

**KERALA STATE ELECTRICITY REGULATORY COMMISSION  
THIRUVANANTHAPURAM**

**OA 3/2019**

Present: **Shri. R. Preman Dinaraj, Chairman**  
**Shri. S. Venugopal, Member**  
**Shri. K. Vikraman Nair, Member**

**In the matter of Truing up of accounts of M/s Infoparks Kerala for the financial year 2016-17**

**Applicant : M/s Infoparks Kerala**

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

**ORDER DATED 26/08/2019**

1. M/s. Infoparks, Kerala, Kochi 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 operation commenced from 1-7-2013. The licensee has filed the accounts for truing up of accounts for 2016-17 based on the provisions of the KSERC (Terms and Conditions for determination of tariff) Regulations 2014 (*hereinafter referred to as Tariff Regulations 2014*) on 12-10-2018. Commission admitted the application as OA 03/2019. The Commission on 20-07-2016 issued the order on the ARR&ERC for the year 2016-17. A comparison of the ARR & truing up of accounts of 2015-16 & 2016-17 are as under:

**Table-1**

**Comparison of the truing up of accounts for 2015-16 & 2016-17**

Particulars	2015-16			2016-17	
	Approved in ARR (Rs.lakh)	For Truing up (Rs.lakh)	Trued Up (Rs.lakh)	Approved in Revised ARR (Rs.lakh)	For Truing up (Rs.lakh)
<b>Revenue</b>					
Revenue from sale of power	574.23	360.30	341.34	584.47	457.58
Non-Tariff Income	2.00	3.56	3.56	2.16	3.46
<b>Total Revenue</b>	<b>576.23</b>	<b>363.86</b>	<b>344.90</b>	<b>586.63</b>	<b>461.04</b>

<b>Expenditure</b>					
Purchase of Power	569.67	388.99	353.74	584.93	483.85
R&M Expenses	17.99	17.69	17.99	19.05	15.86
Employee costs	3.30	10.21	10.21	3.50	13.57
A & G expenses	4.02	11.43	9.89	4.26	9.75
Interest and finance charges	-	-	0.50	-	-
Depreciation	46.46	70.14	-	46.46	228.03
Return on Equity	33.54	22.85	-	32.14	22.85
<b>Total expenditure</b>	<b>674.98</b>	<b>521.32</b>	<b>392.33</b>	<b>690.34</b>	<b>773.91</b>
<b>Revenue Surplus/(Gap)</b>	<b>(98.75)</b>	<b>(157.47)</b>	<b>(47.43)</b>	<b>(103.71)</b>	<b>(312.87)</b>

2. The licensee has claimed a revenue gap of **Rs.312.87 lakh** against a revenue gap of Rs.103.71 lakh approved in the Order dated 20-07-2016 (OA 6/2016) on the ARR for 2016-17. Commission vide letter dated 06-02-2019 sought clarifications on the application. The licensee vide reply No. INFOPARK/KSERC/266/2019 dated 02-03-2019 submitted the clarifications. The licensee in the clarifications had revised the power purchase cost to Rs.470.01 lakh. Accordingly the revenue gap was reduced to Rs. 298.85 lakh.

### Hearing on the matter

3. Hearing on the application for Truing up of accounts for the year 2016-17 was conducted at the Conference Hall of Infopark, Phase II, Kochi on 22-03-2019. The licensee was represented by Sri. V.R.Vijayan, Head- Projects & Engineering, Sri.Sarathchandran (Engineer-Projects) and Sri. Santhosh. V (Manager - Finance. Sri.Sarathchandran presented the details of the application and Sri Vijayan responded to the queries of the Commission. The main points submitted in the petition are briefed below.
- The licensee had projected the sale of 8.20 MU for 2016-17 whereas the actual sale was only 6.03 MU. The major sale is to the HT I B category (Phase II- Kakkanad Campus). The licensee has stated that the projected sales to the HT category did not materialise due to the reasons that 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 and the construction of the IT building owned by Infopark got delayed due to legal issues and the construction completed in January 2017 only.

- The actual distribution loss of Infopark for the year 2016-17 is 7.09%. The Commission had approved a distribution loss of 6.14% while truing up the accounts for 2015-16.
  - For a purchase of 6.49 MU in 2016-17, the power purchase cost claimed is Rs.470.01 lakh which includes an amount of Rs.8.33 Lakh towards purchase of REC for meeting RPO.
  - The licensee submitted that the actual employee cost of Rs.13.57 lakh in 2016-17 is for engaging one resident engineer each at Infopark Cherthala and Infopark Phase II, and a common accountant for both the parks. The actual amount is after considering the full salary of resident engineer in Cherthala and Infopark Phase II and half salary of an accountant.
  - The actual R&M expense is Rs.15.86 lakh which is lower than the norms approved in the Tariff regulations 2014. The Commission had approved an amount of Rs.19.05 lakh.
  - The actual A & G Expenses of Rs.9.75 lakh claimed by the licensee includes telephone, postage, audit charge, vehicle expenses, bank charges, licensee fee etc as against an amount of Rs.4.26 lakh approved by the Commission.
  - The licensee has claimed an amount of Rs.228.03 lakh as depreciation in the straight line method for the assets at Cherthala and Kakkanad.
  - The licensee has claimed an amount of Rs.22.85 lakh which is 3% return on net fixed assets
  - The total revenue from sale of power is Rs.457.68 lakh for a sale of 6.03 MU.
  - The licensee has claimed Rs.3.46 lakh as Non tariff income for 2016-17 which includes interest on security deposit, meter cost, and meter installation charges.
4. Smt. Mehrunisa, Executive Engineer TRAC, Sri. Manoj.G, AEE, TRAC and Sri. Ajith Kumar.G, DAO, TRAC represented KSEB Ltd. Sri. Manoj.G presented the counter statement/comments of KSEB Ltd. and submitted written remarks on the application. The major points raised by KSEB Ltd are abstracted below.

- a. The actual T&D loss is higher than the approved loss level for the year 2015-16. The cost incurred for the additional power procurement due to excess loss may be disallowed.
  - b. The claim of the licensee on the Operation and Maintenance cost such as R&M expenses and Employee cost are higher than the same approved by the Commission. It was submitted that the Operation and Maintenance cost may be limited to the norms fixed by the Commission.
  - c. The depreciation claimed by the licensee shows an abnormal hike compared to the previous years. KSEB Ltd submitted that the Commission may allow deprecation considering the source of funding
  - d. It was submitted that the power purchase cost claimed by the licensee tally with the energy accounts of KSEBL.
  - e. It was also submitted that the Commission may approve expenditure only at reasonable levels.
5. The Commission during the hearing sought clarifications on the petition and directed the licensee to submit the following:
- Details of the power purchase cost towards RPO.
    - Date of purchase of the certificates
    - Year pertaining to which the purchase is done
    - Price of the certificates
    - Number of certificates purchased
  - Re-calculate the depreciation and the return on net fixed assets for the control period as per the provisions of the Tariff Regulations 2014.
  - The licensee has claimed 0.07 MU and an amount of Rs. 4.05 lakh, for the power utilized by KSEB Ltd from the Infopark feeder at the KSEB data centre located at Infopark which is not accounted as part of the revenue from sale of power. As KSEB Ltd is not treated as a consumer by Infopark, the same is to be clarified.
6. The licensee vide letter No.INFOPARK/KSERC/445/2019 dated 17-04-2019 submitted the clarifications.

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

7. The Commission considered the application of the licensee for truing up of accounts for the year 2016-17, the additional clarifications and 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 2016-17 are detailed below:

8. **Energy Sales and Consumer Mix** : - The split up of the actual number of consumers and the sale of power claimed for the year 2016-17 and trued up for 2015-16 is as shown below.

**Table-2**  
**Comparison on the number of consumers and Sale of power**

Category	2015-16 Trued Up		2016-17 Approved ARR		2016-17 Actual	
	No. of Consumers	Sales (MU)	No. of Consumers	Sales (MU)	No. of Consumers	Sales (MU)
Industrial	33	0.20	33	0.45	36	0.31
Commercial	12	0.06	13	0.72	11	0.19
Street lighting	2	0.05	2	0.15	2	0.10
HT 1 B	2	4.07	3	6.88	3	5.42
<b>Total</b>	<b>49</b>	<b>4.38</b>	<b>51</b>	<b>8.20</b>	<b>52</b>	<b>6.03</b>
<b>Increase in sales over previous year</b>						<b>37.7%</b>

9. Based on the tabulation above, the licensee had expected the sale of 8.20 MU for 2016-17 whereas the actual sale was only 6.03 MU. Regarding reduction in sales in comparison with approved sales during 2016-17, the licensee stated that in the FY 2016-17, 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.

10. As per the details submitted for 2016-17, the major sale is to the HT I B category (Phase II- Kakkanad Campus). Compared to the previous year, there is an increase in the sales of 37.7%.

11. In the month wise split up of sales furnished, the licensee has shown a sale of 0.071 MU, which is not accounted as part of the sale of any month. The Commission had sought clarification and the licensee stated that it was the power sold to the leased

out area for KSEB data centre at Cherthala Infopark, utilized by KSEB Ltd from the Infopark feeder. Commission considers 0.071 MU as part of the sale of the licensee and accordingly approves 6.10 MU as the sale for the year 2016-17

### Energy requirement & Distribution Loss:

12. In the application for approval of ARR & ERC for the year 2016-17, the licensee proposed a Distribution loss reduction target of 1.90%. The Commission approved a Distribution loss of 1.80% for the year. The licensee has submitted the phase wise details of distribution loss of Infopark for 2016-17 as shown below.

**Table-3**  
**Phase wise distribution loss**

Year	Cherthala	Phase II Kakkanad	Total
Energy Requirement (MU)	1.63	4.86	6.49
Energy sales (MU)	1.53	4.57	6.10
Distribution loss (MU)	0.10	0.29	0.39
<b>Distribution loss (%)</b>	<b>5.81%</b>	<b>6.08%</b>	<b>6.00%</b>

13. The Commission in the ARR & ERC for the year 2015-16 had approved a distribution loss of 1.80%. While trying up the accounts for 2015-16, the Commission had approved a distribution loss of 6.14%, considering the no load loss estimated at 4.34% for the 31.5 MVA and 12.5 MVA transformers installed at Kakkanad and Cherthala together for the year 2015-16 of the total energy sale.

14. Since, reduction in distribution loss is an important parameter which has a direct impact on power purchase cost and available energy for distribution, licensees should continuously strive to improve upon the target set for this parameter. Taking into consideration the limited geographical area of its operation and the nature of infrastructure build up, the Commission approves the actual loss of 6.00%.

**Table-4**  
**Approved distribution loss for 2016-17**

Year	2016-17
Energy Requirement (MU)	6.49
Energy sales (MU)	6.10
Distribution loss (MU)	0.39
<b>Distribution loss (%)</b>	<b>6.00%</b>

15. **Power Purchase Cost:** - The power purchase cost claimed for a purchase of 6.49 MU during 2016-17 is Rs.483.85 lakh as against the amount of Rs.584.93 lakh for a purchase of 8.35 MU approved by the Commission in the order on ARR & ERC dated 20-07-2016. Subsequently in the clarification submitted on 02-03-2019, the licensee has revised the power purchase cost for the year is Rs.469.99 lakh. As per the split up submitted by the licensee, claim includes an amount of Rs.8.30 Lakh towards RPO. The split up of the power purchase cost claimed by the licensee is shown below.

**Table – 5**  
**Split Up of Power Purchase Cost for 2016-17**

<b>Particulars</b>	<b>Cherthala</b>	<b>Phase II</b>	<b>Total</b>
Energy Purchase (MU)	1.63	4.86	6.49
Maximum demand (kVA)	450	1250	1700
Contract demand (kVA)	750	3000	3750
Demand charge (Rs./kVA)	300	300	300
Total demand charge (Rs.lakh)	20.25	81.00	101.25
Energy charge (Rs./kVA)	5.55	5.55	5.55
Total energy charge (Rs. Lakh)	90.48	269.95	360.43
<b>Power purchase cost (Rs. Lakh)</b>	110.73	350.95	461.68
RPO Purchase (Rs in Lakh)			8.33
<b>Total (Rs in Lakh)</b>			<b>470.01</b>

16. Considering the approved distribution loss of 6.00%, Commission approves the power purchase cost of Rs.461.68 lakh as claimed by the licensee for the year 2016-17.

17. **Renewable Energy Certificates:** In the application, as part of power purchase cost, the licensee has claimed an amount of Rs.8.30 lakh for the purchase of Non Solar and Solar Renewable Energy Certificates (REC's) from the Indian Energy Exchange for meeting the RP obligation of the licensee. In the MYT petition for the approval of ARR & ERC for the control period 2015-16 to 2017-18, the licensee had not proposed any cost for the purchase of RE Certificates. The Commission had also not considered the cost for meeting the RP Obligation while approving the revised ARR& ERC for 2016-17. The details of the purchase of RE certificates made by the licensee is tabulated hereunder.

**Table-6**  
**Details of RE Certificates Purchased**

Year	Number of Certificates Purchased		Date of Purchase	Cost of Certificates (Rs Lakh)	Other Costs (Rs Lakh)	Total Cost (Rs Lakh)
	Non Solar	Solar				
2016-17	186	-	30-07-2016	2.83	0.02	2.85
	290	29	23-02-2017	5.44	0.04	5.48
<b>Total</b>	<b>476</b>	<b>29</b>		<b>8.27</b>	<b>0.06</b>	<b>8.33</b>

18.As per the Kerala State Electricity Regulatory Commission (Renewable Energy) Amendment Regulations, 2017, the distribution licensee is to purchase renewable energy during 2016-17 at a rate of 4.5% as non-solar and 0.50% as Solar of the total energy consumed. The licensee has purchased 290 non-solar certificates and 29 solar certificates, thus complying with the RPO obligation for the year 2016-17. The Commission approves the cost of Rs.5.48 lakh towards the cost of meeting RPO for the year 2016-17. The licensee has also purchased 186 non-solar certificates to comply the RPO for 2015-16. The Commission also approves the cost of Rs. 2.85 lakh incurred for the purchase of the certificates for 2015-16.

19.Infopark may note that **RPO** refers to the **obligation** imposed by law on the entities to either buy electricity generated by specified 'green' sources, or buy, in lieu of that, RECs from the market. The obligation imposed by the law on the licensee is to purchase certain percentage of power from renewable energy sources and to create demand for renewable energy. RECs are aimed at addressing the mismatch of renewable energy resources in the State and its RPO requirements. It is, therefore, the statutory duty of the licensee to purchase the specified percentage of power from the renewable energy sources which cannot be fulfilled by means of purchase of RECs alone. If there is any mismatch of renewable energy generation in the State and their RPO requirements, then such mismatch can be addressed by purchase of RECs. Hence, the priority of the licensee should always be to purchase of renewable energy than that of purchase of RECs. Purchase of RECs may simplify the statutory duty of the licensee but will create burden to the consumers. Hence, the licensee shall endeavour to take concrete measures for sourcing renewable energy for meeting the RPO.

20. Accordingly the Commission approves a total cost of Rs.8.33 lakh for the purchase of RE Certificates. The total power purchase cost approved for the truing up of accounts for the year 2016-17 is shown below.

**Table – 7**  
**Power Purchase Cost approved for 2016-17**

<b>Particulars</b>	<b>(Rs. Lakh)</b>
Power purchase cost	<b>461.68</b>
RPO Purchase	<b>8.33</b>
<b>Total</b>	<b>470.01</b>

21. **O & M Expenses:** Operation & maintenance includes controllable expenses like Employee cost, Repair & Maintenance Expenses & Administrative & General Expenses. The Commission as per Regulation 81(9) of the Tariff Regulations, 2014 has approved the operation & maintenance cost of Infopark for the control period

22. Infopark has claimed the Employee cost and A&G expense over and above the ceiling level specified in the regulation, whereas has incurred a lower R&M expense for the year 2016-17. A comparison of the claim made by the licensee and the normative amount approved by the Commission is shown below.

**Table-8**  
**Comparison of the O&M expenses**

<b>Particulars</b>	<b>2015-16</b>			<b>2016-17</b>	
	Normative amount approved by Commission (Rs. Lakh)	Claim of Infopark for Truing up (Rs. Lakh)	Trued Up (Rs. Lakh)	Normative amount approved by Commission (Rs. Lakh)	Claim of Infopark for Truing up (Rs. Lakh)
Employee cost	3.30	10.21	10.21	3.50	13.57
R&M Expenses	17.99	17.69	17.99	19.05	15.86
A&G Expenses	4.02	11.43	9.89	4.26	9.75
<b>Total</b>	<b>25.31</b>	<b>39.33</b>	<b>38.09</b>	<b>26.81</b>	<b>39.18</b>

23. The O&M expenses actually claimed for the year 2016-17 is 3% higher than the amount approved in 2015-16.

24. **Employee cost:** The licensee for the year 2016-17 has claimed employee cost higher than the normative amount fixed by the Commission. The licensee has claimed Rs,13.57 lakh as against Rs.3.50 lakh fixed by the Commission. The detailed split up of the actual claim of employee cost is shown below.

**Table 9**  
**Comparison of employee cost**

<b>Particulars</b>	<b>2015-16 (Actual) (Rs. Lakh)</b>	<b>2016-17 (Actual) (Rs. Lakh)</b>
Basic Salary	2.61	3.49
Dearness Allowance (DA)	5.97	8.39
House Rent Allowance	0.18	0.23
Conveyance Allowance	0.03	0.04
Earned Leave Encashment	0.71	0.97
Medical Reimbursement	0.71	0.45
<b>Total</b>	<b>10.21</b>	<b>13.57</b>

25. The licensee in the application has submitted that the actual employee cost is for engaging one resident engineer each at Infopark Cherthala and Infopark Phase II, and a common accountant for both the parks. The licensee has stated that the actual amount is after considering the full salary of resident engineer in Cherthala and Infopark Phase II and half salary of an accountant. The split up of the claim is as shown below.

**Table-10**  
**Split up of actual employee cost for 2016-17**

<b>Particulars</b>	<b>2016-17 (Actual)</b>
Resident Engineer - Cherthala	Rs.36,924X12=Rs.4,43,092
Resident Engineer - Kakkanad	Rs.58,345X12=Rs.7,00,144
Accountant	Rs.35,560X12=Rs.4,26,739
Half Salary of Accountant	Rs.2,13,369
<b>Total</b>	<b>Rs.13.57 lakh</b>

26. During the year 2015-16, the licensee had considered 60% of the total salary for the purpose of distribution business as shown below.

**Table-11**  
**Split up of actual employee cost for 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>

27. The Commission during the year 2015-16, had approved an amount of Rs.10.21 lakh in the truing up of accounts considering both Phase I - Cherthala and Phase II -

Kakkanad. As per the details submitted in the application, the actual claim of employee cost for 2016-17 is 33% higher than the previous year. The licensee during the year 2015-16 has apportioned 60% of the total employee cost, whereas for the year 2016-17 had changed the apportionment. Commission is of the view that two different methodology cannot be considered while apportioning the cost during a control period. Accordingly, considering the WPI:CPI weightage of 3.40% over the previous year, the Commission approves an amount of Rs. 10.56 lakh for the year 2016-17

28. **R&M Expenses:** Infopark has claimed a Repair & Maintenance expense lower than the norms approved in the Tariff Regulation, 2014. The Commission as per the Tariff Regulations 2014 had approved an amount of Rs.19.05 lakh, whereas for the process of truing up, the amount claimed is Rs.15.86 lakh. The Actual R&M expenditure incurred during the year 2016-17 is lower than the previous year. The actual claim is for the maintenance of Cherthala and Phase II. The licensee has submitted the Phase wise details of the claim.
29. The licensee in the petition has stated that the Repair and maintenance is generally outsourced based on competitive tenders. Being IT park working on 24 hr basis, it is required to engage one shift operator and one shift assistant in all the three shifts. i.e. round the clock operating staff is engaged. Same operating staff is arranged for doing preventive and break down maintenance. Licensee further stated that the materials required for maintenance is purchased directly based on sealed open tenders. A comparative split up of the R&M for 2015-16 & 2016-17 submitted in the form D3.4(c) is as shown below.

**Table-12**  
**Split up of Repair & Maintenance Expenses**

<b>Particulars</b>	2015-16 (Actual) (Rs. Lakh)	2016-17 ARR Approved (Rs. Lakh)	2016-17 (Actual) (Rs. Lakh)
O& M Cherthala	9.65	19.05	6.54
O & M Phase II	8.04		9.32
<b>Gross R&amp;M Expenses</b>	<b>17.69</b>	<b>19.05</b>	<b>15.86</b>

30. The Commission approves the actual expense of Rs.15.86 lakh incurred by the licensee for the purpose of truing up of accounts of the year 2016-17,
31. **A&G Expenses:** The actual A & G Expenses claimed by the licensee includes telephone, postage, audit charge, vehicle expenses, bank charges, licensee fee etc.

The claim made by the licensee is higher than the norms approved by the Commission. The Commission had approved an amount of Rs.4.26 lakh whereas the actual claim is Rs.9.75 which is 129% higher than the approved amount. The split up of the claim is tabulated hereunder.

**Table-13**  
**Comparison of A&G Expenses**

Particulars	2015-16 (Actual) (Rs. Lakh)	2016-17 (Actual) (Rs. Lakh)
Telephone & Postage, etc.	-	0.43
Audit Fees	-	0.22
Conveyance	0.08	0.11
Vehicle Hiring Expenses Truck / Delivery Van	-	0.30
Printing & Stationery	-	0.29
Advertisements for public hearing	5.87	-
Interest paid to consumers	0.50	1.32
Rates and Taxes (inspection fee, ARR submission, License fee)	1.04	2.70
Bank Charges	3.94	4.37
<b>Gross A&amp;G Expenses</b>	<b>11.43</b>	<b>9.75</b>

32. The major expenses claimed are towards Inspection fee, ARR submission, License fee etc. The licensee has also claimed interest paid to consumers and bank charges under the A&G expenses. The licensee is to follow the prevailing accounting practices while claiming the same. The interest paid to the consumers and bank charges are to be accounted under interest and finance charges. Accordingly, the Commission allows the balance amount of Rs.4.06 lakh [Rs.9.75 lakh-(Rs.4.37 lakh + Rs.1.32 lakh)] for the purpose of truing up of accounts for the year 2016-17.

33. **Interest and Finance Charges:** - The licensee has not claimed any interest and finance charges, whereas has claimed the interest paid to consumers and bank charges on under A&G expenses. The same may be considered for approval as part of interest and finance charges. Accordingly the Commission approves an amount of Rs.5.69 lakh as interest and finance charges for the year 2016-17.

34. **Depreciation:** - The licensee in the petition has claimed depreciation in the straight line method as per the schedule prescribed in the Tariff Regulations 2014. The licensee in the petition has claimed depreciation in the straight line method and the actual depreciation booked for the year is Rs.228.03 lakh against the approved amount of Rs.46.46 lakh vide the order on ARR&ERC. The licensee has stated that

the depreciation for 2016-17 which includes depreciation for existing Cherthala 110 kV substation and Phase II 220 kV substation. The details of the claim are shown below.

**Table-14**  
**Depreciation claimed for 2016-17 (Rs Lakh)**

Particulars	Cherthala 110 kV substation		
	Asset Value (Rs. Lakh)	Depreciation rate (%)	Depreciation Claimed (Rs. Lakh)
Land & land rights	150.00	-	-
Civil works	186.94	3.34%	6.24
Transformers	180.30	5.28%	9.52
Switch gear	288.03	5.28%	15.21
Batteries	13.45	5.28%	0.71
Others	52.70	3.34%	1.76
Distribution Lines	14.61	5.28%	0.77
Transformers	20.26	5.28%	1.07
Switch gear	110.00	5.28%	5.81
Batteries	1.67	5.28%	0.09
Others/DG	99.97	5.28%	5.28
<b>Total</b>	<b>1117.93</b>		<b>46.46</b>

Particulars	Phase II 220 kV substation		
	Asset Value (Rs. Lakh)	Depreciation rate (%)	Depreciation Claimed (Rs. Lakh)
Land & land rights	560.00	-	-
Other Civil works	708.88	3.34%	23.68
Distribution lines	401.06	5.28%	21.18
Sub-station equipments	113.36	5.28%	5.99
Transformers	715.12	5.28%	37.76
Switchgears	1026.02	5.28%	54.17
Control gear & Protection	113.36	5.28%	5.99
Distribution lines	24.35	5.28%	1.29
Sub-station equipments	19.04	5.28%	1.01
Transformers	5.71	5.28%	0.30
Switchgears, Control gear & Protection	215.92	5.28%	11.40
Distribution lines	43.72	5.28%	2.31
Sub-station equipments	15.14	5.28%	0.80
Batteries	25.54	5.28%	1.35
DG	13.12	5.28%	0.69
Others	224.92	3.34%	7.51
Communication equipment	97.42	6.33%	6.17
<b>Total</b>	<b>4322.68</b>		<b>181.58</b>

35. Commission, in the order on the truing up of accounts for the year 2015-16 had not approved depreciation, since the assets are created from the contribution. During the process of truing up the accounts for 2015-16, the licensee had in letter dated 22-6-2017 stated that depreciation is claimed on a proportionate basis for the year 2015-16 for the 220kV substation which is being developed with the government grant. The licensee has also stated that the assets of 110kV substation Cherthala as well as the 220kV substation at Kakkanad developed through budgetary support are not booked in the licensee account. The statement made by the licensee vide letter dated 22-06-2017 is quoted hereunder.

*“In the case of Infopark power licensee account policy we have accounted the major assets like 110kV substation of Infopark Cherthala and 220kV substation at Infopark Phase II as a contribution from the infrastructure provider. The loan amount from South Indian Bank for construction of 110kV substation at Cherthala as well as the budgetary support obtained from Government for construction of 220kV at Infopark phase II Kakkanad is not booked in the licensee account. Once these substation is 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. Hon’ble commission may take note on this.”*

36. The Commission directed the licensee to submit the phase wise details of the Assets created with own funds, grants & consumer contribution separately along with details of the date of commissioning of the assets. With regard to the funding of the assets, the licensee has stated that at **Infopark Cherthala**, the major investment is construction of 110kV substation, which was funded through a term loan from South Indian Bank and the other minor works are carried out through internal funding. The assets at Cherthala was commissioned on 30-09-2013. In **Phase II**, the major asset is a kV substation which was carried out through budget allocation from Govt of Kerala. Other works are carried out through internal funding. The assets at Phase II was commissioned on 27-10-2015.

37. Regulation 26 of the 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 subsidy or grant ;*

(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 assets shall be treated as follows:-*

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

(b) *provisions for depreciation, as specified in Regulation 28, shall not be allowed to the extent of financial support provided through consumer contribution, deposit work, capital subsidy or grant; and*

(c) *provisions related to return on equity share capital or net fixed assets as applicable, as per Regulation 29 shall not be allowed to the extent of financial support provided through consumer contribution, deposit work, capital subsidy or grant.”*

38. Based on the statement of the licensee, for the assets created from contribution, depreciation cannot be allowed. The Commission while issuing the order on the truing up of accounts for the year 2015-16 has directed the licensee to show details of assets in the books of accounts properly and also maintain a fixed asset register for the distribution licensee operations. The licensee has not yet complied with the direction. The Commission reiterates the same and is also directed to properly segregate the assets created out of contribution and loans. Hence the Commission decides not to allow any depreciation and the same will be considered on submission of sufficient details.

39. **Return on Equity:-** As per Regulation 29(2) of the Tariff Regulations 2014, 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 three percent shall be allowed on the net fixed assets at the beginning of the financial year for such regulated business. The licensee has claimed a RoNFA at the rate of three percent on the net fixed assets at the beginning of the financial year as shown below.

**Table-15**  
**RoNFA claimed for 2016-17 (Rs Lakh)**

Sl.No	Particulars		2016-17
1	NFA at the beginning of the year		5440.61
2	Return on NFA at the beginning of the year	14%	761.69
3	Return claimed as percentage of item 2	3%	<b>22.85</b>

40. It is noted that the licensee has not computed the RoNFA as specified in the Tariff Regulations, 2014. Regulation 29 of Tariff Regulation 2014 provides for Return on Equity Share capital or Net Fixed Assets

***“29. Return on Equity Share capital or Net Fixed Assets. – (1) Return on equity shall be computed in rupee terms, on the paid up equity capital determined in accordance with the regulation 26 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”*

41. As per proviso to Regulation 29(2), net fixed assets eligible for returns shall be exclusive of grants/contribution. Based on the statement of the licensee, the assets are created from the contribution. Accordingly the licensee is not eligible for any return on investment.

42. **Total Revenue:** - The total revenue includes revenue from the sale and non tariff income claimed by the licensee.

43. **Revenue from Sale of Power:** The licensee in the petition has submitted the category wise revenue sale of power for the year 2016-17 as tabulated hereunder.

**Table 16**  
**Details of Revenue from Sale of Power for 2016-17**

Category	No. of Consumers	Sales (MU)	Revenue from sale of power(Rs.Lakh)	Average Tariff (Rs./kWh)
Industrial	36	0.31	21.11	6.81
Commercial	4	0.01	1.01	10.10
Construction Power	7	0.18	24.70	13.72
Street lighting	2	0.10	3.40	3.40
HT 1 B (Cherthala)	1	1.10	72.66	6.60
HT 1 B (Kakkanad)	2	4.32	334.71	7.75
<b>Total</b>	<b>52</b>	<b>6.03</b>	<b>457.58</b>	<b>7.59</b>

44. As per the split up, the major sale and revenue is shown towards the Phase II- Kakkannad Campus (HT I B). As per the form D2.1, the total revenue from sale of power is Rs.457.58 lakh for a sale of 6.03 MU. In the month wise split up submitted, the licensee has claimed 0.071 MU and an amount of Rs. 3.98 lakh (@ Rs.5.55/unit, the BST rate of the licensee), which is not accounted as part of the sale of any month. The Commission had sought clarification on the same. The licensee stated that they have leased out some area for KSEB data centre at Cherthala Infopark and the amount is for the power utilized by KSEB Ltd from the Infopark feeder. During the hearing conducted, the issue was raised. The Commission directed the licensee to bill the same properly. Considering Rs.3.98 lakh as revenue for the 0.071 MU sold to the data centre of KSEB Ltd, the Commission approves Rs.461.56 lakh as the revenue for sale of power for the year 2016-17.

45. **Non-Tariff Income:** The actual Non tariff income for 2016-17 is Rs.3.46 lakh, which mainly includes interest on security deposit of Rs.2.14 lakh received from KSEB Ltd, Rs.0.74 lakh as interest received from bank. The licensee has stated that they have deposited an amount of Rs. 12.00 lakh and Rs. 13.00 lakh respectively as security deposit for availing power connection from KSEB Ltd at Infopark Cherthala and Phase II and interest on security deposit is based on the same. The split up the non -tariff income claimed is tabulated below.

**Table 17**  
**Details of Non-Tariff Income**

Non-Tariff Income	2015-16 (Actual) (Rs. Lakh)	2016-17 (Actual) (Rs. Lakh)
Interest received from bank	0.66	0.74
Interest received from others (KSEB)	1.70	2.14
Meter cost	0.60	0.21
Meter installation charge	0.59	0.37
<b>Total</b>	<b>3.56</b>	<b>3.46</b>

46. The Commission approves the Non tariff income of Rs.3.46 lakh as claimed by the licensee for the year 2016-17

47. **Revenue Surplus/Gap for 2016-17** : Based on the above, the approved expenditure and revenue for the year 2016-17 after truing up is as shown below:

**Table 18**  
**Revenue Requirements after truing up for 2016-17**

Particulars	Approved in Revised ARR (Rs.lakh)	For Truing up (Rs.lakh)	Trued Up (Rs.lakh)
Purchase of Power	584.93	470.01	470.01
R&M Expenses	19.05	15.86	15.86
Employee costs	3.50	13.57	10.56
A & G expenses	4.26	9.75	4.06
Interest and finance charges	-	-	5.69
Depreciation	46.46	228.03	-
Return on Equity	32.14	22.85	-
<b>Total expenditure</b>	<b>690.34</b>	<b>760.05</b>	<b>506.18</b>
Revenue from sale of power	584.47	457.58	461.56
Non-Tariff Income	2.16	3.46	3.46
<b>Total Revenue</b>	<b>586.63</b>	<b>461.04</b>	<b>465.02</b>
<b>Revenue Surplus/(Gap)</b>	<b>(103.71)</b>	<b>(298.85)</b>	<b>(41.16)</b>

#### Orders of the Commission

48. The Commission after considering the application filed by M/s. Infopark for truing up of accounts for the year 2016-17, objections raised by KSEB Ltd. and the clarifications and details provided by the licensee approves the total expenditure of Rs.506.18 lakh and total revenue of Rs.465.02 lakh with a revenue gap of Rs.41.16 lakh. The cumulative revenue gap of the licensee till 2015-16 was Rs. 81.89 lakh. Thus the cumulative revenue gap till 2016-17 will be Rs. 123.05 Lakh.

49. The application is disposed of. Ordered accordingly.

Sd/  
**K.Vikraman Nair**  
Member

Sd/-  
**S.Venugopal**  
Member

Sd/-  
**Preman Dinaraj**  
Chairman

Approved for issue  
Sd/-  
**G.Jyothichudan**  
Secretary