

CHAPTER-7

Aggregate Revenue Requirement for FY-25

Distribution Loss:

HESCOM proposes the Distribution Loss for FY24 and FY 25 as noted below.

Particulars	FY-24 (Revised)	FY-25
Energy Sales (Mus)	12670.41	13094.12
Distribution Loss (%)	12.50	12.25
Energy at interface point (Mus)	14480.47	14922.07
Transmission Loss (%)	2.764	2.664
Energy Required to meet the sales of HESCOM	14892.09	15330.48
HRECS Hukkeri (Including Transmission loss) in MUs)	508.57	546.23
AEQUS (Including Transmission loss) in MUs)	28.67	18.54
Total	15429.33	15895.25

The Hon'ble KERC has approved distribution loss of 12.50 % for FY-24 vide Tariff Order 2023 Dtd: 12.05.2023 and 12.25% for FY-25 vide Tariff Order 2022 Dtd: 04.04.2022.

Proposed Capital outlay for FY- 25:

Proposed Capital outlay proposed for FY 25 is **Rs.1073.31 crores**. Capital Budget is distributed among all the essential works.

The details of Annual Investment Plan is appended below:

- ❖ Annual Investment Plan includes all the planned and Non Plan works
- ❖ Capital budget provision is made for commissioned works, ongoing works and works that have been proposed to be taken up.
- ❖ Provision is made for metering which in turn yield in reduction in Technical and Commercial losses and also supports in Energy Auditing in more technical way.
- ❖ Appropriate provision is made for Social obligatory works such as Ganga Kalyan works, TSP, SCSP to meet the objectives of GOK
- ❖ Budget provision for construction of new link lines from new 110 KV sub stations is proposed.
- ❖ Investment provision is made on System strengthening works such as Reconductoring, of 33/11 KV lines.
- ❖ Preventive Measure works will be taken in order to improve tail end voltage and reduction of losses and prevents Accidents. All the hazardous installations are covered under this scheme.
- ❖ Investment provision is made on E & I works like additional DTCs, feeder bifurcation, line conversion, shifting of transformer to load center, enhancement of transformers etc., are considered for energy saving and Quality supply and reduction of over load thus improving voltage

- ❖ Investment is made on New Stations/ Augmentation and also replacement works in Stations are to be taken up in order to improve quality power supply and reduce distribution losses and to cater load growth.
- ❖ New Projects under IT have been included and payment under IPDS IT initiative is included for which huge budgetary provision is being made.

Considering all the above factors Annual Investment plan for **FY-25 is proposed which is just a projection and may vary due to addition and deletion of Schemes accordingly.**

The scheme wise detailed provision is as below:

(Rs in crores)

Sl. No.	Scheme	Capital Budget proposed for 2024-25
GOK Sponsered Works		
1	Gangakalyan total	95.00
2	Rural Electrification under SCSP	34.00
3	Rural Electrification under TSP	14.59
	Sub - total	48.59
4	Expansion of network and system improvement works.	
a	Additional DTCs	80.00
b	Enhancement of Distribution Transformers	8.75
c	Shifting of existing transformer to load centre	1.97
d	LT line conversion of 1Ph 2 wire or 1Ph 3 wire to 3ph 5 wire	7.85
e	Other E & I Works (DP & GOS)	2.72
f	Construction of new 11 KV lines for 33 KV / 110 KV sub-stations/ linklines for bifurcation of load	350.00
g	11 KV Re-conductoring.	80.00
h	LT Re-conductoring.	65.00
	Sub - total	596.3
5	Construction of new 33 KV stations	9.00
6	Construction of new 33 KV lines.	6.00
7	Augmentation of 33 KV stations.	9.00
8	Replacement of 33 KV lines Rabbit conductor by Coyote conductor.	4.00
9	Replacement of old and failed equipments and other works of existing 33 KV stations and lines.	8.94
	Sub - total	36.94
UG Cable		
10	Replacement of 11 KV OH feeders by UG Cables	20.00
11	Commissioning of 3 Ph 4 wire HT Metering Cubicle with meter, CTs, PTs	5.00
	Sub-total	25.00
Reduction of T & D and ATC loss		
12	Providing meters to un-metered BJ/KJ installations.	4.00
13	Replacement of electromechanical energy meters by static meters.	35.00

14	DTC metering	12.00
	Sub - total	51.00
	General (In House)	
15	Service connections	39.15
16	T&P materials.	5.00
	Sub - total	44.15
	New initiatives works	
17	IT initiatives, automation and call centre	20.00
18	IPDS IT initiative Phase II	20.00
19	Establishing ALDC & SCADA.	2.00
20	DSM Projects	1.00
	Sub - total	43.00
	Immediate Execution (Planned/Unplanned)	
21	Replacement of failed distribution transformers.	10.00
22	Replacement of Power Transformers.	10.00
23	Preventive measures to reduce the accidents. (Providing intermediate poles, Restringing of sagging lines, providing guy & struds, providing guarding, DTC earthing)	85.34
	Sub - total	105.34
24	Civil Engineering works	50.00
	Sub - total	50.00
	Total	1095.31

Segregation of accounts in to distribution business and retail supply business.

As per Regulation 2.2, the accounts of licensee shall be segregated between Distribution and Retail Supply Business. It is provided in the regulation that till such time there is complete segregation, the ARR of the licensee shall be apportioned between the distribution business and retail supply business by appropriate methodology.

Considering the above, the expenditure is segregated between DB and RSB as furnished below.

Particulars	Distribution Business	Retail Supply Business
O &M	63%	37%
Depreciation	84%	16%
Interest on Loans	100%	0%
Interest on consumer Deposits	0%	100%
RoE	82%	18%
GFA	84%	16%
Non-Tariff Income	0%	100%

The main business of HESCOM is distribution of power in 7 districts of North Karnataka. As per Regulation, HESCOM has to forecast the annual revenue requirement for FY-25 and furnish in application under MYT Framework. The details of estimation of ARR for FY-25 is explained in the following Paras.

PROJECTED ENERGY AVAILABILITY & COST FOR FINANCIAL YEAR 2024-25 - Submitted in ANNEXURE-3

Operation and Maintenance Expenses:

HESCOM has computed the O&M Expenses for FY-25 duly considering the actual O & M Expenses of FY 23 as per the Audited Accounts.

Annual escalation inflation rate is computed considering the Wholesale Price Index (WPI) as per the data available from the Ministry of Commerce & Industry, GOI and Consumer Price Index (CPI) as per the data available from the Labour Bureau, GOI and as per CERC Notification No. Eco T1/2021-CERC dtd. 23.04.2021 with CPI and WPI in a ratio of 80:20.

+Computation of Rate of inflation							
Year	WPI	CPI	Composite Series	Yt/Y1=Rt	Ln Rt	Year (t-1)	Product [(t-1) * (LnRt)]
2011	98.20	66.50	72.84				
2012	105.70	72.70	79.30	1.09	0.08	1	0.08
2013	111.10	80.60	86.70	1.19	0.17	2	0.35
2014	114.80	85.70	91.52	1.26	0.23	3	0.68
2015	110.30	90.80	94.70	1.30	0.26	4	1.05
2016	110.30	95.30	98.30	1.35	0.30	5	1.50
2017	114.10	97.60	100.90	1.39	0.33	6	1.96
2018	118.90	102.40	105.70	1.45	0.37	7	2.61
2019	121.20	110.20	112.40	1.54	0.43	8	3.47
2020	121.80	116.30	117.40	1.61	0.48	9	4.30
2021	135.00	122.00	124.60	1.71	0.54	10	5.37
2022	151.30	129.20	133.62	1.83	0.61	11	6.67
A= Sum of the product							28.04
B= 6 Times of A							168.22
C=(n-1) *n(2n-1) where n= No of years of date=12							3,036.00
D=B/C							0.06
g (Exponential factor) = Exponential(D)-1							0.0570
e=Annual Escalation Rate (%) = g*100							5.6973



HESCOM has calculated the O & M expenses for FY-24 & FY-25 as noted below.

- The actual O & M expenses for FY-23 inclusive of contribution to pension and Gratuity Trust -Rs. 1562.90. Crs.
- CGI based on 3-year CAGR (in %), considering the actual number of installations as per the audited accounts of FY-23 and projected for FY-24 and FY-25 - 2.40 % and 2.74 % for FY-24 & FY-25 respectively.
- The WII at 5.6973%
- Efficiency factor at 2%.

O & M expenses for FY-24 and FY-25 are calculated as follows.

Particulars	FY-23	FY-24	FY-25
No of installations as per audited accounts	5238966		
No of installations projected.		5384803	5535242
Weighted Inflation Index (in %)		5.6973	5.6973
CGI based on 3-year CAGR (in %)		2.40	2.74
Actual O & M expenses for FY-23 Rs. Crs	1562.90		
O & M Expenses: O & M (t-1) * (1+Wii+CGI-X) in Crs.		1658.19	1764.94

Based on the above the O & M Expenses are segregated as noted below on pro-rata basis considering the actual O & M Expenses of FY-23.

Details of Normative O & M expenses

Rs.in Crs



Particulars	FY-23 (Actual)	FY-24 (Projected)	FY-25 (Projected)
R&M cost	176.85	187.64	199.72
Employee cost	1196.53	1269.49	1351.21
A&G expenses	189.52	201.07	214.02
O&M cost	1592.90	1658.20	1764.95

HESCOM is proposing Rs.1764.95 Crs., as O & M expenses for FY-25.

(HESCOM is not proposing any modification for FY-24 in this filing.)

Depreciation:

Depreciation is calculated as per the CERC Regulations with effect from 01.04.2009.

Growth of fixed Assets:

The projected growth in the fixed assets is worked out on the basis of creation of assets out of the Capex proposed for FY-25. 70% of the Capex is considered as the assets of the particular year. Accordingly, the closing balance is worked out as noted below.

Particulars	FY-23 (Actual)	FY-24 (Proposed)	FY-25 (Proposed)
Capex(Rs. in Crs)	1275.00	890.30	1095.31
Additions of Capex (Rs. in Crs)	1207.16	623.21	751.32
Previous year closing balance of assets (Rs. in Crs)	11,721.74	12557.84	12804.31
Total closing balance of Assets worked on Capex (Rs. in Crs)	12928.90	13181.05	13555.64
Less retirement of Assets (Rs. in Crs)	371.24	376.73	384.13
Balance of Assets in Crs	12557.84	12804.31	13171.51

The individual group wise assets are calculated on pro rata basis on the figures of FY-23
(as per Format D-15)

Rs. In Crores

Particulars	As per Audited Accounts				Projections				Projections			
	FY 2022-23				FY 2023-24				FY 2024-25			
	O.B.	Additions	Retirement	C.B.	O.B.	Additions	Retirement	C.B.	O.B.	Additions	Retirement	C.B.
Tangible Assets:												
Land and rights	2348.60	0.65	0.73	2348.52	2348.52	0.34	70.46	2278.40	2278.40	0.40	68.35	2210.45
Buildings	208.52	97.09	0.17	305.43	305.43	50.12	9.16	346.39	346.39	60.43	10.39	396.42
Hidraulic Works	6.94	1.21	0.00	8.15	8.15	0.62	0.24	8.52	8.52	0.75	0.26	9.02
Other Civil Works	9.79	1.23	0.00	11.19	11.19	0.64	0.34	11.49	11.49	0.77	0.34	11.92
Plant & Machinery	1462.98	416.53	290.27	1589.25	1589.25	215.04	47.68	1756.61	1756.61	259.25	52.70	1963.16
Lines, Cables, Networks	7661.42	677.43	74.63	8264.22	8264.22	349.73	247.93	8366.02	8366.02	421.63	250.98	8536.67
Vehicles	9.31	2.05	0.10	11.26	11.26	1.06	0.34	11.98	11.98	1.28	0.36	12.90
Furniture Fixtures	8.18	1.09	0.02	9.26	9.26	0.57	0.28	9.55	9.55	0.68	0.29	9.94
Office Equipments	6.00	9.88	5.32	10.55	10.55	5.10	0.32	15.33	15.33	6.15	0.46	21.02
Sub-Total A:	11721.74	1207.16	371.24	12557.84	12557.83	623.21	376.73	12804.31	12804.31	751.32	384.13	13171.50
Non-Tangible Assets:												
	25.31	0.53		25.84	25.84	0.27		26.11	26.11	0.33		26.44
Sub-Total B:	25.31	0.53	0.00	25.84	25.84	0.27	0.00	26.11	26.11	0.33	0.00	26.44
Total (A+B):	11747.05	1207.68	371.24	12583.68	12583.67	623.48	376.73	12830.41	12830.41	751.65	384.13	13197.94
Less: Contributions, Grants towards Capital assets	2658.51			2975.86	2975.86			3273.44	3273.44			3600.79
Net Assets	9088.54	1207.68	371.24	9607.82	9607.81	623.48	376.73	9556.97	9556.97	751.65	384.13	9597.15



Based on the above closing balance of the assets, the depreciation is calculated as noted below (as per Format D-8).

Rs. In Crores

Asset Group	As per Audited Accounts				Projections				Projections			
	FY 2022-23				FY 2023-24				FY 2024 -25			
	O.B.	Additions	Retirement	C.B.	O.B.	Additions	Retirement	C.B.	O.B.	Additions	Retirement	C.B.
Tangible Assets:												
Land and rights	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Buildings	48.20	8.35	0.05	56.50	56.50	10.20	3.39	63.31	63.31	11.57	3.80	71.08
Hydraulic Works	2.64	0.37	-0.01	3.02	3.02	0.43	0.18	3.27	3.27	0.45	0.20	3.52
Other Civil Works	1.70	0.35	-0.01	2.06	2.06	0.37	0.12	2.31	2.31	0.38	0.14	2.56
Plant & Machinery	367.91	90.30	50.89	407.32	407.32	83.91	24.44	466.80	466.80	92.75	28.01	531.54
Lines, Cables, Networks	1373.63	240.09	25.63	1588.10	1588.10	436.35	95.29	1929.16	1929.16	441.73	115.75	2255.14
Vehicles	5.98	0.47	0.07	6.38	6.38	1.07	0.38	7.06	7.06	1.14	0.42	7.78
Furniture Fixtures	4.15	1.69	1.28	4.56	4.56	0.59	0.27	4.87	4.87	0.60	0.29	5.18
Office Equipment's	1.25	0.11	0.04	1.32	1.32	0.67	0.08	1.91	1.91	0.97	0.11	2.76
Sub-Total A:	1805.46	341.72	77.93	2069.26	2069.26	533.59	124.16	2478.69	2478.69	549.59	148.72	2879.56
Non-Tangible Assets:												
Intangible Assets- software	17.13	1.76	-1.25	20.14	20.14	1.76		21.90	21.90	1.76		23.65
Sub-Total B:	17.13	1.76	-1.25	20.14	20.14	1.76	0.00	21.90	21.90	1.76	0.00	23.65
Total (A+B):	1822.59	343.48	76.68	2089.39	2089.39	535.35	124.16	2500.59	2500.59	551.35	148.72	2903.22
Assets (DCW & grants)						157.13				172.84		
Total (A+B-C):	1822.59	343.48	76.68	2089.39	2089.39	378.22	124.16	2500.59	2500.59	378.51	148.72	2903.22

Note: Average of 5.28% of value of assets created out of grants is deducted in total depreciation in FY-24 and FY-25.

Note: The Capital Grants received from Government contribution towards cost of capital assets is reduced from Gross Block. The Consumer contribution and Government grants towards cost of capital assets cannot be identified to relevant fixed assets. Hence, the same is treated as related to the Lines, Cables and Networks Assets group and deducted directly from the total Gross Fixed Assets. The corresponding depreciation on these assets provided at respective Accounting Units has been reduced from depreciation for FY-24 and FY-25 @ 5.28% which works out to Rs. 378.22 Crs. and Rs. 378.51 Crs. for, FY-24 and FY-25 respectively.

HESCOM is proposing Rs. 378.22 Crs. and Rs. 378.51 Crs for FY-24 and FY-25 as depreciation.

(HESCOM is not proposing any modification for FY-24 in this filing.)



**CONTROLLER (A & R),
HESCOM, Hubballi.**

Interest and Finance Charges:

Capital Loan:

HESCOM proposes to draw loan and make the repayments and interest charges. The source wise details are furnished in D-9 statements. HESCOM has drawn capital loan Rs. 239.94 Crs during FY-23 and desires to draw capital loan of about Rs. 874.83 Crs, and Rs. 696.45 Crs for FY-24 & FY-25 respectively.

HESCOM is proposing the interest on loan capital as noted below. HESCOM has worked out individual source wise loan and interest which are indicated in D-9.

Particulars	FY-24	FY-25
Opening balance	2564.04	3137.70
Add new loans	874.83	696.45
Less repayment	301.17	308.77
Closing balance loans	3137.70	3525.39
Average loans	2850.87	3331.55
Interest on loans	331.19	369.09

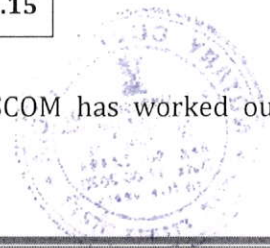
HESCOM is proposing Rs. 331.19 Crs & Rs. 369.09 Crs for FY-24 & FY-25 respectively as interest on loan capital.

(HESCOM is not proposing any modification for FY-24 in this filing.)

Interest on working capital: As per Regulation 3.1 the interest on working Capital is one of the Components for estimation of ARR of the Distribution Licensee. As per regulation 3.11.1, working capital comprises O & M expenses for one month, maintenance spares at 1% of the cost of the asset at the beginning of the year and two months average revenue. The details of calculation are as noted below.

Particulars	FY-24 (Projected)	FY-25 (Projected)
One -twelfth of the amount of O & M Exp	138.18	147.08
Opening GFA	12557.83	12804.31
Stores, materials and supplies 1% of opening balance of GFA	125.58	128.04
One-Sixth of the Revenue	1843.79	1907.55
Total Working Capital	2107.55	2182.37
Rate of Interest (% p.a) SBI MCLR of 8.55% p.a. for loan with tenure of one year + 250 basis points)	11.05%	11.05%
Interest on Working Capital calculated on normative basis	232.88	241.15

HESCOM is proposing the interest on working capital as noted below. HESCOM has worked out individual source wise loan and interest which are indicated in D-9.



Particulars	FY-24	FY-25
Opening balance	5438.83	7341.47
Add new loans	2823.75	892.32
Less repayment	921.11	765.43
Closing balance loans	7341.47	7468.36
Average loans	6390.15	7404.92
Interest on Working Capital proposed	580.29	726.03

HESCOM is covering the areas where the agricultural consumption is comparatively on higher side. HESCOM has consumer base of about 55 lakhs, out of which 31% are covered under free / subsidized power supply by the Government. The supply of energy to free & subsidized power supply category account for 56% of the total. Subsidy amount towards supply of energy to free & subsidized power supply category is about 53 % out of revenue of the HESCOM. Power purchase cost is about 75 to 80 % out of total expenditure of the HESCOM. Even though HESCOM is taking the prompt action in issue and collection of bills from the consumers under non-subsidized category, HESCOM is experiencing Working Capital short fall every year, as the 53% of total revenue demand depends on the release of the subsidy by the GOK. The GOK is restricting the subsidy to the amount allocated in the annual budget.

HESCOM has worked out individual source wise loan and interest which are indicated in D-9.

HESCOM is proposing Rs. 580.29 Crs & Rs. 726.03 Crs . for FY-24 & FY-25 respectively as interest on working capital.

(HESCOM is not proposing any modification for FY-24 in this filing.)

Interest on security Deposit: As per KERC (Interest on Security Deposit) regulation 2005, the licensee has to pay interest on security deposit of the consumer at the bank rate every year. The audited accounts for FY-23 are available. Considering the closing balance of security deposit held HESCOM proposes the interest on the security deposit of consumers as noted below.

HESCOM is considering Rs. 80 Crores each for every year as the additional security deposit likely to be collected based on the collection of security deposit in previous years and accordingly, the interest on consumer deposit is calculated as noted below.



Particulars	FY-23	FY-24	FY-25
	(Actual)	(Proposed)	(Proposed)
Opening balance of consumer security deposits	1012.97	1135.23	1215.23
Closing balance of consumer security deposits	1135.23	1215.23	1295.23
Average balance of consumer security deposit		1175.23	1255.23
Rate of Interest % as on 1 st April 2023		6.75%	6.75%
Interest payable to Consumers		79.33	84.73

HESCOM is proposing 79.33 Crs, and Rs. 84.73 Crs. as interest on consumer security deposit for FY-24 & FY-25 respectively.

(HESCOM is not proposing any modification for FY-24 in this filing.)

Other Interest and Finance charges:

To meet the other cost of financing and bank charges, HESCOM is proposing Rs. 40.00 Crs. per year for FY-24 and FY-25 towards Other Interest and Finance charges, considering other interest and finance charges incurred in FY-23. Details are furnished in D-9 statement.

(HESCOM is not proposing any modification for FY-24 in this filing.)

Capitalization of interest and finance charges:

HESCOM is proposing Rs. 40 Crs. for each year of FY-24 and FY-25 towards Capitalization of interest and finance charges as approved in MYT Tariff Order dtd. 04.04.2022.

(HESCOM is not proposing any modification for FY-24 in this filing.)

Other Debits:

Other expenses consist of asset decommissioning cost, value written off, loss relating to fixed assets, bad and doubtful debts written off, material Cost variance etc. HESCOM has continued the process of decommissioning of old assets and to identify old and obsolete materials /assets, scrap materials, which are not useful. Such assets/materials will be sold at accost less than written down value maintained in the book of accounts. There is a provision for payment of compensation payable to consumer for damages, injury caused etc, and also in pursuance with standard performance regulations. HESCOM has considered actual expenses for previous years and estimated for FY-24 & FY-25. The details are as follows.

Details of other debits: -

Sl. No.	Particulars	Rs. in Crs.		
		FY-23 (As per Audited Accounts)	FY-24 (Projected)	FY-25 (Projected)
1	Asset Decommissioning cost	3.22	3.54	3.90
2	Losses relating to fixed Assets	0.24	0.26	0.29
3	Material Cost Variance	26.74	29.42	32.36
4	Provision for Bad & Doubtful Debts	(5.71)	11.04	12.14
5	Miscellaneous losses and Write offs	21.15	23.27	25.59
	Grand Total	45.64	67.53	74.28

HESCOM is proposing 67.53 Crs. and Rs. 74.28 Crs. as other expenses for FY-24 & FY-25 respectively.

(HESCOM is not proposing any modification for FY-24 in this filing.)

Prior Period Charges: As per accounting principles, HESCOM has to take in to account both the income and expenses relating to the prior period. The Prior period income comprises interest, income tax, excess provision for depreciation, excess provision for interest and finance charges, receipt from consumer etc. The prior period expenses comprise power purchase cost, operating employee cost, depreciation, interest and finance charges, material related cost variance etc. HESCOM has not

estimated prior period charges for FY-24 and FY-25. However, the Hon`ble Commission is requested to allow such prior charges as pass through in case such charges accounted during relevant year.

Prior period expenses:

Sl. No	Particulars	FY-23	FY-24	FY-25
		(As per Audited Accounts)	(Projection)	(Projection)
Income relating to previous years:				
1	Receipts from consumers	-	-	-
2	Excess Provision for Depreciation	-5.38	-	-
4	Excess Provision for Interest and Fin. Charges	-0.54	-	-
5	Other Excess Provision	-94.07	-	-
6	Others Income	-8.22	-	-
7	Prior period tariff / RE subsidy	-	-	-
8	Other Misclenouse from trading	-	-	-
TOTAL		-108.20		
Expenditure relating to previous years				
1	Power Purchase	2.96	-	-
2	Operating Expenses	0.04	-	-
3	Excise Duty on generation	-	-	-
4	Employee Cost	0.11	-	-
5	Depreciation	8.45	-	-
6	Interest and Finance Charges	0.08	-	-
7	'Withdrawal of other misc income accounted in previous year (PTC)	34.20	-	-
8	Admn. Expenses	-	-	-
9	Other	8.91	-	-
TOTAL		54.74		
Grand Total		-53.45		

(HESCOM is not proposing prior period charges for FY-24 and FY-25, not proposing any modification for FY-24 in this filing.)

Return on Equity: Return on Equity (ROE) is considered as a component of ARR of distribution Licensee. As per regulation 3.9, ROE only is considered as component of ARR of Distribution licensee. As per the said regulation, ROE will be computed at 15.5% per annum on share capital, Share Deposit, reserves and surplus held by the company. In view of huge negative reserves and surplus and net-worth of HESCOM is negative, ROE for FY-24 and FY-25 is not proposed.

Details of ROE:

Rs. in Crs



Particulars	Amount (Rs. Crs.)
Opening Balance of Paid up Share Capital	2050.42
Share Deposit (Opening balance)	6.92
Reserves & Surplus (Opening balance)	(6421.87)
Total Equity	(4364.53)

As the net-worth is negative, HESCOM is not proposing ROE for FY-24 and FY-25.

Provision for Taxation: As per regulation 3.1.2, taxes on income payable by Distribution Business is considered as one of the components of ARR. HESCOM has an accumulated loss of Rs. 7258.09 Crs. of which Rs. 1735.02 Crs. pertains to the unabsorbed depreciation. HESCOM is not proposing taxes for FY-25. The Hon'ble Commission is requested to approve the same.

Other Income: The other income component shall be deducted in total expenditure to arrive net ARR of HESCOM. Other income comprises interest on bank deposits and loan provided to employee societies, income from trading such as sale of stores/scrap, miscellaneous receipts such as rentals from staff quarters and miscellaneous recoveries made etc. HESCOM is proposing "other Income" as noted below:

(i) Other Income:

Sl. No.	Particulars	FY-23 (As per Audited Accounts)	FY-24 (Projection)	FY-25 (Projection)
A	Interest Income			
1	Interest on Bank fixed deposits & Others (62.222, 62.360)	2.29	2.52	2.77
	Sub Total-A	2.29	2.52	2.77
B	Other Non-operating Income			
1	Profit on sale of stores (62.330)	0.54	0.60	0.66
2	Sale of Scrap (62.340)	2.77	3.05	3.35
3	Meter Readings and Calibration of Meter-Charges of Wind Mill Project (62.363)	0.88	0.96	1.06
4	Income relating to reactive energy charges (62.364)	-	-	-
5	Reactive energy charges demanded on IPPs (62.361)	1.16	1.28	1.40
6	Processing fees (62.625)			
	Sub Total-B	5.35	5.89	6.48
C	Miscellaneous Receipts:			
1	Rental from Staff Quarters (62.901, 62.902)	0.94	1.04	1.14
2	Rental from others (62.903)	0.07	0.07	0.08
3	Excess found on physical verification of stock (62.905)	0.02	0.02	0.02
4	Rebate for collection of electricity duty (62.916)	1.49	1.64	1.80
5	Misc. recoveries (62.917)	81.95	90.14	99.15
6	Rebate from Power Generators (62.919)	24.67	27.14	29.85
7	Trade Income from the Energy Exchanges towards Renewable Energy Certificates (RECs) sale & Incentive Income from the Energy Exchanges towards RECs	102.23	112.45	123.69
8	Income from Cables on HESCOM infrastructure	0.90	0.99	1.09
	Sub Total-C	212.26	233.49	256.84
D	Open Access Related Charges (from Consumers):			
1	Cross Subsidy Surcharge	32.97	36.27	39.89
2	Additional Surcharge	13.13	14.44	15.89
	Sub Total-D	46.10	50.71	55.78
	GRAND TOTAL:	266.00	292.60	321.86

Expected Revenue from Charges: HESCOM has been earning revenue as per tariff determined by the Honorable Commission from time to time. The new Tariff order came in to effect from 01.04.2023. HESCOM has estimated expected revenue charges for FY-25 on the basis of the new Tariff Order 2023 Dtd : 12.05.2023. The Format D-21 is prepared as per the actual consumption and load pattern available of FY-23. The Projections for FY-24 & FY-25 are made on the basis of CAGR from FY-18 to FY-23 and CAGR from FY-20 to FY-23. Wherever the clear CAGR is not available, the trend is considered. The energy availability at generation point as provided by PCKL, approved transmission loss and the proposed distribution loss are considered for estimating the sales and thereby expected revenue from charges at existing rates as per tariff order 2023 Dtd: 12.05.2023.

Revenue from sale of power to HRECS & AEQUS:

HESCOM has supplied 378.62 MU to HRECS Hukkeri & AEQUS at the rate of Rs 6.80 per unit amounting to Rs. 258.45 Crs. for FY-23.

HRECS vide e-mail dtd. 03.11.2023 has submitted the energy requirement for FY-24 (revised) and FY-25 as detailed below:

Particulars	FY 24 (Revised)	FY 25
HRECS Hukkeri (including transmission loss) in MUs	508.57	546.23
AEQUS (including transmission loss) in MUs	8.67	18.54
Total	537.24	564.77

Energy Requirement at IF Point for FY-24 and FY-25 is 522.39 MU and 549.72 MU respectively, considering approved transmission loss of 2.764 % and 2.664% for FY-24 and FY-25 respectively.

HESCOM has projected revenue of Rs. 356.59 Crs. for sale of 522.39 MU for FY-24 and Rs. 375.25 Crs. for sale of 549.72 MU for FY-25, at the rate of Rs 6.80 per unit.

Sl No :	Particulars	FY-24	FY-24	FY-25	FY-25
		(Projected Sales in MU)	(Projected Cost) in Crs	(Projected Sales in MU)	(Projected Cost in Crs)
(a)	Sale of Power to HRECS & AEQUS	522.39	356.59	549.72	375.25
	Total	522.39	356.59	549.72	375.25

(HESCOM is not proposing any modification for FY-24 in this filing.)



[Signature]
**CONTROLLER (A & R),
HESCOM, Hubballi.**

Application for Approval of Annual Performance Review for FY-23 and Approval for ARR & ERC for FY-25 and
Tariff Filing for FY-25.

Expected Revenue from charges at existing tariff and proposed tariff:

(From D2)

Rs. In Crs

Sl. No.	Tariff Category	Category Description	Actuals as per Audited Accounts				Projections			
			1st previous FY		FY -23		Current FY		FY -24	
			No. of Installations	Energy Sales (MU)	Revenue Demand (Rs.in Cr)	Revenue Collection (Rs.in Cr)	No. of Installations	Energy Sales (MU)	Revenue Demand (Rs.in Cr)	Revenue Collection (Rs.in Cr)
1	LT-1	B /K : =<18 / 40 units	617028	141.82	124.86	121.44	617028	141.82	123.24	119.86
2	LT-1	B /K : >18 / 40 units	52403	62.67	26.53	31.05	52403	62.67	38.75	45.35
3	LT-2 (a)	Domestic	2905584	1665.16	1285.49	1275.15	2999143	1719.50	1427.90	1416.42
4	LT-2 (b)	Private Educational Institutions	6938	24.59	25.74	25.60	7087	26.03	30.91	30.74
5	LT-3(a)	Commercial	399290	586.05	661.94	653.03	416086	620.86	786.06	775.48
6	LT-3(b)	Commercial-Advisement & Hoardings	292	0.29	0.60	0.56	304	0.31	0.65	0.61
7	LT-4 (a)	IP sets - 10 HP and below	1007255	6476.23	4641.58	4682.65	1032255	6948.95	5100.53	5145.66
8	LT-4 (b)	IP sets - Above 10 HP	548	14.27	8.02	0.40	562	14.63	9.02	0.45
9	LT-4 (c)	Private Horticulture Nurseries, Coffee & Tea Plantations	464	1.01	0.75	0.67	487	1.08	0.97	0.87
10	LT-5	Industries	103083	345.31	345.42	342.69	103894	352.62	395.14	392.02
11	LT-6(a)	Water Supply	46737	379.72	285.20	152.37	47305	398.57	299.09	159.79
12	LT-6(b)	Public Lighting	29178	170.08	152.21	124.28	30789	174.55	142.95	116.72
13	LT-6(c)	Electric Vehicle Charging Stations	5	0.00	0.01	0.003	30	0.03	0.52	0.18
14	LT-7	Temporary Power Supply	66326	39.63	127.62	124.62	73461	42.19	139.40	136.13
		Sub-Total A:	5235131	9906.82	7685.98	7534.51	5380834	10503.80	8495.13	8340.26
1	HT-1	Water Supply	421	360.35	238.98	233.33	439	391.78	289.31	282.47
2	HT-2 (a)	Industries	1890	1048.07	979.96	1023.97	1940	1087.03	1081.41	1129.97
3	HT-2 (b)	Commercial	684	138.96	158.37	157.67	703	142.89	175.11	174.33
4	HT-2 (c)(i)	Hospitals / educational institutions- Govt.	262	49.97	47.56	46.31	274	52.72	52.89	51.50
5	HT-2 (c)(ii)	Hospitals / educational institutions-Private	134	24.61	26.58	26.46	140	25.35	30.03	29.89
6	HT-3	Irrigation & LI Societies	346	380.39	218.82	209.40	367	411.80	328.35	314.21
7	HT-4	Residential Apartments	28	16.99	13.40	12.34	28	17.36	15.06	13.87
8	HT-5	Temporary Power Supply	67	31.54	64.83	51.29	75	37.63	83.96	66.43
9	HT-6	Irrigation & Agricultural Farms	3	0.04	0.04	0.04	3	0.05	0.06	0.05
		Sub-Total B:	3835	2050.93	1748.55	1760.79	3969	2166.61	2056.18	2062.72
		Total (A+B)	5238966	11957.74	9434.53	9295.30	5384803	12670.41	10551.31	10402.98
1	FPPCA (#)				1112.26					
		Other Operating revenues								
		Reconnection fee (D&R) (61.901, 61.902)			0.37				0.39	
		Service Connection (Supervision Charges) (61.904)			20.70				21.53	
2		Delayed payment charges from consumers (61.905)			123.44				128.38	
3		Other Receipts from consumers(61.906, 61.600)			4.65				4.84	
4		Registration fee towards SRTPV (61.907)			0.21				0.22	
5		Facilitation fee towards SRTPV (61.908)			0.03				0.03	
6		Supervision Charges for Self Execution works (61.909)			4.47				4.65	
7		Maintenance charges for the layouts created by the Developers (61.910)			1.71				1.78	
		Sub-Total D:			1267.85	148.59		0	161.82	0.00
E.		Less ;Solar Rebate allowed to consumers (78.822)			3.45				3.59	
F.		Less: Incentives for prompt payment (78.823)			0.78				0.81	
		Less: Time of day (TOD) Tariff Incentive(78.826)			0.60				0.63	
		Less: Provision for withdrawal of Revenue Demand (83.830 to 83.832)			1.87				1.95	
		GRAND TOTAL (A+B+C+D-E-F):	5238966	11957.74	10695.67	9443.89	5384803	12670.41	10706.15	10402.98
G.		Electricity Supplied to Societies / SEZs / Deemed Licensees		378.62	258.45	161.43		522.39	356.59	
		GRAND TOTAL (A+B+C+D-E-F+G):	5238966	12336.36	10954.12	9605.32	5384803	13192.80	11062.74	10402.98



**CONTROLLER (A & R),
HESCOM, Hubballi,**

Application for Approval of Annual Performance Review for FY-23 and Approval for ARR & ERC for FY-25 and Tariff Filing for FY-25.

Sl. No	Tariff	Category	Projections (with Revenue at existing Tariff)				Projections (with Revenue at proposed Tariff)			
			Ensuing FY		FY-25	Ensuing FY		FY-25	Avg. Real.	
			No. of	Energy	Revenue	No. of	Energy	Revenue		
			Installations	Sales	(Rs.in	Installations	Sales	(Rs.in		
	(MU)	Crores)		(MU)	Crores)					
1	LT-1	Bj/Kj: =<18 / 40 units	617028	141.82	123.24	869.02	617028	141.82	126.96	895.25
2	LT-1	Bj/Kj: >18 / 40 units	52403	62.67	38.75	618.3	52403	62.67	42.60	679.73
3	LT-2 (a)	Domestic	3095715	1775.61	1474.25	830.28	3095715	1775.61	1691.64	952.71
4	LT-2 (b)	Private Educational Institutions	7238	27.55	32.32	1172.94	7238	27.55	35.21	1277.82
5	LT-3(a)	Commercial	433588	657.74	828.18	1259.13	433588	657.74	893.62	1358.62
6	LT-3(b)	Commercial-Advisement & Hoardings	317	0.33	0.68	2089.25	317	0.33	0.75	2304.33
7	LT-4 (a)	IP sets - 10 HP and below	1057255	7119.31	5225.58	734	1057255	7119.31	5412.41	760.24
8	LT-4 (b)	IP sets - Above 10 HP	577	15.03	9.26	616.09	577	15.03	10.46	695.93
9	LT-4 (c)	Private Horticulture Nurseries, Coffee & Tea Plantations	510	1.15	1.03	894.89	510	1.15	1.20	1042.59
10	LT-5	Industries	104711	360.08	401.14	1114.02	104711	360.08	455.14	1263.99
11	LT-6(a)	Water Supply	47880	418.37	310.94	743.22	47880	418.37	338.09	808.11
12	LT-6(b)	Public Lighting	32489	179.13	147.31	822.34	32489	179.13	156.41	873.14
13	LT-6(c)	Electric Vehicle Charging Stations	60	0.06	1.06	16745.66	60	0.06	1.57	24802.53
14	LT-7	Temporary Power Supply	81363	44.92	152.31	3390.44	81363	44.92	171.11	3808.93
		Sub-Total A:	5531134	10803.79	8746.05	809.54	5531134	10803.79	9337.17	864.25
1	HT-1	Water Supply	457	425.95	312.09	732.69	457	425.95	328.93	772.22
2	HT-2 (a)	Industries	1991	1127.44	1118.62	992.18	1991	1127.44	1176.64	1043.64
3	HT-2 (b)	Commercial	723	146.92	180.06	1225.55	723	146.92	188.04	1279.87
4	HT-2 (c)(i)	Hospitals / educational institutions- Govt.	286	55.08	55.25	1003.03	286	55.08	58.33	1058.95
5	HT-2 (c)(ii)	Hospitals / educational institutions-Private	146	26.46	31.34	1184.32	146	26.46	32.93	1244.40
6	HT-3	Irrigation & LI Societies	388	445.79	351.2	787.81	388	445.79	408.43	916.19
7	HT-4	Residential Apartments	29	17.74	15.36	865.88	29	17.74	16.12	908.73
8	HT-5	Temporary Power Supply	84	44.9	97.2	2164.93	84	44.90	102.32	2278.97
9	HT-6	Irrigation & Agricultural Farms	4	0.05	0.07	1352.72	4	0.05	0.07	1352.72
		Sub-Total B:	4108	2290.33	2161.19	943.61	4108	2290.33	2311.81	1009.38
		Total (A+B)	5535242	13094.12	10907.24	832.99	5535242	13094.12	11648.98	889.63
1	FPPCA (#)									
		Other Operating revenues								
		Reconnection fee (D&R) (61.901, 61.902)			0.41				0.41	
		Service Connection (Supervision Charges) (61.904)			22.39				22.39	
2		Delayed payment charges from consumers (61.905)			133.52				133.52	
3		Other Receipts from consumers(61.906, 61.600)			5.03				5.03	
4		Registration fee towards SRTPV (61.907)			0.23				0.23	
5		Facilitation fee towards SRTPV (61.908)			0.03				0.03	
6		Supervision Charges for Self Execution works (61.909)			4.84				4.84	
7		Maintenance charges for the layouts created by the Developers (61.910)			1.85				1.85	
		Sub-Total D:	0	0	168.29		0	0	168.29	
E.		Less: Solar Rebate allowed to consumers (78.822)			3.73				3.73	
F.		Less: Incentives for prompt payment (78.823)			0.84				0.84	
		Less: Time of day (TOD) Tariff Incentive(78.826)			0.65				0.65	
		Less: Provision for withdrawal of Revenue Demand (83.830 to 83.832)			2.03				2.03	
		GRAND TOTAL (A+B+C+D-E-F):	5535242	13094.12	11068.27	845.29	5535242	13094.12	11810.02	901.93
G.		Electricity Supplied to Societies / SEZs / Deemed Licensees		636.05	434.18			636.05	434.18	
		GRAND TOTAL (A+B+C+D-E-F+G):	5535242	13730.17	11502.45	838.73	5535242	13730.17	12244.19	891.77

HESCOM is not proposing any modification for FY-24.



[Signature]
CONTROLLER (A & R),
HESCOM, Hubballi,

CHAPTER - Aggregate Revenue Requirement for FY-25

Revenue from Miscellaneous Charges: The income from reconnection fee, service connection charges, delayed payment charges and other receipts are shown under this Head. HESCOM has accounted miscellaneous charges of Rs. 148.89 Crs, for FY-23. The details of projection for FY-24 and FY-25 are furnished below.

Details of from Miscellaneous Charges:

Particulars	(From D2) Rs. In Crs		
	FY-23 (Actual)	FY-24 Projected	FY-25 Projected
Reconnection fee (D&R)	0.37	0.39	0.41
Service Connection (Supervision Charges)	20.70	21.53	22.39
Delayed payment charges from consumers	123.44	128.38	133.52
Other Receipts from consumers	4.65	4.84	5.03
Registration fee towards SRTPV	0.21	0.22	0.23
Facilitation fee towards SRTPV	0.03	0.03	0.03
Supervision Charges for Self-Execution works	4.47	4.65	4.84
Maintenance charges for the layouts created by the Developers	1.71	1.78	1.85
Total	155.60	161.82	168.29
LESS:			
Solar Rebate allowed to consumers	3.45	3.59	3.73
Incentives for prompt payment	0.78	0.81	0.84
Time of day (TOD) Tariff Incentive	0.60	0.63	0.65
Provision for withdrawal of Revenue Demand	1.87	1.95	2.03
Total	6.71	6.98	7.25
Net total	148.89	154.84	161.03

HESCOM is not proposing any modification for FY-24.

Net Revenue Expected: Considering the revenue from existing Tariff Order-2023 across the categories and revenue from miscellaneous charges duly deducting rebate to be allowed, the net revenue expected for FY-24 and FY-25 is furnished below.

Details of Net Revenue at existing Tariff:

Sl. No	Particulars	(From D2)	
		FY-24	FY-25
1	Revenue at existing tariff from all categories	10551.31	10907.24
2	Bulk power supply to Hukkeri Rural Electric Co-Operative Society- HRECS	356.59	375.25
3	Miscellaneous Charges	154.84	161.03
3	Net Revenue Expected	11062.74	11443.52

HESCOM is not proposing any modification for FY-24.

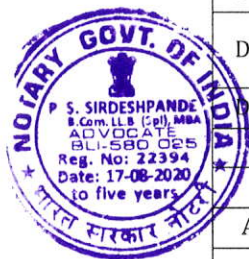


[Signature]
CONTROLLER
HESCOM, Hubballi.

ANNUAL REVENUE REQUIREMENT for FY-25.

Rs. in Crs.

Ref. Form	Particulars	FY-25 At Existing tariff Projection
D-1	Energy at Generation Point (Mus)(Including HRECS and AEQUS)	15895.25
	HRECS Consumption	549.72
	Transmission Loss (%)	2.664%
D-1	Energy at Interface Point (Mus)	14922.07
D-2	Energy Sales (Mus)	13094.12
	Distribution Loss (%)	12.25%
INCOME:		
D-2	Revenue from sale of power	5719.45
D-3	Revenue subsidies & grants	5348.82
D-2	Revenue from Bulk power supply to Hukkeri Rural Electric Co-Operative Society- HRECS	375.25
TOTAL INCOME		11443.52
EXPENDITURE:		
D-1	Purchase of Power	7037.08
	Tr. Charges (PGCIL & POSCO)	584.36
	Tr. Charges (KPTCL & SLDC) Charges	1078.49
	Total Power Purchase Cost	8699.93
D-5	Repairs & maintenance	199.72
D-6	Employee Costs	1351.21
D-7	Administrative & General expenses	214.02
	Total O&M expenses	1764.95
D-8	Depreciation & related debits	378.51
D-9	Interest & Finance charges	
	Interest on loan capital	369.09
	Interest on working capital	726.03
	Interest on consumer deposit	84.73
	Other interest and finance charges	40.00
	Interest on belated payments of IPPs	-
D-10	LESS: Int. & Fin. charges capitalized	40.00
	Total Interest and Finance Charges	1179.85
D-11	Other debits (incl. Bad debts)	74.28
D-12	Extraordinary Items (Exceptional Items: Adjustment of Excess Subsidy paid)	-
D-13	Net prior period (credits) / charges	-
	Provision for Taxes	-
	Funds towards consumer Relations	0.50
A-4	Return on Equity	-
	Pension and Gratuity Trust arrears	-
	LESS: Excess RoE	-
	LESS: Other income	321.86
	ARR	11776.15
	Add: Previous year's deficit carried forward to next year	468.05
	Net ARR	12244.20
	REVENUE SURPLUS / (DEFICIT):	(-) 741.75



ARR for Distribution Business and Retails Supply Business. FY-25.

Rs. in Crs.

EXPENDITURE / ARR	Distribution Business	Retails Supply Business
	FY-25	FY-25
Power Purchase Cost	0.00	7037.08
Tr. Charges Cost(PGCIL & POSCO)	0.00	584.36
Tr. Charges Cost (KPTCL & SLDC) Charges	0.00	1078.49
Total Power purchase Cost	0.00	8699.93
a) Repairs and Maintenance cost	125.82	73.90
b) Employee cost	851.26	499.95
c) Administration and General expenses	134.83	79.19
O & M Total	1111.91	653.03
Depreciation	317.95	60.56
Interest on loan	369.09	0.00
Interest on working capital	181.51	544.52
Interest on security deposit	0.00	84.73
other interest and finance charges	40.00	0.00
Interest on belated payment of PPC	0.00	0.00
Less Interest & Other expenses capitalised	(-)40.00	0.00
Total interest and Finance charges	550.59	629.25
Pension and Gratuity Trust arrears	0.00	0.00
Other expenses, if any	74.28	0.00
Extraordinary Items (Exceptional Items: Adjustment of Excess Subsidy paid)	0.00	0.00
Add Distribution loss incentive	0.00	0.00
funds towards consumer education	0.00	0.50
Prior Period Charges	0.00	0.00
Return on equity	0.00	0.00
Provision for Taxation	0.00	0.00
LESS: Non-Tariff income	(-)61.15	(-)260.71
ARR	1993.58	9782.56
Previous years' deficit/surplus carried forward	468.05	0.00
Net ARR	2461.03	9782.56



ATTESTED

NOTARY

**CONTROLLER (A & R),
HESCOM, Hubballi,**