregate revenue requirement for the previous financial year”*

3. Based on the above provisions and regulation 16, all licensees have to submit the application for truing up of aggregate revenue requirements for the previous year. M/s Infopark Kochi vide letter No.INFOPARK/KSERC/553/2017 dated 28<sup>th</sup> March 2017 submitted the application for truing up of accounts for the year 2015-16. The Commission considered the application submitted by the licensee and admitted it as OA No. 13/17. The Commission sought clarifications from the licensee regarding the application submitted by them. The licensee had submitted the clarifications vide letter No. INFOPARK/KSERC/1134/2017 dated 22-06-2017.
4. The Commission on 11-11-2015 had issued an order vide OA 07/2015 on the application for ARR & ERC for the first control period (2015-16 to 2017-18). A comparison of the Aggregate Revenue Requirement and Expected Revenue from Charges approved by the Commission and the application submitted by the licensee for truing up of accounts for the year 2015-16 is tabulated below.

**Table 1**  
**Comparison of Truing Up of accounts and the ARR order for 2015-16**

Particulars	Approved in ARR (Rs.lakh)	For Truing up (Rs.lakh)	Variance (Rs.lakh)
<b>Expenditure</b>			
Purchase of Power	569.67	388.99	(180.68)
R&M Expenses	17.99	17.69	(0.30)
Employee costs	3.30	10.21	6.91
A & G expenses	4.02	11.43	7.41
Depreciation	46.46	70.14	23.68
Return on Equity	33.54	22.85	(10.69)
<b>Total expenses</b>	<b>674.98</b>	<b>521.32</b>	<b>(153.66)</b>
<b>Revenue</b>			
Revenue from sale of power	574.23	360.30	(213.93)
Non-Tariff Income	2.00	3.56	1.56
<b>Total Revenue</b>	<b>576.23</b>	<b>363.86</b>	<b>(212.37)</b>
<b>Revenue Surplus/(Gap)</b>	<b>(98.75)</b>	<b>(157.47)</b>	<b>58.71</b>

5. In the application for the **truing up of accounts for 2015-16**, the licensee has reported a **revenue gap of Rs.157.47 lakh** against a revenue gap of Rs.98.75 lakh approved by the Commission vide order dated 11-11-2015.

## Hearing on the matter

6. Public hearing on the application for the truing up of accounts for the year 2015-16 was held at the Court Room, Office of the Commission, Thiruvananthapuram on 31-05-2017. M/s Infopark was represented by Sri. V.R.Vijayan, Senior Manager and Sri.Sarathchandran, Engineer. Sri. V.R.Vijayan presented the details of the application and responded to the queries of the Commission on the truing up of accounts.
7. Smt. Mehrunisa, Executive Engineer, Sri. Manoj.G, AEE, TRAC and Smt. Bindu.V, AEE, TRAC, represented KSEB Ltd. Sri. Manoj.G presented the remarks/ observations of KSEBL and submitted written remarks on the application. The summary of the comments is abstracted below:
  - a. The quantum of energy purchased and the energy charges for the year 2015-16 by Infopark is not tallying with the records of KSEBL, as the licensee has claimed the same for 13 months.
  - b. The distribution loss is estimated as 8.1% as against the approved level of 1.80%. The Commission may follow the approach of disallowing the cost of power procurement due to the excessive distribution loss.
  - c. KSEBL stated that the expenses of the licensee towards the Operation and Maintenance cost such as R&M expenses and Employee cost are higher than that provided in the KSERC (Terms and Conditions for Determination of Tariff) Regulation, 2014. The Commission may limit the expenses to the approved level.
  - d. The Commission may allow depreciation only for assets created with the approval of the Commission in accordance with the KSERC (Terms and Conditions for determination of Tariff) Regulations 2014.
  - e. The calculation of return on equity by the licensee is not clear.
8. During the hearing the Commission pointed out that the licensee has accounted power purchase for 13 months in the Cherthala and Kakkanad licence areas and income was accounted for 12 months for Chertala and 13 months for Kakkanad. The licensee pointed out that in the previous truing up for 2014-15, the same was inadvertently omitted and hence the same was included in the year 2015-16 and submitted month wise details for the claim. The Commission directed that the licensee shall follow practices based on accepted accounting principles and properly disclose any material deviation.
9. The Commission directed the licensee to submit phase wise details of the expenses, revenue, energy input, sales and losses for the year 2015-16 and

allowed time till 15-06-2017 for furnishing the details. The licensee vide letter dated 15-06-2017 requested for enlargement of time till 22-06-2017 for the submission of the details and accordingly, the details were furnished as per letter dated 22-06-2017.

### **Analysis and decision of the Commission**

10. The Commission considered the application of the licensee for truing up of accounts for the year 2015-16, the additional submissions along with the comments of KSEB Ltd. The analysis and decisions of the Commission on the application for truing up of accounts for the year 2015-16 are detailed below:

### **No. of Consumers and Sale of Power: -**

11. The licensee in the application of ARR & ERC for the year 2015-16 had estimated the energy sales of 82.90 lakh units for 40 consumers which were approved by the Commission as such. However the actual energy sale for the year 2015-16 is only 46.03 lakh units for 49 consumers. The details of the sales given by the licensee are as given below.

**Table 2**  
**Sale of power to various consumer categories**

<b>Consumer Category</b>	<b>Approved for 2015-16</b>		<b>For Truing up 2015-16</b>	
	<b>No. Of consumers</b>	<b>Sales (lakh units)</b>	<b>No. Of consumers</b>	<b>Sales (lakh units)</b>
Industrial	30	12.70	33	2.70
Commercial	6	2.10	12	0.73
Street lighting	1	0.40	2	0.50
HT 1B	3	67.70	2	42.10
<b>Total</b>	<b>40</b>	<b>82.90</b>	<b>49</b>	<b>46.03</b>

12. The Commission examined the details furnished by the licensee. The Commission notes that the licensee has not properly furnished the details for the sale, revenue and power purchase for the year 2015-16. As per the month-wise details furnished by the licensee, energy sales for the Cherthala area is given for 12 months whereas purchase of power is accounted for 13 months (March 2015 to March 2016). In the case of Kakkanad, sales and purchase were accounted for 13 months (March 2015 to March 2016). The Commission sought clarification on this issue during the hearing and the licensee furnished the details as per the letter dated 22-6-2017. In the said letter the licensee stated as follows:

*“..... Certain errors and mistakes happened in the beginning stage which may kindly be condoned . Being in the initial stage of the licensee operations, while submitting the truing up for 2014-15, there was an omission in the purchase and sales which is given below:*

Infopark Cherthala

In case of Infopark Cherthala, we have taken purchase amount wrongly (from March 2014 to February 2015) and sale was taken correctly (from April 2014 to March 2015).

Infopark Phase II

Purchase was taken wrongly (from December 2014 to February 2015). The operation in phase II commenced only in December 2014. Sale also was taken wrongly (from December 2014 to February 2015).

As explained above, in the truing up for 2014-15 there was an omission in purchase amount of one month (March 2015) in the case of Infopark Cherthala. In the case of Infopark Phase II there was an omission in sale and purchase amount of one month (March 2015). While submitting the truing up for 2015-16, the above mentioned omissions were added and corresponding sheets were attached along with form D.2.1 (sale of Power) and Form D.3.1 (purchase of Power). However, this matter was not properly disclosed in the covering letter.....”

13. As shown above, the omissions made in the accounts for 2014-15 were improperly included by the licensee in the year 2015-16, without disclosing the same in the notes to accounts. The Commission also notes that the audited accounts given by the licensee for the year 2015-16 shows the same inconsistent figures which cannot be relied upon as such. The details furnished by the licensee are as shown below:

**Table-3**  
**Monthwise details of sales, purchase, power purchase cost and revenue furnished by the licensee**

Month	Infopark Kakkanad				Infopark Chertala			
	Sales (lakh units)	Purchase (lakh units)	Power purchase cost (Rs.lakh)	Revenue (Rs.lakh)	Sales (lakh units)	Purchase (lakh units)	Power purchase cost (Rs.lakh)	Revenue (Rs.lakh)
March, 2015	2.19	2.18	18.84	18.96	-	1.21	8.92	-
April,2015	2.16	2.23	19.11	18.76	1.05	1.26	9.10	6.83
May,2015	2.33	2.35	19.77	19.75	1.29	1.38	9.65	8.22
June,2015	2.23	2.18	18.87	19.20	1.08	1.18	2.57	7.01
July, 2015	2.37	2.32	19.62	19.93	1.08	1.24	8.57	6.97
August,2015	2.40	2.35	19.77	20.17	1.11	1.32	9.03	7.16
September,2015	2.29	2.41	20.12	19.55	1.25	1.42	9.56	7.96
October,2015	2.58	2.34	19.75	21.10	1.23	1.36	9.23	7.85
November,2015	2.34	3.00	23.55	19.93	1.20	1.26	8.65	7.18
December,2015	2.69	3.04	23.64	22.65	1.27	1.35	9.17	8.14
January,2016	2.61	3.05	23.68	22.26	1.19	1.38	9.35	7.69
February,2016	2.57	2.98	23.30	21.99	1.18	1.37	9.31	7.68
March,2016	3.02	3.40	25.60	24.85	1.32	1.54	10.24	8.50
<b>TOTAL</b>	<b>31.79</b>	<b>33.82</b>	<b>275.62</b>	<b>269.08</b>	<b>14.24</b>	<b>17.27</b>	<b>113.37</b>	<b>91.22</b>

Month	Total			
	Sales (lakh units)	Purchase (lakh units)	Power purchase cost (Rs.lakh)	Revenue (Rs.lakh)
March, 2015	2.19	3.38	27.76	18.96
April,2015	3.21	3.49	28.21	25.60
May,2015	3.62	3.73	29.43	27.97
June,2015	3.31	3.37	21.44	26.21
July, 2015	3.45	3.56	28.19	26.90
August,2015	3.51	3.67	28.80	27.33
September,2015	3.53	3.83	29.68	27.52
October,2015	3.81	3.70	28.97	28.95
November,2015	3.54	4.25	32.21	27.11
December,2015	3.96	4.39	32.82	30.79
January,2016	3.79	4.43	33.03	29.95
February,2016	3.75	4.36	32.61	29.67
March,2016	4.35	4.94	35.84	33.35
<b>TOTAL</b>	<b>46.03</b>	<b>51.09</b>	<b>388.99</b>	<b>360.30</b>

14. As shown in the summary table prepared, based on the information submitted, the licensee included the details of revenue, sales and power purchase for 13 months in the case of Kakkanad and 13 months power purchase in the case of Cherthala. In this situation Commission is of the view that figures pertaining to 12 months i.e., from April 2015 to March 2016 need only be reckoned for the purpose of truing up for the year 2015-16. It is therefore directed that the licensee shall, as per the accepted accounting principles incorporate the omission & errors in the accounts in subsequent years with proper rectification entries in the accounts. A comprehensive report on the same shall be furnished to the Commission. Accordingly, Sales, Power purchase, cost of power purchase, revenue and distribution loss pertaining to 12 months i.e., April 2015 to March 2016 are considered for the purpose of truing up as shown below:

**Table-4**  
**Sales, Revenue, Power purchase for 2015-16**

Phase	Sales (lakh units)	Purchase (lakh units)	Power purchase cost (Rs.lakh)	Revenue (Rs.lakh)
Infopark Kakkanad	29.60	31.64	256.78	250.12
Infopark Cherthala	14.24	16.06	104.45	91.22
<b>Total</b>	<b>43.84</b>	<b>47.70</b>	<b>361.23</b>	<b>341.34</b>

15. As shown in the table power purchase cost for the year 2015-16 is Rs.361.23 lakh whereas the revenue from sale of power is Rs.341.34 lakh. The Commission notes that the power purchase cost exceeds the revenue from sale of power, which is due to the high BST applicable to the licensee. Regarding reduction in sales in comparison with approved sales during 2015-16, the licensee stated that in the FY 2015-16, the expected sales to the HT category did not materialise on account of following reasons:

- M/s Cognizant Technologies one of the HT consumer with 3000 kVA contract demand commenced operations in December, 2014, but the actual demand is around 1000kVA only.
- The construction of the IT building owned by Infopark got delayed due to legal issues and the construction completed in January 2017 only. Hence expected increase in load did not materialise.

16. The licensee has submitted the phase wise details of the number of consumers as shown below:

**Table-5**  
**Phase wise details of No. of consumers**

Tariff category	Cherthala	Phase II	Total
LT IV B	33		33
LT VII A	1		1
LT VI F	2	9	11
LT VIII B	1	1	2
HT I B	1	1	2
<b>TOTAL</b>	<b>38</b>	<b>11</b>	<b>49</b>

17. The licensee stated that most of the connections in Phase II are for construction purpose. As stated above the expected increase in demand did not materialize since one of their major HT consumers at phase II was not able to scale up their operations as originally planned. The Commission approves the energy sale for the licensee for the year 2015-16 as shown below:

**Table-6**  
**Approved sales for 2015-16**

	Truing up (lakh units)	Approved (lakh units)
Infopark Kakkanad	31.79	29.60
Infopark Chertala	14.24	14.24
<b>Total</b>	<b>46.03</b>	<b>43.84</b>

## Distribution Loss:

18. In the application for approval of ARR & ERC for the year 2015-16, the licensee proposed a Distribution loss reduction target of 2.00%. The Commission approved a Distribution loss of 1.80% for the year. In the application for the truing up of 2015-16, the actual distribution loss claimed is 9.98%. The details on the distribution loss as per the application submitted are shown below.

**Table -7**  
**Infopark- Details on the distribution loss**

Particulars	Approved in ARR	For Truing Up
Total Energy Sales (lakh units)	82.90	46.03
Distribution loss (lakh units)	1.50	5.07
Gross energy (lakh units)	84.40	51.10
<b>Distribution loss %</b>	<b>1.80%</b>	<b>9.98%</b>

19. The licensee has stated that the claim is mainly due to system losses. The licensee have installed 2 nos 110kV/11kV transformers for HT consumers and 2 nos 11 kV/415 V transformers for LT consumers in Cherthala and 2 nos of 220kV/33 kV transformers and 2 nos of 33kV/11 kV transformers for HT consumers and 4 nos of 11 kV/415 V transformers for LT consumers at Phase II Kakkanad. As the transformers are operating at low load condition, the loss is high. The phase wise split up of the distribution loss of the licensee is shown below.

**Table-8**  
**Details of distribution loss as per the filing**

AREA	No. Of consumers		Power purchase (lakh units)	Energy sale (lakh units)	Distribution Loss (lakh units)	Distribution Loss %
	HT	LT				
Infopark Cherthala	1	37	17.27	14.24	3.03	17.53
Infopark Phase II	1	10	33.82	31.79	2.03	6.02
<b>TOTAL</b>			<b>51.09</b>	<b>46.03</b>	<b>5.06</b>	<b>9.909</b>

20. As noted in the previous sections, the Commission accounted the details pertaining to 12 months, from April 2015- to March 2016 instead of March 2015 to March 2016 as submitted by the licensee in the application. Accordingly the distribution loss for the year 2015-16 is as shown below:

**Table-9**  
**Distribution loss for 2015-16**

	Sales (lakh units)	Purchase (lakh units)	Distribution loss (%)
Infopark Kakkanad	29.60	31.64	6.46%
Infopark Chertala	14.24	16.06	11.34%
<b>Total</b>	<b>43.84</b>	<b>47.70</b>	<b>8.10%</b>



21. As shown above, the actual distribution loss for the year 2015-16 is 8.10% for the licensee as against 1.80% approved in the ARR. The loss for Cherthala is more than 11% and that of Kakkanad is 6.50%. According to the licensee higher loss is due to the under loading of transformer.
22. The licensee has installed 2 nos of 220/33 kV transformers with a capacity of 31.5 MVA each at Kakkanad and 2 nos of 110/11 kV transformers with a capacity of 12.5 MVA each at Cherthala. As shown in table-9, Infopark has purchased 31.64 lakh units from KSEB Ltd for Kakkanad area and 16.06 lakh units for Cherthala area. The capacity utilization of the transformers installed is less than 1%.
23. As per the test report of the power transformers furnished by the licensee, the no load loss of 31.5 MVA transformer is 14.92 kW and the same for 12.5 MVA transformer is 8.69kW. Based on the test report, the annual loss in units, in the 31.5 MVA transformer and 12.5 MVA is transformer is estimated and given below.

**Table-10**  
**Details of the annual loss in units for 2015-16**

Licensee Area	Transformer installed	No load' loss in KW	No load' loss in units annually	Power purchase from KSEB (units)	No load loss in (%) for the year 2015-16
Kakkanad	31.5 MVA	14.92	130699	3164170	4.13%
Cherthala	12.5 MVA	8.69	76124	1606250	4.74%
<b>Total</b>			206824	4770420	4.34%

24. Considering that only one unit of the power transformers is in service, the no load loss estimated for the 31.5 MVA and 12.5 MVA transformers installed at Kakkanad and Cherthala together for the year 2015-16 is about 4.34% of the total energy sale. Accordingly, for the purpose of truing up of accounts for the year 2015-16, the Commission approves a distribution loss at 6.14% (4.34+1.80). Based on the approved distribution loss of 6.14%, the quantum of power purchase approved is detailed below.

**Table -11**  
**Distribution Loss approved for 2015-16**

Particulars	ARR Approved Lakh units	Truing up Application Lakh units	Trued Up Lakh units
Total Energy sales	82.90	46.00	<b>43.84</b>
Distribution loss	1.50	5.10	<b>2.87</b>
Energy Requirement	84.40	51.10	<b>46.71</b>
Distribution loss	1.80%	9.98%	<b>6.14%</b>

### Power Purchase Cost:

25. The actual power purchase cost as per the truing up application submitted is Rs.388.99 lakh for the purchase of 51.1 lakh units. The average cost of power purchase is Rs. 7.61 per unit. The total power purchase cost approved by the Commission in the order on ARR for the year was Rs.569.67 lakh.
26. The licensee has submitted the month wise details of the power purchase cost. The licensee has, in the clarifications submitted to the Commission, stated that the omission made in the power purchase cost of 2014-15 has been adjusted and added to the figures in 2015-16.
27. As mentioned in the above sections, the Commission has considered the power purchase cost pertaining to 2015-16 only which is Rs.361.23 lakh. After considering the details furnished by the licensee, the power purchase cost approved for the year 2015-16 is as shown below:

**Table 12**  
**Details of the cost of power purchase approved for 2015-16**

Particulars	Total
Total cost of power purchase (Rs.lakh)	361.23
Energy requirement claimed (lakh units)	47.70
Average cost of purchase (Rs./kWh)	7.57
Energy requirement approved (lakh units)	46.71
Excess Distribution loss (lakh units)	0.99
Excess power purchase cost to be deducted (Rs. Lakh) = 0.99 lakh * Rs.7.57	7.49
<b>Power purchase cost approved (Rs.lakh)</b>	<b>353.74</b>

28. The Commission approves the power purchase cost of Rs 353.74 lakh for the year 2015-16.

### Depreciation:

29. The actual depreciation booked for the year is Rs.70.14 lakh against the approved amount of Rs.46.46 lakh vide the order on ARR&ERC. The licensee has stated that the variation occurred due to asset addition of phase II substation. 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. The details of depreciation claimed by the licensee is given below:

**Table-13**  
**Details of depreciation claimed for 2015-16**

Sl. No.	Asset Group	Kakkanad 220kV substation			Cherthala 110kV substation		
		GFA (Rs.lakh)	Rate of Depreciation %	Amount of depreciation (Rs.lakh)	GFA (Rs.lakh)	Rate of Depreciation %	Amount of depreciation (Rs.lakh)
1	Land & land rights	560.00	-	-	150.00	0.00%	-
2	Other Civil works	708.88	3.34%	23.68	186.94	3.34%	6.24
3	EHV Distribution system					0.00%	-
a)	Distribution lines	401.06	5.28%	21.18		0.00%	-
b)	Sub-station equipments	113.36	5.28%	5.99		0.00%	-
i)	Transformers	715.12	5.28%	37.76	180.30	5.28%	9.52
ii)	Switchgears	1,026.02	5.28%	54.17	288.03	5.28%	15.21
iii)	Control gear & Protection	113.36	5.28%	5.99			
iv)	Batteries				13.45	5.28%	0.71
v)	Others				52.70	3.34%	1.76
4	HT Distribution system					0.00%	-
a)	Distribution lines	24.35	5.28%	1.29	14.61	5.28%	0.77
b)	Sub-station equipments	19.04	5.28%	1.01			-
i)	Transformers	5.71	5.28%	0.30	20.26	5.28%	1.07
ii)	Switchgears, Control gear & Protection	215.92	5.28%	11.40	110.00	5.28%	5.81
iii)	Batteries				1.67	5.28%	0.09
iv)	Others /DG				99.97	5.28%	5.28
5	LT Distribution system						
a)	Distribution lines	43.72	5.28%	2.31			
b)	Sub-station equipments	15.14	5.28%	0.80			
i)	Transformers						
ii)	Switchgears, Control gear & Protection						
iii)	Batteries	25.54	5.28%	1.35			
iv)	DG	13.12	5.28%	0.69			
v)	Others	224.92	3.34%	7.51			
5	Communication equipment	97.42	6.33%	6.17			
15	Any other items						
	Gross Asset (Total (1) to (15))	4,322.68		181.58	1,117.93		46.46

30. The licensee stated that depreciation for the entire year for Kakkanad is Rs.181.58 lakh, but the substation was commissioned on 11-11-2015 and the proportionate depreciation is Rs.70.14 lakh. In the petition, the licensee has claimed Rs.70.14 lakh as depreciation which is for the 220kV substation only.

31. As per the letter dated 22-06-2017 submitted to the Commission, the licensee has stated that,-

*“As per the minutes of Meeting between KSEB and Infopark dated 11.07.2012, it has been agreed that recovery of higher infrastructure cost of Infopark shall be without adversely affecting the BST and the same shall be sorted out by Infopark by way of recouping such*

*additional investments from the budget allocation made by the Government or through additional SEZ for quality power supply as onetime payment or pass through payments from the consumer”. As per the MOM it shall be a part of Power Purchase Agreement also. Accordingly in the Power Purchase Agreement with KSEB the same has been incorporated. While submitting the first ARR & ERC of Infoparks Kerala Power Licensee, we have not claimed any depreciation part. As per the order of KSERC dated 23.04.2014 (OP 36/2013) para no. 13 & 14 , “ it has been noted that licensee has not proposed depreciation as well as Interest & finance charges and the approach of licensee in this regard is not acceptable”. Hence from the next ARR onwards we have added asset details and depreciation part in line with the direction of the commission.*

*In the case of Infopark power licensee account policy we have accounted the major assets like 110 kV substation at Infopark Cherthala and 220 kV substation at Infopark Phase II as a contribution from the infrastructure provider. The loan amount from South Indian Bank for construction of 110 kV substation at Cherthala as well as the budgetary support obtained from Government for construction of 220 kV substation at Infopark phase II Kakkanad is not booked in the licensee account. Once these substations are commissioned, it is getting transferred from the infrastructure provider to the asset register of Infoparks Kerala Power Licensee. As the asset is transferred to the licensee as an infrastructure provider contribution we have worked out the depreciation as per accounting practices.*

32. Regulation 26 of the KSERC (terms and conditions for the determination of tariff) Regulations 2014 is quoted hereunder.

**26.Consumer contribution, deposit work, capital subsidy or grant. –**

*(1) The works of the following nature carried out by the transmission business/licensee or distribution business/licensee shall be classified under the categories of consumer contribution, deposit work, capital subsidy or grant,-*

*(a) capital works undertaken after obtaining a part or all of the funds from the users/consumers in the context of deposit works,consumer contribution, capital subsidies or grants;*

*(b) capital works undertaken by utilising capital subsidies or grants received from the State and/or Central Governments;*

*(c) any other capital subsidy or grant of similar nature received without any obligation to return the same and with no interest costs attached to such subvention.*

*(2) The expenses on such capital expenditure shall be treated as follows:-*

*(a) normative O&M expenses as specified in these Regulations shall be allowed;*

*(b) provisions related to depreciation, as specified in regulation 28, shall not be applicable to the extent of financial support provided through consumer contribution, deposit work, capital subsidy or grant; and*  
*(c) provisions related to return on investment, as specified in regulation 29 shall be not applicable to the extent of financial support provided through consumer contribution, deposit work, capital subsidy or grant.*

33. In the letter dated 22-6-2017, the licensee has claimed depreciation on a proportionate basis for the year 2015-16 for the 220kV substation which is being developed with the government grant. The licensee has stated that the assets of 110kV substation Cherthala as well as the 220kV substation at Kakkanad developed through budgetary support is not booked in the licensee account. It was further stated that once the substation is commissioned, it is getting transferred from the infrastructure service provider to asset register of Infopark. As the asset is transferred to the licensee as an infrastructure provider contribution, the licensee has worked out depreciation as per the accounting practices.
34. In this context, it is to be noted that the Commission in the order dated 23-04-2014 on ARR for the year 2014-15 had stated as follows.

*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.*

35. Thus it is directed that the licensee has to show details of assets in the books of accounts properly as soon as the assets are commissioned and also maintain a fixed asset register for the distribution licensee operations. Based on the statement of the licensee, since the assets are created from the contribution from the Government, depreciation cannot be allowed.

**Employee cost:**

36. The Commission approved Rs 3.30 lakh for employee cost as per the approved norms of KSEERC (Terms and conditions for determination of tariff) Regulations, 2014. In the application truing up, the licensee has booked amount of Rs.10.21 lakh as employee cost for carrying out the distribution business. The details of the claim made by the licensee are shown below.

**Table 14**  
**Infopark- Details of employee cost claimed for the year 2015-16**

<b>Particulars</b>	<b>Amount in Rs.</b>
Resident Engineer - Cherthala	Rs.53,100X12= Rs. 6,37,200
Resident Engineer – Phasell	Rs.53,100X12= Rs. 6,37,200
Accountant	Rs.35,600X12= Rs. 4,27,200
By considering 100% Employee cost	Rs. 17,01,600
<b>By considering 60% Employee cost</b>	<b>Rs. 10,20,960</b>

37. In the order dated 09-11-2016 on the truing up of accounts for the year 2014-15, the Commission had approved an employee cost of Rs.3.29 lakh as claimed by the licensee. For the year 2014-15 the licensee had stated that they have considered only half salary of Resident Engineer and 25% of one Accountant at Infopark Cherthala.
38. In the application for the truing up of accounts for the year 2015-16, the licensee has stated that they are engaging one resident engineer each at Infopark Cherthala and Infopark Phase II, and a common accountant for both the parks, which is the bare minimum staff for the licensee operation. The licensee has stated that they have considered 60% of the total salary for the purpose of distribution business.
39. The Commission notes that the licensee has expanded its operations and the second stage at Kakkanad is operational from December 2014. While deciding the norms of operations, the Commission had considered the operations of Cherthala only. Hence, additional expenses for the operation of Kakkanad is required to be allowed to the licensee. Accordingly the Commission approves the actual employee cost as Rs.10.21 lakh for the year 2015-16.

**Table 15**  
**Employee cost approved for the year 2015-16**

<b>Particulars</b>	<b>As per accounts (Rs. Lakh)</b>	<b>Amount approved for truing up (Rs. Lakh)</b>
Employee cost	10.21	10.21

**Repair and Maintenance Charges:**

40. The amount booked by the licensee for R&M expenses in the truing application is less than the amount approved for the year. The Commission had approved an amount of Rs.17.99 lakh as R&M cost for the year 2015-16. The actual amount claimed by the licensee is Rs.17.69 lakh for the repair and maintenance of transmission lines, substations, 11 kV lines & associated works, LT line service etc. The licensee has stated that the R&M is generally outsourced based on competitive tenders. Being IT park working on 24 hr

basis, round the clock operating staff is engaged. Materials required for maintenance is purchased directly by Infopark based on sealed open tenders. Same operating staff is arranged for doing preventive and break down maintenance. . The split up details of the claim made by the licensee is shown below.

**Table-16**  
**Details of R&M expenses for the year 2015-16**

Particulars	As per accounts (Rs.lakh)
Annual Maintenance Contract	9.65
Operation and Maintenance Contract	8.04
<b>Total</b>	<b>17.69</b>

41. As shown above, the actual R&M expenses is about the same as approved as per the Tariff Regulations 2014. The Commission also notes that the R&M expenses is for the two licence areas of the licensee. The Commission allows the R&M as approved in the ARR.

**Table 17**  
**R&M Expenses approved for the year 2015-16**

Particulars	ARR approved (Rs Lakh)	Truing up Claimed (Rs Lakh)	Approved for Truing up (Rs Lakh)
R&M Expenses	17.99	17.69	17.99

**Administration and General Expenses:**

42. The A&G expense claimed by the licensee is higher than the amount approved by the Commission. The Commission had approved Rs.4.02 lakh in the ARR as per the approved norms as per the KSERC (Terms and conditions for determination of tariff) Regulations, 2014. The details of the amount booked by the licensee in the truing up application are shown below.

**Table 18**  
**Actual details of A&G Expenses for 2015-16**

Particulars	Rs.lakh
Conveyance	0.08
Advertisements for public hearing	5.87
Interest paid to consumers	0.50
Rates and Taxes	1.04
Bank Charges	3.94
<b>Gross A&amp;G Expenses</b>	<b>11.43</b>

43. The licensee has claimed an amount of Rs.0.50 lakh as interest paid to consumers under the A&G expenses. The licensee is to follow the prevailing accounting practices while claiming the same. The claim can be accounted under interest and finance charges.

44. Another major expense incurred by the licensee is Rs.5.87 lakh which is for advertisements for public hearing for enhancing the area of license. The licensee has submitted that the expense for advertisement charge is a onetime expense. Excluding the advertisement charges and the interest charges, the actual claim is Rs.5.06 lakh
45. The A&G expenses as per the Tariff Regulations 2014 shall only be admissible to the licensee. The Commission approves only the A&G expenses of Rs. 4.02 lakhs as per the Tariff Regulations, 2014.
46. As mentioned above, the licensee has claimed one time expense to the tune of Rs.5.87 lakh for Advertisements for public hearing for extending the area of license is a onetime expense. Since the claim is genuine and part of proceedings towards extension of licence, the Commission separately approves Rs.5.87 lakh as the expense incurred for the advertisement charges and accordingly the A&G expense approved for truing up is Rs.9.89 lakh.

**Table – 19**  
**A&G expenses allowed for truing up for 2015-16**

Particulars	ARR Approved (Rs lakh)	As per accounts (Rs lakh)	Trued Up (Rs lakh)
<b>A&amp;G expenses</b>	4.02	11.43	<b>4.02</b>
<b>Advertisement charges</b>	-	-	<b>5.87</b>
<b>Total</b>	4.02	11.43	<b>9.89</b>

**Interest and Finance Charges:**

47. In the application for the truing up of accounts, the licensee has not claimed any interest and finance charges. However, the licensee has claimed Rs.0.50 lakh towards interest on security deposits under A&G expenses. The Commission approves the same towards charges interest charges.

**Return on Equity:**

48. The licensee has claimed Return on Net Fixed Assets at Rs.22.85 lakh in the application for truing up for the year 2015-16. The calculation made by the licensee is as shown below.

**Table - 20**  
**RoE claimed for 2015-16**

GFA at the beginning of the year		Rs. 5440.61 lakh
Return on Equity at the beginning of the year	14%	Rs.761.69 lakh
<b>Total return on net fixed assets</b>	3%	<b>Rs.22.85lakh</b>



49. The Commission had approved a RoNFA of Rs.33.54 lakh in the order on the application of ARR & ERC for 2015-16 as shown below:

**Table - 21**  
**RoE approved as per the order for 2015-16**

Particulars	(Rs lakh)
Gross Assets	1117.93
Cumulative Depreciation	-
Depreciation approved for the current year	46.46
Assets eligible for return	1117.93
Rate of Return	3%
Eligible Return	33.54

50. Regulation 29 of Tariff Regulation 2014 provides for Return on investment.
- “29.Return on investment.** – (1) *Return on equity shall be computed in rupee terms, on the paid up equity capital determined in accordance with the regulation 27 and shall be allowed at the rate of fourteen percent for generating business/companies, transmission business/licensee, distribution business/licensee and state load despatch centre:*

Regulation 29(2) provides as shown below

*“(2) If the equity invested in the regulated business of the generating business/company or transmission business/licensee or distribution business/ licensee or state load despatch centre is not clearly identifiable, return at the rate of three percent shall be allowed on the net fixed assets at the beginning of the financial year for such regulated business: Provided that net fixed assets shall be exclusive of the assets created out of consumer contribution, deposit works, capital subsidy or grants”*

51. As per the audited accounts furnished by the licensee for the distribution business, it is noted that the sources of funds is shown as head office accounts and the source of funding assets is not clearly mentioned. Though the Commission has allowed return on NFA in the ARR&ERC order, as per the details furnished by the licensee the fixed assets are funded through the budgetary support from Government. As per proviso to Regulation 29(2), net fixed assets eligible for returns shall be exclusive of grants/contribution. Thus, as per the provisions of the Tariff Regulations 2014, the licensee is not eligible for any return on investment as such. The licensee may furnish details so as to establish the funding of assets through sources other than grants for claiming return on investment.
52. **Gross Revenue requirements:** Based on the above, the Gross revenue requirement for the year 2015-16 after truing up is as shown below:

**Table - 22**  
**Gross Revenue Requirements after truing up for 2015-16**

Particulars	Approved in ARR (Rs lakh)	For Truing up (Rs lakh)	Trued Up (Rs lakh)
<b>Expenditure</b>			
Purchase of Power	569.67	388.99	353.74
R&M Expenses	17.99	17.69	17.99
Employee costs	3.30	10.21	10.21
A & G expenses	4.02	11.43	9.89
Interest and finance charges	-	-	0.50
Depreciation	46.46	70.14	-
Return on Equity	33.54	22.85	-
<b>Total expenses</b>	<b>674.98</b>	<b>521.32</b>	<b>392.33</b>

#### Revenue from sale of power

53. The licensee has claimed total revenue from sale of power at Rs.360.30 lakh against approved revenue from sale of energy of Rs.574.23 lakh as approved in the Order on the application of ARR for the year. The licensee has stated that the decrease in revenue is due to the delay in the construction and other legal issues in the construction of various IT buildings that were expected to be completed. There is significant decrease in the revenue from sale of power claimed by the licensee in the application for the truing up of accounts for the year 2015-16 from the approved level of Rs.574.23 lakh as shown below.

**Table 23**  
**Revenue from Sale of Power for truing up 2015-16**

Consumer Category	No. Of consumers	Sales (lakh units)	Total Charges Rs. lakh	Average Realization Rs/kwh
Industrial	33	2.70	16.54	6.13
Commercial	1	0.10	0.48	4.80
	11	0.60	7.60	12.67
Street lighting	2	0.50	1.95	3.90
HT 1B	2	42.13	333.73	7.93
<b>Total</b>	<b>49</b>	<b>46.03</b>	<b>360.30</b>	<b>7.83</b>

54. As pointed out in the earlier section, the licensee has accounted revenue for 13 months. However, the Commission has considered the revenue for the 12 months for the purpose of truing up for the year 2015-16. Accordingly the revenue from sale of power is as shown below:

**Table-24**  
**Revenue from sale of power approved**

	Sales (lakh units)	Revenue (Rs.lakh)	Average Realisation (Rs./kWh)
Infopark Kakkanad	29.60	250.12	8.45
Infopark Chertala	14.24	91.22	6.41
<b>Total</b>	<b>43.84</b>	<b>341.34</b>	<b>7.79</b>

55. Accordingly the Commission approves the revenue from sale of power of Rs.341.34 lakh for the purpose of truing up of accounts for the year 2015-16

**Non tariff income:**

56. The actual non-tariff income accounted by the licensee in the application for truing up of accounts is Rs 3.56 lakh as against an income of Rs.2.00 lakh approved for the year as shown below:

**Table - 25**  
**Non tariff income 2015-16**

	Rs.lakh
Interest received from bank	0.66
Interest received from others	1.70
Meter cost	0.60
Meter installation charge	0.59
Application fee	0.00
<b>Total</b>	<b>3.56</b>

57. The Commission approves the non-tariff income of Rs.3.56 lakh as per the accounts of the Licensee for the truing up of accounts for the year 2015-16. After taking in to consideration the details furnished by the licensee, truing up of accounts approved for the year 2015-16 is as shown below:

**Table 26**  
**Approved in Truing up of accounts for the year 2015-16**

Particulars	Approved in ARR (Rs.lakh)	For Truing up (Rs.lakh)	Trued Up (Rs.lakh)
<b>Expenditure</b>			
Purchase of Power	569.67	388.99	353.74
R&M Expenses	17.99	17.69	17.99
Employee costs	3.30	10.21	10.21
A & G expenses	4.02	11.43	9.89
Interest and finance charges			0.50
Depreciation	46.46	70.14	-
Return on Equity	33.54	22.85	-
<b>Total expenses</b>	<b>674.98</b>	<b>521.32</b>	<b>392.33</b>
<b>Revenue</b>			
Revenue from sale of power	574.23	360.30	341.34
Non-Tariff Income	2.00	3.56	3.56
<b>Total Revenue</b>	<b>576.23</b>	<b>363.86</b>	<b>344.90</b>
<b>Revenue Surplus/(Gap)</b>	<b>(98.75)</b>	<b>(157.47)</b>	<b>(47.43)</b>

### **Orders of the Commission**

58. The Commission after considering the application filed by M/s. Infopark for truing up of accounts for the year 2015-16, objections raised by KSEB Ltd. and the clarifications and details provided by the licensee approves the total expenditure of Rs.392.33 lakh and total revenue of Rs.344.90 lakh with a revenue gap of Rs.47.43 lakh. The Commission had approved an accumulated gap of Rs.34.46 lakh after truing up of accounts for 2014-15. The cumulative revenue gap till 2015-16 will be Rs. 81.89 lakh.
59. The application is disposed of. Ordered accordingly.

**Sd/-  
K.Vikraman Nair  
Member**

**Sd/-  
S.Venugopal  
Member**

Approved for Issue

Santhosh Kumar.K.B  
Secretary