

KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM

Present : Shri. Preman Dinaraj, Chairman
Adv. A.J Wilson, Member (Law)

OP No 17/2021

In the matter of : Petition filed by M/s Infopark for approval of capital expenditure from 2013-14 to 2018-19 of its Distribution business.

Petitioner : M/s Infopark, Kochi.

Petitioner represented by : Sri. Vijayan V R, Manager (Projects & Engineering)
Sri. Arun S, Resident Engineer

Date of hearing : 16.06.2021

Order dated 09.08.2021

1. M/s Infopark, on 09.02.2021 filed a petition before the Commission for the approval of capital expenditure from 2013-14 to 2018-19 for the consideration and approval of the Commission.
2. Summary of the petition filed by M/s Infopark is given below.
 - (i) M/s Infopark is a State Government owned registered society engaged in development of Technology parks for promotion of Electronics and Information Technology business in the State of Kerala. Infopark possess electricity distribution licence for supply of electricity for two parks- Cherthala and Kakkanad- phase-II. The land for the development of the park has been provided by the State Government. The capital for the development of the park is also mainly provided by the State Government as grant. Electricity distribution within the Infopark had commenced on 01.07.2013.
 - (ii) As per Regulations and based on petitions filed by the petitioner, the Commission, had been approving the ARR and Truing up of accounts of Infopark since the year 2014-15 onwards. The petitioner has also been submitting the capital investment amount in the petition for approval of ARR& ERC in the respective years since 2014-15. In violation to the provisions in the KSERC (Licensing) Regulations, 2006,

the licensee did not seek any prior approvals stating that many of the investment were made in the early stages of the licensee's operation.

- (iii) The Commission vide Daily Order dated 06.01.2021, in Petition No. 18/2020 & 19/2020 in the matter of Truing Up for the FY 2017-18 & 2018-19, directed Infopark the following.

“• Separate petition to be filed in respect of the complete Assets and Liabilities for cleaning up the books of accounts of the licensee with the approval of their Board before 10th February 2021. The Hearing shall be conducted on 23rd February 2021.

• Details of Capital expenditure proposals pending for approval to be submitted. Source of funding of Assets to specified i.e. whether from own funds, consumer contributions, Grants or subsidies etc.

• The Principal portion of the loan availed for procuring electricity distribution assets be segregated from the corporate accounts along with interest thereon and to transfer the same to the regulatory accounts.”

- (iv) Infopark vide petition dated 09.02.2021 further submitted that, some of the investments done prior to the license operations, were booked in the main account of Infopark. At present, the capital expenditure and assets related to the distribution license business is segregated from the main account and the details submitted by the licensee vide petition dated 09.02.2021 is given below.

Year of capitalisation	Asset head	Amount (Rs. Lakh)	Source of funding
Infopark Cherthala			
2014-15	110 kV s/s	721.42	Term loan
2014-15	11 kV s/s	246.51	Term loan
2014-15	Land & land rights	150.00	Term loan
Sub total		1117.93	
Infopark Kochi Phase-II			
2015-16	220 kV s/s	3762.68	Govt grant
2015-16	Land & land rights	560.00	Govt grant
Sub total		4322.68	
Grand Total		5440.61	

- (v) Infopark vide petition dated 09.02.2021 further submitted that, on a thorough verification of the accounts and documents related to Fixed assets, the following facts emerged.

- **Consumer contribution.** At Cherthala park, the IT building of Rs 246.51 lakh was created through consumer contribution.

- **EHT cabling.** Cabling at Infopark, Cherthala from the KSEB Ltd tower to the receiving point, amounting to Rs 128.91 lakh was not considered and this item is added to the licensee account now.
 - Land cost of Rs 710.00 lakh were included in their earlier submissions. This is now taken out since the land is still under the possession of KSITIL.
- (vi) After considering the necessary adjustments required to rectify the wrong entries, the year wise capital investment claimed by the petitioner at Cherthala and Kakkanad, Kochi are extracted below.

Financial Year	Capital Investment (Rs. Lakh)	Cumulative capital investment (Rs.Lakh)	Loan outstanding (apportioned) (Rs. Lakh)	Interest on loan (Rs. Lakh)
Infopark Cherthala				
2013-14	5.28	5.28	563.98	
2014-15	978.78	984.06	579.54	39.11
2015-16	2.24	986.30	549.28	58.98
2016-17	3.38	989.68	247.93	43.80
2017-18	-18.02	971.66	106.58	5.68
2018-19		971.66		
Total	971.66			147.57
Infopark Kochi Phase-II				
2015-16	4254.77	4254.77		
2016-17	57.18	4311.95		
2017-18		4311.95		
2018-19		4311.95		
Grand Total		5283.61		

In support of their contention, the petitioner vide petition dated 09.02.2021 produced a certificate from the Chartered Accountant M/s Mohan & Mohan Associates regarding the asset addition, loan utilisation and interest from 2013-14 to 2018-19 for Infopark.

3. However, the petitioner did not produce the details of the loan availed and also the methodology and rationale adopted for apportioning the loan among the park business and electricity distribution business of the petitioner. Hence, the Commission vide letter dated 22.02.2021, directed the petitioner M/s Infopark to provide the following details.
- (1) The year wise details of the assets created with supporting documents.
 - (2) The details of the basic loan availed for Infopark and the assets created out of it.

4. In compliance of the direction of the Commission, the petitioner M/s Infopark vide letter dated 25.03.2021 submitted the following.

- (1) Capital expenditure for FY 2013-14.
Rs 5.28 lakh incurred for procurement of ABT meters for Infopark Cherthala has been capitalised. The petitioner produced copies of the invoice etc as supporting documents.

The source of fund for the project is met from the term loan of Rs 50.66 crore availed from M/s South Indian Bank @10% per annum.

- (2) Capital expenditure for FY 2014-15.
Infopark submitted that, an asset of Rs 978.78 lakh has been capitalised during 2014-15 at Cherthala and the details are as given below.

Sl No	Description	Amount (Rs.Lakh)	Remarks
1	250 kVA transformer and related electrical works	9.34	Copy of the ledger account produced.
2	EHT cabling work	128.91	Summary of the bills and few payment vouchers are produced.
3	Construction of 110 kV substation	840.53	Copy of the running bill raised by KITCO is enclosed.
	Total	978.78	

The source of fund for the project is met from the term loan of Rs 50.66 crore availed from M/s South Indian Bank @10% per annum.

- (3) Capital expenditure for FY 2015-16
M/s Infopark submitted that, it had incurred an amount of Rs 4254.77 lakh for the construction of 220 kV s/s at Infopark Phase-II. This asset has been capitalised during 2015-16.

The split-up details of the amount claimed is given below.

Sl No	Description	Amount (Rs.Lakh)
1	Construction of 220 kV s/s	3791.31
2	Consultancy charges	67.96
3	Construction cost & supervision charges to KSEB Ltd	287.41
4	Payment to PWD	20.63
5	Reimbursement to Siemens	11.30
6	Payment to Resitech electricals	0.97
7	Application fee to KSEB Ltd	0.30

8	Metering panel to GIS	0.25
9	Advertisement & other expenses	74.65
	Total	4254.78

Source of fund for the construction of the 220kV S/s is grant in aid from State Government.

The petitioner further submitted that, an amount of Rs 2.24 lakh paid to the electrical inspectorate at Cherthala.

- (4) Capital expenditure for the FY 2016-17
- (i) Rs 57.18 lakh incurred towards the balance works of M/s Siemens Ltd for the construction of 220kV s/s. The source of fund for the balance work met from Government grants.
- (ii) Rs 3.38 lakh towards Prepaid metering system for Infopark Cherthala. The source of fund for the project is met from the term loan of Rs 50.66 crore availed from M/s South Indian Bank @10% per annum.
- (5) Capital expenditure for FY 2017-18
- (i) No capital additions during the FY 2017-18.
- (ii) Rs 18.02 lakh levied as liquidated damages at Infopark Cherthala from Areva T&D Ltd.
- (6) Liabilities
- The liabilities during the initial period were the term loan availed for the construction of the 110kV substation at Kochi.
 - The term loan has been closed on 21st July 2017 using internal funds from lease rentals.
 - Since the loan is closed in 2017, there is no liabilities as on date.
- (7) Infopark further submitted that, while approving the truing up of accounts for the previous years from 2014-15 to 2016-17, Commission has not allowed depreciation on asset created at Infopark Kochi Phase-II. Since the capital expenditure at Infopark Phase II was met from Government grant, no depreciation is claimed on the asset so created.

Infopark further submitted that, for Infopark Cherthala, term loan has been availed for entire project. Proportionate amount of loan for the 110kV substation has been arrived by the internal auditor M/s Mohan & Mohan Associates. Accordingly, the depreciation and return on net fixed assets (RoNFA) claimed is given below.

Sl No	Financial Year	Claimed in truing up petition		KSERC Approval		As per Re-Assessment	
		Depreciation	RoNFA	Depreciation	RoNFA	Depreciation	RoNFA
		(Rs.Lakh)	(Rs.Lakh)	(Rs.Lakh)	(Rs.Lakh)	(Rs.Lakh)	(Rs.Lakh)
1	2014-15	0.00	10.00	0.00	10.00	0.00	16.77
2	2015-16	116.60	22.85	0.00	33.54	46.46	33.54

3	2016-17	228.03	22.85	0.00	0.00	46.46	32.14
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(8) The petitioner requested to consider the re-assessed depreciation/RoNFA as per the segregated accounts.

5. KSEB Ltd vide letter dated 28.04.2021, submitted the following comments on the petition filed by M/s Infopark.

(1) The capital investment at Phase-II Kakkanad amounting to Rs 4322.68 lakh is entirely met from Government grant and hence it does not qualify for depreciation, interest or return on investment.

(2) An amount of Rs 1117.93 lakh is shown as capital investment at Infopark Cherthala. Out of this, Rs 721.42 lakh for 110 kV s/s, Rs 246.51 lakh for 11kV s/s through consumer contribution, and Rs 150 lakh for land and land rights. It is also stated in the petition that, Rs 560 lakh is taken out since the land is still under the possession of KSITIL, and out of this Rs 150 lakh for cost of land at Cherthala. Then only Rs 721.42 lakh can be considered for loan for Infopark Cherthala. However, Infopark has considered Rs 984.06 lakh as loan for Infopark Cherthala. Loan amount may be limited after deducting consumer contribution and cost of land owned by KSITIL.

6. The Commission admitted the petition as OP 17/2021 and conducted hearing on 16.06.2021 through video conference. Sri. Vijayan, Project Engineer. presented the petition on behalf of the petitioner. Summary of the deliberations during the hearing is given below.

(i) The capital expenditure incurred for distribution business by Infopark from 2013-14 to 2018-19 is Rs 5283.61 Lakh. The investment includes the investment made for 110kV substation at Cherthala and 220kV substation at Kakkanad -Phase II. The investment at Cherthala is about Rs 971.66 lakh and at Kakkanad Phase-II is Rs 4311.95 lakh.

For the FY 2013-14, Rs 5.28 Lakh is incurred for purchase of ABT meter for Cherthala. For the FY 2014-15, Rs 978.78 Lakh is incurred for the construction of 110kV s/s and allied works. The total expenditure for 110kV substation comes to ₹840.53 Lakh, including the administrative expenses and interest. The substation was constructed partly using the term loan availed for the construction of the infrastructure facilities for the park.

Initially the power to the Cherthala park was availed through 250kVA transformer and ₹ 9.34 Lakh for installation of transformer and allied works. Further, Rs 128.91 lakh was incurred for laying EHT cabling work for evacuation of power from KSEB Ltd substation.

- (ii) Capital expenditure for 2015-16 includes the cost of construction of 220kV substation at Phase II. The total cost incurred for the construction of the 220k s/s comes to ₹4254.77 Lakh, including payment to KSEB Ltd supervision charges, charges for metering panel, advertisement charges, charges of PWD, consultancy charges etc. The 220kV substation was constructed using Government grants.

Further, an amount of Rs 2.24 lakh paid to electrical inspectorate related to Infopark Cherthala.

- (iii) The investment made during 2016-17 is Rs 57.18 lakh for the final settlement for Seimens Limited for the construction for 220kV substation. Another ₹ 3.38 Lakh for pre-paid metering system at Cherthala. The number of consumers at Cherthala during 2016-17 is around 25 consumers and then increased to 35 and now there are 30 consumers.
- (iv) During 2017-18, Rs 18.02 Lakh levied from the contractor Areva T&D Ltd., as liquidated damages.
- (v) There are no liabilities to Infopark at present. The term loan availed from South Indian Bank was closed on 21st July 2017 utilising own fund of parent organisation. The Commission directed to provide a copy of audited accounts of Infopark for the FY 2017 -18 in this regard.

7. Subsequently, M/s Infopark vide email dated 18.06.2021 submitted the following documents before the Commission.

- (1) Audited balance sheet of Infopark for the period 2017-18 and Term loan bank statement.
- (2) Board approval for pre-closure of SIB Term loan.

8. In addition to the above, M/s Infopark vide email dated 22.06.2021 submitted the copy of the tender notice and the work order issued to M/s Areva T&D India Ltd for the construction of the 110kV substation at a total cost of Rs 8.67 crore.

Analysis and Decision of the Commission

9. The Commission had examined in detail the petition filed by M/s Infopark for the approval of the capital investment made from the FY 2013-14 to 2018-19, and decided the following.

- (1) M/s Infopark is established by the State Government for the development of Technology parks for promotion of Electronics and Information Technology business in the State of Kerala. Among other

infrastructure facilities, creation of infrastructure facilities for distribution of electricity with in the park owned by Infopark is their responsibility.

- (2) At present, Infopark possess electricity distribution license for directly distributing electricity at two parks- one at Cherthala and second one at Kakkand- Phase-II at Kochi, by creating necessary electricity distribution infrastructure. These parks start function from the year 2013-14 onwards.
- (3) Though the Commission has been approving the ARR&ERC and also the true up the accounts of Infopark since the year 2014-15, the licensee did not yet get any approval for the Capital Investment made at Cherthala and Kakkanad as per the provisions of the KSERC (Licensing) Regulations, 2006 and also not submitted the details of the investment made with supporting documents before the Commission along with the ARR petitions.

Infopark submitted that originally the assets created for distribution business was booked in the main accounts of Infopark. The Commission was also not able to approve the depreciation and interest on loan availed for creation of distribution assets at Cherthala and Kakkanad for want of details of the assets created with supporting documents. Considering these aspects in detail, the Commission vide Daily Order dated 06.01.2021, has directed the Infopark the following.

“• Separate petition to be filed in respect of the complete Assets and Liabilities for cleaning up the books of accounts of the licensee with the approval of their Board before 10th February 2021. The Hearing shall be conducted on 23rd February 2021.

• Details of Capital expenditure proposals pending for approval to be submitted. Source of funding of Assets to specified i.e. whether from own funds, consumer contributions, Grants or subsidies etc.

• The Principal portion of the loan availed for procuring electricity distribution assets be segregated from the corporate accounts along with interest thereon and to transfer the same to the regulatory accounts.”

- (4) In compliance of the direction of the Commission, M/s Infopark submitted the details of the assets created at Cherthala and Kakkanad-Phase-II, and its summary is given below.

Financial Year	Capital Investment (Rs. Lakh)	Cumulative capital investment (Rs.Lakh)	Loan outstanding (apportioned) (Rs. Lakh)	Interest on loan (Rs. Lakh)
Infopark Cherthala				
2013-14	5.28	5.28	563.98	
2014-15	978.78	984.06	579.54	39.11
2015-16	2.24	986.30	549.28	58.98
2016-17	3.38	989.68	247.93	43.80

2017-18	-18.02	971.66	106.58	5.68
2018-19		971.66		
Total	971.66			147.57
Infopark Kochi Phase-II				
2015-16	4254.77	4254.77		
2016-17	57.18	4311.95		
2017-18		4311.95		
2018-19		4311.95		
Grand Total		5283.61		

10. The Commission has, examined the details of assets created at Cherthala and Kakkanad- Phase-II by the Infopark, and the observation and decision of the Commission is discussed in the following paragraphs.

Infopark Cherthala

11. The year wise details of the assets created at Cherthala is given in the Table below.

Year	Asset details	Amount (Rs. Lakh)	Remarks
2013-14	ABT meters	5.28	Copy of the purchase order enclosed
2014-15	(1) 250 kVA transformer & related works	9.34	Copy of the ledger produced
	(2) EHT cabling work	128.91	
	(3) Construction of 110 kV substation	840.53	Copy of the work order and ledger produced
	Sub total	978.78	
2015-6	Inspection fee to Electrical Inspectorate	2.24	
2016-17	Prepaid metering system	3.38	Copy of the ledger produced
2016-17	Liquidated damages	-18.02	
	Total	971.66	

M/s Infopark claimed that, the main source of fund for the capital investment at Cherthala was met from the loan availed by Infopark for the creation of the entire infrastructure from South Indian Bank Ltd. Since the exact details of the loan availed for the distribution system is not available, the loan availed for the 110kV substation and other distribution system at Cherthala was arrived on proportional basis by the internal auditor M/s Mohan & Mohan Associates.

The Commission has also noted that, the petitioner has claimed Rs 152.30 lakh towards total Interest During Construction (IDC) of the various investments at Infopark Cherthala. The year wise details of the IDC claimed for each project at Cherthala is given in the Table below.

IDC claimed (Rs. Lakh)

Year	250 KVA transformer	EHT cabling work	110 kV s/s	Total
2012-13			72.97	72.97
2013-14	0.45	5.91	35.43	41.79
2014-15		4.99	32.56	37.55
Total	0.45	10.90	140.96	152.30

The petitioner also submitted the year wise details of the outstanding loan availed for the 110kV substation and other works at Cherthala park and its details are given below.

Year	Loan outstanding (apportioned) (Rs. Lakh)	Interest on loan (Rs. Lakh)
2013-14	563.98	
2014-15	579.54	39.11
2015-16	549.28	58.98
2016-17	247.93	43.80
2017-18	106.58	5.68
Total		147.57

The petitioner also submitted that the entire loan availed by Infopark from South Indian Bank for creation of the infrastructure including distribution system was repaid on 21st July 2021, using internal funds including lease rentals. Hence, since the year 2017, there is no interest liabilities for Infopark.

12. ***The Commission examined the details of the capitals investment made by Infopark at Cherthala including the loan availed and interest claimed, and decided to approve the total investment of Rs 971.66 lakh as on 31.03.2017.***

The Commission noted that, in the truing up of accounts for the year 2014-15 and 2015-16, Infopark has not claimed depreciation or interest on loan for the assets created at Cherthala. However, in the year 2016-17, the licensee has claimed depreciation on the assets created at Cherthala, but the Commission has not allowed the claim for want of details on the assets created, with the condition that the same may be considered on submission of sufficient details.

Considering these facts in detail, the Commission decided to allow depreciation on the assets created at Cherthala from the FY 2016-17 onwards. However, in order to claim the depreciation based on the approved asset value, the petitioner may file a separate petition with

'value of assets in each asset group/ class' of each asset created at Infopark Cherthala.

13. The Commission has also noted that, in the petition for truing up of accounts for the FY 2014-15 and 2015-16 and 2016-17, the petitioner has not claimed interest on the loan availed for the assets created at Cherthala under revenue expenditure. However, as per the details submitted before the Commission, interest amounting to Rs 152.30 lakh was claimed by the petitioner as IDC as part of the approved assets of Rs 971.66 lakh. The loan claimed by the petitioner for the Cherthala park is the part of the total loan of Rs 50.66 crore availed by it for the entire infrastructure.

Further, as per the details submitted before the Commission, the entire loan availed by the Infopark for creating the infrastructure facilities at Cherthala was completely closed on 21st July 2017.

Considering the lack of clarity on the interest to be charged under revenue expenditure, the Commission is not in a position to allow any interest on loan for the assets created at Cherthala, at present. If considered appropriate, the licensee may also include these details in the petition mentioned in para 12 of this Order.

Infopark- Kakkanad Phase-II

14. The main assets addition claimed at Infopark Phase-II is the 220kV substation and allied works at Kakkanad. The year wise details of the asset addition at Kakkanad Phase-II is given below.

Year	Amount (Rs.Lakh)	Remarks
2015-16	4254.77	220 kV substation and allied works
2016-17	57.18	Balance work of 220 kV s/s
Total	4311.95	

The split up details of the amount claimed for the year 2015-16 is given below.

Sl No	Description	Amount (Rs.Lakh)
1	Construction of 220 kV s/s	3791.31
2	Consultancy charges	67.96
3	Construction cost & supervision charges to KSEB Ltd	287.41
4	Payment to PWD	20.63

5	Reimbursement to Siemens	11.30
6	Payment to Resi-tech electricals	0.97
7	Application fee to KSEB Ltd	0.30
8	Metering panel to GIS	0.25
9	Advertisement & other expenses	74.65
	Total	4254.78

15. The Commission examined the details submitted by the petitioner M/s Infopark and noted that, as per the Lol dated 25th April 2013, the construction of the 220 kV substation and allied works was awarded to M/s Siemens Ltd at the total cost of Rs 3681.51 lakh excluding spares, and including cost of spares the work order value is Rs 3752.29 lakh. The petitioner has not produced supporting documents of other claims, except for few payment vouchers and journal vouchers etc.
16. Further as per the details submitted before the assets were commissioned in October 2015.
17. The petitioner claimed that, entire cost of construction of the 220kV s/s and allied works were funded through grant from the State Government. As per the Regulation 26 of the KSERC (Terms and Conditions for Determination off Tariff) Regulations, 2014, and also as per the Regulation 25 of the KSERC (Terms and Conditions for Determination off Tariff) Regulations, 2018, the assets created out of grant from the State Government is not eligible for claiming depreciation and return on equity/return on net fixed assets. **Hence the petitioner cannot claim depreciation, interest and finance charges and Return on Equity on the assets of 220kV substations and allied works amounting to Rs 4311.95 lakh.**

Orders of the Commission

18. The Commission, after examining in detail the petition filed by M/s Infopark for the approval of the capital investment made from the FY 2013-14 to 2018-19, as per the provisions of the Electricity Act, 2003 and Regulations in force, hereby orders the following.
- (1) To approve the asset addition of Rs 971.66 lakh at Cherthala as on 31.03.2017. Infopark is eligible to claim the depreciation on the assets created at Cherthala from the FY 2016-17 onwards.
 - (2) Infopark may if it considers appropriate file details of loan availed vis-à-vis the assets created along with rate of interest for availing interest within three months of issue of this Order.

- (3) To approve the asset addition of Rs 4311.95 lakh at Kakkanad-Phase-II Kochi from the year 2016-17 onwards. Since the asset was created with grants from the State Government, the petitioner is not eligible to claim depreciation and return on equity on the asset created out of Government grant.

The petition disposed off. Ordered accordingly.

Sd/-
Adv. A.J. Wilson
Member(Law)

Sd/-
Preman Dinaraj
Chairman

Approved for issue

C R Satheeshchandran
Secretary (i/c)