KARNATAKA ELECTRICITY REGULATORY COMMISSION

TARIFF ORDER 2014

OF

HESCOM

(*Under MYT Framework*)

ON

ANNUAL PERFORMANCE REVIEW FOR FY13
&
APPROVAL OF ARR
&
RETAIL SUPPLY TARIFF FOR FY15

12th May 2014

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ABBREVIATIONS	
AAD	Advance Against Depreciation
AEH	All Electric Home
ABT	Availability Based Tariff
A&G	Administrative & General Expenses
AG	Accountant General
APDRP	Accelerated Power Development and Reforms Programme
APR	Annual Performance Review
APV	Above Poverty Line
ARR	Annual Revenue Requirement
ATE	Appellate Tribunal for Electricity
ATL	Anti Theft Law
BBMP	Bruhut Bangalore Mahanagara Palike
BEE	Bureau of Energy Efficiency
BJ	Bhagya Jyothi
BMAZ	Bangalore Metropolitan Area Zone
HESCOM	Bangalore Electricity Supply Company
BNC	Billing & Collection
BPL	Below Poverty Line
BRAZ	Bangalore Rural Area Zone
BWSSB	Bangalore Water Supply & Sewerage Board
CAG	Comptroller & Auditor General
CAGR	Compound Annual Growth Rate
CDT	Commission Determined Tariff
CERC	Central Electricity Regulatory Commission
CE	Chief Engineer
CEA	Central Electricity Authority
CESC	Chamundeshwari Electricity Supply Corporation
CGR	Consumer Growth Rate
CGS	Central Generating Stations
CKM	Circuit Kilometre
CMD	Chairman & Managing Director
CPI	Consumer Price Index
CPRI	Central Power Research Institute
CoS	Cost of Service
DA	Dearness Allowance
DC	Direct Connection
DC LINES	Double Circuit Lines
DCB	Demand Collection & Balance
DG PLANT	Diesel Generating Plant
DMS	Distribution Management System
DPR	Detailed Project Report

DRUM	Distribution Reforms, Upgrade & Management
DSM	Demand Side Management
DTC	Distribution Transformer Centre
EC	Energy Charges
EHT	Extra High Tension
EHV	Extra High Voltage
EOU	Export Oriented Units
ERC	Expected Revenue From Charges
ES&D CODE	Electricity Supply & Distribution Code
ESCO	Electricity Service Companies
ESCOMs	Electricity Supply Companies
FC	Fixed Charges
FDSC	Foreign Debt Service Charges
FEC	Fuel Escalation Charges
FAC	Fuel Adjustment Cost
FY	Financial Year
FEV	Foreign Exchange Variation
GESCOM	Gulbarga Electricity Supply Company
GFA	Gross Fixed Assets
GIS	Geographical Information System
GoI	Government of India
GoK	Government of Karnataka
HESCOM	Hubli Electricity Supply Company
HP	Horse Power
HT	High Tension
HV	High Voltage
Hz	Hertz
IDC	Interest During Construction
IP SETS	Irrigation Pump Sets
IPPs	Independent Power Projects/ Producers
KEB	Karnataka Electricity Board
KER Act	Karnataka Electricity Reform Act
KERC	Karnataka Electricity Regulatory Commission
KJ	Kutira Jyothi
KM/Km	Kilometre
KPCL	Karnataka Power Corporation Limited
KPTCL	Karnataka Power Transmission Corporation Limited
KV	Kilo Volts
KVA	Kilo Volt Ampere
KW	Kilo Watt
KWH	Kilo Watt Hour
LDC	Load Despatch Centre
LT	Low Tension

MAT	Minimum Alternate Tax
MD	Managing Director
MESCOM	Mangalore Electricity Supply Company
MFA	Miscellaneous First Appeal
MGHE Station	Mahatma Gandhi Hydro Electric Station
MIS	Management Information System
MNR	Meter Not Recording
MoP	Ministry of Power
MU	Million Units
MUSS	Master Unit Sub Station
MVA	Mega Volt Ampere
MVAR	Mega Volt Ampere Reactive
MW	Mega Watt
MYT	Multi Year Tariff
NFA	Net Fixed Assets
NTPC	National Thermal Power Corporation
O&M	Operation & Maintenance
PCKL	Power Corporation of Karnataka Ltd.,
PFC	Power Finance Corporation Limited
PGCIL	Power Grid Corporation Of India Limited
PKCL	Power Corporation of Karnataka Ltd.,
PLF	Plant Load Factor
POCA	Power Purchase & Other Cost Adjustment
PPA	Power Purchase Agreement
PPCA	Power Purchase Cost Adjustment
PRDC	Power Research & Development Consultants
PTC	Power Trading Corporation
RE	Rural Electrification
RGGVY	Rajiv Gandhi Grameena Vidyuth Yojana
R&M	Repair and Maintenance
RLMS	Rural Load Management System
ROE	Return on Equity
ROR	Rate of Return
RTPS	Raichur Thermal Power Station
SC & ST	Schedule Caste & Schedule Tribe
SC LINE	Single Circuit Line
SEB	State Electricity Board
SERCs	State Electricity Regulatory Commissions
SLDC	State Load Despatch Centre
SPV	Special Purpose Vehicle
T&D	Transmission & Distribution
TCs	Transformer Centres
TERI	The Energy & Resource Institute

TPC	Tanirbavi Power Company
TRL	Total Revenue Management
UG CABLES	Underground Cables
VC	Variable Charges
VVNL	Visvesvaraya Vidyuth Nigama Limited
WPI	Wholesale Price Index
YOY	Year on Year

KARNATAKA ELECTRICITY REGULATORY COMMISSION, BANGALORE - 560 001

Dated this 12th day of May, 2014.

<u>Order on HESCOM's Annual Performance Review for FY13 and Revised ARR & Retail Supply Tariff for FY15</u>

In the matter of:

Application of HESCOM in respect of the Annual Performance Review for FY13 and Revised ARR & Retail Supply Tariff for FY15 under Multi Year Tariff framework.

Present:	***Shri M.R.Sreenivasa Murthry***	***Chairman***
	Shri H.D.Arun Kumar	***Member***
	Shri D.B.Manival Raju	***Member***

<u>O R D E R</u>

The Hubli Electricity Supply Company Ltd., (hereinafter referred to as HESCOM) is a Distribution Licensee under the provisions of the Electricity Act 2003, and has on 13.12.2013 filed the following applications for consideration and orders:

a) Approval of the Annual Performance Review for the financial year FY13 and Revision of ARR for FY15.

b) Approval of the revised distribution and Retail Supply Tariff for the financial year 2014-15 (FY15).

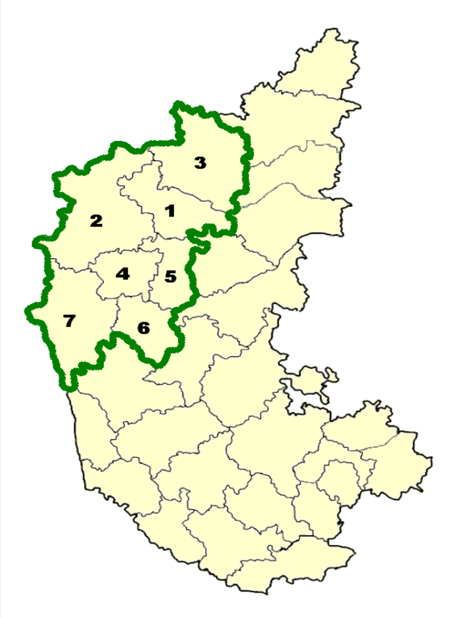
In exercise of the powers conferred under Sections 62, 64 and other provisions of the Electricity Act, 2003, read with KERC (Terms and conditions for Determination of Tariff for Distribution and Retail Sale of Electricity) Regulations 2006, and other enabling Regulations, the Commission has carefully considered the applications and the views and objections submitted by the consumers and other stakeholders. The Commission's decisions are given in this order, Chapter wise.

CHAPTER – 1

INTRODUCTION

1.0 Brief History of HESCOM:

Hubli Electricity Supply Company Ltd., (HESCOM) is a DistributionLicensee under Section 14 of the Electricity Act, 2003(hereinafter referred to as the Act). HESCOM is responsible for purchase of power, distribution and retail supply of electricity to its consumers and also providing infrastructure for open access, Wheeling and Bankingin its area of operation which includes seven Districts of the State as indicated below:



1. Bagalkot
2. Belgaum
3. Bijapur
4. Dharwad
5. Gadag
6. Haveri
7. Uttara Kannada

HESCOM is a registered company under the Companies Act, 1956, incorporated on 30thApril, 2002. HESCOM commenced its operations on 1stJune, 2002.

O&M Zones	O&M Circles	O&M Divisions
Hubli Zone	Hubli Circle	Hubli Urban
		Hubli Rural
		Dharwad Urban
		Dharwad Rural
		Gadag
	Haveri Circle	Haveri
		Ranebennur
	Sirsi Circle	Sirsi
		Karwar
BelgaumZone	Belgaum Circle	Belgaum Urban
		Belgaum Rural
		Bailahongal
		Ghataprabha
	Chikkodi Circle	Chikkodi
		Athani
		Raibagh
	Bijapur Circle	Bijapur
		Indi

		Jamakandi
	Bagalkot Circle	Bagalkot
		BasavanaBagewadi
		Mudhol

The O & M divisions of HESCOM are further divided into seventy eight sub-divisions. The sub-divisions have 255 O & M section offices.

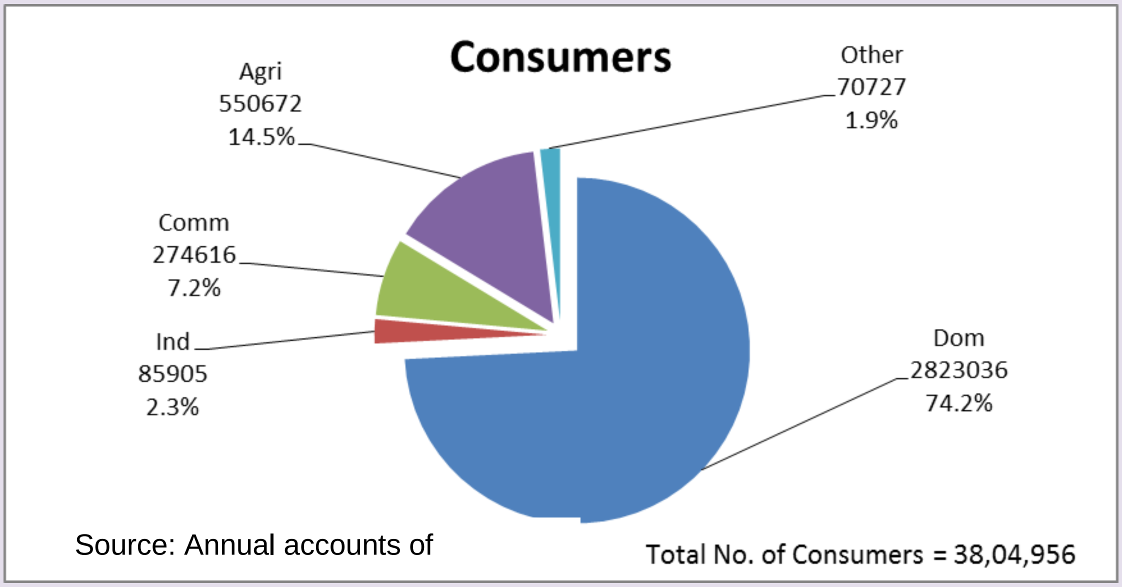
Section offices are the base level offices looking into the operation and maintenance of the distribution system in order to provide reliable and quality power supply to HESCOM's consumers.

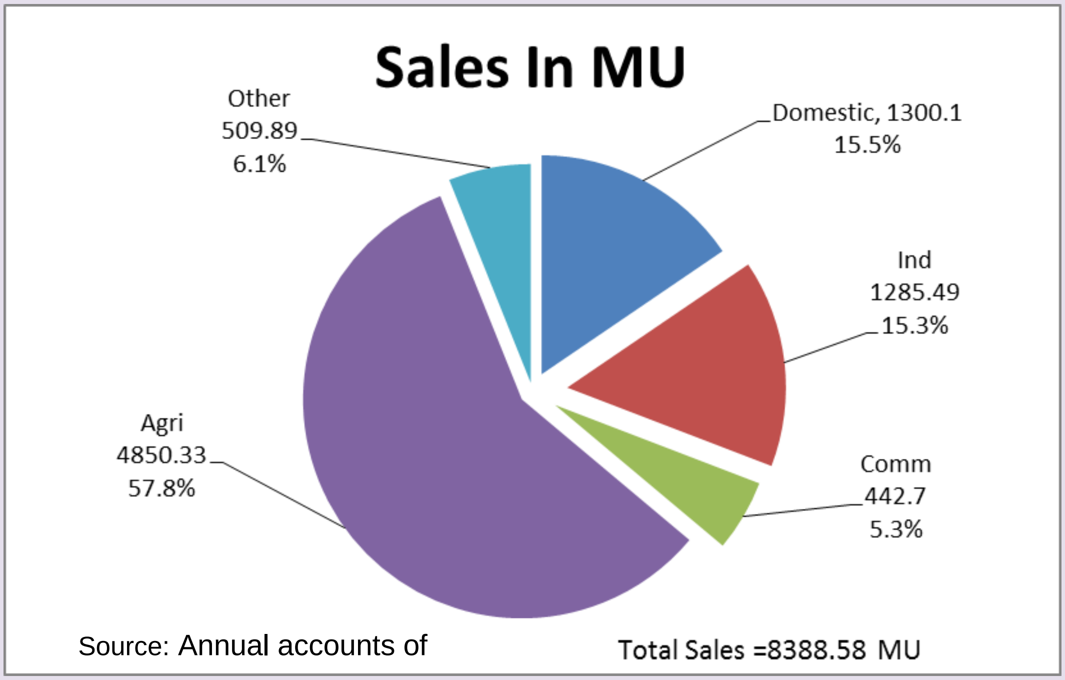
1.1 HESCOM at a glance:

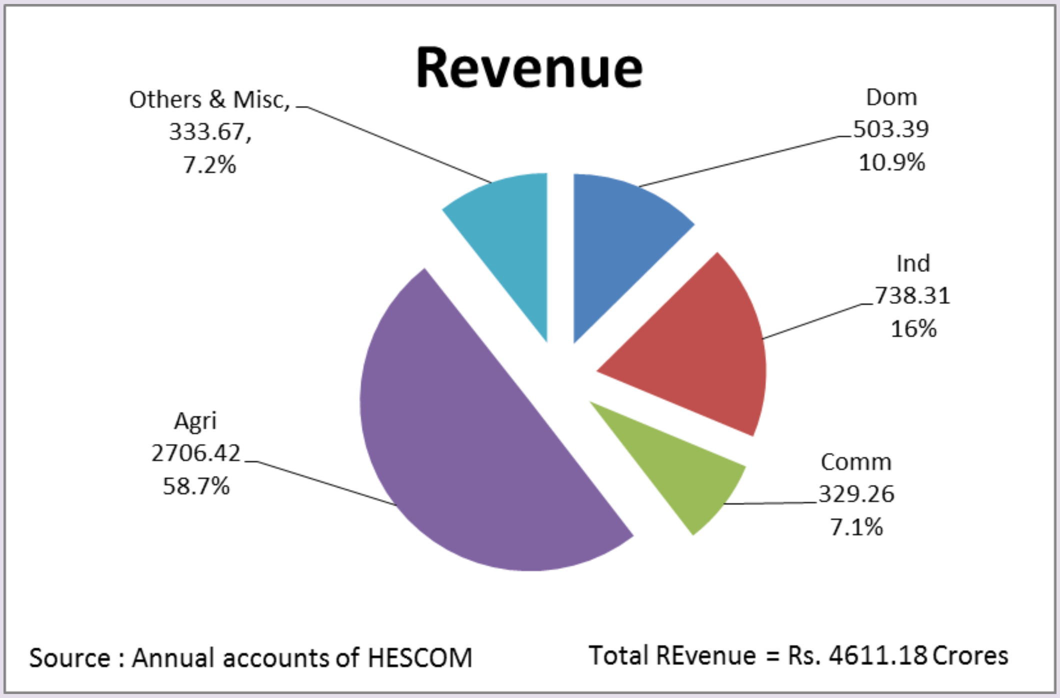
The profile of HESCOM is as indicated below:

Sl. No.	Particulars (As on 31-03-2013)		Statistics
1.	Area	Sq. km.	54513
2.	Districts	Nos.	7
3.	Taluks	Nos.	49
4.	Population	lakhs	166
5.	Consumers	lakhs	38.05
6.	Energy Sales	MU	8388.58
7.	Zone	Nos.	2
8.	DTCs	Nos.	99038
9.	Assets	Rs. in Crores	4907.30
10.	HT lines	Ckt. kms	56965.28
11.	LT lines	Ckt. kms	109541.67
12.	**Total employees strength:**		
A	Sanctioned	Nos.	13251
B	Working	Nos.	7252
13.	Revenue Demand	Rs. in Crores	4611.18
14.	Revenue Collection	Rs. in Crores	4579.30

1.2 **Number of Consumers, Sales in Mu and Revenue details of HESCOM in FY13 is as follows:**







HESCOM has filed its application for approval of Annual Performance Review for FY13, revised Annual Revenue Requirement (ARR) and Retail Supply Tariff for FY15.

HESCOM's application, the objections / views of stakeholders thereon and the Commission's decisions on the approval of Annual Performance Review for FY13, Revision of ARR and the Retail Supply Tariff for FY15 are discussed in detail in the subsequent Chapters of this Order.

CHAPTER – 2

SUMMARY OF FILING & TARIFF DETERMINATION PROCESS

2.0 Background for Current Filing:

The Commission in its Tariff Order dated 6th May, 2013 had approved the ERC for FY14 to FY16 and the Retail Supply Tariff of HESCOM for FY14 under MYT principles for the control period of FY14 to FY16. HESCOM in its present application filed on 13th December, 2013 has sought approval for the Annual Performance Review for FY13 based on the audited accounts, Revised ARR for the 2nd year of the third control period i.e. FY15 and Revised Retail Supply Tariff for FY15.

2.1 Preliminary Observations of the Commission

After a preliminary scrutiny of applications the Commission had communicated its observations to HESCOM on 31stDecember, 2013. The preliminary observations were mainly on the following points:

- Details to be furnished in formats
- Sales Forecast
- Power Purchase
- O&M Expenses
- Distribution losses
- Capex

In response HESCOM has furnished its replies on 8th January, 2014. The replies furnished by HESCOM are considered in the respective Chapters of this Order.

2.2 Public Hearing Process

2.2.1 As per the Karnataka Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Distribution and Retail Sale of Electricity) Regulations, 2006, read with the KERC Tariff Regulations, 2000, and KERC (General and Conduct of Proceedings) Regulations 2000, the Commission vide its letter dated **20th January, 2014** treated the application of HESCOM as petition and directed HESCOM to publish the summary of its ARR and Tariff proposals in the newspapers calling for objections, if any, from interested persons.

Accordingly, HESCOM has published the same in the following newspapers:

Name of the News Paper	Language	Date of Publication
INDIAN EXPRESS	English	6/2/2014 & 7/2/2014
TIMES OF INDIA		
PRAJAVANI	Kannada	
VIJAYAVANI		

HESCOM's application on APR of FY13, revision of ARR and Tariff for FY15 were also hosted on the web sites of HESCOM and the Commission for the ready reference and information of the general public.

In response to the application of HESCOM, the Commission has received twenty seven statements / letters of objections. HESCOM has furnished its replies to all these objections. The Commission has held a Public Hearing on 29.04.2014 at Dharwad. The details of the written / oral submissions made by various stake holders and the responses from HESCOM thereon have been discussed in Chapter - 3 of this Order.

2.3 Consultation with the Advisory Committee of the Commission

The Commission has also discussed the proposals of KPTCL and all ESCOMs in the State Advisory Committee meeting held on 5th May, 2014. During the meeting the following important issues were also discussed:

- Projections of Power availability for FY15
- Performance of KPTCL / ESCOMs during FY13
- Major items of expenditure of KPTCL / ESCOMs

Members of the Committee have offered valuable suggestions on the proposals. The Commission has taken note of these suggestions while passing the order.

CHAPTER – 3

SUGGESTIONS /OBJECTIONS& REPLIES

The Commission undertook the process of public consultation in order to obtain suggestions/views/objections from the interested Stake-holders on the Tariff Applications filed by ESCOMs. In the written submissions as well as during the public hearing some Stake-holders and public have raised several objections to the Tariff Applications filed by ESCOMs. Among them, the following Hon'ble Members of Karnataka Legislative Assembly and Legislative Council have expressed their views as mentioned below:

3.1 Sri.Vasu, Hon'ble M.L.A., Chamaraja Constituency, Mysore.

The Hon'ble Member of the Legislative Assembly, Chamaraja Constituency, Mysorehas communicated his views in writing that ESCOMs have not collected the arrears from consumers and therefore, it is not appropriate to revise the tariff. He has also opined that honest consumers are being penalized by increasing the tariff and at the same time, non-paying consumers are benefitted by non recovery of their arrears. Therefore, he has requested the Commission to take up tariff determination only after ESCOMs collect arrears.

Further, the Hon'ble Legislative Assembly Member has stated that transmission losses and increasing costs have to be monitored seriously and every year Management Audit has to be conducted to improve the quality of administration. He has stated that the post of Technical Advisor in the Commission is vacant and during the tariff determination process, the services of an experienced Technical Advisor is necessary and important. Hence, he has advised the Commission to defer the tariff revision till the post of Technical Advisor is filled up.

3.2 Sri Aswathnarayan, Hon'ble M.L.C.

The Hon'ble Member of the Legislative Council has attended the public hearing on the Tariff and ARR Application filed by BESCOM, convened on 21.04.2014 at KERC Office, Bangalore and expressed concern that electrical accidents are occurring frequently and demanded that ESCOMs should take serious note of the alarming accidents causing deaths of both human beings and animals. The Hon'ble Legislative Council Member requested the Commission to instruct ESCOMs to prevent electrical accidents to save precious human and animal lives.

The Hon'ble Member also stated that, people are ready to pay a higher tariff provided ESCOMs ensure continuous and quality power supply. He also brought to the notice of the Commission that there was often no power supply in Nelamangala taluk even to draw water for bathing cattle. He opined that power supply during the night would not help the farmers as it would endanger their lives.

Commission's views:

The Commission has taken note of the views expressed by the Hon'ble Members of the State Legislature.

3.3 List of persons who filed written objections

Sl.No	*Application No.*	*Names& Addresses of Objectors*
1	HA-01	Sri. S.K. HegdeNeelkod, President, VidyutHitrakshnaSamithi, Kumta.
2	HA-02	Sri. S.M. Vaidya, Secretary, Electrical Consumer Welfare Forum, Hubli.
3	HA-03	Sri. R.G. Joshi, President North Kanara District Retired Employees Association (R), Kumta,.
4	HA-04	Sri. Siddheshwar G. Kammar, Secretary, Karnataka Chamber of Commerce & Industry.

5	HA-05	Sri VamanaNeelakantaKamath, Kumta
6	HA-06	Sri. AravindKrishnaraoPai, Kumta.
7	HA-07	Sri Anil JanardhanaKamath,Kumta.
8	HA-08	Sri. R.K Rangrej, Ex- President, Chairman, Electricity Sub-Committee,Gadag District Chamber of Commerce and Industry (FKCCI), Bangalore.
9	HA-09	Sri. T.N. Sudarshan, Secretary General, M/s Federation of Karnataka Chambers of Commerce and Industry.
10	HA-10	Sri. M.S. Srinivas, M/s Renewable Energy Developers Association of Karnataka.
11	HA-11	Sri. KiranKashinathNayak, Kumta
12	HA-12	Sri. KashinathSeetharamNayak, Kumta
13	HA-13	Sri. G.G. HegdeKadekodi, President, North Kanara District Chamber of Commerce Indusrty and Agriculture, C.P. Bazar Sirsi – 581 401.
14	HA-14	Sri. G.G.HegdeKadekodi, President, BalakedararaHitharakshanaSangha. Sirsi.
15	HA-15	Sri. A. Padmanabha, Hon. General Secretary, KASSIA Bangalore-40.
16	HA-16	Sri Prem Chand, Chief Electrical Traction Engineer, South Western Railways
17	HA-17	Sri. Praful Sham Kale, General Manager (Utilities), Gokak Mills, Gokak Falls, Gokak.
18	HA-18	Sri. Venkatesh, Hon, General Secretary, LaghuUdyogBharati-Karnataka, Bangalore.
19	HA-19	Sri. J.M. Rajsheakar, Secretary, Search Trust, Ranebennur, Haveri District.
20	HB-01	M/s Doddanavar Global Energy Pvt Ltd.
21	HB-02	Sri.AsitOjha, Head Tech. Services, Tata Motors Ltd., Mummigatti Post, Dharwad – 580011.
22	AE-01	Sri. B.G. Shetkar, President, Bidar Chamber of Commerce & Industry.
23	AE-02	Sri. Anantharamaih, Senior Citizen.
24	AE-03	Sri. BharatarshabhaDasa, Head -communication & Public Relations, ISKON.
25	AE-04	Sri. T.M Vijay Bhaskar, Additional Chief Secretary to Government, Department of Rural Development & Panchayat Raj.
26	AE-05	Sri. Raghavendra Gupta, Indus Towers Ltd, Bangalore.
27	AE-06	Sri. B. S. Shetty, President, Indian Wind Power Association (Karnataka State Council).

3.4 List of the persons who made oral submissions during the Public Hearing on 29.04.2014.

SL.No.	*Names& Addresses of Objectors*
1	Sri. G.G. HegdeKadekodi, President, North Kanara District Chamber of Commerce Industry and Agriculture, Sirsi.
2	Sri. Sitharama K. Hegde, President, Kumta Taluk VidyutBalakedararaHitharakshanaSamithi.

3	Sri. AravindPai, Kumta
4	Sri. Anil Kamath, Kumta.
5	Sri. R.G. Joshi, President North Kanara District Retired Employees Association (R), Kumta,.
6	Sri. Dayanand S Patil , Electrical Contractor, Konnur.
7	Sri. VasantLadwa, President& Sri. Bidasaria, Karnataka Chamber of Commerce & Industry.
8	Sri. R.K Rangrej, Ex- President, Chairman, Electricity Sub-Committee,Gadag District Chamber of Commerce and Industry.
9	Sri. VishwanathPatil, AAP, Dharwad.
10	Sri. P.N. Mullur, Raibag Taluk.
11	Sri. J.M. Rajsheakar, Secretary, Search Trust, Ranebennur, Haveri District.
12	Sri Astekar, ADE, South Western Railways
13	Sri. BasavarajJavali, KASSIA, Bangalore/ Belgaum.
14	Sri. Shankar, Farmer, Gundennatti Village, Khanapur.
15	Sri. BhimappaBasavannappaKilari, farmer, Gundennatti Village, Khanapur.

The above persons have raised several issues concerning tariff, quality of power supply, compliance of Commission's directives, wheeling and banking and some specific requests concerning the tariff category. The following are the objections and comments received on various issues relating to HESCOM's application and the response of HESCOM:-

3.5 <u>Tariff related issues:</u>

1) HESCOM has not filed the tariff petition before 30th November, 2013 as per the MYT Regulation 2.7.1.

HESCOM's RESPONSE:

HESCOM has filed its application for revision of tariff within the extended time granted by the Commission.

2) HESCOM has inflated therevenue requirement in the Tariff petition to seek hike in tariff. HESCOM has not followed Accounting Standards as pointed out by the Chartered Accountants, A. John Moris and Co. in so far as

inventories, fixed assets and depreciation are concerned. HESCOM has under estimated its revenue by indicating only Rs.4677.21 Crores for FY13 even though its revenue for FY13 was Rs.4965.91 Crores.

HESCOM's RESPONSE:

HESCOM has filed its application to revise the tariff to meet the gap in theRevenues as detailed in the Tariff Petition. HESCOM has submitted the Annual Accounts statements in accordance with the Companies Act, 1956, and has treated the Depreciation on grants, consumer contribution, etc. in accordance with Accounting Standard 12 of the Institute of Chartered Accountants (ref 205 & 2.7 of notes forming part of the financial statements).

3) Owing to good monsoon resulting in increased hydro generation this year, the cost of power procurement by HESCOM has come down. Therefore tariff hike is not required.

HESCOM's RESPONSE:

As the Hydel generation alone is not sufficient to meet the demand, HESCOM has to purchase power from other sources at a higher cost which will increase the revenue gap necessitating tariff revision.

4) The tariff discrimination between consumers of Urban and Rural areas has to be removed and a uniform tariff has to be worked out.

HESCOM's RESPONSE:

The tariff difference between urban and rural areas is based on the quality of power supply.

5) HESCOM has not returned the amount collected from IP sets which were erroneously categorized as Areca nut and coconut plantations in Malnad area even after issue of GoK Order No. C.D.107 ELS 2003 dated 9-3-2003.

HESCOM's RESPONSE:

HESCOM could not take action to refund the money to Arecanut growers as the package of assistance of Rs.15 Crores announced for farmers is not yet received from the Government.

6) Solar rebate has to be increased to Rs.200/- to encourage consumers to use solar power.

HESCOM's RESPONSE:

HESCOM opines thatthesolar rebate at the existing rate has to be continued.

7) The Commission is increasing the tariff as sought by the ESCOMs instead of monitoring their functioning and controlling lapses.

HESCOM's RESPONSE:

The issue relates to the Commission.

8) The Commission is insisting on the public to file the objections to tariff petitions with affidavit which has increased the burden on consumers.

HESCOM's RESPONSE:

The issue relates to the Commission.

9) The collection of fixed charges from consumers even when there is no consumption of electricity in a month should be stopped.

HESCOM's RESPONSE:

The fixed charges are collected for the investment made by the Company in developing the infrastructure and maintaining it in good condition and cannot be dispensed with.

10) HESCOM has not followed the provisions of Section 56(2) of Electricity Act 2003 and Conditions of Supply Regulation 29.08 in the matter of collection of arrears from consumers.HESCOM has not taken steps to recover the dues from the government bodies and has shown long pending arrears as bad debt.

HESCOM's RESPONSE:

The recovery of arrears from local bodies is being pursued with the StateGovernment. Action is being taken to recover the arrears from permanently disconnected installations as per Recovery of Revenue Arrears Act duly serving 'A' 'B' and 'C' forms. Regarding the arrears to be received from Government Departments and Local Bodies, action is taken by holding discussions with the concerned Departments. The bad debt of Rs.4.63Crores in FY12 has been reduced to Rs.3.14Crores in FY13 and HESCOM is taking measures to reduce the bad debts.

11) HESCOM has shown revenue surplus of Rs.40.7 Crores in FY13, no deficit in FY14, but suddenly a deficit of Rs.329.39 Crores in FY15 with a gap of

Rs.288.69 Crores and has sought an increase of 66 paiseper unit uniformly, by underestimating the revenue and realization rate. The deficit is due to high power purchase cost and high losses in distribution. But, from the filing it can be made out that, the net profit for FY15 would be Rs.187.37 Crores.

HESCOM's RESPONSE:

The estimation made by HESCOM in the filing is proper.The profit of Rs.40.70 Crores in FY13 is due to release of arrears of subsidy pertaining to previous period by GoK. HESCOM has submitted the application for approval of Annual Performance Review for FY13, where the expenditure & income will be trued up and the result will be carried on to FY15.

12) HESCOM has not paid interest on consumer deposits as it has failed to keep track of the deposits held by it even after computerization.

HESCOM's RESPONSE:

During computerisation, there were some problems in computing consumer deposits, initially. The problems have been resolved by rechecking and reconciliation with the consumers and interest on the security deposit is paid to the consumers as per Regulations.

13) Due to improper management, HESCOM has not utilized any funds properly resulting in huge losses and audit of the Company has to be conducted to find out the reason for the losses and necessary action should be taken to fix responsibility on the Officers for their lapses.

HESCOM's RESPONSE:

HESCOM has earned profit during FY12 and FY13. Statutory Auditors appointed by the Comptroller and Auditor General of India have conducted audit of HESCOM's Accounts for FY12 & FY13. C&AG has also conducted audit. Besides, the Commission has also undertaken prudence check of HESCOM's Capital expenditure for FY10, FY11 & FY12. This will also be continued for further years.

14) Instead of training regular employees of HESCOM in computer operations, contract employees are hired and unnecessary expenditure is incurred.

HESCOM's RESPONSE:

TRM computerization has been out sourced by calling tenders and employees of HESCOM are also trained to work on computers.

15) HESCOM is calling tenders for ATP facility and awarding the same to big Companies at high cost and causing huge loss to the Company, instead of providing opportunity to the local sources at a lower rate.

HESCOM's RESPONSE:

ATP is beneficial to the urban consumers for payment of bills and this facility has been out sourced to Agencies through tenders in order to provide uniformity throughout HESCOM.

16)HESCOM should not be allowed to raise loans above 75% of net fixed assets.

HESCOM's RESPONSE:

HESCOM has not offered any comments.

17) Interest on working capital has to be allowed only after obtaining an affidavit from HESCOM to ascertain that, HESCOM has not paid contractors' bills from the borrowed working capital.

HESCOM's RESPONSE:

The working capital is used for the purpose for which it is availed and Interest on working capital is utilised as per Regulations.

18) Interest on belated payment towards power purchase cost should not be allowed as HESCOM could have paid the interest out of the working capital borrowings.

HESCOM's RESPONSE:

Interest has been paid for the delay in payment of power purchased for various inevitable reasons and the same needs to be allowed.

19) HESCOM has under estimated the sales to IP sets and BJ/KJ installations. As HESCOM has failed to complete DTC metering within the stipulated time and estimated the IP consumption, the cross subsidy element of IP set consumptions arrived at as per estimates should not be loaded to the paying category of consumers.

HESCOM's RESPONSE:

Computation of power consumption of IP set and BJ/KJ for FY15 is done as per the specific consumption approved by the Commission. HESCOM is making efforts to make a realisticassessment of sales to IP sets.

20) HESCOM has not clarified whether sale to 2,00,000 IP sets has been included in the projected sales. The estimation of sale to IP sets by considering sample meter readings has to be rejected and HESCOM has to install meters to all IP sets.

HESCOM's RESPONSE:

Computation of power consumption of IP set and BJ/KJ for FY15 is done as per the specific consumption approved by the Commission. Metering of IP sets has not been possible due to resistance from the farmers and hence, the IP set consumption is estimated.

21) The amount which had to be refunded to consumers as per the Tariff order dated 27-12-2010 has not been done.

HESCOM's RESPONSE:

The amount has been refunded in the revised bills issued to the consumers.

22) The details of Inter- ESCOM energy flow and payment details are not furnished.

HESCOM's RESPONSE:

The details are furnished in the reply given to preliminary observations of the Commission.

23) HESCOM has not filed the Annual Accounts as per the Companies Act, 1956 and as per the directions of Hon'ble APTEL in Appeal no. 108 of 2010 and that the petition is not in conformity with the Regulations 2.1(iv), 2.1(vii) and 3.6.1 of KERC MYT Regulations. HESCOM has sought approval of controllable and uncontrollable costs as per actuals instead of seeking revision of MYT approved ARR.

HESCOM's RESPONSE:

HESCOM has submitted the Annual Accounts statements in accordance with the Companies Act, 1956, and has treated the Depreciation on grants, consumer contribution, etc. in accordance with Accounting Standard 12 of the Institute of Chartered Accountants.

24) HESCOM has not taken approval of the Commission for purchase of medium term power costing Rs.116 Crores during FY13, which is in violation of Regulations, for which the license issued to HESCOM, has to be revoked.

HESCOM's RESPONSE:

The Commission has approved the source wise power purchase cost for the control period FY14 to FY16 in the tariff order dated

6.5.2013 and power procurement is made with the approval of the Commission.

25) The cost of power procured by HESCOM from UPCL should not be passed on to consumers as the same has not been approved by the Commission.

HESCOM's RESPONSE:

The power purchase is made by PCKL on behalf of ESCOMs. The Commission has accorded approval for the power purchase cost for the control period FY14 to FY16 in the tariff order dated 6.5.2013 wherein UPCL is treated as a major IPP.

26)The compensation paid to the generators pursuant to the order passed by the GoK under Section 11of Electricity Act, 2003 should have been paid by the Government and not be passed on to the consumers.

HESCOM's RESPONSE:

HESCOM has not offered any comments.

27) Under the provisions of Electricity Act, 2003, the allocation of power to ESCOMs has to be carried out by the Commission and not by the GoK.

HESCOM's RESPONSE:

HESCOM has not offered any comments.

28) The petition for revision of tariff has not been filed by an authorised person of HESCOM and is liable to be rejected on this ground.

HESCOM's RESPONSE:

The Executive Engineer (El) Regulatory Affairs has been authorised by the Board of Directors to file the petition.

29) HESCOM has not furnished the audited report of C &AG and has not followed the Accounting Standards as pointed out by the Chartered Accountants A. John Moris& Co.

HESCOM's RESPONSE:

HESCOM has submitted the annual report for the year 2012-13 which contains the report of A.G.The observations raised by A. John Moris & Co. have been satisfactorily replied.

30) The IP set dues prior to 2008 is about Rs.1087 Crores and HESCOM should have taken action to recover the same.

HESCOM's RESPONSE:

The matter regarding recovery of IP set arrears prior to 31-07-2008 is being pursued with Government.

31) HESCOM has shown an increase of Rs.88.03 Crores in O&M expenses and Rs.25.40 Crores in interest on loan capital above the approved figures of FY13 and the same needs to be disallowed.

HESCOM's RESPONSE:

The O & M expenses, interest on loan capital are regulated as per the MYT regulations.

32) HESCOM has not indicated any steps to improve its efficiency, to transfer the benefit of efficiency gains to the consumers and in the absence of any specific gains, the application is not maintainable. Hence, it is requested to reverse the earlier increased tariff instead of increasing it further.

HESCOM's RESPONSE:

HESCOM has clearly indicated the various measures taken for improvement of efficiency in the application. The efficiency gain for reducing the distribution losses to less than the approved level is not possible at present.

33) As per the Tariff policy, the tariff to be fixed should be within +/- 20 % of the **"cost to serve".** Since the cost to serve of HESCOM has not been approved by the Commission, it is not possible to verify whether the proposed tariff is within limits.

HESCOM's RESPONSE:

It is essential to bridge the revenue gap through tariff revision to improve the financial health of HESCOM. If the petition is rejected on this ground it would aggravate financial problems of HESCOM.

34) Fixed charges of Rs.5 has been increased in the last tariff revision by the Commission, without any request from the ESCOMs and the same needs to be withdrawn.

HESCOM's RESPONSE:

The Commission hastakenthe decision to increase the fixed charges, as; otherwise the burden would have been shifted to energy charges.

35) Since the gap between the supply and demand is increasing day by day, it is suggested that Government has to consider alternative sources of generation with small gestation period to fill the gap instead of purchasing short term power at high cost. The low cost power from Hydel and thermal sources have to be utilised at optimum level and PLF of KPC thermal plants needs to be improved.

HESCOM's RESPONSE:

PCKL purchases the power on behalf of ESCOMs. The ESCOMs pay the power purchase cost for the power allocated to them at the tariff approved by the Commission in the Tariff orders.

36) Cross subsidy being paid by the industrial consumers has to be reduced to make them viable.

HESCOM's RESPONSE:

More than 50% of energy is fed to Agriculture for which the Government pays the subsidy as per CDT and the other categories also contribute through cross subsidy. Further, the domestic water supply and street light categories pay less than the average cost of supply. To compensate the above factors, cross subsidy fromother categories is required.

37) The uniform tariff hike sought by all ESCOMs is not justified as the cost of distribution is different in ESCOMs.

HESCOM's RESPONSE:

The Tariff hike is proposed on the basis of total gap in the revenue account caused by the increase in the cost of power purchase and other costs. The power purchase cost of HESCOM is based on the allocation of power made by the Government. However, based on the gap of each ESCOM tariff hike is proposed.

38) HESCOM should reveal the capital investment and revenue investment plan to the common public through media and its website.

HESCOM's RESPONSE:

HESCOM will consider the suggestion and take suitable action.

39) The released materials after execution of the up-gradation of lines are not accounted for and disposed by HESCOM but, the same is being taken by the Contractors and misused.

HESCOM's RESPONSE:

HESCOM has not received any information on the misuse of released materials by the contractors and will take action if such instances are reported.

40) HESCOM has not considered Rs.35.61 Crores shown under "other Income" while working out the ARR gap for FY13.

HESCOM's RESPONSE:

Other Income of Rs.35.61 Crores is accounted vide Item No.26 in HESCOM's financial performance for FY13 (Page No.35).

41) The distribution loss over and above the approved value of 18% amounting to Rs.74.5 Crores has to be disallowed for FY13.

HESCOM's RESPONSE:

The approved distribution loss for FY13 was 18% and for FY14 is 19%. Considering the changed status, the Commission has approved the range of 18 % to 20%. HESCOM has requested the Commission to reconsider the distribution loss of HESCOM for FY13.

42) The operational deficiencies of KPCL has resulted in procurement of costly power by HESCOM to the tune of Rs.953.47 Crores and, suitable action should be taken in this regard.

HESCOM's RESPONSE:

The power purchase is an uncontrollable expenditure and mainly dependent on the policies of the government, allocation of power, hours of supply, availability of power in the state, seasonal conditions etc. HESCOM has welcomed the suggestions made regarding power purchase.

43) There is inconsistency in the data furnished on the power purchase by HESCOM.In the Annual Report HESCOM has indicated realised revenue of Rs.4611.18 Crores for sale of 8388.58 MU at an average rate of Rs.5.41 per unit. In the tariff petition, HESCOM has projected a sale of 9115.70 MU for FY15. If HESCOM collects the revenue at the rate of Rs.5.41 per Unit, it will realise Rs.4931.59 Crores as against the projection of Rs.4677.22 Crores and will have a surplus of Rs.76.18 Croresand tariff revision is not required.

HESCOM's RESPONSE:

The availability of power at interface point after Transmission loss for FY14-FY15 is 11184.90 MU. The revenue realization for FY13 at Rs.5.41 per unit is correct. The income of Rs.4611.18 Crores includes the arrears of additional subsidy pertaining to previous years. Hence the correct way to calculate the revenue realization rate is to calculate as per DCB as furnished in D-2 Statement which does not include past arrears of subsidy received during the year.

44) It is suggested to reduce the tariff as is being done in New Delhi and other States.

HESCOM's RESPONSE:

The power situation differs from State to State and the demand supply gap is more in Karnataka and the comparison with other states is not proper.

45) The DSM and consumer education activities have not been taken up by HESCOM. However, it has shown that Rs.53.76 Lakhs is spent for the purpose without furnishing details.

HESCOM's RESPONSE:

HESCOM has conducted awareness programmes for the benefit of consumers on DSM activities through an NGO in all the Districts. HESCOM is consumer friendly and is having smooth interaction with all the consumers, especially farmers, NGOs etc.

3.6 Quality of power supply and services:

46) As per Section 23 of the Act, HESCOM should have taken approval of the Commission for load shedding. But, HESCOM is resorting to unscheduled load shedding on its own which is adversely affecting the industries. The load shedding is carried out without prior intimation causing inconvenience to the consumers.

HESCOM's RESPONSE:

Scheduled load shedding is informed in advance and the unscheduled load shedding which cannot be anticipated is not being informed. The unscheduled power cuts are due to emergency repairs and maintenance works.

47) HESCOM should take initiatives to improve efficiency by reducing the distribution losses, pilferage, administration costs and purchase of power from cheaper sources. High level of Distribution losses is the driving factor for increase in the cost of power supply to the Company and HESCOM has to make sincere efforts to reduce the losses.

HESCOM's RESPONSE:

HESCOM has made all efforts to reduce the distribution loss below 17% in FY14 and is trying to bring down the distribution loss further and to curtail the unnecessary expenditure.

48) HESCOM has not taken action to install Solar Water Heaters in its quarters where electric geysers are being used.

HESCOM's RESPONSE:

HESCOM has installed solar power panels on its office building. The solar water heating system is mandatory to certain installations specified in theConditions of Supply Regulations and HESCOM is adhering to the Regulations. However, if the consumers wish to use electrical appliances, HESCOM cannot prevent the consumers from doing so. In case of the quarters which are old, the compulsory installation of solar water heating system is not applicable.

49) The meter readers do not wear uniforms and display their ID cards during meter reading and issue monthly bills to IP sets instead of quarterly bills as per rules.

HESCOM's RESPONSE:

As per the IBF work award schedule B, franchisee has to issue monthly bills to all categories of consumers. All meter readers are provided with ID cards and Uniforms except the franchisee employees.

50) It is requested to increase the number of bill payment counters in Kumta and increase the staff strength for taking timely action on consumer complaints/ grievances.

HESCOM's RESPONSE:

HESCOM is analyzing the requirement of additional billing counters and deploying more staff in KumtaTaluk.

51) Insisting a third pole for tapping 11kV in MS building / Residential layout to facilitate fixing of GOS is spoiling aesthetic look of the buildings/ layouts and it is requested that HESCOM should discontinue the practice.

HESCOM's RESPONSE:

The 3 pole structure is a standard electrical line termination arrangement for alternate supply cable entries to the customer transformer and the same is insisted upon before construction of the building.

52) HESCOM is insisting on testing of material used for electrification of layouts by TA & QC even though they have been procured from vendors approved by HESCOM.

HESCOM's RESPONSE:

The inspection and confirmation of quality of materials used are carried out to ensure that rated and standard equipments are used.

53) HESCOM has spent an amount of Rs.40 lakhs for renovation of the residence of Managing Director which is lying un-occupied and the official vehicles procured are not being utilized properly. The existing tube

lights are not replaced by energy efficient CFL bulbs by HESCOM in its office. The attendance punching machines are not being monitored and the officials are not punctual in attending offices.

RESPONSE OF HESCOM:

The renovated designated residence of the Managing Director at the Corporate Office is occupied by the Managing Director. HESCOM is insisting on the consumers as well as Government Offices to use the CFL bulbs. The Punching machine (Biometric Device) is in working condition at Corporate Office.

54) The officers of HESCOM are not in a position to handle day to day affairs properly due to lack of knowledge of Regulations and EA 2003.

HESCOM's RESPONSE:

The Officers are well acquainted with the KERC Regulations, Electricity Act 2003 and other Regulations which are essential for the day to day functions. Workshops were conducted for the Officers of HESCOM at Corporate Office Hubli and Zonal Office Belgaum to educate them on CGRF and KERC matters.

55) The officers insist on the consumers to procure CTs and PTs for replacement when they are burnt or non-functional.

HESCOM's RESPONSE:

HESCOM has not furnished any comments.

56) Even though HESCOM is incurring losses due to negligence of the officials, no action is taken to punish them or recover the losses.

HESCOM's RESPONSE:

HESCOM is taking prompt action for recovery of arrears by carrying out disconnection drive and fixing the responsibility on erring Officials.

57) The ASD is being demanded directly in the monthly bill issued to the consumers instead of issuing a separate notice describing the shortfall.

HESCOM's RESPONSE:

The Additional Security Deposit is not being collected through the bills. The amount is not added in the bill, but is shown for the information of the consumers.

58) The RGGVY programme is not implemented properly, consumer meters not fixed with seals and the old tools and equipments are being used without upgrading.

HESCOM's RESPONSE:

The details of RGGVY programme are provided in pages 97, 98 and 99 of the tariff petition. Meter seals have been provided to all meters except a few old installations. As far as possible, HESCOM is using modern equipments in its operations.

59) Faulty meters should be replaced by HESCOM without charging penalty to the consumers.

HESCOM's RESPONSE:

While replacing faulty meters, meter charges are being collected as per the prevailing Regulations.

60) HESCOM has not taken action to open bill collection counters in Village Panchayat area.

HESCOM's RESPONSE:

It will be difficult to open bill collection in every Gram Panchayat. However, the Gram Vidhyuth-prathinidhi (Franchisee) will collect the bill amounts and on a specified day, bill collection will be done by HESCOM staff.

61) 24 Hours Service Center is yet to be established in many Taluks.

HESCOM's RESPONSE:

HESCOM is considering, opening of 24 hour service centre at Kumta.

62) Continuous power supply should be provided to all consumers as is done in other States like Gujarat, Goa and Maharashtra without discriminating between urban and rural consumers.

HESCOM's RESPONSE:

The power situation differs from State to State and the gap between supply and demand is more in Karnataka.

63) HESCOM should have taken the task of replacing the existing IP set pumps by Energy efficiency pumps using its own staff instead of outsourcing the same.

HESCOM's RESPONSE:

Replacement of energy efficient pump sets bypilot project is awarded to BEE, New Delhi, a Central Government Undertaking. The installation of energy efficient pump sets is taken up on pilot basis in Chikkodi and Byadagi taluks.

64) Re-conductoring of lines and rectification of sagging lines and leaning poles has not been undertaken by HESCOM in rural areas of Uttar-Kannada district. No steps have been taken to reduce accidents.

HESCOM's RESPONSE:

Reconductoring of lines and rectification of sagging lines and leaning poles are being undertaken by HESCOM regularly.

65) HESCOM is servicing installations which are constructed under HT lines.

HESCOM's RESPONSE:

HESCOM is not servicing installations which are constructed under HT lines.

66) HESCOM is not taking any action on corrupt officers who are trapped by Lokayuktha.

HESCOM's RESPONSE:

HESCOM has not furnished any comments.

67) Consumers are forced to approach Contractors for any type of work as there is no display of charges to be paid to HESCOM for various works.

HESCOM's RESPONSE:

The suggestion of displaying the charges for various services on the Notice Boards will be considered.

68) Independent feeders have to be provided for the industries to reduce the interruptions.

HESCOM's RESPONSE:

HESCOM will try to provide separate independent feeders for industries wherever possible

69) Even though sufficient capex is being allowed, HESCOM has not been able to meet the requirement of transformers, cables and other accessories and control the over loading and failure of transformers.

HESCOM's RESPONSE:

Distribution transformer bank has been established for replacing the failed transformers and also established Repair Centers.

3.7 Issues on compliance to the Commission's directives

70)100% metering of all types of installations is yet to be completed.

HESCOM's RESPONSE:

No new connection is given without fixing the meters. However, there is stiff resistance from IP set consumers for fixing meters.

71. HESCOM has not furnished details as to whether the peak load has reduced after the implementation of the ToD tariff. If the peak load has not reduced, the Commission may make it optional.

HESCOM's RESPONSE:

HESCOM wishes to continue the ToD facility and make analysis of consumption taking data of further period to appraise the Commission.

72.The RAPDRP Scheme is not being properly implemented by HESCOM.

HESCOM's RESPONSE:

RAPDRP is a new project and HESCOM had to face initial problems in implementation and execution. All the problems would be resolved.

73. HESCOM has not taken any action to educate consumers about the solar roof top despite the directions issued by the Commission.

HESCOM's RESPONSE:

HESCOM is educating consumers about Roof Top Solar projects.

74. HESCOM has not shown any seriousness in complying with the directives of the Commission viz., HVDS, DSM in agriculture, DTC metering, reduction of distribution losses, reducing HT: LT ratio, energy audit, improving reliability, reducing accidents, metering of IP sets & BJ/KJ and 100% metering of installations. The enumeration of the IP sets and regularisation of unauthorised IP sets has not been taken up seriously by HESCOM. The consumer indexing and GPS mapping has not been completed. HESCOM has not installed time switches to all the street lights even after two years of Commission's directions. The progress of NJY is very poor and HESCOM has not quantified the improvements achieved in rural areas after implementation of NJY. HESCOM has not complied with all the directives of the Commission and penalty has to be levied on the Company for not complying with the directives.

HESCOM's RESPONSE:

HESCOM has complied with the directives of the Commission. HESCOM is educating the consumers regarding energy conservation and DSM measures. Area Load Despatch Center is functioning in HESCOM at Corporate Office.The implementation of NJY has yielded good results. HESCOM has taken up pilot project for HVDS. The installation of energy efficient pumpsets is taken up on pilot basis in Chikkodi and Byadagi taluks. HESCOM has completed DTC metering for 40348 transformers and is making efforts to bring down the electrical accidents. HESCOM is trying to bring the HT/LT ratio to 1:1 by implementing NJY, HVDS etc. The energy Audit is done at interface point. The details of Reliability index at various levels is furnished to the Commission. No new connection is given without fixing the meters. However, there is stiff resistance from IP set consumers for fixing meters. Consumer indexing is under progress and GIS mapping is included in R-APDRP TRM software programme.

75. Bachath Lamp Yojana has to be implemented in HESCOM as is being done in BESCOM. Consumers should be educated about energy saving measures.

HESCOM's RESPONSE:

As Bachat Lamp Yojana is implemented by KREDL, HESCOM has furnished the list of beneficiaries to KREDL.

76. HESCOM has not installed the time switches to all the street lights.

HESCOM's RESPONSE:

The Municipal Authorities have been requested to install timer switches to street lights.

77. The progress of NJY is very poor and it is found to be only 10%.

HESCOM's RESPONSE:

The implementation of NJY has yielded good results and HESCOM will increase the pace of this programme.

3.8 <u>Issues regarding Wheeling and Banking:</u>

78) **REDAK** hasstated that, the Commission has considered the banking facility as per the W&B order of 2008and has extended it till 31st March, 2014. But, HESCOM without giving proper calculations about the loss suffered due to

banking facility extended on a yearly basis to RE sources, has sought restriction of banking facility to one month. The proposal of collecting wheeling charges equivalent to distribution losses as determined by the Commission or on actuals, if the distribution network is used for wheeling is against the provisions of EA, 2003. It has requested not to alter the W&B charges. Since, HESCOM has not made any specific prayer about the cross subsidy charges, it is requested to remove the cross subsidy charge as is done for the Solar and Municipal Solid Waste Plants.

HESCOM's RESPONSE:

The proposal of Wheeling and Banking Charges is made at Page no.11 of the replies furnished to preliminary observations of the Commission. As NCE generators bank power when grid is surplus in power and draw power when HESCOM would face shortage of power, the demand would have to be met by procuring high cost power. Further, the wheeling charge determined by the Commission is only 5% as against the actual distribution loss. HESCOM has requested the Commission to revise the wheeling charges and provide the banking facility on a monthly basis.

79) The IWPA has stated that, the detailed calculations in respect of Wheeling and Banking charges are not clearly mentioned in the tariff petition and the data on the quantum of energy banked during the month, utilized by ESCOM, market rate during the time of banking and sale of energy to the consumer and UI rate during the peak and off- peak period is not furnished.

HESCOM's RESPONSE:

As NCE generators bank power when grid is surplus in power and draw power when HESCOM would face shortage of power, the demand would have to be met by HESCOM by procuring high cost power. Further, the wheeling charges determined by the Commission are only 5% as against the actual distribution loss. HESCOM has requested the Commission to revise the wheeling charges and provide the banking facility on a monthly basis.

80) **DGPL** has requested for discontinuing cross subsidy charges levied on wind projects in the State as wind power cannot be traded in the open market and should be supplied within the State.

It has alleged that ESCOMs are claiming the demand charges in the bills as well as factoring in the ARR calculations.

HESCOM's RESPONSE:

There should be no banking facility for such energy as the energy is drawn during the periods when the IEX rates are high and HESCOM will have bear the burden of purchasing high cost power to meet the requirement.

The ARR (Aggregate Revenue Requirement) calculation is done with regard to aggregate expenditure required during the year and the demand charges raised in the bill is the part of the revenue which is considered in expected revenue from charges. In view of the above, there is no double demand.

3.9 <u>Specific requests by the Objectors:</u>

81) **KASSIA** has requested that the MSME (Micro small and medium enterprises) sector has to be exempted from tariff hike due to universal recession in the sector and erratic power supply conditions. Further, KASSIA has stated that, the energy intensive industries like Foundries, Forging shops, Steel mill andBlow Moulding Heat Treatment shops in Karnataka are not able to compete with

the neighbouring States due to higher cost of power and hence requests reduction in tariff.

HESCOM's RESPONSE:

HESCOM opposes any kind of exemption to MSME sector.

82) **South Western Railways** has objected to the proposed hike in tariff quoting extract of Article 287 of the Constitution of India and requested that, it has tobe exempted from the proposed tariff hike as a public utility serving the common man. Railways has stated that, any increase in power tariff may result in hike in railway tariff, and in turn the cost of transportation of coal and cost of generation of thermal power. Railways have sought the tariff to be changed to single part from the existing two part tariff. Further, Railways hasrequested to reduce cross subsidy charges, provide rebate for their proposed electrification projects & residential quarters and incentivise for improving PF above 0.9.

HESCOM's RESPONSE:

HESCOM opposes the single part tariff as suggested by the objector and also any reduction in the tariff applicable to Railways. The present Regulations regarding power factor is acceptable to HESCOM and it opposes any incentives to be given for maintaining higher PF above the prescribed level.

83) Gokak Millshas stated that, due to increase in cost of raw materials and energy, the textile mills in Karnataka are in the verge of closure,being unable to compete with the other States. The quality

of power supply is very poor with voltage fluctuations and tripping resulting in huge loss. It is requested to provide rebate for improving PF above 0.9 in textile mills and charge different tariff for sewerage treatment plant and water supply. It also requested to charge only domestic tariff for the residential colony consisting of 2000 houses.

HESCOM's RESPONSE:

HESCOM opposes any exemption being given to textile industry. The present Regulations regarding power factor are acceptable to HESCOM and it opposes any incentive being given for maintaining the PF higher than the prescribed level.

ETP installations are charged under HT-2a with single slab unlike the other HT-2a installations. HESCOM opposes any changes in this regard.

The tariff of HT-4 applied to bulk supply to colonies is correct and HESCOM opposes billing these installations under LT-2(a).

84) **ISKCON** has requested that, it may be considered under the Tariff category of LT2a (i) instead of the present HT2b (i) as it is a Religious and Charitable Society, providing mid-day meals to over 13 Lakh children in India under the Akshaya Patra programme.

HESCOM's RESPONSE:

The installation of Hare Krishna Hill comes under the Jurisdiction of BESCOM. HESCOM wishes to state that, if charges are being collected towards mid-day meals to school children and prasadam to pilgrims, the tariff applied to the installations under Commercial category is correct. The domestic category cannot be applied to such installations.

85) The Department of Rural Development and Panchayat Raj has stated that, it caters to the water supply requirement at the Grama Panchayat level with a social responsibility and has 216828 bore wells and 40715 minor water supply sources. The Power supply extended to villages is mostly by Single Phase and hardly 6 hrs of 3 phase supply is extended for which the tariff is uniform as that of urban areas. Without proper metering of water supply and street lights, the ESCOMs claim electricity bill as per the connected load which will result in higher burden to the Rural Development and Panchayath Raj Department. Hence, it is requested that, the tariff of LT6 may be fixed at Rs.1.51 per unit (Tariff for IP sets in BESCOM Rural area).

HESCOM's RESPONSE:

HESCOM would not object to reduction of tariff on drinking water supply installations in rural areas, if the GoK pays the amount as is being done to IP set consumption.Further the tariff for these installations has not been revised for the past 2 years and any further reduction would burden other consumers.

86) Indus Towers has stated that, the tariff for the commercial category in Karnataka is comparatively higher than other States in India and further revision of tariff would adversely affect the consumers. The telecom tower connections have to be classified under a separate category under commercial Tariff with lesser tariff slab owing to social nature of the service rendered to last mile connectivity to the rural consumers in communication.

HESCOM's RESPONSE:

HESCOM does not accept the proposal of the objector to create a separate category for telecom towers and wishes to maintain status quo in this regard.

87) Indus Towers has requested to implement the AMR technology to reduce the cost of billing and meter reading and also to improve accuracy of metering.

HESCOM's RESPONSE:

HESCOM has welcomed the suggestion.

88) Indus Towers has stated that the Open access facility needs to be provided to the LT level telecom towers so that, the load on the utility is reduced and procurement of expensive power is also avoided.

HESCOM's RESPONSE:

The issue is left to the discretion of the Commission and HESCOM does not wish to comment on the same.

89) TATA Motors Ltd., has stated that the Automobile Industries are not able to compete with global players due to high cost of power and any further hike in tariff would result in increase of power cost by 10 to 15 % to the industries. Hence, it has requested that tariff should be reduced.

HESCOM's RESPONSE:

It is not correct to consider challenges in the automobiles sector, for Tariff hike.

90) KCCI has suggested that the pure drinking water distribution scheme run by various organizations in Hubli for a social cause should be charged at Re. 1.0 instead of commercial rates.

HESCOM's RESPONSE:

The tariff for Pure Water drinking scheme is under consideration of HESCOM. The details are being collected. HESCOM will take suitable action at appropriate time.

91) Sri. Dayanand. S. Patil, Electrical Contractor has requested for classifying the usage of Electricity for grass cutting exercise under a separate tariff as against the present practices of billing such usage under LT-5 category.

HESCOM's RESPONSE:

HESCOM has not furnished any reply.

3.10 COMMISSION's FINDINGS:

The Objectors have raised several issues concerning quality of service, improving the distribution efficiency including reduction of losses, the Commission is of the view that most of these issues are dealt with in the Chapter dealing with Directives and Compliances elsewhere in this Order. Views of the Commission for the issues raised pertaining to Tariff are summarised below:

Sl.No.1- Delay in filing Tariff Petition:

The Commission notes that HESCOM has not filed the tariff petition for FY-15 on 30th Nov. 2013. However, HESCOM has filed its petition for tariff revision for FY-15 on 13th December 2013 within the time limit extended by the Commission. The Commission has relied on the observation made by the Hon'ble Appellate Tribunal for Electricity (ATE), in the Case reported in 2010 ELR (APTEL) 0175 that "if the Licensee is unable to file ARR petition due to some reasons, it will not be proper to say that the application has to be rejected. What could be done in such situation is that the carrying cost can be denied and not the revenue recoverable for the period of delay". In the present case, the revenue requirement sought is from 1st April 2014 and therefore, the time taken by HESCOM for filing the application will not adversely affect the Consumers' interest.

Sl.No.2 - HESCOM has inflated the revenue requirement in the Tariff petition to seek hike in tariff. HESCOM has not followed Accounting Standards as pointed out by the Chartered Accountants, A. John Moris and Co. in so far as inventories, fixed assets and depreciation are concerned. HESCOM has under estimated itsRevenue by indicating only Rs.4677.21 Crores for FY15 even though its Revenue for FY13 was Rs.4965.91 Crores.

The Commission has issued consequential order on 17.10.2013 directing all ESCOMs in Karnataka to draw up their Annual Accounts in accordance with the Companies Act, 1956 and the Accounting Standard 12 of the Institute of Chartered Accountants, prospectively with effect from the date of Hon'ble ATE order. This was preceded by instructions of this Commission to all the Electricity Distribution Companies in the State in its letter dated 20.01.2013 directing them to henceforth submit their Annual Accounts as per the provisions of the Companies Act, 1956. Therefore, HESCOM shall submit its accounts in line with the Companies Act, 1956 from the Financial Year 2014 onwards. However, depreciation in respect of assets created out of Consumer contribution and grants has not been allowed in the ARR of HESCOM or for that matter to any Distribution Companies in the State while revisiting Annual Performance Review for the year 2009-10 onwards.

Further, HESCOM has not under estimated its revenue for FY15. FY13 revenue was Rs.4965.91 Crores including arrears of subsidy accounted pertaining to previous years amounting to Rs.729 Crores. Therefore, considering revenue of FY13 excluding Rs.729 Crores, HESCOM revenue for FY13 was only Rs.4236.91 Crores and estimates of FY15 of Rs.4677.20 Crores is higher by Rs.440.31 Crores.

Sl.No. 3 – Owing to good monsoon resulting in increased hydro generation this year, the cost of power procurement by HESCOM has come down. Therefore tariff hike is not required:

The Commission while determining the tariff, will take into consideration each item of revenue requirement including power purchase cost, with reference to MYT Regulations. After determining the actual gap, the Commission will decide required tariff hike to each category of consumers based on the gap.

Sl.No. 4 – Discrimination between consumers of Urban and Rural areas has to be removed and a uniform tariff has to be worked out:

The difference in tariff between the urban and rural areas is based on the quality of power supplied and therefore, the tariff structure is at slightly lower rate in rural areas and slightly higher rate for the supplies made in the urban areas and the difference in tariff structure for rural and urban areas would continue.

Sl.No.5 –HESCOM has not returned the amount collected from IP sets which were erroneously categorized as Areca Nut and Coconut in Malnad area even after issue of GoK Order No.C.D.107 ELS 2003 dated 9.3.2003:

HESCOM should pursue the matter with the GoK and return the amount to the concerned consumers on receipt of the same.

Sl.No. 6 –Solar rebate has to be increased to Rs.200/- to encourage consumers to use solar power:

The Commission, while issuing the Tariff Order, has examined the points raised regarding Solar Water Heater rebate and the views of ESCOMs. Keeping in view the financial health of ESCOMs, request for increase in the rebate from Rs.50 to Rs.200 is not considered.

Sl.No.7 - Increasing the tariff as sought by the ESCOMs instead of monitoring their functioning and controlling lapses.

Tariff is determined as per MYT Regulations and provisions in the Electricity Act, Tariff Policy and National Electricity Policy. Besides, the Commission is regularly reviewing the functions of HESCOM and for that matter all ESCOMs and compliance of directives issued by this Commission are also monitored on regular basis.

Sl.No.8 - Filing objections to tariff petitions with affidavit which has increased the burden on consumers.

Insisting on public to file the objections to the tariff petition with affidavit is as per KERC (General and Conduct of Proceedings) Regulations 2000.

Sl.No.9 – Collection of fixed charges:

Collection of fixed charges from the consumers even when there is no consumption of electricity is in order. Fixed Charges are to be paid by the consumers even when there is no consumption, as Fixed Charges are levied to cover the fixed expenditure of the Licensee.

Sl.No.10 –HESCOM has not followed the provisions of Section 56(2) of Electricity Act 2003 and Conditions of Power supply Regulation 29.08 in the matter of collection of arrears from consumers. HESCOM has not taken steps to recover the dues from the government bodies and has shown long pending arrears as bad debt.

HESCOM is claiming arrears in the bills issued to these consumers regularly, Section 56(2) of Electricity Act, 2003 and Clause 29.08 of Conditions of Power Supply Regulations, cannot be invoked.

Sl.No.11 –HESCOM has shown revenue surplus of Rs.40.7 Crores in FY13, no deficit in FY14, but suddenly a deficit of Rs.329 .39 Crores in FY15 with a gap of Rs.288.69 Crores and has sought an increase of 66 paise per unit uniformly, by under estimating the revenue and realization rate. The deficit is due to high power purchase cost and high losses in distribution. But, from the filing it can be made out that, the net profit for FY15 would be Rs.187.37Crores:

The Objector has arrived at a surplus of Rs.187.37 Crores by taking revenue at the proposed tariff. This is not correct. In fact, HESCOM has estimated the gap for FY15 taking its revenue requirement at Rs.4965.91 Crores and the existing revenue at Rs.4738.53 Crores. Thus, the gap is Rs.288.69 Crores (taking into consideration Rs.61.31 Crores of other income) and the contention of the Objector that HESCOM is earning Rs.187.37 Crores surplus for FY15, is not correct.

Sl.No.12 –HESCOM has not paid Interest on Consumer Deposits:

HESCOM has paid interest on Consumer Deposits for FY13 as could be made out from its Accounts for FY13.

Sl.No.13 –Due to improper management, HESCOM has not utilized the funds properly resulting in huge losses. Total audit of the Company has to be conducted to find out the reason for the losses and necessary action should be taken to fix responsibility on the Officers for their lapses:

The Statutory Auditors appointed by the C & AG are auditing the Accounts of HESCOM. C & AG is also conducting audit.

Sl.No.16- HESCOM should not be allowed to raise loans above 75% of net fixed assets:

Regarding limiting loans to 75% of the net fixed assets, the Commission is of the view that HESCOM should be allowed to raise loans to meet atleast 70% of the capital expenditure. HESCOM is directed not to divert working capital loan to meet the liability on Contractors' bills.

Sl.No.17 –Working capital has to be allowed only after obtaining an affidavit from HESCOM:

Interest on Working Capital is allowed as per 2006 MYT Regulations.

Sl.No. 18 – Interest on belated payment of power purchase cost should not be allowed as HESCOM could have paid the interest out of the working capital borrowings.

The Commission, in the successive Tariff Orders issued, has taken a decision not to allow interest on belated payment of power purchase dues to the generators and the same principle is adopted while dealing with the delayed payment charges in this case also.

Sl.No.19–HESCOM under estimated the sales to IP sets and BJ/KJ installations and failure to complete DTC metering within the stipulated time and estimated the IP consumption, the Commission should not load the cross subsidy element of IP set consumptions arrived at as per estimates to the paying category of Consumers:

The Hon'ble APTEL has held in its Order dated 2nd January, 2013 on the Appeal No.108 of 2010 that there is no reason to interfere with the findings of the KERC in the sales estimates to IP sets on the basis of consumption recorded in the meters installed at the Distribution Transformer level. Therefore, the Commission relies on IP set consumption assessed on the basis of consumption recorded in the meters installed at the Distribution Transformer level. However, the Commission is of the view that once the Niranthara JyothiYojana Scheme is completed, the Commission will be recognizing the sales to IP sets on the basis of consumption recorded in the meter installed at the Exclusive Agriculture Feeders at Sub-station level after providing due allowance for 11 KV and below losses, andload reasonable level of cross subsidy element of IP set consumption to paying categories.

Sl.No. 20 –HESCOM has underestimated the sales to IP sets and BJ/KJ installationsclarification on inclusion of sale of 2,00,000 IP sets in the projected sales and to reject the estimation sale by considering sample meters readings:

HESCOM has considered un-authorised IP sets regularized for sales estimation. The Commission is of the view that estimates of sales made are on the basis of sample readings obtained at the Transformers feeding predominantly IP sets. This method of estimating sales had come before the Hon'ble APTEL and the method was upheld in order by the Hon'ble APTEL in its Order dated 2nd January, 2013 on the Appeal No.108 of 2010.

Sl.No. 21–The amount which had to be refunded to consumers as per the Tariff order dated 27-12-2010 has not been refunded.

HESCOM's has response that, it has refunded the amount in the revised bills issuedto consumers is accepted.

Sl.No. 22- Inter-ESCOM energy flow and payment details are not furnished.

HESCOM has reconciled such energy transactions and incorporated in the Books of Accounts of HESCOM for FY13.

Sl.No.23 - HESCOM has not filed Accounts in accordance with the Companies Act, 1956 and direction of Hon'ble APTEL in appeal No.108 of 2010 is not followed:

The Commission has issued consequential Order on 17.10.2013 directing all ESCOMs in Karnataka to draw up their Annual Accounts in accordance with the Companies Act, 1956 and the Accounting Standard 12 of the Institute of Chartered Accountants, prospectively with effect from the date of Hon'ble ATE order. This was preceded by instructions of this Commission to all the Electricity Distribution Companies in the State in its letter dated 20.01.2013 directing them to henceforth submit their Annual Accounts as per the provisions of the Companies Act, 1956. Therefore, HESCOM shall submit its accounts in line with the Companies Act, 1956 from the Financial Year 2014 onwards. It is noticed that HESCOM has drawn up its accounts for 2012-13 in accordance with the Companies Act,

1956. However, depreciation in respect of assets created out of Consumer contribution and grants has not been allowed in the ARR of HESCOM or for that matter to any Distribution Companies in the State while revisiting Annual Performance Review for the year 2009-10 onwards.

Sl.No.24 - HESCOM has not taken approval of the Commission for purchase of medium term power costing Rs.116 Crores during FY13, which is in violation of Regulations, for which the license issued to HESCOM, has to be revoked.

The contention of the objector to revoke the license of HESCOM on the ground that the medium term procurement made by HESCOM is not in accordance with the approval conveyed by the Commission, is not acceptable, asthe medium term power purchases are as approved by the Commission.

Sl.No.25 – Cost of power procured by HESCOM from UPCL, should not be passed on to the consumers as the same as not been approved by the Commission.

The Central Electricity Regulatory Commission has issued orders approving the Tariff for UPCL on 20th February, 2014. Accordingly, the Commission takes into consideration the cost of power procured by HESCOM from UPCL in the ARR of HESCOM for FY15, subject to approval of PPA by the Commission.

Sl.No.26 –Compensation paid to Generators pursuant to Order passed by GoK.

The contention of the Objector to pass on the cost of power purchased invoking Section 11 of the Electricity Act, 2003 to Government, is examined. The Commission is of the view that purchases made by HESCOM as per the Government Order issued under Section 11 of Electricity Act, 2003, are in order. The Commission will, as and when required consider the question of off-setting any adverse financial impact on any Generating Company consequent to the supplies made in compliance of Orders issued under Section 11 of the Act. The power purchase cost incurred by the Licensees is classified as "un-controllable item of expenditure" and thus, has to be passed on to the Consumers.

Sl.No.27 - Allocation of power to ESCOMs by the Government:

It is observed that the State Government is allocating power among ESCOMs based on the availability and requirement, the Consumer profile and other factors of each ESCOM and the Commission is taking note of the same while determining the tariff.

Sl.No.28 - Petition for revision of tariff being not filed by an authorized person of GESCOM:

The Commission notes that, as per Clause 17 of KERC (General and Conduct of Proceedings) Regulations, 2000, a representation or a petition with an affidavit in support of the same made before the Commission by a Licensee through an authorized employee is valid, maintainable and not liable to be rejected. Therefore, the contention of the Objector that, the application has not been filed by an authorized person is not correct. The application filed by the Executive Engineer, Regulatory Affairs, Corporate Office, HESCOMis accepted by this Commission.

Sl.No.29–HESCOM has not furnished the report of C&AG and has not followed the Accounting Standards:

The objector can access the accounts of HESCOM either in the website or by obtaining a copy of the accounts on payment of necessary charges to HESCOM. The Commission directs HESCOM to avoid qualification by the statutory Auditors on its accounts.

Sl.No.30–HESCOM has not any taken action to recover IP set dues of about Rs.1087 Crores for the period prior to 2008.

HESCOM is directed to take up this issue with the Government.

Sl.No.31 – HESCOM has shown an increase of Rs.88.03 Crores in O&M expenses and Rs.25.40 Crores in interest on loan capital above the approved figures of FY13 and the same needs to be disallowed.

The Commission determines O&M expenses and interest on loan as per MYT Regulations, 2006.

Sl.No.32 – Regarding transfer of efficiency gains to consumers:

The Commission has discussed this point at the time of determining incentive/rebate in Chapter-4 of this Order.

Sl.No. 33 -– Not adopting “Cost to Serve” and fixing the Tariff with +/- 20% of the “Cost to Serve”:

The Tariff Policy states that tariff should be within the range of +/- 20% of the average cost of supply. But due to difference in average cost of supply for different Consumer categories, bringing tariff in line with the Tariff Policy norms of +/- 20% has to be achieved in a phased manner which, otherwise may lead to tariff shocks to some of the Consumers.

The distribution network of Karnataka is such that, it is difficult to segregate the common cost between voltage levels. However, average cost is determined by the Commission in the Tariff Order.

Sl.No.34 –Fixed Charge of Rs.5 has been increased in the last tariff revision by the Commission without any request from the ESCOMs and that the same needs to be withdrawn:

The Commission has not increased the Fixed Charge by Rs.5 in the last tariff revision.

Sl.No.35 – To meet the demand for power supply, considering the alternative sources of generation with small gestation period and improve KPCL efficiency:

The Commission has suggested to the Government to improve Plant Load Factor of KPC Thermal Plants and enter into long-term contract for procurement of power so as to reduce the cost on account of purchasing power on short-term basis at high cost.

Sl.No.36 – Reduce Cross Subsidy being paid by the Industrial consumers:

The Commission has been determining the retail supply tariff on the basis of the average cost of supply. The cross subsidy is kept at reasonable levels to moderate the tariff for life line supply and certain categories of consumers keeping in view socio economic factors.

Sl.No.37 – Regarding uniform tariff hike as sought by all ESCOMs:

The Commission clarifies that the tariff will be fixed based on cost of supply of each ESCOM.

Sl.No.38 –HESCOM should reveal the capital investment and revenue investment plan to the common public through media and its website.

HESCOM is directed to consider the objection raised in this regard.

Sl.No 40 –HESCOM has not considered Rs.35.61 Crores shown under "other Income" while working out the ARR gap for FY13.

HESCOM has accounted other income of Rs.35.61 Croresin the A1 Statement of the billing.

Sl.No. 41- The distribution loss over and above the approved value of 18% amounting to Rs.74.5 Crores has to be disallowed for FY13.

The Commission is penalizing the Licensees for exceeding distribution losses beyond the target fixed by the Commission.

Sl.No. 42 - The operational deficiencies of KPCL has resulted in procurement of costly power by HESCOM to the tune of Rs.953.47 Crores and, suitable action should be taken in this regard.

The Commission has advised the Government to improve operational efficiency of KPCL to avoid ESCOMs contracting costly power.

Sl.No.43 - There is inconsistency in the data furnished on the power purchase by HESCOM. In the Annual Report HESCOM has indicated realised revenue of Rs.4611.18 Crores for sale of 8388.58 MU at an

average rate of Rs.5.41 per unit. In the tariff petition, HESCOM has projected a sale of 9115.70 MU for FY15. If HESCOM collects the revenue at the rate of Rs.5.41 per Unit, it will realise Rs.4931.59 Crores as against the projection of Rs.4677.22 Crores and will have a surplus of Rs.76.18 Crores. Hence, tariff revision would not be required.

The objector has taken Revenues of FY13 which also includes subsidy of Rs.729 Crores pertaining to pervious period and therefore, views of the objector of under estimating revenue for FY15 is not correct.

Sl.No.44 –Regarding the suggestion to reduce the tariff as is being done in New Delhi and other States.

The Commission determines tariff based on the cost of supply and the gap in the Revenue Account after validation.

Sl.No.45 - DSM and consumer education activities have not been taken up by HESCOM. However, it has shown that Rs.53.76 Lakhs is spent for the purpose without furnishing details.

The Commission considers the expenditure made under this item as per HESCOM's Books of Accounts based on actual expenditure. HESCOM should also give all the details of expenditure to the Objector.

Sl.No.46 –As per Section 23 of the Act, HESCOM should have taken approval of the Commission for load shedding. But, HESCOM is resorting to unscheduled load shedding on its own which is adversely affecting the industries. The load shedding is carried out without prior intimation causing inconvenience to the consumers.

HESCOM is directed to avoid unscheduled interruptions which will cause undue inconvenience to the Consumers. But, it is also a fact that the ESCOMs are resorting to unscheduled load shedding, only in case it is inevitable in order to balance the power supply. Given the power supply position, it may not be possible to completely avoid load shedding.The Commission directs HESCOM to continue to take corrective measures on unscheduled interruptions, keeping in view the convenience of its Consumers.

Sl.No.47- HESCOM should take initiatives to improve efficiency by reducing the distribution losses, pilferage, administration costs and purchase power from cheaper sources. High level of Distribution losses is driving factor for increase in the cost of power supply to the Company and HESCOM has to make sincere efforts to reduce the losses.

The Commission directs HESCOM to look into the areas where it could reduce distribution losses, avoid pilferage, reduce administrative cost and sourcing of cheaper power.

Sl.No.49- Meter readers do not wear uniforms and display their ID cards during meter reading and issue monthly bills to IP sets instead of quarterly bills as per rules.

HESCOM is directed to examine the objection raised in this regard. The Commission is of the view that, meter readers and line men should wear uniforms and also display their ID cards during meter reading or while attending faults. With regards to issue of monthly to IP sets, the Commission is of the view that HESCOM should take decisions depending upon the necessity of conducting monthly energy audit.

Sl.No.57 - ASD is being demanded directly in the monthly bill issued to the consumers instead of issuing a separate notice describing the shortfall.

HESCOM has to ensure issuing a separate notice to the consumers with all the details pertaining to its claims for additional Security Deposits.

Sl.No.58 - RGGVY programme is not implemented properly, consumer meters not fixed with seals and the old tools and equipment's are being used without upgrading.

HESCOM should look into this complaint and take corrective action to fix the seals and also use latest equipments to improve its operations.

Sl.No.59 - Faulty meters should be replaced by HESCOM without charging penalty to the consumers.

In case meters are found to be not recording, the same has to be replaced without collecting any charges from consumers. However, in case of replacing burnt out meters, HESCOM should collect cost of burnt out meters as per the provisions of Conditions of Supply of Electricity of Distribution Licensees in the State of Karnataka.

Sl.No.62 - Continuous power supply should be provided to all consumers as is done in other States like Gujarat, Goa and Maharashtra without discriminating between urban and rural consumers.

HESCOM should increase the pace of NJY programmes to provide continuous and quality supply to rural areas.

Sl.No.68 - Independent feeders have to be provided for the industries to reduce the interruptions.

HESCOM is directed to examine providing independent Feeders for the Industries to reduce interruption after considering the techno-economic feasibility.

Sl.No.69 - Even though sufficient capex is being allowed, HESCOM has not been able to meet the requirement of transformers, cables and other accessories and control the over loading and transformer failures.

HESCOM should keep sufficient number of Transformers and other essential materials to attend break-downs in electricity supply, promptly.

Sl.No.70 - 100% metering of all types of installations is yet to be completed.

The Commission has dealt this issue in the Chapter dealing with 'Commission's Directives and Compliance'.

Sl.No.71 - HESCOM has not furnished details as to whether the peak load has reduced after the implementation of the ToD tariff. If the peak load has not reduced, the Commission may make it optional.

Time of Day Tariff is recognized globally as an important Demand Side Management (DSM) measure which is used as a means of incentivizing consumers to shift a portion of their loads from peak times to off-peak times, thereby improving the system load factor by reducing the demand on the system during peak period.

ToD has been made compulsory in respect of HT installations having 500 KV and above under HT2 (a), HT2 (b) and HT2(c). There is need to conduct periodic load research study to understand the effectiveness of the ToD tariff and use of advanced communication technologies for metering shall be the driving force behind proper deployment and enhancing penetration of ToD programs in the near future. The Commission will review the effect of ToD implementation on peak load and decide separately.

Sl.No.72 - RAPDRP Scheme is not being properly implemented by HESCOM.

HESCOM is directed to examine this objection in detail and also sort out any problems being faced by the field staff in the implementation of this projects. HESCOM is also advised to engage the services of experts in the field of information technology to address the problem being faced in the reading as well as billing the new installations.

Sl.No.73 - HESCOM has not taken any action to educate consumers about the solar roof top despite the directions issued by the Commission.

HESCOM should co-ordinate with KRDEL and educate the consumers about this project to conserve the energy.

Sl.No.74 - Regarding the objection that, HESCOM has not shown any seriousness in complying with the directives of the Commission viz., HVDS, DSM in agriculture, DTC metering, reduction of distribution losses, reducing HT: LT ratio, energy audit, improving reliability, reducing accidents, metering of IP sets & BJ/KJ and 100% metering of installations. The enumeration of the IP sets and regularisation of unauthorised IP sets has not been taken up seriously by HESCOM.

The consumer indexing and GPS mapping has not been completed. HESCOM has not installed time switches to all the street lights even after two years of Commission's directions. The progress of NJY is very poor and HESCOM has not quantified the improvements achieved in rural areas after implementation of NJY. HESCOM has not complied with all the directives of the Commission and penalty has to be levied on the Company for not complying with the directives.

The Commission will review the progress of all the above works and the same will be discussed in the Chapter dealing with Directives in this order.

Sl.No.76& 77 - Poor progress of NJY and non-installing of Time Switches:

The Commission has discussed these points in the Chapter dealing with 'Commission's Directives'.

Sl.Nos. 78 ,79 & 80- Regarding points raised by REDAK & IWPA on Wheeling & Banking, proposal of collecting Wheeling charges, not making specific prayer about Cross subsidy and discontinuance of Cross subsidy levied on Wind Projects:

The Commission vide Order No. V/03/9 dated 24.4.2014 has extended the validity of the Order No. V/01/1 dated 11.7.2008 in the matter of Wheeling and Banking Agreement for a further period upto 30.6.2014 or till the issue of revised Order in the matter. As such, the issues raised by the Stake-holder would be taken up while revising the said Order.

As far as Captive Generators opting for participation in REC mechanism the Order dated 9.10.2013 continues.

With regard to the contention of the Stake-holder that demand charges are levied twice is not correct. The tariff determined for cross subsidizing categories consists of the average cost of supply plus the cross subsidy component. The average cost of supply in the tariff has a fixed component (which includes Transmission and Distribution net-work cost) and a variable component, which is mainly the variable cost of power purchase. Similarly, while calculating the cross subsidy surcharge, the components considered are the power purchase cost at 5% margin grossed up by relevant voltage level losses plus transmission net-work cost and the distribution net-work cost of the relevant voltage level. As per the formula specified in the Regulations, the cross subsidy surcharge is calculated as the difference of the average realization rate for the relevant category and the cost of supply considering the 5% marginal cost. As such, while taking the difference, the fixed cost in the realization rate gets annulled with the fixed cost of net-work cost. Thus, the cross subsidy surcharge does not include the fixed charges. Therefore, the contention of the Stake-holder is not correct.

The Wheeling charges, Banking charges and the Cross subsidy are discussed in Chapter-6 of this Order.

Sl.No.81 – Industries like Foundries, Forging Shops, Steel Mills and Blow Moulding Heat Treatment Shops in Karnataka are not able to compete with the neighboring States due to high cost of power:

The Commission will keep in mind these issues while determining the tariff for LT5 categories.

Sl.Nos.82 – Regarding exempting Railways from the proposed tariff hike and other objections:

The Commission, at the time of determining tariff hike, takes into consideration factors like, socio-economic conditions, paying capacity of the consumers and all other norms and factors while deciding tariff increase to Railways. The entire tariff design is based on two part tariff i.e. fixed charges and energy charges to recover fixed and variable costs of the ESCOMs. Regarding reduction of cross subsidy, the Commission will take into consideration the request at the time of determination of tariff. However, energy consumed by such loads at single points is being billed at HT4 tariff schedule and no reduction in demand recorded in the main HT meters is allowed. As regards demand for incentives of power factor bonus, the Commission rejects the proposal as maintenance of 0.90 or above power factor helps the Railways in terms of lesser demand charges and reducing losses. The issue of grant of power factor bonus had also come before the Hon'ble High Court of Karnataka in the Case reported in (1993) I KLJ 160. The Hon'ble High Court after considering the arguments advanced in support of grant of bonus rejected the same for the reason that there is no justification to grant the bonus. This has been upheld by the Division Bench in Writ Appeal No.189/83.

Sl.Nos.83 – Due to increase in cost of raw materials and energy, the textile mills in Karnataka are in the verge of closure, being unable to compete with the other States. The quality of power supply is very poor with voltage fluctuations and tripping resulting in huge loss. It is requested to provide rebate for improving PF above 0.9 in textile mills and charge different tariff for sewerage treatment plant and water supply. It also requested to charge only domestic tariff for the residential colony consisting of 2000 houses.

The Commission will keep in mind these issues while determining the tariff for this categories. However, to provide rebate for improving PF above 0.9 in Textile Mills, the Commission is of the view that, as maintenance of .90 or above power factor helps the Textile Mills in terms of lesser demand charges and reducing losses. Incentivizing the same is not necessary.

Sl.No.84 – Points raised by the International Society for Krishna Consciousness to consider under Tariff category of HT-2c(i) as it is a Religious and Charitable Society:

HESCOM is directed to examine in detail the points raised by the Objector. HESCOM should also explore the possibility of separating the loads pertaining to commercial nature and others and apply appropriate tariff.

Sl.No.85 –Points raised by the Department of Rural Development & Panchayat Raj:

The Government is advised to help ESCOMs recover arrears due from Grama Panchayats and other Local and Urban Bodies. HESCOM is directed to look into the issues raised by the Objector and to resolve issues regarding non-metering of water and street light installations and wrong billing. HESCOM is also directed to increase the pace of implementation of NJY programme to improve the power supply in rural areas. The rate of Rs.1.51 / unit sought for water supply and street light installations cannot be applied as it is very much below the cost of supply and would increase the burden on the paying category of consumers.

Sl.No.86, 87& 88 – Regarding telecom tower connections to be classified under separate category, implementation of AMR technology and allowing Open Access:

The Commission clarifies that communication activities are considered as commercial activity and billed under LT3 tariff.

HESCOM has agreed to implement AMR technology for meter reading and billing of communication tower pertaining to this objector. The Commission has issued Terms and Conditions of Open Access Regulations, where it has specified phase wise implementation of Open Access. At present, it is introduced for all HT consumers with Contract Demand of 1 MW and above. Hence, it is not possible to extend open access to Low Tension level telecom towers for the present.

Sl.No. 89- Automobile Industries are not able to compete with global players due to high cost of power and any additional hike in tariff would result in increase of power cost by 10 to 15 % to the industries. Hence, it has requested that tariff should be reduced.

The Commission will keep in mind these issues while determining the tariff.

Sl.No.91- Classifying the usage of electricity for grass cutting under a separate tariff as against the present practices of billing such usage under LT-5 category:

The Commission, having noted the request of the objector for classification of tariff for usage of electricity for grass cutting decides to issue appropriate Orders while determining tariff in this Order.

CHAPTER – 4

ANNUAL PERFORMANCE REVIEW FOR FY13

4.0 *HESCOM's Application for APR for FY13:*

In its application dated 13th December,2013, HESCOMhas sought approval of the Annual Performance Review (ARR) for FY13 based on the Audited Accounts for the year. The Commission in its letter dated 31stDecember, 2013 had communicated its preliminary observations on HESCOM' application. HESCOMin its letter dated 7th January, 2014 has replied to the preliminary observations of the Commission.

The Commission in its Multi Year Tariff (MYT) Order dated 7th December 2010, had approved HESCOM's Annual Revenue Requirement (ARR) for FY11 – FY13. Further, in its Tariff Order dated 30th April, 2012, the Commission had approved the APR for FY11 and had revisedthe ARR for FY13 along with theRetail Supply Tariff for FY13.

The Annual Performance Review for FY13 based on the Company's Audited Accounts is discussed in this Chapter.

4.1 HESCOM's Submission:

HESCOM has submitted its proposals for revision of ARR for FY13 based on the Audited Accounts as follows:

TABLE – 4.1
ARR for FY13 – HESCOM's Submission

Amount in Rs.Crs.

Sl. No	Particulars	As Filed
1	Energy @ Gen Bus in MU	10980
2	Energy at Interface in MU	10470
3	Distribution Losses in %	19.88%
	Sales in MU	
4	Sales to other than IP & BJ/KJ	3600
5	IP & BJ/KJ Sales	4788
6	**Total Sales**	**8389**
	Revenue at existing tariff	
7	Revenue from Tariff and misc.charges	1879.61
8	Tariff Subsidy	2731.58
9	**Total Revenue**	**4611.19**
	Expenditure	
10	Power Purchase Cost	3384.83
11	Transmission charges of KPTCL	346.98
12	SLDC Charges	1.20
13	**Power Purchase Cost including cost of transmission**	**3733.01**
14	Employee Cost	381.91
15	Repairs & Maintenance	34.46
16	Admin.& General Expenses	51.31
17	**Total O&M Expenses**	**467.68**
18	Depreciation	88.03
	Interest & Finance charges	
19	Interest on Loans	124.27
20	Interest on Working capital	14.89
21	Interest on belated payment on PP Cost	104.94
22	Interest on consumer deposits	39.43
23	Other Interest & Finance charges	2.12
24	Less interest capitalised	0.15
25	**Total Interest & Finance charges**	285.5
26	Other Debits	31.88
27	Return on Equity	0
28	Provision for taxation	0.00
29	Other Income	35.61
	Net ARR	**4570.49**

Considering the revenue of Rs.4611.19 Crores against a net ARR of Rs.4570.49 Crores, HESCOM has reported a surplus in revenue of Rs.40.70 Crores for FY13.

4.2 HESCOM's Financial Performance as per Audited Accounts for FY13:

An overview of the financial performance of HESCOM for FY13 as per their Audited Accounts is given below:

TABLE – 4.2

Financial Performance of HESCOM for FY13

Amount in Rs.Crs.

Sl. No	Particulars	FY13
	Receipts	
1	Revenue from Tariff and misc.charges	1879.61
2	Tariff Subsidy	2731.57
3	**Total Revenue**	**4611.18**
	Expenditure	
4	Power Purchase Cost	3385.27
5	Transmission charges of KPTCL	346.54
6	SLDC Charges	1.20
7	**Power Purchase Cost including cost of transmission**	**3733.01**
8	O&M Expenses	467.68
9	Depreciation	88.03
	Interest & Finance charges	
10	Interest on Loans	124.27
11	Interest on Working capital	14.89
12	Interest on belated payment on PP Cost	104.94
13	Interest on consumer deposits	39.43
14	Other Interest & Finance charges	2.12
15	Less interest and other expenses capitalized	0.15
16	**Total Interest & Finance charges**	**285.50**
17	Other Debits	31.88
18	Net Prior Period Debit/Credit	-18.45
19	Other Income	17.16
20	**Total Expenditure**	**4570.49**

As per the Audited Accounts HESCOM has earned a profit of Rs.40.69 Crores for FY13.The profits/losses reported by HESCOM in its audited accounts in the previous years are as follows:

Particulars	Amount in Rs.Crs
Accumulated Losses as at the end of FY10	(659.08)
Loss incurred in FY11	(64.70)
Profit earned in FY12	39.75
Profit earned in FY13	40.69
Accumulated Losses as at the end of FY13	**(643.34)**

As reflected in the Balance Sheet for FY13, considering the earnings/losses of the Company in the previous years, theaccumulatedlossesamount to Rs.643.34 Crores.

Commission's analysis and decisions:

The Annual Performance Review for FY13 has been taken up duly considering the actual expenditure as per the Audited Accounts against the expenditure approved by the Commission in its Tariff Order dated 30th April, 2012. The item wise review of expenditure and the decisions of the Commission thereon are as discussed in the following paragraphs:

i) Sales for FY13:

The Commission in its Tariff Order dated 30th April, 2012 had approved total sales to various consumer categories at 8401 MU for FY13 as against sales of 9093 MU projected by HESCOM. The actual sales of HESCOM as per the current filing were 8389 MU indicating a shortfall in sales to the extent of 12 MU with respect to the approved sales.

It is noted that, as against the approved sales of 3899 MU to categories other than BJ/KJ and IP sets, the actual sales achieved by HESCOM is only 3600 MU, resulting in a shortfall of sales to these categories by 299 MU. On the other hand the sales to BJ/KJ and IP categories has exceeded the approved sales of 4502 MU by 287 MU, showing an increase of 7.29% as against approved growth of 2.62%.

The category wise sales approved by the Commission and the actuals for FY13 are indicated in the below table:

TABLE – 4.3

Category wise approved and actual sales – FY13

Figures in MU

Category	Approved	Actuals	Approved-Actuals
LT-2a	1160.23	1185.12	-24.89
LT-2b	11.01	7.06	3.95
LT-3	350.02	337.08	12.94
LT-4b	3.36	14.99	-11.63
LT-4c	0.41	0.42	-0.01
LT-5	321.70	294.45	27.25
LT-6	180.02	170.71	9.31
LT-6	120.55	122.52	-1.97
LT-7	25.27	16.13	9.14
HT-1	220.34	179.05	41.29
HT-2a	1183.00	991.04	191.96
HT-2b	118.0	105.62	12.38
HT-3a & b	190.00	134.64	55.36
HT-4	14.96	19.92	-4.96
HT-5	0	21.48	-21.48
Sub total	**3898.87**	**3600.23**	**298.64**
BJ/KJ	124.54	88.07*	36.47
IP	4377.05	4700.28	-323.23
Sub total	**4501.59**	**4788.35**	**-286.76**
Grand total	**8400.46**	**8388.58**	**11.88**

*** BJ/KJ less than 18 units as per D2 statement**.

The Commission notes that even though the overall power purchase has increased by 312 MU with respect to the approved quantum of 10668 MU, there is a reduction in overall sales by about 12 MU. However within the overall energy sales, HESCOM has not maintained the sales mix as approved by the Commission. HESCOM has not been able to increase consumption in the metered category of consumers to the extent approved, while the consumption by the unmetered categories has far exceeded the projections.

ii) Sales to IP Sets:

The specific consumption of IP Sets approved by the Commission for FY13 was 8210 units/installation/annum, whereas the specific consumption arrived at on the basis of the consumption reported by HESCOM works out to 9214 units/installation/annum which indicates a higher consumption of 1004 units/installation/annum. The sales quantity approved by the Commission for FY13 was 4377.05 MU and the actual consumption was 4700.28 MU. Thus, the quantum of sales to IP Sets category has exceeded by 323.23 MU.

The Commission had raised the issue of increase in specific consumption and sales to the IP Sets category with HESCOM in its preliminary observations and sought clarifications from HESCOM. HESCOM, while replying to the preliminary observations has stated that, the power consumption of unauthorized IP Sets regularized during FY13 was not taken into consideration while approving the ARR of FY13 and this is the reason for under estimation of sales to this category. HESCOM has requested the Commission to approve the increase in sales as reflected in its books of accounts which is the result of increase in number of IP Sets due to the regularization of un-authorized IP Sets.

It is noted that, HESCOM has regularized around 4,600 un-authorized IP Sets during FY13 which were not taken into consideration while approving the ARR of FY13. However, this number itself does not explain the increase in the assessed power consumption of IP Sets. The reason for increase in total consumption as well as the specific consumption of IP Sets is perhaps the extra hours of power supply to IP Sets consumers by HESCOM. Further, it is observed that, the HESCOM is yet to restrict power supply to IP Sets consumers even on exclusive agriculture feeders which are segregated under the NJY scheme.

During the year under review 72 agriculture feeders have been segregated from rural loads under NJY scheme and as per the latest progress around 300 agriculture feeders in Phase-1 and Phase-2 have been commissioned. This means that, energy consumed by the IP Sets can be more accurately measured at the 11kV feeder level at the Sub-Stations after duly allowing for 11kV and LT system losses. As the meter readings are now available at the 11kV feeder level, HESCOM henceforth shall consider these readings and report the actual IP Sets consumption on the basis of data from feeder meters. In the absence of 100 per cent metered data of IP Sets, the Commission decides to consider the IP Sets consumption for FY13 as reported by HESCOM.

Thus the Commission considers the actual sales of 8388.58 MU for the purpose of approval of APR for FY13.

iii) Distribution Losses for FY13:

HESCOM's Submission:

The Commission, in its Tariff Order dated 30th April, 2012 had approved distribution losses for FY13 as shown in the table below:

Range	FY13
Upper limit	18.50%
Average	18.00%
Lower Limit	17.50%

HESCOM has reported distribution losses of 19.88% in its annual accounts.

1	Energy at Interface Points in MU	10470
2	Total sales in MU	8389
3	Distribution losses as a percentage of input energy at IF points	19.88%

Commission's analysis and decisions:

The distribution losses of 19.88% reported by HESCOM are beyond the range of distribution losses approved by the Commission for FY13. Hence, the Commission, is required to impose a penalty on HESCOM in accordance with the provisions of the MYT Regulations, to the extent of losses incurred by HESCOM beyond the upper range of approved distribution losses as follows:

TABLE – 4.4

Allowable Penalty on account of increased distribution losses in FY13

Particulars	FY13
Power purchase in MU	10980
Cost of power purchase in Rs.Crs	3733.01
Average cost of power purchase in Rs./Unit	3.40
Actual Energy at IF points in MU	10470
Energy sold in MU	8389
Actual distribution losses in MU	2082
Actual distribution losses in %age	19.88%
Approved distribution losses	
Upper limit	18.50%
Average	18.00%
Lower limit	17.50%
Difference between actual and approved upper limit of losses	1.38%
Power purchase at approved loss levels at IF points in MU	10293
Increase in power purchase in MU	178
Cost of increased power purchase on account of losses exceeding approved range of losses in Rs.Crs.	60.36

The Commission decides to deduct this amount of Rs.60.36 Crores from the ARR of FY13, as penalty for failure to restrict distribution losses to the upper limit of the target range.

iv) Power Purchase for FY13:

As seen above, HESCOM has during the year procured 10980 MU of energy during the year against 10668 MU approved by the Commission. This is somewhat different from the situation in respect of other ESCOMs which could not procure the approved quantum of energy for FY13.

On a review of the actual power purchase by all the ESCOMs in the State for FY13, the Commission notes that:

i. The actual energy procured during FY13 was 57056.19 MU as against the approved quantum of 60638 MU. The overall shortfall was 3582MU.

ii. The Commission in its Tariff Order dated 30th April 2012, had approved 48.13% of the total procurement to be from the Hydro and Thermal sources of KPCL. However, as per the actuals, the KPCL energy amounted to only 39.05%

iii. As against the targeted quantum of 29187MU, KPCL has supplied only 22278 MU resulting in a shortfall to an extent of 6908 MU. The shortfall in hydel generation is 1961 MU and in Thermal sources is 4947 MU.

iv. Due to shortfall in supply of energy from KPCL, ESCOMs had to resort to purchase of a higher proportion of their energy from Short term/Medium term sources to meet the demand. As against an approved quantum of 8710 MU out of 60638 MU as approved (14.36%), the actual power procurement from these sources was 11042 MU out of 57056.19 MU(19.36%), an increase of 2332MU.

v. On analyzing power purchase from sources other than KPCL sources, it is observed that as against an approved quantum of 31451 MU the ESCOMs have procured 34778 MU, an increase of 3327 MU. This additional procurement is made at an average cost of Rs.4.39 / unit.

vi. This change in the matrix of source wise supply procured by all ESCOMs taken together has resulted in average power purchase cost of Rs.3.59 per KWh as against Rs.3.20 per KWh as approved, an increase of 0.39 paise per unit. The approved and actual source wise supply and corresponding overall cost of power purchase by ESCOMs is indicated in the following table:

TABLE - 4.5

ESCOM's Source wise Power Purchase for FY13

Sl.No.	Source of Power	Approved			Actuals		
		Quantum in MU	Cost Rs.in Crs.	Average Cost in Rs./KWh	Quantum in MU	Cost Rs.in Crs.	Average Cost in Rs./KWh
1	KPCL Hydel	11824.56	664.26	0.56	9863.77	606.75	0.62
2	KPCL Thermal	17362.21	4995.44	2.88	12414.69	4615.96	3.72
3	CGS	11404.72	3435.68	3.01	11459.01	3104.35	2.71
4	IPP Major	5639.22	2112.60	3.75	6015.09	2540.28	4.22
5	NCE & IPP Minor	5425.05	1910.23	3.52	5528.84	1900.58	3.44
6	Short term / Medium term	8710.33	3881.09	4.46	10827.50	5028.91	4.64
7	Others	272.01	59.09	2.17	952.75	413.36	4.34
8	Transmission	0.00	2360.06	0.39		2278.32	0.40
9	**Total**	**60638.10**	**19418.46**	**3.20**	**57056.19**	**20488.51**	**3.59**

vii. In the Tariff order dated 30th April 2012, the Commission had approved the source wise quantum and cost of power purchase for FY13. HESCOM has submitted power purchase data in format D-1 and in the Audited Accounts for FY13. A comparison of the actual power purchase quantum and thecost as per audited accounts against the source wise approved quantum and cost for HESCOM for FY13 is shown in the following table:

TABLE - 4.6
HESCOM's Source wise Power Purchase for FY13

Sl.No.	Source of Power	Approved			Actuals		
		Quantum in MU	Cost Rs.in Crs.	Average Cost in Rs./KWh	Quantum in MU	Cost Rs.in Crs.	Average Cost in Rs./KWh

1	KPCL Hydel	2822.45	133.09	0.47	2396.62	140.03	0.58
2	KPCL Thermal	3075.02	807.71	2.63	2313.12	857.17	3.69
3	CGS	2073.38	624.61	3.01	2142.92	581.22	2.71
4	IPP Major	1025.21	384.07	3.75	1167.15	379.04	3.25
5	NCE & IPP Minor	915.84	319.83	3.49	971.75	336.44	3.46
6	Short term / Medium term /peak power	706.20	314.90	4.46	1620.19	962.89	5.94
7	Others	49.45	10.74	2.17	625.38	134.38	2.15
8	Transmission		429.13	0.40		417.74	0.37
9	**Total**	**10667.55***	**3024.08***	**2.83**	**10979.99***	**3733.01***	**3.40**

*** Excluding HRECS' share of 257.14 MU costing Rs.72.90 Crores**

viii. The actual procurement of energy for FY13 was 10980 as against the approved quantum of 10668 MU. HESCOM could achieve sales of 8389 MU, against the approved quantum of 8400 MU.

ix. KPCL Hydel supply to HESCOM has come down to 2396.62 MU from the approved quantum of 2822.45 MU and KPCL Thermal power has come down to 2313.12 MU from the approved quantum of 3075.02 MU. The reduction in KPCL generation has resulted in HESCOM procuring more power from other comparatively costlier sources, resulting in higher overall power purchase cost of 57 paise per unit, against the projected Rs.2.83 paise per unit.

The Commission having recognized the above facts, decides to consider the actual power purchase by HESCOM of 10979.99 MU costing Rs.3733.01 Crores for FY13 for the purpose of APR. Regarding the RPO compliance by HESCOM the same will be dealt separately by the Commission.

v) **Operation and Maintenance Expenses:**

HESCOM's Submission:

HESCOM has claimed O&M Expenses of Rs.467.68 Crores as per the annual accounts as follows:

TABLE – 4.7

O&M Expenses –HESCOM's Submission

Amount in Rs.Crs.

Repairs and Maintenance	34.46
Employee Costs	381.91
Administrative and General expenses	51.31
O&M expenses	**467.68**

Commission's analysis and decisions:

The Commission had approved O&M expenses for FY13 considering the actual O&M expenses of FY10 (base year for control period FY11-13), 3 year CAGR of growth in the number of installations and the rate of inflation as notified by CERC. The approved O&M expenses were as follows:

TABLE – 4.8

Approved O&M Expenses as per Tariff Order dated 30.04.2012

Particulars	FY13
No. of Installations	3854548
Weighted Inflation Index	5.17
CGI based on 3 Year CAGR (using actuals of FY10 for FY12)	5.34
Normative O&M expenses for FY12 – Rs. Crs.	344.98
O&M Index= 0&M (t-1)*(1+WII+CGI-X) – Rs. Crs.	374.36
Additional O&M expenses (uncontrollable) – Rs. Crs.	54.42
Total Approved O&M Expenses for FY13 – Rs.Crs	**428.78**

The Commission in its earlier orders on APR of FY11 and FY12 under the second control period of FY11-13, has considered the rate of inflation as determined by CERC from time to time. Further, the Commission has also treated certain employee costs on account of pay revision, contribution to P&G trust and change in HRA and change in employee costs on account of recruitment as uncontrollable O&M expenses. This component has been allowed beyond the normative O&M expenses to enable ESCOMs to meet their actual employee costs. FY13 being the last year of the second control period, the Commission decides to retain the same methodology for APR of FY13 as followed in APR of FY11 and FY12.

Thus, the normative O & M expenses for FY13 will be as follows:

TABLE – 4.9

Allowable normative O & M Expenses – FY13

Particulars	FY13
No. of installations as per actuals as per Audited Accts	3804956
Weighted Inflation Index	5.93%
CGI based on 3 Year CAGR	3.42%
Normative O & M expenses for FY12(without P & G contribution) Rs.Crs.	301.40
O&M Index= 0&M (t-1)*(1+WII+CGI-X) Rs.Crs.	323.56

The above normative O & M expenses have been computed without considering the revision of pay and contribution to pension and gratuity trust. However, considering the increase in pay due to revision and pension and gratuity contribution as uncontrollable O & M expenses, the Commission has computed the uncontrollable O & M expenses for FY13 as follows:

TABLE – 4.10

Allowable Uncontrollable O & M Expenses – FY13

Amount in Rs.Crs.

Particulars	FY13
Basic salary @ 3% increase from FY10	119.45
Increase in pay @ 25%	29.86
DA @ 76.75%	22.92
HRA on increase in pay	1.98
Increase in HRA due to Revision	1.29
Total Increase in Pay due to revision of pay from 01.04.2010	56.05
P&G Contribution for FY13 as per AA 13	69.82
Total Uncontrollable O&M Expenses –FY13	**125.87**

Thus, the allowable O & M expenses for FY13 will be as follows:

TABLE – 4.11

Allowable O&M Expenses - FY13

Amount in Rs.Crs.

Sl. No.	Particulars	FY13
1	Normative O & M expenses	323.56
2	Additional employee cost (uncontrollable O & M expenses)	125.87
3	**Allowable O&M expenses for FY13**	**449.43**

The Commission decides to allow O & M expenses of Rs.449.43Crores for FY13.

vi) Depreciation:

HESCOM's Submission:

HESCOMhas claimed an amount of Rs.88.03 Crores as per its annual accounts towards depreciation for FY13.

Commission's analysis and decisions:

The depreciation has been determined by the Commission in accordance with the KERC (Terms and Conditions for Determination of Tariff) Regulations, 2006 as amended on 1st February, 2012. Considering the opening and closing gross block of fixed assets for FY13 and the depreciation as per the audited accounts, the weighted average rate of depreciation works out to 3.04%.

As per the decision of the Hon'ble Appellate Tribunal for Electricity in Appeal No.108/2010, a consequential order has been issued by the Commission on 17th October, 2013 directing the ESCOMs to draw up the Annual Accounts in accordance with Companies Act 1956 and comply with the applicable accounting standards issued by the Institute of Chartered Accountants. Hence, the Commission in its preliminary observations has sought the details of depreciation on assets created out of Contribution / Grants.

HESCOM in its replies to the preliminary observations dated 7th January, 2014, has informed that ithas withdrawn an amount of Rs.42.21 Crores towards depreciation on assets created by consumer contribution / grants from accumulated depreciation during FY13.

The Commission notes that, HESCOM,in its Audited Accounts has factored an amount of Rs.42.21 Crores towards depreciation on assets created by consumer contribution / grants. Therefore the Commission decides to allow the depreciation of Rs.88.03 Crores for FY13, as reflected in the annual accounts of the company.

vii) Prudence Check of Capital Investment for the control period FY10 to FY12:

In its Tariff Orders for the years FY10 and FY12, the Commission had approved a total capital expenditure of Rs.2917.39 Crores for HESCOM. The year-wise expenditure incurred by HESCOM against the approved capex is shown in the following Table:

TABLE – 4.12

Approved and Actual Capex

Amount in Rs. Crs.

Particulars	FY10	FY11	FY12
Capital Investment Proposed & Approved	719.38	702.84	1495.17
Capital Investment actually incurred (Figures as per Annual Report)	323.93	159.95	224.48
Short fall	395.45	542.89	1270.69
% Achievement	45.03	22.76	15.01

While determining the tariff for FY14, the Commission had taken up prudence check of the capital expenditure incurred by HESCOM for the period FY10 to FY12. For this purpose the Commission had engaged the services of M/s. Deloitte Touche Tohmatsu India Private Limited

(Deloitte),as consultants initially to evaluate major works costing more than Rs.50 Lakhs each, taken up as part of capital expenditure during the above period. The consultants had then identified 39 works each costing above Rs.50 lakhs and had carried out prudence check, the report of which was available to the Commission before finalizing the Tariff Order for FY14. Considering the quantum of capex incurred and the number of works costing more than Rs.50 lakhs, the Commission decided toextend the scope of the prudence check to ensure that a larger sample of works of a more representative nature was to be evaluated by the consultants before deciding on the prudence of the capital expenditure incurred during the three years.

Since separate consultants were engaged for evaluating the works of each of the ESCOMs, the Commission felt that, there was a need to have common guideline for prudence check. In this regard, the Commission, after due consultation with the ESCOMs finalised the guidelines to be adopted for prudence check. These guidelines includeddifferent aspects of the execution of works like planning, implementation and analysis of post completion results. These aspects of evaluation were to be graded by assigning marks and the prudence of the capex of a particular work was to be decided on the basis of such grading.

Continuing from the earlier prudence check exercise,M/s. Deloitte wererequested to:

i. To examine a more representative and larger sample of works in two categories, viz., (a) works costing more than Rs.10 Lakhs; and (b) those costing less than the said amount, in each case.
ii. To evaluate different types of works duly covering the entire geographical area of the ESCOMs.
iii. To ensure that substantial capex of atleast 50% is included inthe category of works costing more than Rs.10 lakhs each.

iv. Only completed capital works were to be covered, as works in progress could not be valued with reference to the objectives and the completed cost of the works.

Some major projects such as Niranthara Jyothi Yojana (NJY) had to be excluded from the scope of the prudence check, even though substantial capital expenditure was incurred on these projects, as the implementation of these projects, had not reached a stage at which prudence check of these projects could be taken up. Expenditure on these projects will therefore be subjected to prudence check while carrying out the APR of subsequent years.

Adopting the above methodology and including the sample that was covered during the initial prudence check referred to above:

i. The consultants examined 50 works costing more than Rs.10 Lakhs and 66 works costing less than Rs.10 Lakhs executed by HESCOM during the three years covered by the prudence check.
ii. Out of 50works, costing over Rs.10 Lakhs each checked by the consultants, (with a total cost of Rs.32.9 Crores), it was found that 10 works costing Rs.889 Lakhs did not meet the norms of prudence as stipulated in the guidelines issued by this Commission.
iii. Out of the sample of 66 works (costing Rs.152 lakhs), in the category of works costing less than Rs.10 Lakhs, 2 works (costing Rs.3.31Lakhs) failed to meet the norms of prudence as stipulated in the guidelines issued by this Commission.

The consultants' report reveals that the capital works executed by HESCOM are predominantly minor in nature, with as many as 13708 works of less than Rs.10 Lakhs being executed in the three years between FY10 and FY12. The completed capital works of more than Rs.10 Lakhs numbered only 101, excluding civil works and IT projects, which were not taken up for prudence check.

Some of the other findings of the prudence check are summarized in the following Table:

Particulars	Status of the Project
Number of works costing more than Rs.10 Lakhs for which prudence check was carried out.	50
Number of works completed with delay of less than a year	4
Number of works completed with delay of more than a year	2
Number of works exceeding estimated cost by 10% to 25%	4
Number of works exceeding estimated cost by more than 25%	2

In the prudence check carried out, the total number of capital works which were eligible for prudence check was 100 in the category of works costing above Rs.10 Lakhs each (with a total cost of Rs.46.81 Crores) and 13708 works in the category of works costing less than Rs.10 Lakhs (with a total expenditure of Rs.176.91Lakhs). Thus, out of the total capital expenditure of Rs.708.36 Crores incurred by HESCOM during the period FY10 to FY12, the works which were eligible for prudence check involved an expenditure of Rs.708.36 Crores. The total cost of the works which formed part of the sample amounted to Rs.34.42Crores, out of which works costing Rs.8.92 Crores were found not to meet the norms of prudence adopted for the purpose of prudence check.

After considering the consultants' report, the Commission has sought the remarks of HESCOM on the findings of the prudence check, but HESCOM did not submit its comments on the works held not meeting the requirement of prudence. The Commission has considered the remarks of the consultants and have decided to accept the findings of the consultants as given in their Report. Extrapolating the finding that works involving an expenditure of Rs.8.92 Crores out of the sample works costing Rs.34.42 Crores are not meeting the norms of prudence, the Commission has decided that 25.912% of the expenditure of Rs.708.36 Crores incurred on completed works eligible for prudence check during the above period should be tentatively disallowed pending further clarifications from HESCOM. The Commission therefore disallows Rs.183.55 Crores of the capital expenditure incurred during the period and reduces the allowable interest on loans and depreciation on the disallowed works amounting to Rs.20.34 Crores from the APR of FY13 as shown in the following table:

TABLE – 4.13

Summary of the prudence check for FY10 – FY12

Particulars	Amount in Rs.Crs.
Total cost of capex eligible for prudence check	708.36
Total cost of the sample works	34.42
Cost of sample works meeting prudence norms	25.50
Cost of sample works not meeting prudence norms	8.92
Percentage of cost not meeting prudence norms	25.912
Overall cost of capex not meeting prudence norms	183.55
Amount to be disallowed towards works not meeting prudence norms calculated on the basis of weighted average rate of interest & weighted average rate of depreciation on the capex to be disallowed.	20.34

However, the Commission decides to provide another opportunity to HESCOM to furnish additional information on the works relating to the capital expenditure so disallowed, which will be considered by the Commission for any modification of the decision to disallow the capital expenditure which will be included in the APR of subsequent years.

viii) Capital Expenditure of HESCOM for FY13:

HESCOM has reported a Capex expenditure of Rs.251.27 Crores as against the cost of approved Capex of Rs.1189.22 Crores for FY13. The following table indicates the details of actual expenditure incurred in FY13 as against the approved Capex.

TABLE – 4.14
Capex as Approved and Actuals- FY13

Amount in Rs.Crs.

Sl. No.	Schemes	Approved Capex	Actual Expenditure
1	Extension and improvement works	25.00	6.82
2	Rehabilitation of flood affected villages (special programme)	10.00	3.58
3	RGGVY	85.00	10.96
4	Water Works	6.00	14.56
5	Re-conductoring of ACSR / Rabbit to Coyote	8.00	0.39
6	Re-conductoring of LT line using Rabbit conductor	15.00	0.42
7	Replacement of 33 KV lines Rabbit conductor by Coyote conductor	20.00	3.85
8	NJY	231.76	63.37
9	RLMS	18.96	1.13
10	Providing infrastructure to Un-authorized IP Sets	336.00	2.13
11	Metering Programme	42.10	3.35
12	Metering of DTCs	7.50	1.84
13	RAPDRP	100.00	23.05
14	Service connections	15.00	11.93
15	Replacement of failed DTCs by new ones	82.00	72.83
16	Civil Engineering works	15.00	1.34
17	Construction of new stations and lines and augmentation of 33 KV stations	70.00	4.57
18	Electrification Hamlets/Villages	1.00	0.04
19	Energisation of IP Sets	55.50	18.00
20	Electrification of Hamlets/HBs/JCs/Thandas Kuteer Jyothi, SCP,	4.00	0.01
21	T&P and Computers	3.00	0.98
22	Other works including Safety measures fund, Local Planning, Formation of ALDC, Spill over works etc.	9.00	2.72
23	Smart grid sprinkler, energy efficient motors, drip irrigation, establishing ALDC SCADA, IT initiatives etc.	17.40	1.66
24	Replacement of power transformers, failed and old 33 KV stations equipments	12.00	1.74
Total		**1189.22**	**251.27**

The Commission notes that, though the proposed capex was Rs.1189.22 Crores, the Commission in its Tariff Order dated 30th April, 2012, had factored capex of only Rs.500.00 Crores for the purpose of computing interest on loans. The actual capex of Rs.251.27 Crores is about 50% of the capex considered by the Commission. The Commission notes with disappointment that, HESCOM has not been able to implement Capex as approved for FY13. In view of the impact of interest on loans in the ARR, in future HESCOM is directed to plan its Capex more realistically.

For the present, the Commission having noticed the actual expenditure being within the approved capital investment decides to allow the actual expenditure of Rs.251.27 Crores subject to prudence check which is proposed to be carried out during FY15.

ix) Interest and Finance Charges

a) Interest on loan:

HESCOM's Submission:

HESCOM has claimed an amount of Rs.124.27 Crores towards interest on loans.

Commission's analysis and decisions*:*

The Commission has notedthe status of opening and closing balances of loans as per the audited accounts and format D9 of the filings as shown below:

TABLE – 4.15

Allowable Interest on Loans – FY13

Amount in Rs.Crs.

Particulars	FY13
Opening balance of loans	1314.85
Less Short term loans	137.19
Long term secured & unsecured loans	1177.65
Add new Loans	101.18
Less Repayments	293.92
Total loan at the end of the year	984.91
Average Loan	**1081.28**
Interest paid on long term loans	124.27
Weighted average rate of interest based on the interest projections on long term loans in %	11.49%

Considering the average loan of Rs.1081.28 Crores and an amount of Rs.124.27 Crores incurred towards interest on long term loans, the weighted average rate of interest works out to 11.49%. The rate of interest incurred by HESCOM is comparable with the prevailing rates of interest and hence the Commission decides to allow the actual interest of Rs.124.27 Crores for FY13.

viii) Interest on Working Capital:

HESCOM's Submission:

HESCOM has claimed an amount of Rs.14.89 Crores towards interest on working capital.

Commission's analysis and decisions:

As per audited accounts,HESCOM has incurred an interest of Rs.14.89 Crores on short term borrowings during FY13.

As per the KERC (Terms and Conditions for Determination of Tariff) Regulations, 2006 as amended on 1st February, 2012, the Commission has computed the allowable interest on working capital for FY13 as follows:

TABLE – 4.16

Allowable Interest on Working Capital for FY13

Amount in Rs.Crs.

Particulars	FY 13
One-twelfth of the amount of O&M Exp.	37.45
Opening GFA as per Provisional Accts	2859.35
Stores, materials and supplies 1% of Opening balance of GFA	28.59
One-sixth of the Revenue	630.07
Total Working Capital	696.11
Computation of working capital interest	
Rate of Interest (% p.a.)	11.75%
Normative Interest on Working Capital	81.79
Actual interest on WC as per accts	14.89
Allowable Interest on Working Capital	**48.34**

The Commission decides to allow an amount of Rs.48.34 Crores towards interest on working capital for FY13.

ix) Interest on Consumer Deposits:

HESCOM's Submission:

HESCOM has claimed an amount of Rs.39.43 Crores towards payment of interest on security deposit for FY13.

Commission's analysis and decisions:

The Commission notes that, the interest on consumer deposits amounting to Rs.39.43Crores claimed by HESCOM works out to a weighted average rate of interest of 9.24%. As per KERC (Interest on Security Deposit) Regulations, 2005 the interest on consumer deposits are to be allowed as per the bank rate prevailing on the 1st of April of the relevant year. Thebank rate as on 1st April 2012 was9.5%.**Hence, the Commission decides to allow an amount of Rs.39.43 Crores claimed towards interest on consumer deposits for FY13.**

x) Other Interest and Finance charges:

As per the Audited Accounts, HESCOM has incurred an amount of Rs.2.12 Crores towards other interest and finance charges for FY13 which include charges payable to banks / financial institutions and guarantee commission payable to GoK. The Commission notes that the claims are as per Audited Accounts and hence decides to allow the same for FY13.

Further, HESCOM in its annual accounts has indicated an amount of Rs.0.15 Crores as capitalization of interest for FY13. The Commission decides to allow the same.

Thus the allowable interest and finance charges for FY13 are as follows:

TABLE – 4.17
Allowable Interest and Finance Charges - FY13

Amount in Rs.Crs.

Sl. No.	Particulars	FY13
1.	Interest on Loan	124.27
2.	Interest on working capital	48.34
3.	Interest on consumer deposits	39.43
4.	Other interest and finance charges	2.12
5.	Less interest capitalized	0.15
	Total interest and finance charges	**214.01**

xi) Other Debits:

HESCOM's Submission:

HESCOM in its application has claimed an amount of Rs.31.88 Crores towards other debits as detailed below:

TABLE – 4.18

Other Debits – HESCOM's Submission

Amount in Rs. Crs.

Sl No	Particulars	FY13
1	Bad and doubtful debts writtenoff	3.14
2	Miscellaneous losses and write offs	28.74
	Total	**31.88**

Commission's analysis and decisions:

On a review of the data as per the audited accounts, the Commission notes that HESCOM has incurred other debits of Rs.31.88 Crores and hence decides to allow the same.

xii) Net Prior Period Charges:

HESCOM's Submission:

HESCOM has not claimed Net Prior Period Charges. However as per the annual accounts HESCOM has indicated an amount of Rs.18.45 Crores as Net Prior Period credits.

Commission's analysis and decisions:

As per the Annual Accounts, the prior period debit is Rs.6.01 Crores on account of employee costs, depreciation, A&G expenses and other expenses. Further the prior period credit of Rs.24.46Crores is on account of excess provision of interest, depreciation, other excess provision and other income relating to earlier years. Hence the Commission decides to allow a net prior period credit of Rs.18.45 Crores for FY13.

xiii) Return on Equity:

HESCOM's Submission:

In its application for APR, HESCOM has not claimed Return on Equity for FY13.

Commission's analysis and Decisions:

As per the KERC (Terms and Conditions for Determination of Tariff) Regulations, 2006 as amended on 1st February, 2012, the Commission has computed the allowable Return on Equity at 15.5% on equity plus reserves and surplus besides allowing taxes as per actuals.The allowable RoE for FY13 are determined as follows:

TABLE – 4.19

Allowable Return on Equity – FY13

Amount in Rs.Crs.

Particulars	FY13
Paid Up Share Capital	707.53
Reserves and Surplus as on 31.03.2012	-684.03
Total Equity	23.50
Allowable Return on Equity @ 15.50%	3.64

The Commission allowsan amount of Rs.3.64 Crores as Return on Equity for FY13.

xiv) Other Income:

HESCOM's Submission:

As per the Annual Accounts, an amount of Rs.35.61 Crores is shown as Other Income during the year FY13.

Commission's analysis and decisions:

As per the audited accounts, the other income for FY13 of Rs.35.61 Crores includes income from interest on advance, sale of scrap,rent from staff quarters, incentives on timely payment to generating companiesand miscellaneous recoveries. Also an amount of Rs.18.45 Crores pertaining to prior period credit which is included in other income is factored separately under net prior period debit/credit as discussed in the preceding sections of this Order.

Further, it is observed that HESCOM has received a total incentive of Rs.9.93 Crores due to prompt payment to generators. The Commission is of the view that timely payment to Generators is as agreed in the power purchase agreements. The incentive earned for such timely payments is further translated as savings in the cost of power purchase. Providing incentives on such financial prudence is required, to encourage ESCOMs to be disciplined in payments to generators without incurring costs of interest on belated payment as being reported in their accounts.

It is pertinent to recognize the focus of the Tariff Policy wherein it states that,

> *"…….Making the distribution segment of the industry efficient and solvent is the key to success of power sector reforms and provision of services of specified standards. Therefore, the Regulatory Commissions need to strike the right balance between the requirements of the commercial viability of distribution licensees and consumer interests. Loss making utilities need to be transformed into profitable ventures which can raise necessary resources from the*

capital markets to provide services of international standards to enable India to achieve its full growth potential. Efficiency in operations should be encouraged. Gains of efficient operations with reference to normative parameters should be appropriately shared between consumers and licensees……………."

The Commission is of the view that HESCOM's efforts in making timely payments to generators and earning incentives in the form of rebate under the terms of PPA need to be encouraged even though HESCOM is bound to endeavor to make prompt payments by normal prudence in financial management.

Hence, the Commission decides to allow 10% of the total incentive amounting to Rs.0.99 Crores on account prompt payment of power purchase to be retained by HESCOM for FY13. Thus after deducting the incentive of Rs.0.99 Crores, the Commission decides to allow an amount of Rs.16.16 Crores as other income for FY13.

Adjustment of Advance against Depreciation (AAD) as per Commission's Order in Case No.B/06/9 dated 17th October 2013:

As per this Order, the Commission had decided to adjust the advance against depreciation provided during FY10 in the APR for FY13. Hence, an amount of Rs.22.45 Crores is adjusted in the APR for FY13.

xv) Prior Period Subsidy:

HESCOM has indicated an amount of Rs.830.79 Crores of subsidy pertaining to previous years factored as revenue in FY13.

The Commission has noted that prior period subsidy received in any year cannot be considered as revenue of that year as the accounting of revenue is carried out on accrual basis. Hence, the Commission decides to factor an amount of Rs.830.79 Croresas prior period subsidy in the APR of FY13 and consider subsidy for FY13 as Rs.1900.79 Crores.

xvi) Abstract of Approved ARR for FY13:

As per the above itemwise decisions of the Commission, the consolidated Statement of ARR for FY13 is as follows:

TABLE – 4.20
Approved ARR for FY13 as per APR

Sl. No	Particulars	FY13		
		As Appd 30.04.2012	As Filed	As per APR
	Revenue at existing tariff			
1	Revenue from tariff and Misc. Charges	2044	1879.61	1879.61
2	Subsidy to BJ/KJ & IP	1905.79	2731.58	1900.79
	Total Revenue	**3950**	**4611.19**	**3780.40**
	Expenditure in Rs.Crs			
3	Power Purchase Cost	2671.22	3384.83	3385.27
4	Transmission charges of KPTCL	348.83	346.98	346.54
5	SLDC Charges	4.06	1.2	1.2
	Power Purchase Cost including cost of transmission	**3024.11**	**3733.01**	**3733.01**
6	Employee Cost		381.91	
7	Repairs & Maintenance		34.46	
8	Admin & General Expenses		51.31	
	Total O&M Expenses	**428.78**	**467.68**	**449.43**
9	Depreciation	144.64	88.03	88.03
	Interest & Finance charges			
10	Interest on Loans	113.76	124.27	124.27
11	Interest on Working capital	91.45	14.89	48.34
12	Interest on belated payment on PP Cost	0	104.94	0
13	Interest on consumer deposits	21.08	39.43	39.43
14	Other Interest & Finance charges	0	2.12	2.12
15	Less interest capitalised	0	0.15	0.15
	Total Interest & Finance charges	226.29	285.5	214.01
16	Other Debits	0	31.88	31.88
17	Net Prior Period Debit/Credit	0		-18.45
18	Return on Equity	0	0	3.64

19	Funds towards Consumer Relations/Consumer Education	0.5	0	0
20	Other Income	28.02	35.61	16.16
	ARR	**3796.30**	**4570.49**	**4485.39**
21	Unmet gap for FY12	-23.70		
22	Deduction of AAD -Case No.B/06/9 Dtd.17.10.2013			22.45
23	Regulatory asset for FY13	-130		
24	Penalty on account of increased distribution losses			60.36
25	Amount disallowed on account of prudence check of capex FY10 – FY12			20.34
	Net ARR FY13	**3950.00**	**4570.49**	**4382.25**

xvii) Gap in Revenue for FY13:

As against an approved ARR of Rs.3950 Crores, the Commission after the annual performance review of HESCOM decides to allow an ARR of Rs.4382.25 Crores for FY13. Considering the revenue of Rs.3780.40 Crores, there is a deficit of Rs.601.85 Crores is determined for the year FY13.

The ARR of Rs.4382.25 Crores for FY13 in relation to the total sales of 8389 MU during the year, results in the average cost of supply per unit sold of Rs.5.22 per unit. As against this, the revenue realized from all categories of sales, including subsidy paid by Government at Rs.3780.40 Crores, works out to an average revenue realization of Rs.4.51 per unit. Thus, there is a deficit of Rs.601.85 Crores also includes the cost of providing excess supply of 357.03 MU to IP Sets and BJ/KJ consumers throughout the year beyond the quantum approved in the ARR for FY13, against which no subsidy had been determined by the Commission from the Government of Karnataka. Also, due to the sales to other than BJ/KJ & IP category of consumers being lower than factored in the approved ARR of the year, there is no additional cross subsidy available to cover the cost of this excess supply to the IP Sets and BJ/KJ consumers. Therefore, the entire cost of supply of this additional quantity of power supplied to IP Sets and BJ/KJ Consumers has to be recovered from the State Government at the average cost of supply of Rs.5.22 per unit as additional subsidy. This amounts to Rs.186.51 Crores. With this additional subsidy from the Government of Karnataka, the unfilled gap for FY13 will be reduced from Rs.601.85 Crores to Rs.415.33 Crores.

Government of Karnataka has in their letterNo. EN 10 PSR 2014 dated 22nd March, 2014 addressed to the Managing Directors of the ESCOMs (copy obtained by the Commission), have also accepted this position by agreeing to pay for any additional supplies made to the IP Sets and BJ/KJ consumers over and above the quantum approved in the ARR of FY13 at the cost determined by the Commission.

As per the above discussion, the additional subsidy payable by Government of Karnataka for FY13 is as follows:

TABLE - 4.21

Additional Subsidy for FY13

Sl. No	Particulars	FY13
1	Actual sales to BJ/KJ & IP Sets in MU	4858.97
2	Approved sales to BJ/KJ & IP Sets in MU	4501.94
3	Increase in sales in MU (2-1)	357.03
4	Average cost of supply as per APR- Rs/Unit	5.22
5	Additional cost for increased sales at ACS as per APR- Rs.Crs (3*4)	186.51
6	**Additional Subsidy to be paid by GoK for FY13- Rs.Crs**	**186.51**

The Commission decides to carry forward the balance deficit of Rs.415.33 Crores of FY13 to the proposed ARR for FY15 as discussed in the subsequent Chapter of this Order.

CHAPTER – 5
REVISED ANNUAL REVENUE REQUIREMENT FOR FY15

5.0 *Revised ARR for FY15 - HESCOM's Filing:*

In its application dated 13th December, 2013, HESCOM has sought approval for the revised ARR for FY15. The summary of the proposed ARR for FY15 is as follows:

TABLE – 5.1

Proposed ARR for FY15

Amount in Rs.Crs.

Sl. No	Particulars	FY15
	Revenue at existing tariff	
1	Revenue from tariff and Misc. Charges	2576.45
2	Tariff Subsidy	2100.77
3	**Total Revenue**	**4677.22**
	Expenditure	
4	Power Purchase Cost	3339.46
5	Transmission charges of KPTCL	449.47
6	SLDC Charges	3.83
7	**Power Purchase Cost including cost of transmission**	**3792.76**
8	Employee Cost	
9	Repairs & Maintenance	
10	Admin & General Expenses	
11	**Total O&M Expenses**	**540.79**
12	Depreciation	111.41
	Interest & Finance charges	
13	Interest on Loans	228.60
14	Interest on Working capital	97.84
15	Interest on belated payment on PP Cost	187.36
16	Interest on consumer deposits	44.64
17	Other Interest & Finance charges	1.51
18	Less interest capitalised	0
19	**Total Interest & Finance charges**	**559.95**
20	Other Debits	35.99
21	Net Prior Period Debit/Credit	0
22	RoE	26.51
23	Provision for taxation	0

24	Funds towards Consumer Relations/Consumer Education	0.50
25	Other Income	61.31
26	**ARR**	**5006.60**
27	Surplus/Deficit for FY13 carried forward	40.69
28	**Net ARR**	**4965.91**

HESCOM has requested the Commission to approve the revised Annual Revenue Requirement as stated above. Further, HESCOM has proposed to increase the retail supply tariff by 66 paise per unit across all categories of consumers excluding BJ/KJ and IP set consumers for FY15 in order to bridge the gap in revenue of Rs.288.69 Crores of FY15 after considering the carry forward surplus of Rs.40.69 Crores of FY13.

5.1 Annual Revenue Requirement for FY15:

As discussed in the preceding chapter of this order, the Commission has carried out the Annual Performance Review for FY13 based on the audited accounts furnished by HESCOM. Accordingly, the deficit of Rs.415.33 Crores is to be carried forward into the ARR of FY15.

Since the audited financial statements for the year FY14 are yet to be finalised and furnished by the ESCOMs, the Commission decides to take up the APR of FY14 during revision of ARR / Tariff for FY16.

5.2 Capital Investments for FY15:

The Commission in its MYT Order dated 6th May, 2013 had approved a capex of Rs.797.50 Crores for FY15. In the present filing, HESCOM has retainedthe capex of Rs.797.5 Crores for works as shown below:

TABLE – 5.2

Capital Expenditure – FY15

Amount in Rs.Crs.

Sl. No.	Scheme	Approved in MYT Order
i	**Mandatory works, Social obligation and other works**	
A	Gangakalyan IP sets	50
b	Electrification of Hamlets(Not covered under RGGVY)	1
c	Electrification of HB/DB/JC/AC (Habitations) under SCP (Not covered under RGGVY)	0.5
d	Electrification of TC(Habitations) under TSP (Not covered under RGGVY)	0.5
e	Electrification of BPL Households (Not covered under RGGVY)	1
f	Water works	30
g	RGGVY	-
h	Rehabilitation of flood affected villages (special programme).	10
	Sub - total	**93**
ii	**Expansion of network and system improvement works.**	
a	E & I works.	50
b	Energisation of IP sets under general category.	40
c	Service connections other than IP/BJ/KJ/Water works.	35
d	Construction of new 33 KV stations and lines.	8
e	Augmentation of 33 KV stations.	8
f	Construction of 11 KV lines for 33 KV / 110 KV Substations.	40
g	NirantharJyotiYojana.	50
h	R- APDRP.	0
ii	**Sub - total**	**231**
iii	**Reduction of T & D and ATC loss**	
a	Providing meters to un-metered IP sets.	7.5
b	Providing meters to un-metered BJ/KJ installations.	15
c	Replacement of faulty / MNR energy meters by static meters.	10
d	Replacement of more than 10 year old electromechanical energy meters by static meters.	15
e	DTC's metering (Other than APDRP)	10

f	Replacement of 33 KV lines Rabbit conductor by Coyote conductor.	10
g	Replacement of 11 KV lines Weasel conductor by Rabbit conductor.	8
h	Replacement of age old LT conductor by Rabbit conductor.	20
i	HVDS (Pilot project for 1 district/year)	200
iii	**Sub - total**	**295.5**
iv	**New initiative works**	
a	IT initiatives, automation and call centre	10
b	Installation of energy efficient motors	1
c	Smart grid/sprinklar/drip irrigation system	1
d	Establishing ALDC & SCADA.	-
iv	**Sub - total**	**12**
v	**Replacement and other miscellaneous works**	
a	Replacement of failed distribution transformers.	80
b	Replacement of Power Transformers.	5
c	Replacement of old and failed equipment's and other works of existing 33 KV stations and lines.	3
d	Preventive measures to reduce the accidents. (Providing intermediate poles replacement of deteriorated conductor, DTC earthing etc.)	10
e	T&P materials.	3
g	Creating infrastructure to UAIP Sets	45
h	Civil Engineering works.	20
v	**Sub - total**	**166**
Total (i+ii+iii+iv+v)		**797.5**

Commission's analysis and decision:-

The Commission notes that, HESCOM has proposed investments in E&I works, electrification of hamlets, BPL households, works for reduction of losses, NJY and HVDS. The Commission recognizes the importance of such investments in order to enable HESCOM to not only provide better services to its consumers but also improve efficiency of operation in terms of reduction of losses.Hence, the Commission decides to allow Capex as proposed for FY15, subject to prudence check during APR.

5.2.1 Sales Forecast for FY15:

I. HESCOM's Filing:

HESCOM, in its current ERC filling has estimated sales for FY15 as 9115.70 MU and the number of installations as 4289372. HESCOM has stated that the above projections are arrived at by considering the CAGR for the period 2009-2013.

The Commission in its preliminary observations dated 31st December, 2013 had pointed out that the overall sales growth rate of 5.96% estimated by HESCOM is low compared to normal growth in the range of 9.6% to 12.5%. Further, the Commission had observed that the sales growth rate proposed by HESCOM for LT Commercial and LT Temporary was higher and for LT Domestic, LT-4(c) and HT Irrigation it was lower.

HESCOM in its replies dated 07.01.2014 has not proposed any revision of sales for FY15 and has retained the sales as proposed. Regarding the overall sales growth rate, it is stated that the same is based on the data available for FY13, CAGR and also considering the present trend. In the case of LT Domestic category it is stated that even though the growth rate 9.76% is based on CAGR from FY09 to FY13, a lower estimate is made keeping in view the current decreasing trend. Further, it is stated that for LT-3, LT-4(c), LT-7, and HT-3 (a) the estimate is based on CAGR for the period FY09 to FY13 and therefore, the estimate is correct.

The Commission has noted the replies furnished by HESCOM and the approach of the Commission for estimating the sales is discussed in the following paragraphs:

II. Commission's approach for estimating the number of installations and sales for FY-15.

1. Sales to categories other than BJ/KJ and IP sets

i. No. of Installations for FY15:

a. The base year number of installations for FY14 is considered as proposed by HESCOM

b. Wherever the number of installations estimated by HESCOM is within the range of the estimates based on the CAGR for the period FY08 – FY13 and for the period FY10-FY13, estimates of HESCOM are retained.

c. Wherever the number of installations estimated by HESCOM is lower than the estimates based on the CAGR for the period FY08 – FY13 and for the period FY10- FY13, estimates based on the lower of the CAGR are considered.

d. Wherever the number of installations estimated by HESCOM is higher than the estimates based on the CAGR for the period FY08 – FY13 and for the period FY10- FY13, estimates based on the higher of the CAGR are considered.

e. For both LT and HT temporary categories, the estimates of HESCOM are retained as the growth rate for this category varies from year to year.

f. For HT-2C category, the estimates of HESCOM are retained as there is no trend available for this category (New category introduced in the last Tariff Order).

Based on the above approach the total number of installations estimated by the Commission works out to 4312884 installations as against the estimates of HESCOM at 4289372, an increase of 23512 installations.

ii. <u>Sales:</u>

For categories other than BJ/KJ and IP sets, generally the sales are estimated considering the following approach:

a. The base year sales for FY14 are estimated duly considering the actual sales upto November 2013

b. Higher of the CAGR for the period FY08 – FY13 and for the period FY10 - FY13 is considered for categories other than specified below.

c. For both LT and HT temporary categories, the estimates of HESCOM are retained as the growth rate for this category is inconsistent.

d. For HT-2C category, the estimates of HESCOM are retained as there is no trend available for this category (New category introduced in the last Tariff Order).

Based on the above approach, the sales to categories other than BJ/KJ and IP works out to 4073.43 MU against HESCOM's estimate of 4374.18 MU, a reduction of 300.75 MU.

2. <u>Sales to BJ/KJ and IP sets :</u>

i. <u>Sales to BJ/KJ :</u>

HESCOM has estimated the number of installations as 740024 and the sales at 92.97 MU. It is observed that the above number includes installations consuming more than 18 units per month per installation. As per the D-2 format of ARR filing, the break-up for FY13 is as below:

Particulars	No. of Installations	Consumption in MU	Specific consumption per installation per month
Installations consuming less than 18 units	657949	88.07	11.15
Installations consuming more than 18 units and build under LT2(a)	106956	55.20	43.01

Considering the above ratio of installations, the number of installations consuming less than 18 units in FY15 would be 636547 (Total installation retained as proposed by HESCOM at 740024). With Specific consumption per installation per month at 11.15 units, the sales to BJ/KJ are worked out at 85.21 MU.

Further the consumption pertaining to the remaining installations (103477numbers), works out to 53.40 MU [i.e. specific consumption of 43.01 units per installation per month], is accounted in LT 2(a) category.

ii. <u>Sales to IP Sets</u>

In the previous Tariff Order, the Commission had considered the presence of unauthorized IP Set installations in the Distribution system and had fixed the specific consumption as 8244 units / installation / annum for the entire control period of FY14 to FY16. As per the actual data of Sales to IP Sets during FY13, HESCOM has reported Sales of 4788.35 MU and 549616 numbers of IP set Installations, which results in a specific consumption of 9214 units / installation / annum. It is observed that HESCOM has reported more than 6 hours of power supply to IP Sets resulting in excess specific consumption during FY13. However, the Commission has not considered the specific consumption reported by HESCOM during FY13 for the purpose of projection of IP Set Sales in FY15. The Commission therefore decides to continue the specific consumption as 8244 units / installation / annum for FY15.

It is noted that the number of IP Set installations projected by HESCOM for FY14 in the present Tariff filing is 555434 numbers, whereas the actual number of IP Set installations reported by HESCOM in the data furnished for February 2014 is 567059. Thus, the actual number of IP Sets furnished is more than the estimated figures by HESCOM for FY14, as per the tariff filing. The increase in the number of IP Sets is attributed to the extensive regularization of unauthorized IP Sets by HESCOM for the purpose of taking them into books of Accounts. Hence, based on the actual figures, it is appropriate to consider 567059 as number of IP Sets for FY14. As for the number of installations to be considered for FY15, the Commission will go by the figures furnished by HESCOM for FY15 as it has considered in its projections that around 5200 IP Sets would be serviced including regularization of un-authorized IP Sets during FY15. Hence, based on the actual number of Installations for FY14 and the estimated number of IP Sets for FY15, the midyear number of installations is determined on the basis of which sales to IP Set consumers is indicated below:

Particulars	As per filing by HESCOM	As approved by the Commission
No. of IP Set installations for FY14	555434	567059
No. of IP Set installations for FY15	572306	572306
Mid Year No. of Installation for FY15	563870	569683
Specific consumption in units / installation / annum	8244	8244
Sales in MU	4648.55	4696.46

As per the above discussion, the Commission approves 4696.46 MU as sales to IP Sets as against the HESCOM's sales projections of 4648.55 MU for FY15. Further, any variation in sales would be trued up during the Annual Performance Review for FY15.

As discussed in the preceding chapter on APR for FY13, HESCOM has already segregated around 300 agriculture feeders from rural loads under

Niranthara Jyothi Yojana (NJY) scheme and the energy consumed by the IP sets could be more accurately measured now at the 11 KV feeder level at the sub-stations after duly allowing for 11 KV and LT system losses. Henceforth, HESCOM is directed to report the actual IP Sets consumption on the basis of data from agriculture feeder meters only in respect of IP Sets on segregated feeders instead of assessing the IP sets consumption based on the readings obtained from meters fixed to DTCs feeding predominantly IP Sets loads. HESCOM is also directed to furnish feeder wise IP Sets consumption based on feeder meter data to the Commission every month in respect of agriculture feeders segregated under NJY.

The estimates of sales for FY15 worked out on the above principles are indicated below:

TABLE – 5.3
Approved Retail Sales for FY15

Category	Number of Installations		Sales-MU	
	As filed	*As approved*	*As filed*	*As approved*
LT-2a	2465524	2597259	1393.81	1346.50
LT-2b	5392	5388	7.66	12.54
LT-3	301304	301042	434.48	383.71
LT-4 (b)	850	1032	15.99	28.57
LT-4 (c)	208	208	0.71	0.77
LT-5	105853	101193	309.49	303.44
LT-6	29067	29067	197.45	199.58
LT-6	20066	20039	138.07	131.37
LT-7	46389	46389	20.07	20.07
HT-1	217	217	210.03	200.37
HT-2 (a)	1331	1331	1298.49	1105.60
HT-2 (b)	422	454	98.80	121.71
HT2C	142	142	26.00	26.00
HT-3(a)& (b)	154	152	176.08	148.36
HT-4	81	76	20.32	18.11
HT-5	42	42	26.73	26.73
Sub-total[other than BJ/KJ and IP]	**2977042**	**3104031**	**4374.18**	**4073.43**
BJ/KJ	740024	636547	92.97	85.21
IP	572306	572306	4648.55	4696.46
Sub-Total [BJ/KJ & IP]	**1312330**	**1208853**	**4741.52**	**4781.67**
Grand Total	**4289372**	**4312884**	**9115.70**	**8855.09**

Note: Eventhough HT-2a growth proposed by KERC is almost same as that of HESCOM, the difference in sales to this category in FY15 is mainly due to over estimation by HESCOM for base year FY14 to the extent of 170 MU.

Thus, the overall sales for HESCOM approved by the Commission are 8855.09 MU against HESCOM's proposal of 9115.70 MU, with a reduction of 260.61 MU.

5.2.2 Distribution Losses for FY15

HESCOM's Submission:

As per the audited accounts for FY13, HESCOM has reported distribution losses of 19.88% as against an approved loss level of 18.00%. The Commission in its tariff order dated 6th May, 2013 has fixed the target level of losses for FY15 at 18.50%. HESCOM in its filing has proposed to achieve a loss level of 18.50% for FY15.

Commission's Analysis and Decisions:

The performance of HESCOM in achieving the loss targets set by the Commission in the past five yearsis as follows:

TABLE – 5.4
Approved and Actual Distribution Losses – FY09 to FY13

Figures in %

Particulars	FY09	FY10	FY11	FY12	FY13
Approved Distribution losses	24.00	22.50	20.00	19.35	18.00
Actual distribution losses	24.96	20.86	20.54	19.99	19.88

From the above data, it is evident that HESCOM has been able to bring down its distribution loss levels from 24.96% in FY09 to 19.88% in FY13 i.e. a reduction by 5.08%. Further, it has proposed loss levels of 18.50% as set by the Commission for FY15.

The Commission notes that, the Capital expenditure on new/augmentation of existing infrastructure in the past and the proposed capex for the ensuing year should enable reduction of distribution losses to some extent. Considering the fact that the losses during FY12 and FY13 have been 19.99% and 19.88% respectively, it is unlikely that HESCOM will be able to reduce the losses to 18.50% in FY15. Therefore the Commission decides to fix the target for loss reduction at 19.00% with following range of losses for FY15.

TABLE – 5.5
Approved Distribution Losses for FY15

Figures in %

Particulars	FY15
Upper limit	19.50
Average	**19.00**
Lower limit	18.50

5.2.3 Power Purchase for FY15:

a) HESCOM's Proposal:

HESCOM in its application has proposed procurement of 11641.50 MU of energy at a cost of Rs.3339.45 Crores including the transmission and system operation charges for FY15. The Source-wise details of the procurement proposal are indicated in the following tables:

TABLE – 5.6

Source-wise procurement Proposal submitted by HESCOM for FY15

SL No	Sources	Energy as per Fillings (MU)	Total Cost of Energy (Rs.Crs)	Per Unit Cost of Energy (Rs/Unit)
1	Hydro (KPCL)	3151.76	164.63	0.52
2	Thermal (KPCL)	2968.30	1107.44	3.73
3	CGS	2623.77	842.60	3.21
4	IPPs	1687.21	682.32	4.04
5	NCE	1065.30	389.90	3.66
6	Short-term	145.16	73.37	5.05
Transmission Charges			0.00	
SLDC charges			0.00	
PGCIL charges			78.65	
POSOCO charges			0.54	
Total		**11641.50**	**3339.45**	**2.87**

The actual power purchase for FY13 and FY14 (Provisional) was 11237 and 10980 MU respectively. Compared to the actual power purchase for FY13 & FY14, the power purchase projection of 11641.50 MU for FY15 represents an increase of 6% over the quantum procured in FY14.

b) Commission's analysis and decision:

Energy Requirement of ESCOMs

Based on the estimated energy sales and approved distribution & transmission losses in the system as discussed in the preceding paragraphs, the energy requirement of HESCOM and other ESCOMs for FY15 is computed as shown in the following table.

TABLE – 5.7

ESCOMs Approved Power Purchase - FY15

PARTICULARS	BESCOM	MESCOM	CESC	HESCOM	GESCOM	TOTAL
Estimated Sales in MU	25395.08	4192.99	5448.45	8855.10	6204.96	50339.28*
Percentage	13.60	11.50	15.00	19.00	18.50	15.21

distribution losses in %						
Energy at interface point in MU	29392.45	4737.84	6409.94	10932.22	7613.45	59369.77
Percentage transmission losses in %	3.81					
Total energy requirement in MU	**30556.66**	**4925.50**	**6663.83**	**11660.34***	**7915.01**	**61721.35***

* Includes projected energy of Hukeri RECS

The energy requirement of ESCOMs is being sourced from Karnataka Power Corporation Limited (KPCL), Central Generating Sources (CGS), Independent Power Producers (IPPs) and Non-Conventional Energy Generators (NCEGs), having power purchase agreements with ESCOMs. The available quantum of energy from these sources is worked out based on the data furnished by KPCL, SRPC, PCKL and SLDC and the cost of procurement is estimated based on the latest bills from the generating Companies.

The availability of power for FY15 from each source is assigned to each one of the ESCOMs as per the allocation made by the Government of Karnataka vide its Order No. EN 47 PSR 2014, Bangalore, dated 9th May 2014. Any variation in the actual quantum and the actual cost of power purchase will be reviewed at the time of the Annual Performance Review of FY15.

The source wise details of the approved Power Purchases, from KPCL Hydro Stations, KPCL Thermal Stations, Central Generating Stations, IPPs, NCE Sources and Short term/Medium term sources, for FY15 are shown in **Annexure- I**

Considering the projected energy sales, there is a shortfall to be met from Short term/Medium term sources after exhausting all the Long term sources from conventional/NCE sources having PPAs with ESCOMs. Even though the overall per unit cost of short and medium term procurement of power by ESCOMs in the State has declined from Rs.6.93 in FY09 to Rs.4.38

in FY13 and Rs.4.95 in FY14 the quantum of short / medium term power procured has increased from 1293.68 MUs in FY09 (just 3.15% of the total energy consumption of 41060.60 MU) to about 11046.36 MU in FY13 (over 19.36 % of around 57046 MU of energy procured) and 6444 MU in FY14. This has significantly impacted on the average cost of the power supplied. The Commission is periodically monitoring the power situation in the State and directing ESCOMs to plan their requirements for procurement of power on medium and long term basis, and to minimize short term procurement so that the purchase of power would be economical and ESCOMs would be able to meet the proposed sales within a reasonable cost.

The Commission, while reviewing the power position in the State from time to time, had approved 1500 MW for FY14 and FY15 as medium term procurement at the weighted average rate of Rs.4.96 per KWh. Due to constraints of interregional transmission corridor, only 450 MW out of this could be actually procured by the ESCOMs during FY14. Therefore, the Commission had approved an additional short term procurement of about 373 MW from sources within Karnataka at the weighted average rate of Rs.5.30 per KWh to meet the projected demand during different parts of the year up to 30.06.2014. Considering these sources the weighted average rate of Short term/Medium term power purchase projected for FY15 works out to Rs.5.216 per KWh for the estimated procurement of 3773 MU on Short term/Medium term basis.

With a view to containing the cost of power procurement at reasonable levels, the Commission reiterates its earlier directive that any short term / medium term procurement of power in excess of Rs.4.50 per Kwh shall be made by ESCOMs only with the prior approval of the Commission.

Considering the estimated energy availability based on the existing Power purchase Agreements entered between ESCOMs and the Generating Companies, and the allocation of Power to HESCOM, the Commission decides to approve power procurement by HESCOM for FY15 as detailed in the following table.

TABLE – 5.8

Approved Power Purchase for FY15

SL No	Name of the Generating Station	Allowed Energy in MU	Cost of Energy Rs.Crs	Unit Cost of Energy Rs./Kwh
1	KPCL HYDEL	3569.02	184.27	0.52
2	JURALA HYDEL	37.26	11.87	3.18
3	KPCL THERMAL	2908.45	1107.63	3.81
4	CGS SUPPLY	2592.37	811.64	3.13
5	IPPS	1208.40	551.70	4.57
6	NCE	1065.30	389.55	3.66
7	SHORT TERM/MEDIUM TERM POWER PURCHASES APPROVED	279.55	145.82	5.22
KPTCL Transmission charges			437.27	
SLDC charges			5.37	
PGCIL charges			78.65	
POSOCO charges			0.54	
TOTAL		**11660.34**	**3724.30**	**3.19**

5.2.4 O & M Expenses:

HESCOM's Proposal:

HESCOM has claimed O&M expenses as follows:

TABLE – 5.9

O&M Expenses-HESCOM's Proposal

Particulars	FY15
No. of Installations	4194766
Weighted Inflation Index	4.39%
CGI based on 2 Year CAGR	4.24%
Base year O & M expenses Rs.Crs.	457.18
O&M expenses for FY15 Rs.Crs.	**487.48**

However, HESCOM in its filing has requested to allow O & M expenses of Rs.540.79 Crores as approved in the MYT Order dated 6th May, 2013 for FY15.

Commission's analysis & decision:

As per the norms specified under the MYT Regulations, the Commission has computed the O & M expenses for the control period FY15 duly considering the actual O & M expenses for the base year FY13.

The Commission notes that, the actual O& M expenses allowed for FY13were Rs.467.68 Crores. Considering the Wholesale Price Index (WPI) as per the data available from the Ministry of Commerce & Industry, Government of India and Consumer Price Index (CPI) as per the data available from the Labour Bureau, Government of India and adopting the methodology followed by CERC with CPI and WPI in the ratio of 80 : 20, the allowable inflation for FY15 is computed as follows:

TABLE – 5.10

Calculation of Weighted Average Inflation Index (WII)

Year	WPI	CPI	Composite Series	Yt/Y1=Rt	Ln Rt	Year (t-1)	Product [(t-1)* (LnRt)]
2002	87.92	103	99.98				
2003	92.6	107	104.12	1.041367	0.040534	1	0.04
2004	98.72	111	108.54	1.085614	0.082145	2	0.16
2005	103.37	116	113.47	1.134922	0.126564	3	0.38
2006	109.59	123	120.32	1.203373	0.185128	4	0.74
2007	114.94	131	127.79	1.278084	0.245362	5	1.23
2008	124.92	142	138.58	1.386062	0.326466	6	1.96
2009	127.86	157	151.17	1.511962	0.413408	7	2.89
2010	140.08	176	168.82	1.68843	0.523799	8	4.19
2011	157.3	197	189.06	1.890903	0.637054	9	5.73
2012	168.8	219	208.96	2.089934	0.737133	10	7.37
2013	179.6	239	227.12	2.271563	0.820468	11	9.03
A= Sum of the product column							33.72
B= 6 Times of A							202.35
C= (n-1)*n*(2n-1) where n= No of years of data=12							3036.00
D=B/C							0.07
g(Exponential factor)= Exponential (D)-1							0.07
e=Annual Escalation Rate (%)=g*100							**6.89**

For the purpose of determining the normative O & M expenses for FY15, the Commission has considered the following:

a) The actual O & M expenses allowed for FY13 inclusive of contribution to Pension and Gratuity Trust.
b) The three year compounded annual growth rate (CAGR) of the number of installations considering the actual number of installations as per audited accounts up to FY13.
c) The WII at 6.89% as computed above.
d) Efficiency factor at 2% as considered in the earlier two control periods.

Accordingly, the normative O & M expenses for FY15 are as follows:

TABLE – 5.11

Approved O & M Expenses for FY15

Particulars	FY15
No. of Installations	4289372
Inflation based on 80% of CPI and 20% of WPI	6.89%
CGI based on 3 Year CAGR	5.17%
Actual O & M expenses for FY13 - Rs.Crs.	467.68
O&M expenses for FY15 – Rs. Crs.	**565.55**

Thus, the Commission decides to approve O&M expenses of Rs.565.55 Crores for FY15.

5.2.5 Depreciation:

HESCOM has claimed depreciation of Rs.111.41 Crores for FY15. The depreciation projected by HESCOM for FY15 is as follows:

TABLE – 5.12
Depreciation for FY15 – HESCOM's Proposal

Amount in Rs.Crs.

Particulars	FY15
Opening Gross Fixed Asset (GFA)	3155.21
Add: Additions during the year	279.70
Less: Retirement	91.25
Closing GFA	3343.66
Net Depreciation for FY15	**111.41**

HESCOM, has stated that the depreciation on account of assets created from consumer contribution and grants is Rs.42.69 Crores and has been factored in the net depreciation claims of Rs.111.41 Crores.

Commission's analysis and decision:

In accordance with the provisions of the MYT Regulations and its amendment, the Commission has determined the depreciation for FY15 considering:

a) The actual rate of depreciation of assets category wise is determined considering the depreciation and gross block of opening and closing balance of fixed assets as per audited accounts for FY13.
b) This actual rate of depreciation is considered on the gross block of fixed assets projected by HESCOM in its filing.
c) The depreciation on account of assets created out of consumer contribution / subsidies for FY15 are projected based on the actual data for FY13 and proposed additions during FY14 & FY15.

Accordingly, the depreciation for FY15 is as follows:

TABLE – 5.13

Approved Depreciation for FY15

Amount in Rs. Crs

Particulars	FY15
Buildings	2.51
Civil	0.14
Other Civil	0.09
Plant & M/c	31.87
Line, Cable Network	110.58
Vehicles	0.09
Furniture	0.14
Office Equipments	0.23
Sub Total	**145.65**
Less: Depreciation with drawn on account of assets created by Consumer contribution/grants	49.96
Net Depreciation	**95.69**

The Depreciation withdrawn on account of assets created by Consumer contribution/grants is computed based on the opening and closing balance of these assets as per latest available audited accounts for FY13 and the projected balance for FY14 & FY15 being carried forward as proposed by HESCOM.

The Commission decides to approve an amount of Rs.95.69 Crores towards depreciation for FY15.

5.2.6 Interest and Finance Charges:

HESCOM has claimed Interest and Finance charges of Rs.559.95 Crores for FY15 as follows:

TABLE – 5.14
Interest and finance charges for FY15 – HESCOM's Proposal

Amount in Rs.Crs.

Particulars	FY15
Interest on Loans	228.60
Interest on Working Capital	97.84
Interest on belated payment of power purchase cost	187.36
Interest on Consumers Deposit	44.64
Other Interest and Finance charges	1.51
Total Interest & Finance Charges	**559.95**

5.2.7 Interest on Loans:

HESCOM, as per format A1 has requested to approve interest on loans of Rs.228.60 Crores for FY15. However, the data as per filing are as follows:

TABLE – 5.15
Interest on Loan for FY15 – HESCOM's Proposal

Amount in Rs.Crs.

Particulars	FY15
Opening balance of loan	1634.99
Addition of new loans	684.50
Less repayment	119.39
Closing balance of loans	2200.10
Interest on loan	**230.11**

Commission's analysis and decision:

As per APR of FY13, HESCOM had incurred weighted average rate of interest of 11.49% on long term loans. HESCOM has proposed an additional loan of Rs.684.50 Crores for FY15 as against a capex proposal of Rs.797.50 Crores. Considering the past performance of HESCOM on capex, the Commission has considered an estimated capex of Rs.500.00 Crores and an additional loan of Rs.350.00 Crores for FY15 for the purpose of determining interest on loan. However if HESCOM incurs the actual additional loan as proposed by it, the same would be factored at the time of APR for FY15.

The proposed interest on long term loans indicatesthe weighted average rate of interest of 16.94%. This rate of interest is considered as abnormal and hence the Commission has considered the normative rate of interest of 12% for the purpose of projecting the interest on loans for FY15.

The approvedinterest on loans for FY15is as follows:

TABLE – 5.16

Approved Interest on Loans for FY15

Amount in Rs. Crs

Particulars	FY15
Opening balance of Loans	1166.21
Add new Loans	350.00
Less Repayments	119.39
Total loan at the end of the year without new loans	1396.82
Average Loan	1281.52
Approved Interest on long term loans	**153.78**

5.2.8 Interest on Working Capital:

HESCOM has claimed interest on working capital of Rs.97.84 Crores for FY15. The interest on working capital as computed by HESCOM are as follows:

TABLE – 5.17

Interest on Working Capital-HESCOM's Proposal

Amount in Rs.Crs

Particulars	FY15
One-twelfth of the amount of O&M Exp.	45.07
Opening GFA	3123.79
Stores, materials and supplies 1% of Opening balance of GFA	31.24
One-sixth of the Revenue	756.37
Total Working Capital	832.68
Rate of Interest (% p.a.)	14.50
Interest on Working Capital	**97.84**

Commission's Analysis and Decision:

As per the norms specified under the MYT Regulations, the Commission has computed the interest on working capital which consists ofone month's O & M expenses, 1% of opening GFA and two month's revenue. The Commission has considered the rate of interest at 11.75% p.a. Accordingly, the approved interest on working capital is as follows:

TABLE – 5.18

Approved Interest on Working Capital for FY15

Amount in Rs.Crs.

Particulars	FY15
One-twelfth of the amount of O&M Exp.	47.13
Opening GFA	3159.01
Stores, materials and supplies 1% of Opening balance of GFA	31.59
One-sixth of the Revenue	753.37
Total Working Capital	832.09
Rate of Interest (% p.a.)	11.75%
Interest on Working Capital	**97.77**

The Commission decides to approve interest on Working capital at Rs.97.77 Crores for FY15.

5.2.9 Interest on Consumer Deposit:

HESCOM in its filing has claimed an amount of Rs.44.64 Crores for FY15. As per replies to the Commission's preliminary observations, HESCOM has furnished the following computations of its claims on interest on consumer deposits:

TABLE – 5.19

Interest on Consumer Deposits -HESCOM's Proposal

Amount in Rs.Crs

Particulars	FY15
Average consumer deposits for FY15	510.22
Rate of Interest	8.75%
Interest on Consumer Deposits	**44.64**

Commission's analysis and decision:

In accordance with the KERC (Interest on Security Deposit) Regulations 2005, the interest rate to be allowed is the bank rate prevailing on the 1st of April of the relevant year. As per Reserve Bank of India notification dated 28th January 2014, the bank rate is 9%. Accordingly, the Commission has considered the present bank rate of 9.00% per annum for computation of interest on consumer deposits.

The Commission has considered the consumers' deposits as per audited accounts of FY13 and projected deposits for FY14 & FY15 by HESCOM and has computed the allowable interest on consumer deposits.

TABLE – 5.20

Approved Interest on Consumer Deposits for FY15

Amount in Rs.Crs.

Particulars	FY15
Average consumer deposits for FY15	471
Rate of Interest at bank rate to be allowed as per regulations	9.00%
Approved Interest on Consumer Deposits	**42.39**

Thus the Commission decides to approve Rs.42.39 Crores as interest on consumers' deposits for FY15.

5.2.10 Other Interest and Finance Charges:

HESCOM has claimed an amount of Rs.1.51 Crores towards other interest and finance charges. Keeping in view the expenditure on this item in the earlier years, the Commission decides to allow the same for the purpose of ARR.

The abstract of approved interest and finance charges are as follows:

TABLE – 5.21

Approved Interest and finance charges for FY15

Amount in Rs.Crs.

Particulars	FY15
Interest on Loans	153.78
Interest on Working Capital	97.77
Interest on Consumers Deposit	42.39
Other interest and finance charges	1.51
Total Interest & Finance Charges	**295.45**

5.2.11 Return on Equity:

In its application, HESCOM has computed theRoE of Rs.26.51 Croresfor FY15 considering an equity and reserves and surplus of Rs.136.84 Crores.

Commission's analysis and decision:

The Commission has considered the actual amount of the share capital and reserves & surplus as per the audited accounts for FY13 as base values for arriving at the allowable RoE for FY15.Further, the Commission, in accordance with the provisions of the MYT Regulations has considered 15.5% of Return on Equity duly grossed up with the applicable Minimum Alternate Tax (MAT) of 20.00775%. This works out to 19.377% per annum. Thus, the approved Return on Equity for FY15are as follows:

TABLE – 5.22

Approved RoE for FY15

Amount in Rs.Crs.

Particulars	FY15
Paid Up Share Capital	707.53
Share Deposit	124.00
Reserves and Surplus	-614.17
Total Equity	217.36
Approved RoE with MAT	**42.12**

The Commission decides to allow an amount of Rs.42.12 Crores towards RoE for FY15.

5.2.12 Other Income:

HESCOM has claimed an amount of Rs.61.31 Crores as other income for FY15.The other income mainly includes income from incentives, miscellaneous recoveries, interest on bank deposits, rent from staff quarters and sale of scrap. As per the MYT Order dated 6th May, 2013,the Commission had considered an amount of Rs.75.00 Crores as other income for FY15 and the same is retained in the present Order.

5.2.13 Fund towards Consumer Relations / Consumer Education:

The Commission has been allowing an amount of Rs.0.50 Crore per year towards consumer relations / consumer education. This provision has been specifically made by the Commission to conduct consumer awareness and grievance redressal meetings periodically and institutionalize a mechanism for addressing common problems of the consumers. The Commission has already issued guidelines for consumer education and grievance redressal activities.

The Commission decides to continue providing an amount of Rs.0.50Crorefor FY15 towards meeting expenditure on consumer relations / consumer education.

The Commission directs HESCOM to furnish a detailed plan of action for utilization of this amount within two months from the date of issue of this Tariff Order and also maintain a separate account of these funds and furnish the same at the time of APR.

5.3 Abstract of ARR for FY15:

In the light of the above analysis and decisions of the Commission, the following is the approved ARR for the year FY15:

TABLE – 5.23

Revised Approved consolidated ARR for FY15

Amount in Rs.Crs.

Sl. No	Particulars	FY15
	Revenue at existing tariff	
1	Revenue from tariff and Misc. Charges	2402.12
2	Tariff Subsidy	2118.10
3	**Total Revenue**	**4520.22**
	Expenditure	
4	Power Purchase Cost	3281.66
5	Transmission charges of KPTCL	437.27
6	SLDC Charges	5.37
7	**Power Purchase Cost including cost of transmission**	**3724.30**
8	**O&M Expenses**	**565.55**
9	Depreciation	95.69
10	**Interest & Finance charges**	
11	Interest on Loans	153.78
12	Interest on Working capital	97.77
13	Interest on consumer deposits	42.39
14	Other Interest & Finance charges	1.51
15	Less interest capitalised	0
16	**Total Interest & Finance charges**	**295.45**
17	Return on Equity	42.12
18	Funds towards Consumer Relations/Consumer Education	0.50
19	Other Income	75.00
20	**ARR**	**4648.61**
21	Deficit for FY13 carried forward	-415.33
22	**Net ARR**	**5063.94**

5.4 Segregation of ARR into ARR for Distribution Business and ARR for Retail Supply Business:

The Commission in its MYT Order dated 6th May, 2013 has considered the following apportionment for segregation of ARR:

TABLE – 5.24

Allocation between Distribution business and Retail supply business

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 Commission decides to continue the same ratio of segregation as given above for FY15. Accordingly, the following is the approved ARR for Distribution Business and Retail supply business:

TABLE – 5.25

APPROVED REVISED ARR FOR DISTRIBUTION BUSINESS

Amount in Rs.Crs.

Sl. No	Particulars	FY15
1	O&M Expenses	356.30
2	Depreciation	80.38
3	**Interest & Finance Charges**	
4	Interest on Loan Capital	153.78
5	Interest on Working Capital	24.31
6	Interest on Consumer Deposits	0.00
7	Other Interest & Finance Charges	1.51
8	**Total**	**616.28**
9	Return on Equity	34.54
10	Other Income	0.00
11	**NET ARR**	**650.82**

TABLE – 5.26

APPROVED ARR FOR RETAIL SUPPLY BUSINESS

Amount in Rs.Crs.

Sl. No	Particulars	FY15
1	Power Purchase including SLDC charges	3724.30
2	O&M Expenses	209.25
3	Depreciation	15.31
4	**Interest & Finance Charges**	
5	Interest on Loan Capital	0.00
6	Interest on Working Capital	73.46
7	Interest on Consumer Deposits	42.39
8	**Total**	**4064.71**
9	Return on Equity	7.58
10	Other Income	75.00
11	Fund towards Consumer Relations / Consumer Education	0.50
12	**NET ARR**	**3997.80**

5.5 Gap in Revenue for FY15:

As discussed above, the Commission decides to approve the Annual Revenue Requirement (ARR) of HESCOM for its operations in FY15 at Rs.4648.61 Crores as against HESCOM's application proposing an ARR of Rs.5006.60 Crores. In addition, an amount of Rs.415.33 Crores which is determined as the deficit in FY13 as discussed in Chapter-4 of this Order also needs to be taken into account for determining the total revenue requirement for FY15. Together with this deficit carried over from FY13, the ARR for FY15 is determined at Rs.5063.94 Crores. Considering an estimated revenue for FY15 at the existing retail supply tariff, the total realisation of revenue will be Rs.4520.22 Crores which is Rs.543.72 Crores less than the projected revenue requirement for the year.

As seen from the detailed analysis in Chapter-4 of this Order, the revenue gap in FY13 was mainly on account of the steep increase in the power purchase cost from Rs.3.20 per unit as estimated to Rs.3.59 per unit as actually incurred. Partly, it was also due to shortfall in the sale of power by ESCOMs to different categories of consumers. In view of the extraordinary factors which contributed to the deficit in FY13 and considering the likely increase in the cost of service during FY15, the Commission has decided to treat part of the projected revenue gap for FY15 as regulatory asset to be realised in the tariff of the future years. Thus, out of the total revenue gap of Rs.543.72 Crores for FY15, the Commission decides to set aside an amount of Rs.214.58 Crores as regulatory asset to be recovered in the tariff over the next two years (FY16 and FY17). The Commission also decides to allow carrying cost at 12 % per annum on the amount of regulatory asset which will be assessed at the time of the Annual Performance Review (APR) of FY15 and FY16. The balance amount of Rs.329.14 Crores is proposed to be realised as additional revenue by revision of tariff for different categories of consumers during FY15.

The net ARR and the gap in revenue for FY15 are shown in the following table:

TABLE – 5.27
Revenue Gap for FY15

Particulars	FY15
Net ARR including carry forward gap of FY13 (in Rs. Crores)	5063.94
Approved sales (in MU)	8855.10
Average cost of supply for FY15 (in Rs./unit)	5.72
Revenue at existing tariff (in Rs. Crores)	4520.22
Gap in revenue for FY15 (in Rs. Crores)	543.72
Regulatory asset to be recovered over next two years (in Rs. Crores)	214.58
Balance revenue gap to be collected by revision of tariff for FY15 (in Rs. Crores)	329.14

The determination of revised retail supply tariff on the basis of the above approved ARR is detailed in the following Chapter. The additional revenue from the revision of tariff to different categories of consumers other than IP sets and BJ/KJ households is estimated at Rs.123.37 Crores. In respect of the electricity supplied for irrigation pump sets and BJ/KJ households, the State Government shall contribute a subsidy of Rs.205.77 Crores to HESCOM.

CHAPTER – 6

DETERMINATION OF TARIFF FOR FY15

6.0 HESCOM'S Proposal and Commission's Analysis for FY15:

6.1 Tariff Application

As discussed in the preceding Chapters, HESCOM has projected an unmet gap in revenue of Rs.329.38 Crores for FY15. In order to bridge this gap in revenue, HESCOM, in its Tariff Application, has proposed a tariff increase of 66 paise per unit in respect of all the categories of consumers except BJ/KJ and irrigation pump set consumers.

6.2 Statutory Provisions Guiding Determination of Tariff

As per section 61 of the Electricity Act 2003, the Commission, is guided inter-alia, by the National Electricity Policy, the Tariff Policy and the following factors, while, determining the tariff:

- that the distribution and supply of electricity are conducted on commercial basis;
- that competition, efficiency, economical use of resources, good performance, and optimum investment are encouraged;
- that the tariff progressively reflects the cost of supply of electricity, and also reduces and eliminates cross subsidies within the period to be specified by the Commission;
- that efficiency in performance is to be rewarded ; and
- that a Multi-Year Tariff framework is adopted

Section 62(5) of the Electricity Act 2003, read with Section 27(1) of the KER Act 1999, empower the Commission to specify, from time to time, the methodologies and the procedure to be observed by the licensees in calculating the Expected Revenue from Charges (ERC). The Commission determines the Tariff in accordance with the Regulations and the Orders issued by the Commission from time to time.

6.3 Consideration for Tariff setting:

The Commission has considered the following relevant factors for determination of Retail Supply Tariff:

a) **Tariff Philosophy**:

As discussed in the earlier tariff orders, the Commission continues to fix tariff below the average cost of supply for consumers whose ability to pay is considered inadequate and fix tariff at or above the average cost of supply for categories of consumers whose ability to pay is considered to be greater. As a result the system of cross subsidy continues. However, the Commission has taken due care to progressively bring down the cross subsidy levels as envisaged in the Tariff Policy of the Government of India dated 6th January, 2006.

b) **Average Cost of Supply:**

The Commission has been determining the retail supply tariff on the basis of the average cost of supply. The KERC (Tariff) Regulations, 2000 require the licensees to provide details of embedded cost of electricity voltage / consumer category wise. The distribution network of Karnataka is such that, it is difficult to segregate the common cost between voltage levels. Therefore, the Commission has decided to continue the average cost of supply approach for recovery of the ARR.

c) **Differential Tariff:**

Beginning with its tariff order dated 25th November, 2009 the Commission has been determining differential retail supply tariff for consumers in urban and rural areas. The Commission decides to continue the same in the present order also.

6.4 Revenue at Existing Tariff and Deficit for FY15:

The Commission in its preceding Chapters has decided the ARR of FY15. Further, the Commission has decided to set aside Rs.214.58 Crores as Regulatory Asset. The balance unmet gap in revenue for FY15 is proposed to be filled up by revision of Retail Supply Tariff as discussed in the following paragraphs of this Chapter.

Considering the approved ARR for FY15 and the revenue as per the existing tariff, the gap in revenue for FY15 is as follows:

TABLE – 6.1

Revenue Deficit for FY15

Amount Rs. in Crs.

Particulars	FY15
Approved Net ARR for FY15 including gap of FY13	5063.94
Revenue at existing tariff	4520.22
Surplus / deficit	-543.72
Regulatory Asset set aside	214.58
Additional Revenue to be realised by Revision of Tariff	329.14

Accordingly, in this Chapter, the Commission has proceeded to determine the retail supply tariff for FY15. The category-wise tariff as existing, as proposed by HESCOM and as approved by the Commission are as follows:

1. <u>LT-1 BhagyaJyothi</u>

The existing tariff and the tariff proposed are given below:

Sl. No	Details	Existing (as per 2013 Tariff Order)	Proposed by HESCOM
1	Energy Charges (including recovery towards service main Charges)	496 paise / Unit Subject to a monthly minimum of Rs. 30 per installation per month.	496 paise / Unit Subject to a monthly minimum of Rs. 30 per installation per month.

Commission's Views/ Decision

The GoK, as a policy, has extended free power to all BJ/KJ consumers, whose consumption is not more than 18 units per month. The tariff payable by these consumers is revised to Rs.5.48 per unit.

Further, the ESCOMs have to claim subsidy for only those consumers who consume 18 units or less per month per installation. If the consumption exceeds 18 units per month or any BJ/KJ installation is found to have more than one out let, it shall be billed as per the Tariff Schedule LT 2(a).

The Commission determines the tariff (CDT) in respect of BJ / KJ installations as follows:

LT – 1 Approved Tariff for BJ / KJ installations

Commission determined Tariff	Retail Supply Tariff determined by the Commission
548paise per unit, Subject to a monthly minimum of Rs. 30 per installation per month.	-Nil- Fully subsidized by GoK

***Since GOK is meeting the full cost of supply to BJ / KJ, the Tariff payable by these Consumers is shown as Nil. However, if the GOK does not release the subsidy in advance, a Tariff of Rs.5.48 per unit subject to monthly minimum of Rs. 30/- per Installation per month shall be demanded and collected from these Consumers.**

Note: If the consumption exceeds 18 units per month or any BJ/KJ installation is found to have more than one light point being used, it shall be billed as per Tariff Schedule LT 2(a).

2. **LT2 (a) Domestic Consumers:**

HESCOM's Proposal:

The details of the existing and proposed tariff under this category are given in the Table below:

Proposed Tariff for LT-2 (a)

LT-2 a (i) Domestic Consumers Category

Applicable to areas coming under City Municipal Corporations and all areas under Urban Local Bodies

Details	Existing as per 2013 Tariff Order	Proposed by HESCOM
Fixed Charges per Month	For the first KW Rs.25	For the first KW Rs.25
	For every additional KW Rs.35	For every additional KW Rs.35
Energy Charges 0-30 units (**life line Consumption**)	0 to 30 units:250 paise/unit	0 to 30 units:316 paise /unit
Energy Charges exceeding 30 Units per month	31 to 100 units:370paise/unit	31 to 100 units:436 paise / unit
	101 to 200 units: 485 paise /unit	101 to 200 units: 551 paise /unit
	Above 200 units:585 paise /unit	Above 200 units: 651 paise /unit

LT-2(a)(ii) Domestic Consumers Category

Applicable to Areas under Village Panchayats

Details	Existing as per 2013 Tariff Order	Proposed by HESCOM
Fixed Charges per Month	For the first KW Rs.15	For the first KW Rs.15
	For every additional KW Rs.25	For every additional KW Rs.25
Energy Charges 0-30 units (**life line Consumption**)	0 to 30 units: 240 paise /unit	0 to 30 units:306 paise /unit
Energy Charges exceeding 30 Units per month	31 to 100 units: 340 paise / unit	31 to 100 units:406 paise / unit
	101 to 200 units:455 paise /unit	101 to 200 units: 521 paise /unit
	Above 200 units: 535 paise /unit	Above 200 units: 601 paise /unit

Commission's Views/ Decision

During the public hearing representation have been received to provide electricity to Fodder choppers & Milking Machines under domestic category, considering the requests, the Commission decides to include the electricity used for Fodder choppers & Milking Machines with a connected load up to 1 HP under this category.

The Commission has decided to continue the two tier tariff in respect of the domestic consumers as shown below:

(i) Areas coming under city Municipal Corporations and all Urban Local Bodies

(ii) Areas under Village Panchayats.

The Commission approves the tariff for this category as follows:

Approved Tariff for LT 2 (a) (i) Domestic Consumers Category:

Applicable to Areas coming under City Municipal Corporations and all areas under Urban Local Bodies

Details	Tariff approved by the Commission
Fixed Charges per Month	For the first KW Rs.25
	For every additional KW Rs.35
Energy Charges up to 30 Units per month (0-30 Units)-**life line consumption.**	Upto 30 units: 270 paise/unit
Energy Charges in case the Consumption exceeds 30 Units per month	31 to 100 units: 400 paise/unit
	101 to 200 units: 525 paise/unit
	Above 200 units: 625 paise/unit

LT-2(a)(ii) Domestic Consumers Category:

Applicable to Areas under Village Panchayats

Details	Tariff approved by the Commission
Fixed Charges per Month	For the first KW Rs.15/-
	For every additional KW Rs.25/-
Energy Charges up to 30 Units per Month (0-30 Units)- **Lifeline Consumption**	Upto 30 units: 260 paise/unit
Energy Charges in case the Consumption exceeds 30 units per month	31 to 100 units: 370 paise/unit
Energy Charges	101 to 200 units: 495 paise/unit
	Above 200 units: 575 paise/unit

3. **<u>LT2 (b) Private Professional and other Private Educational Institutions, Private Hospitals and Nursing Homes.</u>**

HESCOM's Proposal:

The details of the existing and the proposed tariff under this category are given in the Table below:

LT 2 (b) (i) Private Professional Educational Institutions & Private Hospitals and Nursing Homes.

Applicable to all areas coming under Urban Local Bodies including Municipal Corporations

Details	Existing tariff as per 2013 Tariff Order	Proposed by HESCOM
Fixed Charges per Month	Rs.35 Per KW subject to a minimum of Rs.65 per month	Rs.35 Per KW subject to a minimum of Rs.65 per month
Energy Charges	For the first 200 units 570 paise per unit	For the first 200 units 636 paise per unit
	For the balance units 670 paise per unit	For the balance units 736 paise per unit

LT 2 (b) (ii) Private Professional Educational Institutions &Private Hospitals and Nursing Homes.

Applicable in Areas under Village Panchayats

Details	Existing as per 2013 Tariff Order	Proposed by HESCOM
Fixed Charges per Month	Rs.25 per KW subject to a minimum of Rs.50 per Month	Rs.25 per KW subject to a minimum of Rs.50 per Month
Energy Charges	For the first 200 units: 520 paise per unit	For the first 200 units:586 paise per unit
	For the balance units: 620 paise per unit	For the balance units:686 paise per unit

Commission's decision

As in the previous Tariff Order dated 6th May 2013, the Commission decides to continue the tariff at two levels i.e.

(i) Municipal Corporation Areas and Areas coming under Urban Local bodies.

(ii) Areas under Village Panchayats.

Approved Tariff for LT 2 (b) (i) Private Professional and other Private Educational Institutions, Private Hospitals and Nursing Homes

Applicable to areas coming under City Municipal Corporations and all areas under urban Local Bodies

Details	Tariff approved by the Commission
Fixed Charges per Month	Rs.35per KW subject to a minimum of Rs.65 per Month.
Energy Charges	0-200 units: 600 paise/unit
	Above 200 units: 720 paise/unit

Approved Tariff for LT 2 (b) (ii) Private Professional and other Private Educational Institutions, Private Hospitals and Nursing Homes

Applicable in Areas under Village Panchayats

Details	Tariff approved by the Commission
Fixed Charges per Month	Rs.25 per KW subject to a minimum of Rs.50per Month
Energy Charges	0-200 units: 550 paise/unit
	Above 200 units: 670 paise/unit

4. LT3- Commercial Lighting, Heating& Motive Power

HESCOM's Proposal:

The existing and proposed tariff is as follows:

LT- 3 (i) Commercial Lighting, Heating& Motive Power
Applicable in areas under all Urban LocalBodiesincluding City Municipal Corporations

Details	Existing as per 2013 Tariff Order	Proposed by HESCOM
Fixed Charges per Month	Rs.40 per KW	Rs. 40 per KW
	For the first 50 units:645 paise per unit	For the first 50 units:711 paise per unit
	For the balance units:745paise per unit	For the balance units:811 paise per unit

Demand based tariff (optional) where sanctioned load is above 5 KW but below 50 KW.

Details	Existing as per 2013 Tariff Order	Proposed by HESCOM
Fixed Charges	Rs. 55 per KW	Rs. 55 per KW
Energy Charges	For the first 50 units:645 paise per unit	For the first 50 units:711 paise per unit
	For the balance units:745 paise per unit	For the balance units:811 paise per unit

LT-3 (ii) Commercial Lighting, Heating& Motive Power
Applicable in areas under village Panchayats

Details	Existing as per 2013 Tariff Order	Proposed by HESCOM
Fixed Charges per Month	Rs. 30 per KW	Rs.30 per KW
Energy Charges	For the first 50 units:595paise per unit	For the first 50 units:661 paise per unit

	For the balance units:695paise per unit	For the balance units: 761 paise per unit

Demand based tariff (optional) where sanctioned load is above 5 KW but below 50 KW

Details	Existing as per 2013 Tariff Order	Proposed by HESCOM
Fixed Charges per Month	Rs. 45 per KW	Rs. 45 per KW
Energy Charges	For the first 50 units:595paise per unit	For the first 50 units:661 paise per unit
	For the balance units:695paise per unit	For the balance units:761paise per unit

Commission's decision

As in the previous Tariff Order dated 6th May 2013, the Commission decides to continue tariff at two levels i.e.

(i) Municipal Corporation and areas coming under other urban local bodies

(ii) Areas under Village Panchayats

LT- 3 (i) CommercialLighting,Heating& Motive Power

Applicable to areas under allUrban Local Bodiesincluding Municipal Corporations

Details	Approved by the Commission
Fixed Charges per Month	Rs 40 per KW
Energy Charges	For the first 50 units: 675 paise/ unit
	For the balance units: 775paise/unit

Demand based tariff (Optional)where sanctioned load is above 5 kW but below 50 kW.

Details	Approved by the Commission
Fixed Charges per Month	Rs 55 per KW
Energy Charges	For the first 50 units: 675paise /unit
	For the balance units: 775 paise/unit

LT-3 (ii) Commercial LightingHeating& Motive Power

Applicable to areas under Village Panchayats

Details	Approved by the Commission
Fixed Charges per Month	Rs. 30per KW
Energy Charges	For the first 50 units: 625 paise per unit
	For the balance units: 725 paise per unit

Demand based tariff (Optional)where sanctioned load is above 5 kW but below 50 kW

Details	Approved by the Commission
Fixed Charges per Month	Rs. 45 per KW
Energy Charges	For the first 50 units: 625paise per unit
	For the balance units: 725paise per unit

5. **LT4-Irrigation Pump Sets**:

HESCOM Proposal:

The existing and proposed tariff for LT4 (a) is as follows:

LT-4 (a) Irrigation Pump Sets
Applicable to IP Sets upto and inclusive of 10 HP

Details	Existing as per 2013 Tariff Order	Proposed by HESCOM
Fixed Charges per Month	Nil	Free (In case GoK does not release the subsidy in advance, CDT of 442 paise per unit will be demanded and collected from consumers)
Energy Charges	CDT 442 paise per unit	

Commission's Views/ Decision

The Government of Karnataka has extended free supply of power to farmers as per Government Order No. EN 55 PSR 2008 dated 04.09.2008. As per this policy of GoK, the entire cost of supply to IP sets upto and inclusive of 10 HP is being borne by the GoK through tariff subsidy. In view of this all the categories under the existing LT-4a tariff are covered under free supply of power.

Considering the cross subsidy contribution from categories other than IP Sets & BJ/KJ Categories, the Commission determines the tariff for IP Set under LT4(a) category as follows:

Approved CDT for IP Sets for FY15

Particulars	HESCOM
Approved ARR in Rs. Crores	5063.94
Revenue from other than IP & BJ/KJ in Rs. Crores	2525.50
Amount to be recovered from IP & BJ/KJ in Rs. Crores	2323.86
Regulatory Asset Rs. Crores	214.58
Approved Sales to BJ/KJs in MU	85.21
Revenue from BJ/KJ at Average Cost of supply in Rs. Crores	46.68
Amount to be recovered from IP Sets category in Rs. Crores	2277.18
Approved Sale to IP Sets in MU	4696.46
Commission Determined Tariff (CDT) for IP Set Category for FY15 in Rs/unit	**4.85**

Accordingly, the Commission decides to approve tariff of Rs.4.85per unit as CDT for FY15 for IP Set category under LT4(a). In case the GoK does not release the subsidy in advance, a tariff of Rs.4.85per unit shall be demanded and collected from these consumers.

Approved by the Commission

LT-4 (a) Irrigation Pump Sets

Applicable to IP Sets upto and inclusive of 10 HP

Details	Approved by the Commission
Fixed charges per Month	**Free***
Energy charges	
CDT (Commission Determined Tariff): 485 paise per unit	

*** In case the GoK does not release the subsidy in advance, a tariff of Rs.4.85 per unit shall be demanded and collected from these consumers.**

LT4 (b) Irrigation Pump Sets above 10 HP:

HESCOM's Proposal

The existing and proposed tariff for LT-4(b) is as follows:

LT-4 (b) Irrigation Pump Sets:
Applicable to IP Sets above 10 HP

Details	Existing as per 2013 Tariff Order	Proposed by HESCOM
Fixed Charges per Month	Rs. 30 per HP	Rs. 30 per HP
Energy Charges	175 paise per unit	241 paise per unit

The existing and proposed tariff for LT4(c) is as follows:

LT-4 (c) (i) Irrigation Pump Sets:
Applicable to Private Horticultural Nurseries, Coffee and Tea plantations up to & inclusive of 10 HP

Details	Existing as per 2013 Tariff Order	Proposed by HESCOM
Fixed Charges per Month	Rs. 20 per HP	Rs. 20 per HP
Energy Charges	175 paise per unit	241paise per unit

LT-4 (c) (ii) Irrigation Pump Sets:
Applicable to Private Horticultural Nurseries, Coffee and Tea plantations above 10 HP.

Details	Existing as per 2013 Tariff Order	Proposed by HESCOM
Fixed Charges per Month	Rs. 30 per HP	Rs. 30 per HP
Energy Charges	175 paise per unit	241 paise per unit

Approved Tariff:

As in the previous Tariff Order dated 6th May 2013, the Commission decides to revise the tariff in respect of these categories as shown below:

LT-4 (b) Irrigation Pump Sets:
Applicable to IP Sets above 10 HP

Fixed Charges per Month	Rs.30 per HP per Month.
Energy Charges for the entire consumption	215 paise/unit

LT4(c) (i) Irrigation Pump Sets
Applicable to Horticultural Nurseries,
Coffee, Tea & Rubber plantations upto & inclusive of 10 HP

Fixed Charges per Month	Rs.20 per HP per Month.
Energy Charges	215 paise / unit

LT4 (c)(ii) Irrigation Pump Sets
Applicable to Horticultural Nurseries, Coffee, Tea& Rubber plantations above 10 HP

Fixed Charges per Month	Rs.30 per HP per Month.
Energy Charges	215 paise/unit

6. LT5 Installations-LT Industries:

HESCOM's Proposal

The existing and proposed tariffs are given below:

LT-5 LT Industries:
Applicable to all areas under HESCOM

i) Fixed charges

Details	Existing as per 2013 Tariff Order	Proposed by HESCOM
Fixed Charges per Month	i)Rs. 25 per HP for 5 HP & below ii) Rs. 30 per HP for above 5 HP & below 40 HP iii) Rs. 35 per HP for 40 HP & above but below 67 HP iv)Rs. 100 per HP for 67 HP & above	i) Rs. 25 per HP for 5 HP & below ii) Rs. 30 per HP for above 5 HP & below 40 HP iii) Rs. 35 per HP for 40 HP & above but below 67 HP iv)Rs. 100 per HP for 67 HP & above

ii) Demand based Tariff (optional)

Details	Description	Existing Tariff as per 2013 Tariff Order	Proposed by HESCOM
Fixed Charges	Above 5 HP and less than 40 HP	Rs. 45 per KW of billing demand	Rs. 45 per KW of billing demand

per Month	40 HP and above but less than 67 HP	Rs. 60 per KW of billing demand	Rs. 60 per KW of billing demand
	67 HP and above	Rs. 150 per KW of billing demand	Rs. 150 per KW of billing demand

iii. Energy Charges

Details	Existing as per 2013 Tariff Order	Proposed by HESCOM
For the first 500 units	425 paise per unit	491 paise/ unit
For the next 500 units	495 paise per unit	561 paise/ unit
For the balance units	525 paise per unit	591 paise/ unit

Existing ToD Tariff for LT5: At the option of the consumers

ToD Tariff

Time of Day	Increase (+)/ reduction (-) in energy charges over the normal tariff applicable
22.00 Hrs to 06.00 Hrs	(-) 125 paise per unit
06.00 Hrs to 18.00 hrs	0
18.00 Hrs to 22.00 Hrs	(+) 100 paise per unit

Proposed ToD Tariff for LT5 : At the option of the consumer

ToD Tariff

Time of Day	Increase (+)/ reduction (-) in energy charges over the normal tariff applicable
22.00 Hrs to 06.00 Hrs	(-) 125 paise per unit
06.00 Hrs to 18.00 hrs	0
18.00 Hrs to 22.00 Hrs	(+) 100 paise per unit

Commission's views / decisions:

The Government of Karnataka has requested the Commission to consider extending industrial tariff to establishments engaged in Information Technology (IT) enabled Services / Start-ups/ Animation / Gaming / Computer Graphics/ Telecom/ BPO/KPO and other knowledge based activities. After considering the request of the GoK, the Commission decides to include Information Technology (IT) enabled Services / Start-ups/ Animation / Gaming / Computer Graphics establishments in this category.

Time of the Day Tariff:

As per the decision of the Commission in its Tariff Orders dated 30th April 2012 and 6th May, 2013, the mandatory Time of Day Tariff for HT2(a),HT2(b) and HT2(c) consumers with a contract demand of 500 KVA and above is continued. The optional ToD would continue as existing earlier for HT2(a), HT2(b) and HT2(c) consumers with contract demand of less than 500 KVA. Further, for LT5 and HT1 consumers, the optional ToD is continued as existing earlier.

Approved Tariff :

The Commission approves the tariff under LT 5 as given below:

Approved Tariff for LT 5 :

Applicable to all the areas of HESCOM

i) Fixed charges

Details	Approved by the Commission
Fixed Charges per Month	i) Rs. 25 per HP for 5 HP & below ii) Rs. 30 per HP for above 5 HP & below 40 HP iii) Rs. 35 per HP for 40 HP & above but below 67 HP iv) Rs. 100 per HP for 67 HP & above

ii) Demand based Tariff (optional)

Fixed Charges per Month	Above 5 HP and less than 40 HP	Rs. 45 per KW of billing demand
	40 HP and above but less than 67 HP	Rs.60 per KW of billing demand
	67 HP and above	Rs. 150 per KW of billing demand

iii) Energy Charges

Details	Approved tariff
For the first 500 units	455 paise/ unit

For the next 500 units	535 paise/ unit
For the balance units	565 paise/unit

Approved ToD Tariff for LT5 :At the option of the consumer

ToD Tariff

Time of Day	Increase (+)/ reduction (-) in energy charges over the normal tariff applicable
22.00 Hrs to 06.00 Hrs	(-)125 paise per unit
06.00 Hrs to 18.00 hrs	0
18.00 Hrs to 22.00 Hrs	(+)100 paise per unit

LT6 Water Supply Installations and Street Lights

HESCOM's Proposal:

The existing and the proposed tariffs are given below:

LT-6(a) : Water Supply

Details	Existing as per 2013 Tariff Order	Proposed by HESCOM
Fixed Charges per Month	Rs. 35/HP/month	Rs. 35/HP/month
Energy Charges	320 paise/unit	386 paise/unit

LT-6 (b) : Public Lighting

Details	Existing as per 2013 Tariff Order	Proposed by HESCOM
Fixed Charges per Month	Rs. 50/KW/month	Rs. 50/KW/month
Energy Charges	445 paise/unit	511 paise/unit

Commission's Decision:

The Commission approves the tariff for this category as follows :

Tariff Approved by the Commission for LT-6 (a): Water supply

Details	Approved Tariff
Fixed Charges per Month	Rs.35 /HP/month
Energy Charges	330 paise/unit

Tariff Approved by the Commission for LT-6 (b): Public Lighting

Details	Approved Tariff
Fixed Charges per Month	Rs. 50/KW/month
Energy Charges	485 paise/unit

8. <u>LT 7- Temporary Installations:</u>

HESCOM's Proposal:

The existing rate and the rate proposed are given below:
Temporary Supply

Details	Existing as per 2013 Tariff Order	Proposed by HESCOM
a) Less than 67 HP:	Energy charge at 850 paise per unit subject to a weekly minimum of Rs. 160 per KW of the sanctioned load.	Energy charge at 916 paise per unit subject to a weekly minimum of Rs. 160 per KW of the sanctioned load.

Commission's Decision :

As decided in the previous Tariff Order dated 6th May 2013, the tariff specified for installations with sanctioned load / contract demand above 67 HP is covered under the HT temporary tariff category under HT5. The Commission decides to approve the tariff LT-7 category as follows:

TARIFF SCHEDULE LT-7

Applicable to Hoardings & Advertisement boards, Bus Shelters with Advertising Boards, Private Advertising Posts / Sign boards in the interest of Public such as Police Canopy Direction boards, and other sign boards sponsored by Private Advertising Agencies / firms, Temporary Power Supply of all categories

Details	Approved Tariff
Less than 67 HP:	Energy charge at 900 paise / unit subject to a weekly minimum of Rs. 160 per KW of the sanctioned load.

9. <u>H.T. Categories:</u>

Time of day	Increase (+) / reduction (-) in the energy charges over the normal tariff applicable

Time of the Tariff (ToD)

The Commission decides to continue the mandatory Time of Day Tariff for HT2(a), HT2(b) and HT2(c) consumers with a contract demand of 500 KVA and above. Further, the optional ToD would continue as existing earlier for HT2(a), HT2(b) and HT2(c) consumers with contract demand of less than 500 KVA. The details of ToD tariff are indicated under the respective tariff category.

<u>10. HT1 Water Supply & Sewerage</u>

HESCOM's Proposal:

The Existing and the Proposed tariff

Sl. No.	Details	Existing tariff as per 2013 Tariff Order	Proposed by HESCOM
1	Demand Charges	Rs. 180 / kVA of billing Demand / Month	Rs. 180 / kVA for billing demand / Month
2	EnergyCharges	380 paise per unit	446 paise per unit

Existing ToD tariff to HT-1 tariff to Water Supply & Sewerage installations at the option of the consumer

22.00 Hrs to 06.00 Hrs next day	(-) 125 paise per unit
06.00 Hrs to 18.00 Hrs	0
18.00 Hrs to 22.00 Hrs	(+) 100 paise per unit

Proposed ToD Tariff to HT-1

Time of day	Increase (+) / reduction (-) in the energy charges over the normal tariff applicable
22.00 Hrs to 06.00 Hrs next day	(-) 125 paise per unit
06.00 Hrs to 18.00 Hrs	0
18.00 Hrs to 22.00 Hrs	(+) 100 paise per unit

Commission's decision:

The Commission approves the tariff for HT 1 Water Supply & Sewerage category as below:

Approved Tariff for HT 1

Details	Tariff approved by the Commission
Demand Charges	Rs.180 / kVA of billing demand / Month
Energy Charges	400 paise/ unit

Approved ToD tariff to HT-1 tariff to Water Supply & Sewerage installations at the option of the consumer

Time of day	Increase (+) / reduction (-) in the energy charges over the normal tariff applicable
22.00 Hrs to 06.00 Hrs next day	(-) 125 paise per unit
06.00 Hrs to 18.00 Hrs	0
18.00 Hrs to 22.00 Hrs	(+)100 paise per unit

11. <u>HT2 (a) – HT Industries & HT 2(b) – HT Commercial</u>

HESCOM's Proposal:

Existing & proposed tariff – HT – 2 (a) - HT Industries

Applicable to all areas of HESCOM

Details	Existing tariff as per Tariff Order 2013	Proposed by HESCOM
Demand Charges	Rs. 170 / kVA of billing demand / month	Rs. 170 / kVA of billing demand / month
Energy Charges (iii) For the first one lakh units (iv) For the balance units	 535 paise per unit 565 paise per unit	 601 paise per unit 631 paise per unit

Railway traction and Effluent Plants

Details	Existing tariff as per Tariff Order 2013	Proposed by HESCOM
Demand Charges	Rs. 180 / kVA at billing demand / month	Rs. 180 / kVA of billing demand / month
Energy Charges	500 paise per unit for all the	566 paise per unit for all

	units	the units

Existing ToD Tariff to HT-2(a)

Time of day	Increase (+) / reduction (-) in the energy charges over the normal tariff applicable
22.00 Hrs to 06.00 Hrs next day	(-)125 paise per unit
06.00 Hrs to 18.00 Hrs	0
18.00 Hrs to 22.00 Hrs	(+) 100 paise per unit

Proposed ToD Tariff to HT-2(a)

Time of day	Increase (+) / reduction (-) in the energy charges over the normal tariff applicable
22.00 Hrs to 06.00 Hrs next day	(-) 125 paise per unit
06.00 Hrs to 18.00 Hrs	0
18.00 Hrs to 22.00 Hrs	(+) 100 paise per unit

Commission's Views/Decision

The Government of Karnataka has requested the Commission to consider extending industrial tariff to establishments engaged in Information Technology (IT) enabled Services / Start-ups/ Animation / Gaming / Computer Graphics/ Telecom/ BPO/KPO and other knowledge based activities. After considering the request of the GoK, the Commission decides to include Information Technology (IT) enabled Services / Start-ups/ Animation / Gaming / Computer Graphics establishments in this category.

The Commission approves the tariff for HT 2(a) category as below:

Approved Tariff for HT – 2 (a)

Applicable to all areas of HESCOM

Details	Approved Tariff
Demand Charges	Rs. 170 / kVA of billing demand / Month
Energy Charges	
For the first one lakh units	570 paise/ unit

For the balance units	600 paise/ unit

Railway Traction & Effluent Treatment Plants

Details	Tariff approved by the Commission
Demand Charges	Rs. 180 / kVA of billing demand / Month
Energy Charges	540 paise / unit for all the units

12.HT-2 (b) HT Commercial

HESCOM's Proposal:

Existing and proposed tariff for HT – 2 (b)-HT Commercial

Applicable to all areas of HESCOM

Details	Existing tariff as per tariff order 2013	Proposed by HESCOM
Demand Charges	Rs. 190 / kVA of billing demand / month	Rs. 190 / kVA of billing demand / month
Energy Charges		
(i) For the first two lakh units	675 paise per unit	741 paise per unit
(ii) For the balance units	705 paise per unit	771 paise per unit

Proposed ToD Tariff to HT-2(b)

Time of day	Increase (+) / reduction (-) in the energy charges over the normal tariff applicable
22.00 Hrs to 06.00 Hrs next day	(-) 125 paise per unit
06.00 Hrs to 18.00 Hrs	0
18.00 Hrs to 22.00 Hrs	(+) 100 paise per unit

Commission's Views/Decision

The Commission approves the following tariff for HT 2 (b) consumers:

Approved tariff for HT – 2 (b) - HT Commercial

Applicable to all areas of HESCOM

Details	Tariff approved by the Commission
Demand Charges	Rs. 190/ kVA of billing demand / Month
Energy Charges	

(i) For the first two lakh units	715 paise per unit
(ii) For the balance units	745 paise per unit

Note: The above tariff under HT2 (b) is not applicable for construction of new industries. Such power supply shall be availed under the new temporary category HT5.

13 <u>HT – 2 (c) – Applicable to Hospitals and Educational Institutions:</u>

Existing& proposed tariff for HT – 2 (c) (i)

Applicable to Government Hospitals & Hospitals run by Charitable Institutions, ESI Hospitals,
Educational Institutions belonging to Government, Local Bodies, Aided Institutions and Hostels of all Educational Institutions

Details	**Existing Tariff as per Tariff Order 2013**	**Proposed by HESCOM**
Demand Charges	Rs. 170 / kVA of billing demand / Month	Rs. 170 / kVA of billing demand / Month
Energy Charges		
(i) For the first one lakh units	500 paise per unit	566 paise per unit
(ii) For the balance units	550 paise per unit	616 paise per unit

Existing & Proposed Tariff for HT – 2 (c) (ii)

Applicable to Hospitals/Educational Institutions other than those covered under HT2(c) (i)

Details	**Existing Tariff as per Tariff Order 2013**	**Proposed by HESCOM**
Demand Charges	Rs.170 / kVA of billing demand / Month	Rs.170 / kVA of billing demand / Month
Energy Charges		
(i) For the first one lakh units	600 paise per unit	666 paise per unit
(ii) For the balance units	650 paise per unit	716 paise per unit

Commission's Decision:

The Commission approves the following tariff for HT-2(c) consumers :

Approved tariff for HT – 2 (c) (i)

Applicable to Government Hospitals, Hospitals run by Charitable Institutions, ESI Hospitals, Universities, Educational Institutions belonging to Government, Local Bodies and Aided Institutions including Hostels of all Educational Institutions

Details	Tariff approved by the Commission
Demand Charges	Rs.170 / kVA of billing demand / Month
Energy Charges	
(i) For the first one lakh units	540 paise per unit
(ii) For the balance units	590 paise per unit

Approved tariff for HT – 2 (c) (ii)

Applicable to Hospitals&Educational Institutions other than those covered under HT2(c) (i)

Details	Tariff approved by the Commission
Demand Charges	Rs. 170 / kVA of billing demand / Month
Energy Charges	
(i) For the first one lakh units	640 paise per unit
(ii) For the balance units	690 paise per unit

Time of the Day Tariff:
Approved ToD Tariff to HT-2(a), HT- 2(b) and HT2(c)

Time of day	Increase (+) / reduction (-)in the energy charges over the normal tariff applicable
22.00 Hrs to 06.00 Hrs next day	(-)125 paise per unit
06.00 Hrs to 18.00 Hrs	0
18.00 Hrs to 22.00 Hrs	(+)100 paise per unit

14. <u>HT-3(a) Lift Irrigation Schemes under Government Departments / Government owned Corporations/ Lift Irrigation Schemes under Pvt /Societies:</u>

HESCOM's Proposal:

Existing and proposed tariff for HT – 3 (a) –Lift Irrigation Schemes are given below

HT 3(a) (i) Applicable to LI Schemes under Government Departments / Government owned Corporations

Details	Existing charges as per Tariff Order 2013	Proposed by HESCOM

Energy Charges/ minimum Charges	150 paise / unit Subject to an annual minimum of Rs.1000 per HP / annum	216 paise / unit Subject to an annual minimum of Rs. 1000 per HP / annum

HT 3(a) (ii) Applicable to Private LI Schemes and Lift Irrigation Societies fed through Express / Urban feeders

Details	Existing Tariff as per Tariff Order 2013	Proposed by HESCOM
Fixed Charges	Rs. 30 / HP / Month of sanctioned load	Rs. 30 / HP / Month of sanctioned load
Energy Charges	110 paise / unit	176 paise / unit

HT 3(a) (iii) Applicable to Pvt. LI Schemes and Lift Irrigation Societies other than those covered under HT-3 (a)(ii)

Details	Existing Tariff as per Tariff Order 2013	Proposed by HESCOM
Fixed Charges	Rs. 10 / HP / Month of sanctioned load	Rs. 10 / HP / Month of sanctioned load
Energy Charges	110 paise / unit	176 paise / unit

Commission's Decision:

The Commission approves the tariff for this category as follows :

Approved tariff for HT 3 (a) (i)

Applicable to LI schemes under Govt. Dept. / Govt. owned Corporations

Energy Charges / Minimum Charges	150 paise/ unit subject to an annual minimum of Rs. 1000 per HP / annum

Approved tariff for HT 3 (a) (ii)

Applicable to Pvt. LI Schemes and Lift Irrigation Societies fed through express / urban feeders

Fixed Charges	Rs. 30 / HP / Month of sanctioned load
Energy Charges	150 paise / unit

Approved tariff for HT 3 (a) (iii)

Applicable to Pvt. LI Schemes and Lift Irrigation Societies other than thosecovered under HT 3 (a) (ii)

Fixed Charges	Rs. 10 / HP / Month of sanctioned load
Energy Charges	150 paise / unit

HT3 (b)- Irrigation & Agricultural Farms, Government Horticulture farms, Private Horticulture Nurseries, Coffee, Tea, Coconut & Arecanut Plantations:

HESCOM's Proposal:

The existing and the proposed tariff are given below:

HT3 (b)- Irrigation & Agricultural Farms, Government Horticulture farms, Private Horticulture Nurseries, Coffee, Tea, Coconut & Arecanut Plantations:

Details	Existing tariff as per Tariff Order 2013	Proposed by HESCOM
Energy Charges / minimum Charges	320 paise / unit subject to an annual minimum of Rs. 1000 per HP of sanctioned load	386 paise / unit subject to an annual minimum of Rs. 1000 per HP of sanctioned load

Commission's Decision

The Commission approves the tariff for this category as indicated below:

Approved Tariff

HT3 (b)- Irrigation & Agricultural Farms, Government Horticulture farms, Private Horticulture Nurseries, Coffee, Tea, Rubber, Coconut & Arecanut Plantations:

Details	Approved Tariff
Energy Charges / minimum Charges	350 paise / unit subject to an annual minimum of Rs. 1000 per HP of sanctioned load

15. <u>HT4- Residential Apartments/ Colonies</u>

HESCOM's Proposal:

The existing & proposed tariff for this category are given below:

Existing and proposed tariff for HT – 4 - Residential Apartments/ Colonies Applicable to all areas of HESCOM

Details	Existing tariff as per Tariff Order 2013	Proposed tariff by HESCOM
Demand Charges	Rs.100 / kVA of billing demand	Rs.100 / kVA of billing demand
Energy Charges	490 paise per unit	556 paise/ unit

Commission's Decision

The Commission approves the tariff for this category as follows:-

Approved tariff
HT – 4 Residential Apartments/ Colonies Applicable to all areas of HESCOM

Demand Charges	Rs. 100 / kVA of billing demand
Energy Charges	530 paise/ unit

16. <u>TARIFF SCHEDULE HT-5</u>

HESCOM's Proposal:

The existing & proposed tariff for this category is given below:

HT 5 – Temporary supply

67 HP and above:	**Existing**	**Proposed**
Fixed Charges / Demand Charges	Rs.210/HP/Month for the entire sanction load / contract demand	Rs.210/HP/Month for the entire sanction load / contract demand
Energy Charge	850 paise / unit (weekly minimum of Rs.160/- per KW is not applicable)	916 paise / unit (weekly minimum of Rs 160/- is not applicable)

Commission's decisions:

TARIFF SCHEDULE HT-5

As approved in the Commission Tariff Order dated 6th May 2013, this tariff is applicable to 67 HP and above hoardings and advertisement boards and construction power for industries excluding those category of consumers covered under HT2(b) Tariff schedule availing power supply for construction power for irrigation, power projects and Konkan railway projects and also applicable to power supply availed on temporary basis with the contract demand of 67 HP and above of all categories.

Approved Tariff for HT – 5 – Temporary supply

67 HP and above:	**Approved Tariff**
Fixed Charges / Demand Charges	Rs. 210/HP/Month for the entire sanction load / contract demand
Energy Charge	900 paise / unit

The Approved Tariff schedule for FY15 is enclosed in **Annex – III** of this Order.

6.5 Other Issues

1) Tariff for Green Power:

In order to encourage generation and use of green power in the State, the Commission decides to continue the existing Green Tariff of 50 paise per unit as the additional tariff over and above the normal tariff to be paid by HT-consumers, who opt for supply of Green power from out of the renewable energy procured by distribution utilities over and above their Renewable Purchase Obligation (RPO).

6.6 Determination of wheeling charges

Wheeling

HESCOM has worked out wheeling charges as 0.81 paise/unit considering distribution ARR of Rs.746.50 Crores and sales of 9115.69 MU. Further, HESCOM has referred to its letter No. HESCOM/GM(T)/EEE(PTC)/4656/12-13/26980 dated 16.02.2013, where in the following points are discussed :-

a. There should be no banking facility.
b. The wheeling should be allowed for total month generation to the consumer and shall be billed with total energy generated and wheeled within first week of next month.
c. Excess energy pumped other than wheeled, shall be paid at preferential tariff determined by the Commission.
d. Excess drawl from the grid shall be billed at 1.5 times of the normal rate.
e. Cross subsidy charges to be removed.

The Commission notes that HESCOM in their replies has not apportioned the wheeling charges between HT & LT network. Further, it has not indicated the applicable losses for wheeling transactions.

The approach of the Commission regarding wheeling & banking charges is discussed in the following paragraphs:

In determining the wheeling charges, the Commission has considered the ARR pertaining to distribution wires business as done in the previous years.

6.6.1 Wheeling within HESCOM Area:

The allocation of the distribution network costs to HT and LT networks for determining wheeling charges is done in the ratio of 30:70, as was being done earlier. Based on the approved ARR for distribution business, the wheeling charges to each voltage level is worked out as under:

TABLE – 6.2

Wheeling Charges

Distribution ARR-Rs. Crs	650.82
Sales-MU	8855.09
Wheeling charges- paise/unit	73.50
	Paise/unit
HT-network	22.05
LT-network	51.45

In addition to the above, the following technical losses are applicable to all open access/wheeling transactions:

Loss allocation	% loss
HT	8.73
LT	9.24

Note: Total loss is allocated to HT, LT & Commercial loss based on energy flow diagram furnished by HESCOM.

The actual wheeling charges payable (after rounding off) will depend upon the point of injection & point of drawal as under:

paise/unit

Injection point → / Drawal point ↓	**HT**	**LT**
HT	22 (8.73%)	74 (17.97%)
LT	74 (17.97%)	52 (9.24%)

Note: Figures in brackets are applicable losses

The wheeling charges as determined above are applicable to all the open access/wheeling transactions for using the HESCOM network, except for energy wheeled from NCE sources to the consumers in the State.

6.6.2 WHEELING OF ENERGY USING TRANSMISSION NETWORK OR NETWORK OF MORE THAN ONE LICENSEE

In case the wheeling of energy [other than NCE sources wheeling to consumers in the State] involves usage of Transmission network or network of more than one licensee, the charges shall be as indicated below:

i. If only transmission network is used, transmission charges determined by the Commission shall be payable to the Transmission Licensee.

ii. If the Transmission network and the ESCOMs' network are used, Transmission Charges shall be payable to the Transmission Licensee. Wheeling Charges of the ESCOM where the power is drawn shall be shared equally among the ESCOMs whose networks are used.

Illustration:

If a transaction involves transmission network and HESCOM's network and 100 units are injected, then at the drawal point the consumer is entitled for 78.90 units, after accounting for Transmission loss of 3.81% & HESCOM's distribution loss of 17.97%.

The Transmission charge in cash as determined in the Transmission Tariff order shall be payable to KPTCL & Wheeling charge of 74 paise per unit shall be payable to HESCOM. In case more than one ESCOM is involved, the above 74 paise shall be shared by all the ESCOMs involved.

iii. If ESCOMs' network only is used, the Wheeling Charges of the ESCOM where the power is drawn is payable and shall be shared equally among the ESCOMs whose networks are used.

Illustration:

If a transaction involves injection to BESCOM's network & drawal at HESCOM's network, and 100 units are injected, then at the drawal point the consumer is entitled for 82.03 units, after accounting HESCOM's loss of 17.97%.

The Wheeling charge of 74 paise per unit applicable to HESCOM shall be equally shared between HESCOM& BESCOM.

6.6.3 CHARGES FOR WHEELING ENERGY BY RENEWABLE ENERGY SOURCES (NON REC ROUTE) TO CONSUMERS IN THE STATE

The Commission vide order dated 24.04.2014 has extended the validity of the order No.B/01/1 dated 11.07.2008 in the matter of "Wheeling and Banking Agreement" up to 30.06.2014 or till the issue of revised order in the matter, whichever is earlier. As such, for RE sources wheeling energy to the consumers in the State the existing Wheeling and Banking charges are continued up to 30.06.2014 or till the issue of revised order in the matter, whichever is earlier.

6.6.4 CHARGES FOR WHEELING ENERGY BY RENEWABLE ENERGY SOURCS WHEELING ENERGY FROM THE STATE TO A CONSUMER/OTHERS OUTSIDE THE STATE AND FOR THOSE OPTING FOR RENEWABLE ENERGY CERTIFICATE.

In case the RE energy is wheeled from the State to a consumer/others outside the State, the normal wheeling charges as determined in para 6.6.1 and 6.6.2 of this order shall be applicable. For captive generators opting for Renewable Energy Certificates, the charges and the terms & conditions as specified in the order of the Commission dated 09.10.2013 are applicable.

6.7 Other tariff related issues:

i) Fuel Cost Adjustment Charge

The Commission in its tariff order dated 30th April, 2012 had decided to introduce fuel cost adjustment charges and the Commission has notified the Regulations on 22nd March, 2013. The Fuel cost adjustment charges have come into effect from the billing quarter beginning from 1st July, 2013. Subsequently, the Commission has notified an amendment to these Regulations on 3rd December 2013. Accordingly the Commission is reviewing FAC claims of ESCOMs on quarterly basis and separate Orders are being issued.

ii) Cross Subsidy Surcharge (CSS):

HESCOM has worked out the surcharge as under:-

Rs/unit

HT-2a	HT-2b	HT-4
1.008	2.3687	0.57

The Commission notes that, HESCOM worked out the CSS voltage wise and is not in accordance with the formula specified in the Regulation.

The determination of cross subsidy surcharge by the commission is discussed in the following paragraphs:-

The Commission in its MYT Regulations has specified the methodology for calculating the cross subsidy surcharge. Based on this, the category wise cross subsidy shall be as indicated below:

Particulars	HT-1 Water Supply	HT-2a Industries	HT-2b Commercial	HT-2©	HT3 (a) Lift Irrigation	HT3 (b) Irrigation & Agricultural Farms	HT-4 Residential Apartments	HT5 Temporary
Average Realization rate- Paise/unit	443.81	640.72	804.61	713.63	168.00	353.17	586.98	1182.71
Cost of supply (With PPC at 5% margin) at 66 kV and above level paise/ unit	587.97	587.97	587.97	587.97	587.97	587.97	587.97	587.97
Cross subsidy surcharge paise/unit at 66 kV & above level paise/ unit	-144.20	52.70	216.60	125.70	-420.00	-234.80	-1.00	594.70
Cost of supply (With PPC at 5% margin) at HT level paise/unit	632.58	632.58	632.58	632.58	632.58	632.58	632.58	632.58
Cross subsidy surcharge paise/unit at HT level	-188.80	8.10	172.00	81.00	-464.60	-279.40	-45.60	550.10

For the categories where the surcharge is negative, the surcharge is made zero at the respective voltage level. For the remaining categories, the Commission decides to determine the surcharge at 80% of the cross subsidy worked out above, as the cross subsidy surcharge has to be gradually reduced. Thus, the cross subsidy surcharge is determined as under:

Paise/unit

Voltage level	HT-2a	HT-2b	HT-2c	HT-5
66 kV & above	42	173	101	476
HT level-11 kV/33kV	7	138	65	440

The wheeling charges and cross subsidy surcharge determined in this order shall supersede the charges determined earlier and are applicable to all open access/wheeling transactions in the area coming under HESCOM.

The Commission directs the Licensees to account the transactions under open access separately. Further, the Commission directs the Licensees to carry forward the amount realized under Open Access/wheeling to the next ERC, as it is an additional income to the Licensees.

iii)Rebate for use of Solar Water Heater

The Commission has decided to retain the existing rebate of 50 paise per unit subject to a maximum of Rs.50 per installation per month for use of solar water heaters.

iv) Prompt payment incentive

The Commission had approved a prompt payment incentive (i) in all cases of payment through ECS and (ii) in the case of monthly bill exceeding Rs.1,00,000/- (Rs. One lakh). The earlier rate of incentive was 0.25 % of the bill amount, the Commission decides to continue the same.

v) Relief to Sick Industries

The Government of Karnataka has extended certain reliefs to sick industries under the New Industrial Policy 2001-06 vide G.O. No. CI 167 SPI 2001, dated 30.06.2001. The Commission, in its Tariff Order 2002, has accorded approval for implementation of reliefs to the sick industries as per the Government policy and the same was continued in the Tariff Order 2003/2005. The Commission decides to continue the same subject to the collection of the amount of relief from the GoK in advance.

vi) Power Factor

The Commission had retained the PF threshold limit and surcharge, both for LT and HT installations at the then existing levels in the Tariff Order 2005. The Commission has decided to continue the same in the present order as indicated below:

LT Category (covered under LT-3, LT-4, LT-5 & LT-6 where motive power is involved): 0.85

HT Category: 0.90

vii) Rounding off of KW / HP

In the Tariff Order 2005, the Commission had approved rounding off of fractions of KW / HP to the nearest quarter KW / HP for the purpose of billing and the minimum billing being for 1 KW / 1HP in respect of all the categories of LT installations including IP sets. This shall continue to be followed. In the case of street light installations, fractions of KW shall be rounded off to the nearest quarter KW for the purpose of billing and the minimum billing shall be for a quarter KW.

viii) Interest on delayed payment of bills by consumers

The Commission, in its previous Order had approved interest on delayed payment of bills at 12% per annum. The Commission decides to continue the same in this Order also.

ix)Security Deposit (3 MMD/ 2 MMD)

The Commission had issued K.E.R.C. (Security Deposit) Regulations, 2007 on 01.10.2007and the same has been notified in the official Gazette on 11.10.2007. The payment of security deposit shall be regulated accordingly, pending orders of the Hon'ble High Court in respect of WP 18215/2007.

6.8 Effect of Revised Tariff

As per the KERC (Tariff) Regulations 2000, read with MYT Regulations 2006, the ESCOMs have to file their applications for ERC/Tariff before 120 days of the close of each financial year in the control period. The Commission observes that the ESCOMs have filed their applications for revision of tariff on 13th December 2013. As the tariff revision is effective from 1st May 2014onwards, ESCOMs would be recovering revenue for eleven months out of the Financial Year.

A statement indicating the proposed revenue and approved revenue is enclosed vide **Annexure** II and detailed tariff schedule is enclosed vide **Annexure** III.

6.9 Summary of Tariff Order 2014:

- The Commission has approved an ARR of Rs.5063.94 Crores for FY15 as against HESCOM's proposed ARR of Rs.4965.91Crores.
- The revenue gap as worked out by the Commission is Rs.543.72 Crores as against HESCOM estimated gap of Rs.288.69 Crores inclusive of the gap of FY13.

- The Commission has allowed additional revenue of Rs. 329.14Crores on tariff Revision as against the proposed additional revenue of Rs.329.38 Crores for FY15.

- HESCOM has proposed an increase of 66 paise for all categories of consumers other than BJ/KJ households and IP Sets. The Commission has approved an average increase of 32 paise per unit in the tariff for all consumers other than IP sets and BJ/KJ households.

- The Commission has increased the tariff for LT- Water Supply by 10 paise per unit and HT Water Supply installations by 20 paise per unit in both urban and rural areas.

- Time of the day tariff which was made mandatory in the previous Tariff Order for installations under HT2 (a), HT2 (b) and **HT2 (c)** with contract demand of 500 KVA and above is continued in this Order.

- Green tariff of additional 50 paise per unit over and above the normal tariff which was introduced in the previous tariff order for HT industries and HT commercial consumers at their option, to promote purchase of renewable energy from ESCOMs is continued in this Order.

- As in the previous Order, the Commission has continued to provide a separate fund for facilitating better Consumer Relations /Consumer Education Programs.

- The cap on short-term power is continued at Rs.4.50 per unit to meet shortfall in supply.

- Fodder choppers and Milking Machines with a connected load up to 1 HP are included under LT2 category.

- IT / ITes / Start-up / Animation / Games / Computer graphic establishments which were hitherto billed under commercial category are included under LT/ HT industrial tariff category.

6.10 Commission's Order

1. **In exercise of the powers conferred on the Commission under Sections 62, 64 and other provisions of the Electricity Act, 2003, the Commission hereby determines and notifies the distribution and retail supply tariff of HESCOM for FY14 as stated in Chapter-6 of this Order.**
2. **The tariff determined in this order shall come into effect for the electricity consumed from the first meter reading date falling on or after 1st May, 2014.**
3. **This order is signed dated and issued by the Karnataka Electricity Regulatory Commission at Bangalore this day, the 12th May, 2014.**

Sd/-	Sd/-	Sd/-
(M.R.Sreenivasa Murthy) **Chairman**	**(H.D. Arun Kumar)** **Member**	**(D.B. Manival Raju)** **Member**

ANNEXURE - I

APPROVED POWER PURCHASE FOR FY-15

SL No	Sources	TOTAL FOR THE STATE						HESCOM SHARE					
		Capacity in MW (State Share)	Energy in MU	Fixed Charges in Rs Cr	Variable Charges in Rs Cr	Total Charges in Rs Cr	Energy Charge in Rs per Unit	% of Energy	Energy in MU	Fixed Charges in Rs Cr	Variable Charges in Rs Cr	Total Charges in Rs Cr	Energy Charge in Rs per Unit
	KPCL Hydel Stations												
1	Sharavathi Valley Project (SGS & LPH)+Linganamakki	1090.00	5588.59	35.91	92.46	128.37	0.23	29.08	1625.28	10.44	26.89	37.33	0.23
2	Bhadra	39.20	54.55	1.00	15.03	16.03	2.94	20.94	11.42	0.21	3.15	3.36	2.94
3	Kali Valley Project (NPH&Supa)	985.00	3415.13	28.02	114.67	142.69	0.42	29.08	993.19	8.15	33.35	41.50	0.42
4	Varahi Valley Project (VUGPH1&2 and Mani DPH)	239.00	1146.74	15.42	66.67	82.09	0.72	29.08	333.50	4.48	19.39	23.87	0.72
5	Varahi 3 & 4	230.00		34.31		34.31		29.08	0.00	9.98	0.00	9.98	
6	Ghataprabha(GDPH/GHEP)	32.00	96.11	1.84	6.55	8.39	0.87	29.08	27.95	0.54	1.90	2.44	0.87
7	Kadra Dam	150.00	389.19	15.12	40.58	55.70	1.43	20.94	81.50	3.17	8.50	11.66	1.43
8	Kodasalli Dam	120.00	374.44	10.76	30.47	41.23	1.10	20.94	78.41	2.25	6.38	8.63	1.10
9	Gerusoppa/STRP(GPH)	240.00	572.95	18.59	42.51	61.10	1.07	20.94	119.98	3.89	8.90	12.79	1.07
10	Almatti (ADPH)	290.00	496.97	50.47	37.59	88.06	1.77	20.94	104.07	10.57	7.87	18.44	1.77
11	Shiva & Shimsha	59.20	301.61	5.53	19.64	25.17	0.83	29.08	87.71	1.61	5.71	7.32	0.83
12	Munirabad	28.00	84.33	0.60	4.36	4.96	0.59	29.08	24.53	0.17	1.27	1.44	0.59
13	MGHE-Jog	139.20	242.95	3.42	13.69	17.11	0.70	29.08	70.66	0.99	3.98	4.98	0.70
14	TB Dam Share	14.40	37.23	1.79	0.00	1.79	0.48	29.08	10.83	0.52	0.00	0.52	0.48
15	Kalmala (1x0.4MW)	0.40	0.00	0.00	0.00	0.00	0.00	20.94	0.00	0.00	0.00	0.00	

16	Sirawara(1x1MW)	1.00	0.00	0.00	0.00	0.00	0.00	20.94	0.00	0.00	0.00	0.00	
17	Mallpura(2x4.5)	9.00	0.00	0.00	0.00	0.00	0.00	20.94	0.00	0.00	0.00	0.00	
18	Ganekal (1x0.35MW)	0.35	0.00	0.00	0.00	0.00	0.00	20.94	0.00	0.00	0.00	0.00	
	Total of KPCL-Hydel	3666.75	12800.79	222.78	484.22	707.00	0.55		3569.02	56.98	127.29	184.27	0.52
	TOTAL (NCE)	3258.60	6839.72	0.00	2503.92	2503.92	3.66	100.00	1065.30		389.55	389.55	3.66
	KPCL Thermal Stations												
19	RTPS -1 to 7	1470.00	7934.93	666.14	2268.12	2934.26	3.70	18.13	1438.60	120.77	411.21	531.98	3.70
20	RTPS 8	250.00	1462.81	190.59	402.16	592.75	4.05	18.13	265.21	34.55	72.91	107.47	4.05
21	BTPS Unit I	500.00	3119.66	373.07	811.50	1184.57	3.80	18.13	565.59	67.64	147.12	214.76	3.80
22	BTPS Unit II	500.00	3119.66	524.07	742.87	1266.94	4.06	18.13	565.59	95.01	134.68	229.70	4.06
23	BTPS Unit III	500.00	405.15	31.22	99.64	130.86	3.23	18.13	73.45	5.66	18.06	23.72	3.23
	Total KPCL-Thermal	3220.00	16042.20	1785.09	4324.29	6109.38	3.81		2908.45	323.64	783.99	1107.63	3.81
24	Jurala Hydro of AP	234.60	205.51	57.10	8.35	65.45	3.18	18.13	37.26	10.35	1.51	11.87	3.18
	Central Generating Stations												
25	CGS-NTPC-Ramagundam: Stage-I & II (3x200 and 3x500MW)	415.59	3044.25	147.75	651.99	799.74	2.63	18.13	551.92	26.79	118.21	144.99	2.63
26	CGS-NTPC-Ramagundam: Stage-III (1x500MW)	104.15	819.99	61.03	96.52	157.55	1.92	18.13	148.66	11.07	17.50	28.56	1.92
27	CGS-NTPC-Talcher: Stage-II (4x500MW)	386.20	2798.44	188.65	1080.96	1269.61	4.54	13.94	390.00	26.29	150.64	176.93	4.54
28	CGS-NTPC-Simhadri: Stage-II (2x500MW)	212.30	1556.02	222.29	382.72	605.01	3.89	18.13	282.11	40.30	69.39	109.69	3.89
29	CGS-NLC;TPS-II:Stage-I (3x210MW)	128.58	927.62	58.46	193.64	252.10	2.72	18.13	168.18	10.60	35.11	45.71	2.72
30	CGS-NLC;TPS-II:Stage-II (4x210MW)	173.63	1258.73	73.40	276.67	350.07	2.78	18.13	228.21	13.31	50.16	63.47	2.78
31	CGS-NLC;TPS-I:Exp (2x210MW)	108.11	823.18	87.19	180.95	268.14	3.26	18.13	149.24	15.81	32.81	48.61	3.26

32	Vallur STPS Unit 1&2 (2x500)	87.10	638.39	58.00	140.20	198.20	3.10	18.13	115.74	10.52	25.42	35.93	3.10
33	CGS-NPCIL;MAPS (2x220MW)	32.03	218.77		50.05	50.05	2.29	18.13	39.66	0.00	9.07	9.07	2.29
34	CGS-NPCIL;KAIGA-1&2 (2x220MW)	119.20	922.07		288.74	288.74	3.13	18.13	167.17	0.00	52.35	52.35	3.13
35	CGS-NPCIL;KAIGA-3&4 (2x220MW)	130.20	968.25		303.20	303.20	3.13	18.13	175.54	0.00	54.97	54.97	3.13
36	Kudankulam (2x1000MW)	500.00	970.38		228.04	228.04	2.35	18.13	175.93	0.00	41.34	41.34	2.35
	Total CGS	**2397.08**	**14946.09**	**896.77**	**3873.68**	**4770.45**	**3.19**		**2592.37**	**154.67**	**656.97**	**811.64**	**3.13**
37	**IPPS**	**1080.00**	**7114.52**	**1274.56**	**1973.60**	**3248.17**	**4.57**	**16.99**	**1208.40**	**216.48**	**335.22**	**551.70**	**4.57**
38	**SHORT TERM AND MEDIUM TERM**	**1500.00**	**3772.52**	**0.00**	**1967.78**	**1967.78**	**5.22**	**7.41**	**279.55**	**0.00**	**145.82**	**145.82**	**5.22**
	TOTAL FY15	**15357.03**	**61721.35**	**4236.31**	**15135.84**	**19372.15**	**3.14**		**11660.34**	**762.12**	**2440.35**	**3202.47**	**2.75**
39	PGCIL Transmission Charges					433.79						78.65	
40	POSOCO Charges					3.00						0.54	
41	KPTCL Transmission Charges					2196.95						437.27	
42	SLDC Charges					25.94						5.37	
	TOTAL FY15 (with Transmission & LD Charges)		**61721.35**	**4236.31**	**15135.84**	**22031.83**	**3.57**		**11660.34**	**762.12**	**2440.35**	**3724.30**	**3.19**

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Annex - II

PROPOSED AND APPROVED REVENUE FOR FY-15 OF HESCOM

Sl No	*Category*	*Description*	*Proposed by HESCOM*		*Approved as per RST*	
			Sales-MU	*Revenue Rs. crores*	*Sales-MU*	*Revenue Rs. crores*
1	LT-1[fully subsidised by GoK]*	Bhagya Jyothi/Kutir Jyothi	92.97	46.11	85.21	46.68
2	LT-2(a)(i)	Dom. / AEH - Applicable to City Municipal Corporations areas and all area under Urban Local Bodies.	955.43	472.73	923.03	428.24
4	LT-2(a)(ii)	Dom. / AEH - Applicable to areas under Village Panchayats	438.38	194.21	423.47	176.53
5	LT-2(b)(i)	Pvt. Educational Institutions Applicable to all areas of Local Bodies including City Corporations	4.83	3.88	7.91	5.74
6	LT-2(b)(ii)	Pvt. Educational Institutions Applicable to areas under Village Panchayats	2.83	2.02	4.63	3.04
7	LT-3(i)	Commercial - Applicable in areas under all ULBs including City Corporations.	309.15	259.51	273.01	218.95
8	LT-3(ii)	Commercial - Applicable to areas under Village Panchayats	125.33	97.65	110.70	83.10
9	LT-4(a)*	IP<=10HP	4648.55	2054.66	4696.46	2277.18
10	LT-4(b)	IP>10HP	15.99	4.76	28.57	7.14
11	LT-4 (c) (i)	Pvt. Nurseries, Coffee & Tea Plantations of sanctioned load of 10 HP & below	0.55	0.14	0.59	0.13
12	LT-4 (c) (ii)	Pvt. Nurseries, Coffee & Tea Plantations of sanctioned load of above 10 HP	0.16	0.05	0.18	0.08
13	LT-5	LT Industrial	309.49	239.98	303.44	225.78
14	LT-6	Water supply	197.45	97.95	199.58	87.60
15	LT-6	Public lighting	138.07	73.95	131.37	67.11
16	LT-7	Temporary supply	20.07	18.38	20.07	18.06
	LT - TOTAL		**7259.25**	**3566.00**	**7208.22**	**3645.36**
1	HT-1	Water supply & sewerage	210.03	102.60	200.37	89.08
2	HT-2(a)	Industrial	1298.49	871.96	1105.60	719.08
3	HT-2(b)	Commercial	98.80	83.10	121.71	97.93
4	HT-2(c) (i)	Govt./ Aided Hospitals & Educational Institutions	11.00	7.69	11.00	7.18
5	HT-2(c) (ii)	Hospitals and Educational Institutions other than covered under HT-2(c) (i)	15.00	11.14	15.00	10.59
6	HT-3(a)(i)	Lift Irrigation - Applicable to lift irrigation schemes under Govt Dept, / Govt. owned Corporations	161.71	34.93	136.25	20.44

7	HT-3(a)(ii)	Lift Irrigation - Applicable to Private lift irrigation schemes Lift Irrigaton societies on urban/express feeders	3.59	0.68	3.03	0.51
8	HT-3(a)(iii)	LI schemes other than those covered under HT 3(a)(ii)	10.78	2.00	9.08	1.50
9	HT - 3b	Irrigation & Agriculture Farms,Govt. Horticultural Farms, Pvt.Horticulture Nurseries, Coffee, Tea,Cocanut & Arecanut Plantations	0.00	0.00	0.00	0.00
10	HT-4	Residential Apartments -Colonies	20.32	12.54	18.11	10.75
11	HT-5	Temporary supply	26.73	73.89	26.73	47.56
	HT - TOTAL		**1856.45**	**1200.53**	**1646.88**	**1004.61**
	Total		**9115.70**	**4766.53**	**8855.10**	**4649.97**
	Misc. Revenue			199.39		199.39
	Grand Total		**9115.70**	**4965.92**	**8855.10**	**4849.36**

* These categories are subsidised by GoK. In case subsidy is not released by the Gok in advance, ESCOM

shall raise demand & collect CDT of Rs.**5.48**/unit by BJ/KJ & Rs.**4.85**/unit from IP set Consumers.

ANNEX - III

ELECTRICITY TARIFF - 2015

K.E.R.C. ORDER DATED: 12.05.2014

Effective for the Electricity consumed from the first meter reading date falling on or after 01.05.2014

Hubli
Electricity Supply Company Ltd.,

ELECTRICITY TARIFF-2015

GENERAL TERMS AND CONDITIONS OF TARIFF: (APPLICABLE TO BOTH HT AND LT)

1. **Supply of power is subject to execution of agreement by the Consumer in the prescribed form, payment of prescribed deposits and compliance of terms and conditions as stipulated in the Conditions of Supply of Electricity of the Distribution Licensees in the State of Karnataka and Regulations issued under Electricity Act 2003 at the time of supply and continuation of power supply is subject to compliance of the said Conditions of Supply / Regulations as amended from time to time.**

2. **The tariffs are applicable to only single point of supply unless otherwise approved by the Licensee.**

3. **The Licensee does not bind himself to energize any installation, unless the Consumer guarantees the minimum charges. The minimum charge is the power supply charges in accordance with the tariff in force from time to time. This shall be payable by the Consumer until power supply agreement is terminated, irrespective of the installation being in service or under disconnection.**

4. **The tariffs in the schedule are applicable to power supply within the Karnataka State.**

5. **The tariffs are subject to levy of Tax and Surcharges thereon as may be decided by the State Government from time to time.**

6. For the purpose of these tariffs, the following conversion table would be used:

1 HP=0.746 KW. 1HP=0.878 KVA.

7. The bill amount will be rounded off to the nearest Rupee, i.e., the bill amount of 50 Paise and above will be rounded off to the next higher Rupee and the amount less than 50 Paise will be ignored.

8. Use of power for temporary illumination in the premises already having permanent power supply for marriages, exhibitions in hotels, sales promotions etc., is limited to sanctioned load at the applicable permanent power supply tariff rates. Temporary tariff rates will be applicable in case the load exceeds sanctioned load as per the Conditions of Supply of Electricity of the Distribution Licensees in the State of Karnataka.

9. No LT power supply will be given where the requisitioned load is 50 KW/67 HP and above. This condition does not apply for installations serviced under clause 3.1.1 of K.E.R.C. (Recovery of Expenditure for supply of Electricity) Regulations, 2004 and its amendments from time to time. The applicant is however at liberty to avail HT supply for lesser loads. The minimum contract demands for HT supply shall be 25 KVA or as amended from time to time by the Licensee with the approval of KERC.

10. The Consumer shall not resell electricity purchased from the Licensee to a third party except –

(a) Where the Consumer holds a sanction or a tariff provision for distribution and sale of energy,

(b) Under special contract permitting the Consumer for resale of energy in accordance with the provisions of the contract.

11. Non-receipt of the bill by the Consumer is not a valid reason for non-payment. The Consumer shall notify the office of issue of the bill if the same is not received within 7 days from the meter reading date. Otherwise, it will be deemed that the bills have reached the Consumer in due time.

12. The Licensee will levy the following charges for non-realization of each Cheque

1	Cheque amount upto Rs. 10,000/-	5% of the amount subject to a minimum of Rs100/-
2	Cheque amount of Rs. 10,001/- and upto Rs. 1,00,000/-	3% of the amount subject to a minimum of Rs 500/-
3	Cheque amount above Rs. 1 Lakh:	2% of the amount subject to a minimum of Rs 3000/-

13. In respect of power supply charges paid by the Consumer through money order, Cheque /DD sent by post, receipt will be drawn and the Consumer has to collect the same.

14. In case of any belated payment, simple interest at the rate of 1 % per month will be levied on the actual No. of days of delay subject to a minimum of Re.1/- for LT installation and Rs.100/- for HT installation. No interest is however levied for arrears of Rs.10/- and less.

15. All LT Consumers, except Bhagya Jyothi and Kutir Jyothi Consumers, shall provide current limiter/Circuit Breakers of capacity prescribed by the Licensee depending upon the sanctioned load.

16. All payments made by the Consumer will be adjusted in the following order of priority: -

(a) Interest on arrears of Electricity Tax
(b) Arrears of Electricity Tax
(c) Arrears of Interest on Electricity charges
(d) Arrears of Electricity charges
(e) Current month's dues

17. For the purpose of billing,

(i) the higher of the rated load or sanctioned load in respect of LT installations which are not provided with Electronic Tri-Vector meter.

(ii) Sanctioned load or MD recorded whichever is higher, in respect of installations provided with Electronic Tri-Vector meter.
will be considered.

Penalty and other clauses shall apply if sanctioned load is exceeded.

18. The bill amount shall be paid within 15 days from the date of presentation of the bill failing which the interest becomes payable.

19. For individual installations, more than one meter shall not be provided under the same tariff. Wherever two or more meters are existing for individual installation, the sum of the consumption recorded by the meters shall be taken for billing, till they are merged.

20. In case of multiple connections in a building, all the meters shall be provided at one easily accessible place in the ground floor.

21. **Reconnection charges:** The following reconnection charges shall be levied in case of disconnection and included in the monthly bill.

For reconnection of:

a	Single Phase Domestic installations under Tariff schedule LT 1 & LT2 (a)	Rs 20/-per Installation.
b	Three Phase Domestic installations under Tariff schedule LT2 (a) and Single Phase Commercial & Power installations.	Rs 50/-per Installation.
c	All LT installations with 3 Phase supply other than LT2 (a)	Rs. 100/-per Installation.
d	All HT& EHT installations	Rs. 500/-per Installation.

22. Revenue payments up to and inclusive of Rs.10, 000/- shall be made by cash or cheque or D.D and payments above Rs.10, 000/- shall be made by cheque or D.D only. Payments under other heads of account shall be made by cash or D.D up to and inclusive of Rs.10, 000/- and payment above

Rs.10, 000/-shall be by D.D only.

Note: The Consumers can avail the facility of payment of monthly power supply bill through Electronic clearing system (ECS)/ Credit cards / on line E-Payment @ www.billjunction.com at counters wherever such facility is provided by the Licensee in respect of revenue payments up to the limit prescribed by the RBI.

23. For the types of installations not covered under any Tariff schedules, the Licensee is permitted to classify such installations under appropriate Tariff schedule under intimation to the K.E.R.C.

24. Seasonal Industries

Applicable to all Seasonal Industries

i) The industries that intend to avail this benefit shall have Electronic Tri-Vector Meter fitted to their installations.

i) Working season' months and 'off-season' months shall be determined by an order issued by the Executive Engineer of the concerned O&M Division of the Licensee as per the request of the Consumer and will continue from year to year unless otherwise altered. The Consumer shall give a clear one month's notice in case he intends to change his ' working season'.

ii) The Maximum Demand/consumption during any month of the declared off-season shall not be more than 50% of the contract demand/average consumption of the previous working season.

iii) The 'Working season' months and 'off-season' months shall be full–calendar months. If the power availed during a month exceeds the allotment for the 'off-season' month, it shall be taken for calculating the billing demand as if the month is the 'working season' month.

iv) The Consumer can avail the facility of 'off-season' up to six months in a calendar year not exceeding in two spells in that year. During the 'off-season period, the Consumer may use power for administrative offices etc., and for overhauling and repairing plant and machinery.

25 Whether an institution availing Power supply can be considered as charitable or not will be decided by the Licensee on the production of certificate Form-12 A from the Income Tax department.

26 **Time of the Tariff (ToD)**

The Commission as decides in the earlier tariff order, decide to continue compulsory Time of Day Tariff for HT2(a) and HT2(b) and also decided to extend the same to newly introduced HT2(c) consumers with a contract demand of 500 KVA and above. Further, the optional ToD would continue as existing earlier for HT2(a) and HT2(b) consumers with contract demand of less than 500 KVA. Also the ToD for HT1 consumers on optional basis would continue as existing earlier. Details of ToD tariff are indicated under the respective tariff category.

27. SICK INDUSTRIES: The Government of Karnataka has extended certain reliefs to sick industries under the New Industrial Policy 2001-06 vide G.O.No.CI 167 SPI 2001, dated 30.06.2001. The Commission, in its Tariff Order 2002 has accorded approval for implementation of reliefs to the sick industries as per the Government policy and the same was continued in the Tariff Order 2003. The Commission approves continuation of the implementation of reliefs to sick industries by the Licensees subject to collection of the amount of relief from the GOK in advance.

28. **Incentive for Prompt Payment / Advance Payment:** An incentive at the rate of 0.25% of such bill shall be given to the following Consumers by way of adjustment in the subsequent month's bill:

(i) In all cases of payment through ECS.
(ii) And in the case of monthly bills exceeding Rs.1, 00,000/- (Rs. one lakh), if the payment is made 10 days in advance of the due date.
(iii) Advance Payment exceeding Rs.1000/- made by the Consumers towards monthly bills

29. Conditions of Supply of Electricity of the Distribution Licensees in the State of Karnataka and amendments issued thereon from time to time and Regulations issued under Electricity Act 2003 will prevail over the extract given in this tariff book in the event of any discrepancy.

30. **Self-Reading of Meters:**

The Commission has approved Self-Reading of Meters by Consumers and issue of bills by the Licensee based on such readings and the Licensee shall take the reading at least once in six months and reconcile the difference, if any and raise the bills accordingly. This procedure may be implemented by the Licensee as stipulated under Section 26.01 of Conditions of Supply of Electricity of the Distribution Licensees in the State of Karnataka.

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ELECTRICITY TARIFF—2015

PART-1

<u>HIGH TENSION SUPPLY</u>

Applicable to Bulk Power Supply of Voltages at 11KV (including 2.3/4.6 KV) and above at Standard High Voltage or Extra High Voltages when the Contract Demand is 50 KW / 67 HP and above.

ELECTRICITY TARIFF - 2015

PART-1

HIGH TENSION SUPPLY

Applicable to Bulk Power Supply at Voltages of 11KV (including 2.3/4.6 KV) and above at Standard High Voltage or Extra High Voltages when the Contract Demand is 50 KW / 67 HP and above.

CONDITIONS APPLICABLE TO BILLING OF HT INSTALLATIONS:

1. **Billing Demand**

A) The billing demand during unrestricted period shall be the maximum demand recorded during the month or 75% of the CD, whichever is higher.

B) When the Licensee has imposed demand cut of 25% or less, the conditions stipulated in (A) shall apply.

C) When the demand cut is in excess of 25%, the billing demand shall be the maximum demand recorded or 75% of the restricted demand, whichever is higher.

D) If at any time the maximum demand recorded exceeds the CD, or the demand entitlement, or opted demand entitlement during the period of restrictions, if any, the Consumer shall pay for the quantum of excess demand at two times the normal rate per KVA per month as deterrent charges as per Section No. 126(6) of Electricity Act 2003. If time of day Meter is fixed and is operational, there will be no penalty for over drawal upto 1. 2 times the Contract Demand during off peak hours, provided, the Licensee has declared the peak and off peak periods. For over drawal during peak periods, and over drawal above 1.2 times the Contract Demand during off peak hours, the penalty shall be two times the normal rate.

E) During the periods of disconnection, the billing demand shall be 75% of CD, or 75% of the demand entitlement that would have been applicable, had the installation been in service, whichever is less. This provision is applicable only, if the installation is under disconnection for the entire billing month.

F) During the period of energy cut, the Consumer may get his demand entitlement lowered, but not below the percentage of energy entitlement, (For example, In case the energy entitlement is 40% and the demand entitlement is 80%, the re-fixation of demand entitlement cannot be lower than 40% of the CD). The benefit of lower demand entitlement will be given effect to from the meter reading date of the same month, if the option is exercised on or before 15th of the month. If the option is exercised on or after 16th of the month, the benefit will be given effect to from the next meter reading date. The Consumer shall register such option by paying processing fee of Rs.100/- at the Jurisdictional sub-division office.

(i) The billing demand in such cases, shall be the "Revised (Opted) Demand Entitlement" or, the recorded demand, whichever is higher. Such option for reduction of demand entitlement, is allowed only once during the entire span of that particular "Energy Cut Period". The Consumer, can however opt for a higher demand entitlement up to the level permissible under the demand cut notification, and the benefit will be given effect to from the next meter reading date. Once the Consumer opts for enhancement of demand, which has been reduced under Clause (F), no further revision is permitted during that particular energy cut period.

(ii) The opted reduced demand entitlement will automatically cease to be effective, when the energy cut is revised. The facility for reduction and enhancement can however be exercised afresh by the Consumer as indicated in the previous paras.

G) For the purpose of billing, the billing demand of 0.5 KVA and above will be rounded off to the next higher KVA, and billing demand of less than 0.5 KVA shall be ignored.

2. **Power factor (PF)**

It shall be the responsibility of the HT Consumer to determine the capacity of PF correction apparatus and maintain an average PF of not less than 0.90.

(i) The specified P.F. is 0.90. If the power factor goes below 0.90 Lag, a surcharge of 3 Paise per unit consumed will be levied for every reduction of P.F. by 0.01 below 0.90 Lag.

(ii) The power factor when computed as the ratio of KWh / KVAh will be determined up to 3 decimals (ignoring figures in the other decimal places), and then rounded off to the nearest second decimal as illustrated below:

(a) 0.8949 to be rounded off to 0.89
(b) 0.8951 to be rounded off to 0.90

In respect of Electronic Tri-Vector meters, the recorded average PF over the billing period shall be considered for billing purposes. If the same is not available, the ratio of KWh to KVAh consumed in the billing month shall be considered.

3. **<u>Rebate for supply at high voltage:</u>**
If the Consumer is availing power at voltage higher than 13.2 KV, he will be entitled to a rebate as indicated below:

Supply Voltage:	**Rebate**
A) <u>33/66 KV</u>	2 Paise/unit of energy consumed
B) <u>110 KV</u>	3 Paise/unit of energy consumed
C) <u>220 KV</u>	5 Paise/unit of energy consumed

The above rebate will be allowed in respect of all the installations of the above voltage class, including the existing installations, and also for installations converted from 13.2 KV and below to 33 KV and above and also for installations converted from 33/66 KV to 110/220 KV, from the next meter reading date after conversion / service / date of notification of this Tariff order, as the case may be. The above rebate is applicable only on the normal energy consumed by the Consumer, including the consumption under TOD Tariff, and is not applicable on any other energy allotted and consumed, if any, viz.,

i) Wheeled Energy.
ii) Any energy, including the special energy allotted over and above normal entitlement.
iii) Energy drawal under special incentive scheme, if any.

The above rebate is not applicable for Railway Traction.

4. In respect of Residential Quarters/ Colonies availing Bulk power supply by tapping the main HT supply, the energy consumed by such Colony loads, metered at single point, shall be billed under HT-4 tariff schedule. No reduction in demand recorded in the main HT meter will be allowed.

5. Energy supplied may be utilized for all purposes associated with the working of the installations, such as, Office, Stores, Canteens, Yard Lighting, Water Supply and Advertisements within the premises.
6. Energy can also be used for construction, modification and expansion purposes within the premises.
7. Power supply under HT-4 tariff schedule may be used for Commercial and other purposes **inside the colony,** for installations such as Canteen, Club, Shop, Auditorium etc., provided, this load is less than 10% of the CD.
8. In respect of **Residential Apartments** availing HT Power supply under HT-4 tariff schedule, the supply availed for Commercial and other purposes like Shops, Hotels, etc., will be billed under appropriate tariff schedule, (Only Energy charges) duly deducting such consumption in the main HT supply bill. No reduction in the recorded demand of the main HT meter is allowed. Common areas shall be billed at Tariff applicable to that of the predominant Consumer category.
9. **Seasonal Industries**

   a. The industries, which intend to utilize seasonal industry benefit, shall conform to the conditionalities under Para no. 25 of the General terms and conditions of tariff (applicable to both HT & LT).

b. The industries that intend to avail this benefit, shall have Electronic Tri-Vector Meter fitted to the installation.

c. Monthly charges during the working season shall be the demand charges on 75% of the contract demand or the recorded maximum demand during the month, whichever is higher, plus the energy charges

d. Monthly charges during the off season, shall be demand charges on the maximum demand recorded during the month, or 50% of the CD which ever is higher plus the energy charges.

TARIFF SCHEDULE HT 1

[Applicable to Water Supply, Drainage / Sewerage water treatment plant and Sewerage Pumping installations, belonging to Karnataka Urban Water Supply and Sewerage Board, other local bodies, State and Central Government.

RATE SCHEDULE

Demand charges	Rs180/kVA of billing demand/month
Energy charges	400 paise/unit

ToD Tariff at the option of the Consumer

Time of Day	Increase + / reduction (-) in energy charges over the normal tariff applicable
22.00 Hrs to 06.00 Hrs	(-) 125 paise per unit
06.00 Hrs to 18.00 Hrs	0
18.00 Hrs to 22.00 Hrs	+ 100 paise per unit

Note: Energy supplied to residential quarters availing bulk supply by the above category of Consumer, shall be metered separately at a single point, and the energy consumed shall be billed at HT-4 Tariff. No reduction in the demand recorded in the main HT meter will be allowed.

TARIFF SCHEDULE HT-2(a)

Applicable to Industries, Factories, Workshops, Research & Development Centres, Industrial Estates, Milk dairies, Rice Mills, Phova Mills, Roller Flour Mills, News Papers, Printing Press, Railway Workshops/KSRTC Workshops/ Depots, Crematoriums, Cold Storage, Ice & Ice-cream mfg. Units, Swimming Pools of local bodies, Water Supply Installations of KIADB and other industries, all Defence Establishments. Hatcheries, Poultry Farm, Museum, Floriculture, Green House, Bio Technical Laboratory, Hybrid Seeds processing Units, Stone Crushers, Stone cutting, Bakery Product Manufacturing Units, Mysore Palace illumination, Film Studios, Dubbing

Theatres, Processing, Printing, Developing and Recording Theaters, Tissue Culture, Aqua Culture, Prawn Culture, Information Technology Industries engaged in development of Hardware & Software, Information Technology (IT) enabled Services / Start-ups/ Animation / Gaming / Computer Graphics as certified by the IT & BT Department of GOK/GOI, Drug Mfg. Units, Garment Mfg. Units, Tyre retreading units, Nuclear Power Projects, Stadiums maintained by Government and local bodies, also Railway Traction, Effluent treatment plants and Drainage water treatment plants owned other than by the local bodies, LPG bottling plants, petroleum pipeline projects, Piggery farms, Analytical Lab for analysis of ore metals, Saw Mills, Toy/wood industries, Satellite communication centers, and Mineral water processing plants / drinking water bottling plants.

RATE SCHEDULE

HT-2(a): Applicable to all areas of HESCOM.

• **Demand charges**	Rs170kVA of billing demand/month
Energy charges	
For the first one lakh units	570 paise per unit
For the balance units	600 paise per unit
Railway Traction and Effluent Treatment Plants	
Demand charges	Rs180/kVA of billing demand/month
Energy Charges	540 paise per unit for all the units

TARIFF SCHEDULE HT-2(b)

Applicable to Commercial Complexes, Cinemas, Hotels, Boarding & Lodging, Amusement Parks, Telephone Exchanges, Race Course, All Clubs, T.V. Station, All India Radio, Railway Stations, Air Port, KSRTC bus stations, All offices, Banks, Commercial Multi-storied buildings.

APMC Yards, Stadiums other than those maintained by Government and Local Bodies, Construction power for irrigation, Power Projects and Konkan Railway Project, Petrol / Diesel and Oil storage plants, I.T. based medical transcription centers, Telecom, Call Centres, BPO/KPO.

RATE SCHEDULE

HT-2 (b): Applicable to all areas of HESCOM

Demand charges	Rs190 /kVA of billing demand/month
Energy charges	
For the first two lakh units	715 paise per unit
For the balance units	745 paise per unit

TARIFF SCHEDULE HT-2(c)

RATE SCHEDULE

HT-2 (c) (i)- Applicable to Government Hospitals and Hospitals run by Charitable Institutions and ESI hospitals and Universities, Educational Institutions belonging to Government, Local bodies, Aided Institutions and Hostels of all Educational Institutions.

Demand charges	Rs170/kVA of billing demand /month
Energy charges	
For the first one lakh units	540 paise per unit
For the balance units	590 paise per unit

RATE SCHEDULE

HT-2 (c) (ii) - Applicable to Hospitals and Educational Institutions other than those covered under HT-2 (c)(i).

Demand charges	Rs170/kVA of billing demand/month
Energy charges	
For the first one lakh units	640 paise per unit
For the balance units	690 paise per unit

Note: Applicable to HT-2 (a) , HT-2 (b) & HT-2(c) Tariff Schedule.

1. Energy supplied may be utilized for all purposes associated with the working of the installation such as offices, stores, canteens, yard lighting, water pumping and advertisement within the premises.
2. Energy can be used for construction, modification and expansion purposes within the premises.

TOD Tariff applicable to HT 2(a), HT2(b) and HT2(c) category.

Time of Day	Increase + / reduction (-) in energy charges over the normal tariff applicable
22.00 Hrs to 06.00 Hrs	(-) 125 paise per unit
06.00 Hrs to 18.00 Hrs	0
18.00 Hrs to 22.00 Hrs	+ 100 paise per unit

TARIFF SCHEDULE HT-3 (a)

Applicable to Lift irrigation Schemes/ Lift irrigation societies,

RATE SCHEDULE

HT-3 (a)(i): Applicable to LI schemes under Govt. Departments/ Govt. owned Corporations

Energy charges/ Minimum Charges	150 **paise** per unit subject to an annual minimum of **Rs1000** per HP/Annum

HT-3(a)(ii): Applicable to Private LI schemes and Lift Irrigation societies: Connected to Urban/Express feeders

Fixed Charges	Rs30 /HP/PM of sanctioned load
Energy charges	150 paise/unit

HT-3(a)(iii): Applicable to Private LI schemes and Lift Irrigation societies other than those covered under HT-3 (a)(ii)

Fixed Charges	Rs10 /HP/PM of sanctioned load
Energy charges	150 paise/unit

TARIFF SCHEDULE HT-3 (b)

HT-3 (b): Applicable to Irrigation and Agricultural Farms, Government Horticultural Farms, Private Horticulture nurseries, Coffee, Tea, Rubber, Coconut & Arecanut Plantations.

RATE SCHEDULE

Energy charges / Minimum Charges	350 **Ps. Per unit** subject to an annual minimum of **Rs1000/- per HP** of sanctioned load.

Note: These installations are to be billed on quarter yearly basis.

TARIFF SCHEDULE HT-4

Applicable to Residential apartments and colonies (whether situated outside or inside the premises of the main HT Installation) availing power supply independently or by tapping the main H.T. line. Power supply can be used for residences, theatres, shopping facility, club, hospital, guest house, yard/street lighting, canteen located within the colony.

RATE SCHEDULE

Applicable to all areas

Demand charges	Rs100/- per kVA of billing demand
Energy charges	530 paise/unit

NOTE: (1) In respect of residential colonies availing power supply by tapping the main H.T. supply, the energy consumed by such colony loads metered at a single point, is to be billed at the above energy rate. No reduction in the recorded demand of the main H.T. supply is allowed.

(2) Energy under this tariff may be used for commercial and other purposes inside the colonies for installations such as, Canteens, Clubs,

Shops, Auditorium etc., provided, this commercial load is less than 10% of the Contract demand.

(3) In respect of Residential Apartments, availing HT Power supply under HT-4 tariff schedule, the supply availed for Commercial and other purposes like Shops, Hotels, etc., will be billed under appropriate tariff schedule (Only Energy charges), duly deducting such consumption in the main HT supply bill. No reduction in the recorded demand of the main HT meter is allowed. Common areas shall be billed at Tariff applicable to the predominant Consumer category.

TARIFF SCHEDULE HT-5

Tariff applicable to 67 HP and above hoardings and advertisement boards and construction power for industries excluding those category of consumers covered under HT2(b) Tariff schedule availing power supply for construction power for irrigation, power projects and Konkan Railway Projects and also applicable to power supply availed on temporary basis with the contract demand of 67 HP and above of all categories.

HT – 5 – Temporary supply

RATE SCHEDULE

67 HP and above:	
Fixed charges / Demand Charges	Rs210/HP/month for the entire sanction load / contract demand
Energy Charge	900 paise / unit

Note:

1. Temporary power supply with or without extension of distribution main shall be **arranged through a pre–paid energy meter** duly observing the provisions of Clause 12 of the Conditions of Supply of Electricity of the Distribution Licensees in the State of Karnataka.
2. This Tariff is also applicable to touring cinemas having licence for duration less than one year.
3. All the conditions regarding temporary power supply as stipulated in Clause 12 the Conditions of Supply of Electricity of the Distribution Licensees in the State of Karnataka shall be complied with before service.

ELECTRICITY TARIFF-2015

PART-II

LOW TENSION SUPPLY
(400 Volts Three Phase and 230Volts Single Phase Supply)

ELECTRICITY TARIFF - 2015

PART-II

LOW TENSION SUPPLY
(400 Volts Three Phase and 230Volts Single Phase Supply)

CONDITIONS APPLICABLE TO BILLING OF LT INSTALLATIONS:

1. In case of LT Industrial / commercial Consumers, **Demand based Tariff** at the option of the Consumer, can be adopted. The Consumer is permitted to have more connected load than the sanctioned load. The billing demand will be the sanctioned load, or Maximum Demand recorded in the Tri-Vector Meter during the month, whichever is higher. If the Maximum Demand recorded is more than the sanctioned load, penal charges at two times the normal rate shall apply.
2. Use of power within the Consumer premises for bonafide temporary purpose is permitted subject to the conditions that, total load of the installation on the system does not exceed the sanctioned load.
3. Where it is intended to use power supply temporarily, for floor polishing and such other portable equipments, in a premises having permanent power supply, such equipments shall be provided with earth leakage circuit breakers of adequate capacity.
4. The laboratory installations in educational institutions are allowed to install connected machineries up to 4 times the sanctioned load. The fixed charges shall however be on the basis of sanctioned load.
5. Besides combined lighting and heating, electricity supply under tariff schedules LT2 (a) & LT2 (b), can be used for Fans, Televisions, Radios, Refrigerators and other household appliances, including domestic water pumps and air conditioners, provided, they are under single meter connection. If a separate meter is provided for Air-conditioner load, the Consumer shall be served with a notice to merge this load and to have a single meter for the entire load. Till such time, the air conditioner load will be billed under Commercial Tariff.
6. **Bulk LT supply**

   If power supply for lighting / combined lighting & heating {LT 2(a)}, is availed through a bulk Meter for group of houses belonging to one Consumer, (ie, Where bulk LT supply is availed), the billing for energy shall be done at the slab rate for energy charges matching the consumption obtained by dividing the bulk consumption by number of houses. In addition, fixed charges for the entire sanctioned load shall be charged as per Tariff schedule.

7. A rebate of 25 Paise per unit will be given for the House/ School/Hostels meant for Handicapped, Aged, Destitute and Orphans, Rehabilitation Centres under Tariff schedule LT 2(a).
8. **SOLAR REBATE:** A rebate of 50 Paise per unit of electricity consumed subject to a maximum of Rs. 50/- per installation per month will be allowed to Tariff schedule LT 2(a), if solar water heaters are installed and used. Where Bulk Solar Water Heater System is installed, Solar Water Heater rebate shall be allowed to each of the individual installations, provided that, the capacity of Solar Water Heater in such apartment / group housing shall be a minimum capacity of 100 Ltr. per household.
9. A rebate of 20% on fixed charges and energy charges will be allowed in the monthly bill in respect of public Telephone booths having STD/ISD/ FAX facility run by handicapped people, under Tariff schedule LT 3.
10. A rebate of 2 paise per unit will be allowed if capacitors are installed as per Clause 23 of Conditions of Supply of Electricity of the Distribution Licensees in the State of Karnataka in respect of all metered IP Set Installations.

11. **Power Factor (PF):**
Capacitors of appropriate capacity shall be installed in accordance with Clause 23 of Conditions of Supply of Electricity of the Distribution Licensees in the State of Karnataka, in case of installations covered under Tariff category LT 3, LT4, LT 5, & LT 6, where motive power is involved.

(i) The specified P.F. is 0.85. If the PF is found to be less than 0.85 Lag, a surcharge of 2 Paise per unit consumed will be levied for every reduction of P.F. by 0.01 below 0.85 Lag. In respect of LT installations, however, this is subject to a maximum surcharge of 30 Paise per unit.

(ii) The power factor when computed as the ratio of KWh/KVAh will be determined up to 3 decimals (ignoring figures in the other decimal places) and then rounded off to the nearest second decimal as illustrated below:

(a) 0.8449 to be rounded off to 0.84
(b) 0.8451 to be rounded off to 0.85

(iii) In respect of Electronic Tri-Vector meters, the recorded average PF over the billing period shall be considered for billing purposes.

(iv) During inspection, if the capacity of capacitors provided is found to be less than what is stipulated in Conditions of Supply of Electricity of the Distribution Licensees in the State of Karnataka, a surcharge of 30 Paise/unit will be levied in the case of installations covered under Tariff categories LT 3, LT 5, & LT 6 where motive power is involved.

(v) In the case of installations without electronic Tri-vector meters even after providing capacitors as recommended in Clause 23.01 and 23.03 of Conditions of Supply of Electricity of the Distribution Licensees in the State of Karnataka, if during any periodical or other testing / rating of the installation by the Licensee, the PF of the installation is found to be lesser than 0.85, a surcharge determined as above shall be levied from the billing month following the expiry of Three months' notice given by the Licensee, till such time, the additional capacitors are installed and informed to the Licensee in writing by the Consumer. This is also applicable for LT installations provided with electronic Tri-vector meters.

12. All new IP set applicants shall fix capacitors of adequate capacity in accordance with Clause 23 of Conditions of Supply of Electricity of the Distribution Licensees in the State of Karnataka before taking service.

13. All the existing IP set Consumers shall also fix capacitors of adequate capacity in accordance with Clause 23 of Conditions of Supply of Electricity of the Distribution Licensees in the State of Karnataka, failing which, PF **surcharge at the rate of Rs.60/-per HP/ year** shall be levied. If the capacitors are found to be removed / not installed, a penalty at the same rate as above (Rs. 60/-per HP / Year) shall be levied.

14. The Semi-permanent cinemas having Semi-permanent structure, with permanent wiring and licence of not less than one year, will be billed under commercial tariff schedule i.e., LT 3.

15. Touring cinemas having an outfit comprising cinema apparatus and accessories, taken from place to place for exhibition of cinematography films, and also outdoor shooting units, will be billed under Temporary Tariff schedule i.e., LT 7.

16. The Consumers under IP set tariff schedule, shall use the energy only for pumping water to irrigate their own land as stated in the IP set application / water right certificate and for bonafide agriculture use. Otherwise, such installations shall be

billed under appropriate Industrial / Commercial tariff, based on the recorded consumption if available, or on the consumption computed as per the Table given under Clause 42.06 of the Conditions of Supply of Electricity of the Distribution Licensees in the State of Karnataka.

17. The water pumped for agricultural purposes may also be used by the Consumer for his bonafide drinking purposes and for supplying water to animals, birds, Poultry farms, Diary farms and fish farms maintained by the Consumer in addition to agriculture.
18. The motor of IP set installations can be used with an alternative drive for other agricultural operations like sugar cane crusher, coffee pulping, etc., with the approval of the Licensee. The energy used for such operation, shall be metered separately by providing alternate switch and charged at LT Industrial Tariff (Only Energy charges) during the period of alternative use. However, if the energy used both for IP Set and alternate operation is measured together by one energy meter, the energy used for alternate drive shall be estimated by deducting the average IP Set consumption for that month as per the IP sample meter readings for the sub division, as certified by the sub divisional Officer.
19. The IP Consumer is permitted to use energy for lighting the pump house and well limited to two lighting points of 40 Watts each.
20. Billing shall be made at least once in a quarter year for all IP sets.
21. In case of welding transformers, the connected load shall be taken as:
    a) Half the maximum capacity in KVA as per the nameplate specified under IS: 1851

    OR

    b) Half the maximum capacity in KVA as recorded during the rating by the Licensee, whichever is higher.
22. Electricity under Tariff LT 3 / LT 5 can also be used for Lighting, Heating and Air-conditioning, Yard-Lighting, water supply in the premises of Commercial / Industrial Units respectively.
23. Fluorescent fittings shall be provided by the Licensee for the Streetlights in the case of villages covered under the Licensee's electrification programme for initial installation.

In all other cases, the entire cost of fittings including Brackets, Clamps, etc., and labour for replacement, additions and modifications shall be met by the organizations making such a request. Labour charges shall be paid at the standard rates fixed by the Licensee for each type of fitting.

24. Lamps, fittings and replacements for defective components of fittings shall be supplied by the concerned Village Panchayaths, Town Panchayaths or Municipalities for replacement.
25. Fraction of KW / HP shall be rounded off to the nearest quarter KW / HP for purpose of billing and the minimum billing being for 1 KW / 1HP in respect of all categories of LT installations including I.P. sets. **In the case of street lighting installations, fraction of KW shall be rounded off to nearest quarter KW for the purpose of billing and the minimum billing shall be quarter KW.**

26. **Seasonal Industries:**

a) The industries who intend to utilize seasonal industry benefit, shall comply with the conditionalities under Para no. 25 of the General terms and conditions of tariff (applicable to both HT & LT).

b) The industries that intend to avail this benefit, shall have Electronic Tri-Vector Meter fitted to their installation.

c) Monthly charges during the seasonal months shall be fixed charges and energy charges. The monthly charges during the off seasonal months, shall be the energy charges plus 50% of the fixed charges.

TARIFF SCHEDULE LT-1

LT-1: Applicable to installations serviced under Bhagya Jyothi and Kutira Jyothi (BJ/KJ) schemes.

RATE SCHEDULE

Energy charges (including recovery towards service main charges)	Nil* Fully subsidized by the GOK

Commission Determined Tariff for the above category i.e., LT-1 is Rs.5.48 per unit.

***Since GOK is meeting the full cost of supply to BJ / KJ, the Tariff payable by these Consumers is shown as Nil. However, if the GOK does not release the subsidy in advance, a Tariff of Rs.5.48 per unit subject to monthly minimum of Rs. 30/- per Installation per month shall be demanded and collected from these Consumers.**

Note: If the consumption exceeds 18 units per month or any BJ/KJ installation is found to have more than one out let, it shall be billed as per Tariff Schedule LT 2(a).

TARIFF SCHEDULE LT-2(a)

Applicable to **lighting/combined lighting, heating and motive Power** installations of residential houses and also to such houses where a portion is used by the occupant for (a) Handloom weaving (b) Silk rearing and reeling and artisans using motors up to 200 watts (c) Consultancy in (i) Engineering (ii) Architecture (iii) Medicine (iv) Astrology (v) Legal matters (vi) Income tax (vii) Chartered Accountants (d) Job typing (e) Tailoring (f) Post Office (g) Gold smithy (h) Chawki rearing (i) Paying guests/Home stay guests (j) personal Computers (k) Dhobis (l) Hand operated printing press (m) Beauty Parlours (n) Water Supply installations, Lift which is independently serviced for bonafide use of residential complexes/residence, (o) Farm Houses and yard lighting limiting to 120 Watts, (p) Fodder Choppers & Milking Machines with a connected load up to 1 HP.

Also applicable to the installations of (i) Hospitals, Dispensaries, Health Centers run by State/Central Govt. and local bodies. (ii) Houses, schools and Hostels meant for handicapped, aged destitute and orphans (iii) Rehabilitation Centres run by charitable institutions, AIDS and drug addicts Rehabilitation Centres (iv) Railway staff Quarters with single meter (v) fire service stations.

It is also applicable to the installations of (a) Temples, Mosques, Churches, Gurudwaras, Ashrams, Mutts and religious/Charitable institutions (b) Hospitals, Dispensaries and Health Centres run by Charitable institutions including X-ray units (c) Jails and Prisons (d) Schools, Colleges, Educational institutions run by State/Central Govt.,/Local Bodies (e) Seminaries (f) **Hostels run by the Government, Educational Institutions, Cultural, Scientific and Charitable Institutions** (g) Guest Houses/Travelers Bungalows run in Government buildings or by State/Central Govt./Religious/Charitable institutions (h) Public libraries (i) Silk rearing (j) Museums (k) Installations of Historical Monuments of Archeology Departments(l) Public Telephone Booths without STD/ISD/FAX facility run by handicapped people (m) Sulabh / Nirmal Souchalayas (n) Viswa Sheds having Lighting Loads only.

RATE SCHEDULE

LT 2 (a) (i): Applicable to areas coming under City Municipal Corporations and all areas under Urban Local Bodies

Fixed charges per month	For the first KW	Rs25/- per KW
	For every additional KW	Rs35/- per KW
Energy charges	For 0 - 30 units **(Lifeline consumption)**	270 Ps/unit
	31 to 100 units	400 Ps /unit
	101 to 200 units	525 Ps/unit
	Above 200 units	625 Ps/unit

LT-2(a)(ii): Applicable to Areas under Village Panchayats

Fixed charges per month	For the first KW	Rs15/- per KW
	For every additional KW	Rs25/- per KW
Energy charges	For 0 - 30 units **(Lifeline consumption)**	260 Ps/unit
	31 to 100 units	370 Ps /unit
	101 to 200 units	495 Ps/unit
	Above 200 units	575 Ps/unit

TARIFF SCHEDULE LT-2(b)

Applicable to the installations of Private Professional and other Private Educational Institutions including aided, unaided institutions, Nursing Homes and Private Hospitals having only lighting or combined lighting & heating, and motive power.

RATE SCHEDULE

LT 2 (b) (i): Applicable to all areas coming under Urban Local Bodies including City Corporations

Fixed charges	Rs.35 Per KW subject to a minimum of Rs.65 PM	
Energy charges	0 to 200 units	600 Ps/unit
	Above 200 units	720 Ps/unit

LT-2(b)(ii): Applicable in Areas under Village Panchayats

Fixed charges	Rs25 Per KW subject to a minimum of Rs50 PM	
Energy charges	0 to 200 units	550 Ps/unit
	Above 200 units	670 Ps/unit

Note: Applicable to LT-2 (a), LT-2 (b) Tariff Schedules.

1 A rebate of 25 Ps. Per unit shall be given for installation of a house/ School/ Hostels meant for Handicapped, Aged, Destitute and Orphans, Rehabilitation Centres run by Charitable Institutions.

2 (a) Use of power within the Consumer's premises for temporary purposes for bonafide use is permitted subject to the condition that, the total load of the installation on the system does not exceed the sanctioned load.

(b) Where it is intended to use floor polishing and such other portable equipment temporarily, in the premises having permanent supply, such equipment shall be provided with an earth leakage circuit breaker of adequate capacity.

3 The laboratory installations in educational institutions are allowed to install connected machinery up to 4 times the sanctioned load. The fixed charges shall however be on the basis of sanctioned load.

4. Besides lighting and heating, Electricity supply under this schedule can be used for fans, Televisions, Radios, Refrigerators and other house-hold appliances including domestic water pump and air conditioners, provided, they are under single meter connection. If a separate meter is provided for Air conditioner Load, the consumption shall be under commercial tariff till it is merged with the main meter.

5. **SOLAR REBATE:** A rebate of 50 Paise per unit of electricity consumed to a maximum of Rs.50/- per installation per month will be allowed to Tariff schedule LT 2(a), if solar water heaters are installed and used. Where Bulk Solar Water Heater System is installed, Solar Water Heater rebate shall be allowed to each of the individual installations, provided that, the capacity of Solar Water Heater in such apartment / group housing shall be a minimum capacity of 100 Ltr, per household.

TARIFF SCHEDULE LT-3

Applicable to **Commercial Lighting, Heating and Motive Power** installations of Clinics, Diagnostic Centers, X Ray units, Shops, Stores, Hotels / Restaurants / Boarding and Lodging Homes, Bars, Private guest Houses, Mess, Clubs, Kalyan Mantaps / Choultry, permanent Cinemas/ Semi Permanent Cinemas, Theatres, Petrol Bunks, Petrol, Diesel and oil Storage Plants, Service Stations/ Garages, Banks, Telephone Exchanges. T.V.Stations, Microwave Stations, All India Radio, Dish Antenna, Public Telephone Booths/ STD, ISD, FAX Communication Centers, Stud Farms, Race Course, Ice Cream Parlours, Computer Centres, Photo Studio / colour Laboratory, Xerox Copiers, Railway Installation excepting Railway workshop, KSRTC Bus Stations excepting Workshop, All offices, Police Stations, Commercial Complexes, Lifts of Commercial Complexes, Battery Charging units, Tyre Vulcanizing Centres, Post Offices, Bakery shops, Tailoring Shops, Beauty Parlours, Stadiums other than those maintained by Govt. and Local Bodies. It is also applicable to water supply pumps and street lights not covered under LT 6, Cyber cafés, Internet surfing cafés, Call centers, Information Technology (IT) enabled services, I.T. based medical transcription centers, **Private Hostels not covered under LT -2 (a), Paying guests accommodation provided in an independent / exclusive premises.**

RATE SCHEDULE

LT-3 (i): Applicable in areas under all urban local bodies including City Municipal Corporations.

Fixed charges	Rs40 per KW	
Energy charges	For 0 - 50 units	675 Ps /unit
	Above 50 units	775 Ps /unit

Demand based tariff (optional) where sanctioned load is above 5 KW but below 50 KW	
Fixed charges	Rs. 55 per KW
Energy charges	As above

RATE SCHEDULE

LT-3 (ii): Applicable in Areas under Village Panchayats

Fixed charges	Rs30 per KW	
Energy charges	For 0 - 50 units	625 Ps /unit
	Above 50 units	725 Ps /unit

Demand based tariff (optional) where sanctioned load is above 5 KW but below 50 KW	
Fixed charges	Rs45 per KW
Energy charges	As above

Note: 1. Besides Lighting, Heating and Motive power, Electricity supply under this Tariff can also be used for Yard lighting/ air Conditioning/water supply in the premises.

2. The semi-permanent Cinemas should have semi-Permanent Structure with permanent wiring and licence for a duration of not less than one year.
3. Touring Cinemas having an outfit comprising Cinema apparatus and accessories taken from place to place for exhibition of cinematography film and also outdoor shooting units shall be billed under LT- 7 Tariff.

4. A rebate of 20% on fixed charges and energy charges shall be allowed in the monthly bill in respect of telephone Booths having STD / ISD/FAX facility run **by handicapped people.**
5. **Demand based Tariff at the option of the Consumer can be adopted as per Para 1 of the conditions applicable to LT installations.**

TARIFF SCHEDULE LT-4 (a), LT-4 (b) & LT-4(c)

Applicable to (a) Agricultural Pump Sets including Sprinklers (b) Pump sets used in (i) Nurseries of forest and Horticultural Departments (ii) Grass Farms and Gardens (iii) Plantations other than Coffee, Tea, Rubber and/ Private Horticulture Nurseries.

TARIFF SCHEDULE LT-4 (a)

Applicable to I.P. Sets Up to and inclusive of 10 HP

RATE SCHEDULE

Fixed charges	Free
Energy charges	

Commission Determined Tariff (CDT) for LT4 (a) category is 485 Paise per unit. In case the GOK does not release the subsidy in advance in the manner specified by the Commission in K.E.R.C. (Manner of Payment of subsidy) Regulations, 2008, CDT of 485 Paise per unit shall be demanded and collected from these Consumers.

Note: This Tariff is applicable for Coconut and Areca nut plantations also.

TARIFF SCHEDULE LT-4 (b):

Applicable to IP sets above 10 HP

RATE SCHEDULE

Fixed charges	Rs30 per HP per month.
Energy charges	215 paise per unit

TARIFF SCHEDULE LT-4 (c) (i):

Applicable to Private Horticultural Nurseries, Coffee, Tea and Rubber plantations of sanctioned load up to and inclusive of 10 HP.

RATE SCHEDULE

Fixed charges	Rs20 per HP per month.
Energy charges	215 paise per unit

TARIFF SCHEDULE LT-4 (c)(ii):
Applicable to Private Horticultural Nurseries, Coffee , Tea and Rubber plantations of sanctioned load above 10 HP.

RATE SCHEDULE

Fixed charges	Rs30 per HP per month.
Energy charges	215 paise per unit

Note:

1) The energy supplied under this tariff shall be used by the Consumers only for Pumping water to irrigate their own land as stated in the I.P. Set application / water right certificate and for bonafide agriculture use. Otherwise, such installations shall be billed under the appropriate Tariff (LT-3/ LT-5) based on the recorded consumption if available, or on the consumption computed as per the Table given under Clause 42.06 of the Conditions of Supply of Electricity of the Distribution Licensees in the State of Karnataka.

2) The motor of IP set installations **can be used with an alternative drive for other agricultural operations like sugar cane crusher, coffee pulping, etc.,** with the approval of the Licensee. The energy used for such operation shall be metered separately by providing alternate switch and charged at LT Industrial Tariff (Only Energy charges) during the period of alternative use. If the energy used both for IP Set and alternate operation, is however measured together by one energy meter, the energy used for alternate drive shall be estimated by deducting the average IP Set consumption for that month as per the IP sample meter readings for the sub division as certified by the sub divisional Officer.

3) The Consumer is permitted to use the energy for lighting the pump house and well limited to 2 lighting points of 40 W each.

4) The water pumped for agricultural purposes may also be used by the Consumer for his bonafide drinking purposes and for supplying water to animals, birds, Poultry farms, Diary farms and fish farms <u>maintained by the Consumer</u> in addition to agriculture.

5) Billing shall be made at least once in a quarter year for all IP sets.

6) A rebate of 2 paise per unit will be allowed if capacitors are installed as per Clause 23 of Conditions of Supply of Electricity of the Distribution Licensees in the State of Karnataka in respect of all metered IP Set Installations.

7) Only fixed charges as in Tariff Schedule for Metered IP Set Installations shall be collected during the disconnection period of IP Sets under LT 4(a), LT 4(b) and LT 4(c) categories irrespective of whether the IP Sets are provided with Meters or not.

TARIFF SCHEDULE LT-5

Applicable to **Heating & Motive power (including lighting)** installations of industrial Units, Workshops, Poultry Farms, Sugarcane Crushers, Coffee Pulping, Cardamom drying, Mushroom raising installations, Flour, Huller & Rice Mills, Wet Grinders, Milk dairies, Dry Cleaners and Laundries having washing, Drying, Ironing etc., Bulk Ice Cream and Ice manufacturing Units, Coffee Roasting and Grinding Works, Cold Storage Plants, Bakery Product Mfg. Units, KSRTC workshops/Depots, Railway workshops, Drug manufacturing units and Testing laboratories, Printing Presses, Garment manufacturing units, Bulk Milk vending Booths, Swimming Pools of local Bodies, Tyre retreading units, Stone crushers, Stone cutting, Chilly Grinders, Phova Mills, pulverizing Mills, Decorticators, Iron & Red-Oxide crushing units, crematoriums, hatcheries, Tissue culture, Saw Mills, Toy/wood industries, Viswa Sheds with mixed load sanctioned under Viswa Scheme, Cinematic activities such as Processing, Printing, Developing, Recording theatres, Dubbing Theatres and film studios, Agarbathi manufacturing unit., Water supply installations of KIADB & industrial units, Gem & Diamond cutting Units, Floriculture, Green House, Biotech Labs., Hybrid seed processing units. Information Technology industries engaged in development of hardware & Software, Information Technology (IT) enabled Services / Start-ups/ Animation / Gaming / Computer Graphics as certified by the IT & BT Department of GOK/GOI, Silk filature units, Aqua Culture, Prawn Culture, Brick manufacturing units, Silk / Cotton colour dying, Stadiums maintained by Govt. and local bodies, Fire service stations, Gold / Silver ornament manufacturing units, Effluent treatment plants, Drainage water treatment plants, LPG bottling plants and petroleum pipeline projects, Piggery farms, Analytical Lab. for analysis of ore metals, Satellite communication centers, Mineral water processing plants / drinking water bottling plants and soda fountain units.

RATE SCHEDULE

LT 5 Applicable to all the areas of HESCOM

i. Fixed charges

Fixed charges	i) Rs25 per HP for 5 HP & below ii) Rs30 per HP for above 5 HP & below 40 HP iii) Rs35 per HP for 40 HP & above but below 67 HP iv)Rs100 per HP for 67 HP & above

ii. Demand based Tariff (optional)

Fixed charges	Above 5 HP and less than 40 HP	Rs45 per KW of billing demand
	40 HP and above but less than 67 HP	Rs60 per KW of billing demand
	67 HP and above	Rs150 per KW of billing demand

iii. Energy Charges

0 to 500 units	455 Ps/unit
501 to 1000 units	535 Ps/unit
Above 1000 units	565 Ps/unit

TOD Tariff applicable to LT-5: At the option of the Consumer

Time of Day	Increase+ / reduction (-) in energy charges over the normal tariff applicable
22.00 Hrs to 06.00 Hrs	(-) 125 paise per unit
06.00 Hrs to 18.00 Hrs	0
18.00 Hrs to 22.00 Hrs	+ 100 paise per unit

NOTE:

1. DEMAND BASED TARIFF

In the case of LT Industrial Consumers, **Demand based Tariff** at the option of the Consumer can be adopted. The Consumer is permitted to have more connected load than the sanctioned load. The billing demand will be the sanctioned load or Maximum Demand recorded in the Tri-Vector Meter during the month which ever is higher. If the Maximum Demand recorded is more than the sanctioned load, penal charges at two times the normal rate shall apply.

2. Seasonal Industries: The industries which intend to utilize seasonal industry benefit shall comply with the conditionalities under para no. 26 of general terms and conditions applicable to LT.

3. Electricity can also be used for lighting, heating, and air-conditioning in the premises.

4. In the case of welding transformers, the connected load shall be taken as (a) Half the maximum capacity in KVA as per the name plate specified under-IS1851 or (b) Half the maximum capacity in KVA as recorded during rating by the Licensee, whichever is higher.

TARIFF SCHEDULE LT-6

Applicable to water supply and sewerage pumping installations **and also Applicable to Public Street lights/Park lights** of village Panchayat, Town Panchayat, Town Municipalities, City Municipalities / Corporations / State and Central Govt. / APMC, Traffic signals, subways, water fountains of local bodies. Also applicable to Streetlights of residential Campus of universities, other educational institutions, housing colonies approved by local bodies/development authority, religious institutions, organizations run on charitable basis, industrial area / estate and notified areas, also Applicable to water supply installations in residential Layouts, Street lights along with signal lights and associated load of the gateman hut provided at the Railway level crossing.

RATE SCHEDULE

Water Supply- LT-6 (a)	
Fixed charges	Rs35HP/month
Energy charges	330 Ps/unit
Public lighting- LT-6 (b)	
Fixed charges	Rs50/KW/month
Energy charges	485 Ps/unit

TARIFF SCHEDULE LT-7

Temporary Supply & Advertising Hoardings

Applicable to Hoardings & Advertisement boards, Bus Shelters with Advertising Boards, Private Advertising Posts / Sign boards in the interest of Public such as Police Canopy Direction boards, and other sign boards sponsored by the Private Advertising Agencies. Temporary Power Supply of all categories

RATE SCHEDULE

Less than 67 HP:	Energy charge at 900 Ps/unit, subject to a weekly minimum of Rs160 per KW of the sanctioned load.

Note:

1. Temporary power supply with or without extension of distribution main shall be **arranged through a pre–paid energy meter** duly observing the provisions of Clause 12 of the Conditions of Supply of Electricity of the Distribution Licensees in the State of Karnataka.
2. This Tariff is also applicable to touring cinemas having licence for duration less than one year.
3. All the conditions regarding temporary power supply as stipulated in Clause 12 of the Conditions of Supply of Electricity of the Distribution Licensees in the State of Karnataka shall be complied with before service.

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