
BEFORE THE KARNATAKA ELECTRICITY REGULATORY COMMISSION

No.16C-1. Miller Tank Bed Area, Vasanthanagar
BANGALORE – 560 052

Dated 16th day of January, 2020.

Applications of:

Karnataka Power Transmission Company Ltd;
Kaveri Bhavan, Bengaluru.

Present:

1. Sri. Shambhu Dayal Meena	Chairman
2. Sri H.M. Manjunatha	Member
3. Sri M.D. Ravi	Member

In the matter of:

Implementation of the Order of the Hon'ble ATE dated 09.05.2008 in Appeal No.9/2008, which was challenged before the Hon'ble Supreme Court in Civil Appeal No.5342/2008 filed by KERC, Civil Appeal No.4726/2008, filed by FKCCI, Civil Appeal No. 697-98/2008 filed by FKCCI and subsequent disposal of these Appeals by the Hon'ble Supreme Court vide Orders dated 11.04.2018.

I. **Brief Facts**:

1. This Commission had filed Civil Appeal No.5342/2008 before the Hon'ble Supreme Court against the Order of the Hon'ble Appellate Tribunal for Electricity (ATE) dated 09.05.2008 in Appeal No. 9/2008 filed by the KPTCL against this Commission's Orders dated 31.12.2007. The FKCCI had also filed a

Civil Appeal No. 4726/2008 before the Hon'ble Supreme Court, against the same Order. The FKCCI had also filed civil Appeal No. 697-698/2008 before the Hon'ble Supreme Court challenging the Order of the Hon'ble ATE dated 4th December, 2007 in Appeal No.100 of 2007 (KPTCL Vs KERC & Others)

2. All the above three Civil Appeals, pending before the Hon'ble Supreme Court were dismissed by its Order dated 11th April, 2018.

3. The KPTCL, in its letter dated 28.05.2018, while informing the Commission about the disposal of the cases by the Hon'ble Supreme Court, has requested the Commission to comply with the Order of the Hon'ble ATE, which were appealed against and has requested for passing appropriate Orders in the matter.

4. As a result of disposal of Civil Appeals by the Hon'ble Supreme Court, the Orders passed by the Hon'ble ATE in Appeal No. 9/2008 and 100/2007 have to be implemented by the Commission.

5. The Commission has implemented the Orders of Hon'ble ATE in Appeal No. 100/2007 by issuing a supplementary Order on 31.12.2007, on the ARR and Transmission Tariff of KPTCL. This supplementary Order dated 31.12.2007 passed by this Commission was challenged by the KPTCL in Appeal No. 9/2008 before the Hon'ble ATE, which was disposed of by an Order dated 09.05.2008. Hence, the Commission is required to implement the Order dated 09.05.2008 of the Hon'ble ATE.

6. The Commission, in order to provide an opportunity to all the parties to the case, before implementation of the Order of the Hon'ble ATE, issued notices to all the parties to the case on 9th August, 2018, fixing the date of first hearing on 04.09.2018. Thereafter, further hearings were held during the period from 04.10.2018 to 03.12.2019.

7. During the course of the hearing, while the KPTCL prayed for implementation of the Orders of the Hon'ble ATE, the other parties to the case submitted that the Memo filed by the KPTCL needs to be treated as Petition and that the KPTCL shall comply with all the procedures specified in the Regulations in the matter of adjudication of a matter, including the payment of fee as per KERC

(Fee) Regulations, 2016. KPTCL contended that consequent on disposal of the Civil Appeals by the Hon'ble Supreme Court, the Orders of the Hon'ble ATE have to be implemented by this Commission and the question of treating the Memo as Petition does not arise.

8. The Commission notes that, the matter before it pertains to implementation of the Orders of the Hon'ble ATE. After hearing the parties, the Commission has taken the decision that the Memo filed by the KPTCL need not be treated as a Petition and KPTCL need not pay the fee as required under the relevant Regulations.

9. Written submissions have been made by Sri D.Subramanya Bhat and the FKCCI on 04.09.2018. They have opposed to pass on Tanir Bhavi Power Company Ltd., (Tanir Bhavi) claims in the tariff, giving various reasons.

10. KPTCL, vide it Memo dated 24.01.2019 requested the Commission to implement the Order 9.05.2008 in Appeal No. 9/2008.

11. KPTCL, on 30.09.2019, has filed additional written submission as per the direction of the Commission on 06.06.2019. KPTCL has submitted that the Hon'ble ATE in its Order dated 09.05.2008 has set aside the Surplus found by KERC in its true up order dated 31.12.2007 and has allowed the following items in favour of KPTCL:

    i) To calculate losses for the period from 2000-01 to 2005-06 as per the methodology filed by KPTCL in its petition;
    ii) Tanir Bhavi power purchase cost of Rs.545.87 Crores, along with carrying cost of 12% to be allowed in Tariff without providing any adjustment for FY 2001-02 to 2005-06;
    iii) To undertake truing up exercise for FY 2006-07;
    iv) All the Assets including new assets are eligible for the purpose of determination of Depreciation and O & M charges for the period 2007-08 to 2009-10;
    v) All reasonable costs including the actual rate of interest on loans have to be allowed to KPTCL.

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12. To enable the Commission to implement the Orders of the Hon'ble ATE, KPTCL, in its additional written statement, has submitted the following:

    i. Statement showing year-wise details of Tanir Bhavi power purchase costs along with carrying cost to be allowed in terms of ATE Order, furnished as Annexure-1.
    ii. Statement showing year-wise Actual Costs incurred as per Accounts of KPTCL for the period from 2000-01 to 2005-06, furnished as Annexure-2.
    iii. Annual Revenue Requirement as per Audited Annual Accounts of KPTCL for 2006-07 for the purpose of True Up in terms of ATE Order, furnished as Annexure-3.

13. KPTCL, in its additional Memo has submitted that the Commission has already implemented the direction of the Hon'ble ATE as indicated in item (iv) and (v) of Para-11 above, by undertaking the Annual Performance Review for FY08 to FY10. Hence, KPTCL has requested to implement directions as in Para 11(i) to (iii) and has stated that no further action from the Commission is required in respect of item (iv) and (v) of Para No.11.

14. In response to the written submission made by the KPTCL, the BESCOM and other ESCOMs have submitted that, the T & D losses are to be restricted to the approved target losses as directed in the Orders dated 09.05.2008 of Hon'ble ATE in Appeal No.9 of 2008. Regarding the additional fixed cost to be paid to Tanir Bhavi, as claimed by the KPTCL in Annexure-1 of the written submissions, BESCOM has stated that as per the audited accounts for FY01 to FY06, the total income of KPTCL is more than the total expenditure for the past six years and the total revenue surplus is Rs.417.90 Crores even after accounting the additional fixed cost liability of Tanir Bhavi. As there is revenue surplus, allowing the carrying cost does not arise and requested the Commission not to allow the carrying cost. It is also requested to pass on the surplus revenue to the consumers. It was also submitted by BESCOM that the power purchase of Rs.77.75 Crores claimed by KPTCL in truing up exercise for FY06-07 shall not be considered as the transmission charges already collected at the rate of 26.25 paise per unit from the ESCOMs (as per KPTCL's provisional accounts) were

higher than the transmission charges fixed by the Commission. It is also submitted that the Commission had directed KPTCL to revise the claim by considering 19.74 paise per unit till final true up of transmission charges. Accordingly, KPTCL had revised the transmission charges at 19.74 paise per unit, but did not refund the difference amount already collected. The other ESCOMs have reiterated the stand taken by the BESCOM.

15. During proceedings held on 10th of October, 2019, the learned counsel Sri Sridhar Prabhu representing Sri D.Subramanya Bhat and learned counsel Sri M.S.Raghavendra Prasad and Sri Shiva Prasad B.R. representing FKCCI, urged the Commission to conduct a public hearing since the issue pertains to revision of tariff.

16. The learned counsel representing Sri D.Subramanya Bhat has raised the issue of maintainability of the present proceedings in respect of the Tanir Bhavi claims. He submitted that once the issue of maintainability is raised, the Commission should dispose of the issue of maintainability of proceedings before considering other issues like pass through of Tanir Bhavi claims to the consumer etc.

17. The learned counsel for Sri D.Subramanya Bhat also raised the issue of applicability of Section 27 of the KER Act and Section 62 of the Electricity Act, 2003 on the issue of Commission's Order dated 15.12.2003 and the jurisdiction of the Hon'ble High Court and Hon'ble ATE in the matter. It is submitted that the Hon'ble High Court of Karnataka, vide its Order dated 22.12.2005 had set aside the Order dated 15.12.2003 of the Commission and remanded the matter to the Commission on 02.12.2005 for fresh hearing. The Commission, vide its Order 20.04.2006 rejected the claims of KPTCL and ESCOMs for a pass through of the Tanir Bhavi claims in the tariff. Hence, the learned Counsel representing Sri D.Subramanya Bhat submitted that the orders issued by the Commission dated 15.12.2003 and 20.04.2006 have attained finality and further questioned the validity of the orders of the Hon'ble ATE in Appeal No.107 of 2006 on the Tanir Bhavi claims. Hence, he prayed for rejection of the claims of KPTCL and ESCOMs for a pass through of fixed charges payable

to Tanir Bhavi, based on the Arbitral Award dated 19.05.2003, as the same is not maintainable, barred by principles of Res-Judicata, in public interest.

18. The learned Counsel appearing for FKCCI reiterated the pleadings made by the learned Counsel for Sri D.Subramanya Bhat.

19. The Commission heard the respective parties through their counsellors and perused the materials placed before it. The Commission's findings on the pleadings made by the objectors in the matter of implementation of Orders and directions of the Hon'ble ATE are as follows:

    a) On the request for conducting a public hearing, it is to be stated that, at the time of approving the ARR & APR and approval of retail supply tariff, the Commission has already conducted public hearings to obtain their views/ objections. Consequent to the dismissal of the Civil Appeals filed by the Commission, FKCCI and Others by the Hon'ble Supreme Court, the Order dated 09.05.2008 of the Hon'ble ATE in Appeal No.9 of 2008 shall have to be implemented by the Commission, duly considering the directions issued by the Hon'ble ATE. There is no direction by the Hon'ble ATE to conduct the proceedings *de-novo* and the Hon'ble ATE has directed to dispose of the issues keeping in view the directions issued by it. Therefore, there is no necessity to once again conduct public hearing to obtain the views and objections. The Commission also makes it clear that the Orders issued by this Commission, in compliance of the Orders of the Hon'ble ATE, shall be binding on all the stakeholders, including the respondents who were parties to the cases before the Hon'ble ATE and Hon'ble Supreme Court.

    b) As regards the contention of the learned counsel for Sri D.Subramanya Bhat that, the orders dated 20.04.2006 passed by this Commission, rejecting the claims of KPTCL and ESCOMs for a pass through of the Tanir Bhavi claims in the tariff have attained finality, the Commission notes that as on the date of passing the Order dated 20.04.2006, the Hon'ble ATE was constituted and that the Order of the Commission could have been challenged before the Hon'ble ATE. It may be noted that KPTCL and ESCOMs have challenged the Order dated 20.04.2006 of this Commission in Appeal No. 107 of 2006.

Therefore, there is no merit in contending that the Order dated 20.04.2006 of this Commission, has attained finality.

20. To implement the Orders of the Hon'ble ATE, the Commission has considered:

a) The Transmission and Distribution losses (T & D) for the period from FY2000-01 to FY2005-06 are reckoned as per the directions of the Hon'ble ATE considering the methodology given by KPTCL, in its Memo of Appeal at Para-W. Accordingly, the actual T & D losses, in relation to the power purchase quantum and costs thereof, for the relevant years, have been worked out as per the audited accounts. The principles of loss computation and the incentive/ penalty thereon have been adopted as per the principles laid down in the relevant Orders of the Hon'ble ATE.

b) The Commission notes that, the power purchase costs allowed in respect of Tanir Bhavi as per the audited accounts, includes the fixed cost at four cents per kwhr, but the difference of two cents per kwhr in the fixed cost were not passed on to the consumers in the tariff, in the relevant years. Now, the Commission, as per the Orders of the Hon'ble ATE, has considered the full fixed cost at four cents per kwhr and has allowed the difference of two cents per kwhr of fixed cost towards year on year claims of Tanir Bhavi power purchase cost of Rs.545.88 Crores for being passed on to the consumers in tariff as claimed by KPTCL in terms of Hon'ble ATE Order dated 09.05.2008. In order to arrive at the overall power purchase costs to be allowed and to pass on the same to the consumers, the actual power purchase cost of Tanir Bhavi cannot be considered in isolation. Hence, the power purchase cost of all generators including the Tanir Bhavi have been considered and included in the year on year ARR for the period from FY01 to FY07, with reference to the audited accounts.

c) All the other items of expenditure namely the O & M Expenses, Employee cost, Administration and General Expenses, Interest & Finance Charges, Depreciation, Other Debits/ Expenses etc. are considered as per actuals in the audited accounts, duly applying the principles adopted in the original orders issued while revising the ARRs for the respective years in accordance with the directions of the Hon'ble ATE. With a view to balance the interest of KPTCL and the consumers, the Commission has ensured that besides allowing all the expenses as per the audited accounts, a Rate of Return (RoR) of 3% on the net fixed assets that existed at the beginning of each of the financial years FY01 to FY04, and RoE of 12% on equity for FY05 and FY06 is also allowed to KPTCL, over and above the expenses as per the audited accounts, as was considered and allowed originally while approving the ARR, for the respective years.

d) The Hon'ble ATE, in its Order dated 09.05.2008 in Appeal No.9/2008, has also set aside the surplus of Rs.738.23 Crores, found by the Commission in the supplementary order dated 31.12.2007. The Commission has considered the actual revenue as per the audited accounts as directed by the Hon'ble ATE, to arrive at the yearly deficit / surplus, to be passed on to the consumers in tariff. Similarly, new principles / methodology adopted in the revision of ARR as per Commission's Orders dated 06.07.2007 and 31.12.2007, which was set aside by the Hon'ble ATE have not been considered in this exercise.

e) The Commission has considered Rural Electrification (RE) Subsidy from GoK as per actuals as indicated in the audited accounts.

II. Revision of ARR from FY2001 to FY2005-06 & FY06-07:

The year on year Revenue and the power purchase cost and other expenses are regulated as under:

A. Revision of ARR for FY2000-01:

While implementing the Orders of the Hon'ble ATE, in allowing the actual revenue and expenses, the Commission has applied the original methodology adopted in approval of ARR as follows:

a. **Power Purchase costs**: The Commission has considered the actual power purchase cost of Rs.3760.92 Crores as per audited accounts. During FY01, there was no Tanir Bhavi claim towards power purchases. The Commission has considered the penalty of Rs.5 Crores originally levied for non-furnishing of power purchase details by KPTCL, while approving the ARR and has allowed Rs.3755.92 Crores.

b. **Transmission & Distribution (T & D) Losses**: The T & D Loss target fixed by the Commission, the actual losses as per the audited accounts and the losses and penalty for exceeding the loss targets are computed as per the Order dated 04.12.2007, in appeal No.100/2007 and Order dated 09.05.2008 in Appeal No. 9 of 2008 of Hon'ble ATE, are worked out as under:

TABLE - 1
Computation of Losses and penalty for FY01

Sl.No.	Particulars	FY01
1	Actual input at Generating points as per audited accounts in MU	27700.33
2	Retail sales in MU	17866.71
3	Actual Percentage of Transmission and distribution losses	35.50%
4	Target distribution loss in %	31.00%
5	Increase in percentage loss	4.50%
6	Increase in input due to increase in distribution losses in MU	1246.51
7	Input energy at generating point by considering the target loss in MU (Sl.No.1 – 6)	26453.82
8	Average cost of power purchase in Rs. Per unit	1.3559
9	**Increase in power purchase cost due to increase in losses in Rs. Crores.**	**169.02**

Thus, the Commission, in compliance of the Orders of the Hon'ble ATE has disallowed an amount of Rs.169.02 Crores towards penalty for exceeding the loss targets fixed by the Commission.

c. **Employees cost**: As per audited accounts, an amount of Rs.705.78 Crores has been incurred. The Commission had not allowed an amount of Rs.25.22 Crores towards Bonus/ ex-gratia (Rs.10.22 Crores) and cost of free lighting to employees (Rs.15.00 Crores) incurred and included in the employees cost. The Hon'ble ATE in its Order dated 29.08.2006 in Appeal No.84/2006 has upheld the disallowance of the Bonus and cost of free power to employees in the ARR. The same amount of disallowance has been retained, while regulating the expenses for FY01. The net amount allowed after such dis-allowance is Rs.680.56 Crores. The expenses capitalised under this head of expenditure, amounting to Rs.26.18 Crores, has also been factored in, as per the audited accounts.

d. **Repair & Maintenance Expenses and Administration & General Expenses (R&M) & (A&G)**: The actual R&M and A&G expenses as per audited accounts amounting to Rs.72.76 Crores and Rs.94.67 Crores respectively, has been fully allowed.

e. **Depreciation, Interest & Finance Charges** as per audited accounts the depreciation and interest & finance charges amounting to Rs.320.33 Crores and Rs.475.94 Crores respectively has been fully allowed, and the capitalised interest of Rs.45.72 Crores has been deducted therefrom.

f. **Other Debits / Other Expenses**: The actual other expenses as per audited accounts is Rs.90.55 Crores, which includes Rs.71.19 Crores towards provision for bad and doubtful debts. The same is not allowed for the reason that only actual amounts of other expenses are being allowed without considering the provisions. This is as per the methodology originally adopted by the Commission. Thus, the Commission has allowed the other expenses of Rs.19.36 Crores for FY01.

g. **Net Prior Period Expenses/ Income**: The actual net prior period expenses as per audited accounts amounting to Rs.11.68 Crores have been fully allowed.

h. **Income Tax**: The actual Income Tax paid, as per audited accounts, is Rs.6.95 Crores and the same has been fully allowed.

i. **Rate of Return (RoR)**: The Commission has allowed an amount of Rs.88.30 Crores towards RoR at 3% on the Net Fixed Assets of Rs.2943.34 Crores at the beginning of FY01.

j. **Other Income**: The actual other Income as per the audited accounts is Rs.49.10 Crores and the same has been fully allowed.

k. **Revenue & RE Subsidy**: As per the audited accounts, the Revenue from sale of power is Rs.3672.87 Crores and the RE Subsidy is Rs.1820.82 Crores. As per the directions of Hon'ble ATE, the Commission has considered the actual revenue and subsidy without considering the revenue from additional sales as was reckoned while approving the ARR as per True up Order dated 31.12.2007.

I. Based on the above discussion the abstract of Revised ARR for FY01 is as follows:

TABLE - 2
ABSTRACT OF REVISED ARR FOR FY01

Rs. Crores

Sl. No.	Particulars	Originally Approved ARR as per Tariff Order dated 18.12.2000	Actuals as per Audited Accounts for FY2000-01	Revised ARR as per Orders of Hon'ble ATE
1	Power Purchase at Generating Bus (MU)	27197.00	27700.33	27700.33
2	Energy Sales in MU	18766.00	17866.71	17866.71
3	Energy Loss in MU	8431.00	9833.62	9833.62
4	Transmission & Distribution Loss in %	31.00	35.50	35.50
5	**Revenue**			
6	Revenue from sale of Power	3885.00	3672.87	3672.87
7	Subsidies	1403.00	1820.82	1820.82
8	Other Income	180.00	49.10	49.10
9	**Total Revenue**	**5468.00**	**5542.78**	**5542.78**
10	**Expenditure:**			
11	Power Purchase Cost	3695.00	3760.92	**3755.92**
12	Employees cost	821.00	705.78	680.56
13	R&M Expenses	70.00	72.77	72.76
14	A&G Expenses	72.00	94.67	94.67
15	**Total O&M Expenses**	**963.00**	**873.22**	**847.99**
16	Less: Expenses Capitalized	-8.00	-26.18	-26.18
17	Depreciation	299.00	320.33	320.33
18	Interest & Finance charges	443.00	475.94	475.94
19	Less: Interest Capitalized	0.00	-45.72	-45.72
20	Other Expenses (Other Debits)	0.00	90.55	19.36
21	Net Prior Period Expenses/Income	0.00	11.68	11.68
22	Return on Return/Equity	76.00	0.00	88.30
23	Income Tax	0.00	6.95	6.95
24	**Total Expenses**	**5468.00**	**5467.70**	**5454.57**
25	**Net ARR (24-8)**	**5288.00**	**5418.60**	**5405.47**
26	**Penalty for Excess T&D Loss**	**-**	**-**	**169.02**
27	**NET ARR (After deducting Penalty for Increase in T&D losses) (25-26)**	**-**	**-**	**5236.46**
28	**Surplus (6+7-27)**	**0.00**	**75.08**	**257.23**

m. **Net Revenue Gap/ Surplus for FY01**: As per the above computations, an amount of Rs.257.23 Crores is found as surplus in revenue.

B. Revision of ARR for FY2001-02:

a. **Power Purchase costs**: The Commission has considered the actual power purchase cost of Rs.4786.67 Crores as per audited accounts. This includes an amount of Rs.114.96 Crores for FY02, towards difference of two cents per kwhr of Fixed cost payable to Tanir Bhavi to be allowed as per the Orders of the Hon'ble ATE. The Commission has allowed the actual power purchase cost of Rs.4786.67 Crores which includes Tanir Bhavi claims in full, for FY02.

b. **Transmission & Distribution (T & D) Losses**: The T & D Loss target fixed by the Commission, the actual losses as per the audited accounts and consequent penalty for exceeding the loss targets as per the Order dated 04.12.2007, in appeal No.100/2007 and Order dated 09.05.2008 in Appeal No. 9 of 2008 of Hon'ble ATE, are worked out as under:

TABLE - 3

Computation of Losses and penalty for FY02

Sl.No,	Particulars	FY 02
1	Actual input at Generation Bus as per audited accounts in MU	29061.15
2	Retail sales in MU	18639.42
3	Actual Transmission & distribution(T & D) losses in %	35.86%
4	Targeted T & D loss in %	31.00%
5	Increase in T&D losses in%	4.86%
6	Increase in input energy due to increase in distribution losses in MU	1412.77
7	Input energy at generating point by considering the target loss in MU (Sl.No. 1- 6)	27648.38
8	Average cost of power purchase Rs. Per unit	1.6471
9	**Increase in power purchase cost due to increase in losses in Rs. Crores**	**232.70**

Thus, the Commission, in compliance of the Orders of the Hon'ble ATE, has disallowed an amount of Rs.232.70 Crores in the ARR for FY02 towards penalty for exceeding the loss targets fixed by the Commission.

c. **Employees cost**: As per audited accounts, an amount of Rs.731.24 Crores has been incurred. The Commission had not allowed an amount of Rs.23.79 Crores towards Bonus/ ex-gratia (Rs.10.24 Crores) and cost of free lighting to employees (Rs.13.55 Crores) incurred and included in the employees cost. The same amount of disallowance has been retained and allowed Rs.707.45 Crores, while regulating the expenses for FY02. The expenses capitalised under this head of expenditure, amounting to Rs.25.69 Crores, has also been considered as per the audited accounts.

d. **Repair & Maintenance Expenses and Administration & General Expenses (R&M) & (A&G)**: The actual R&M and A&G expenses as per audited accounts amounting to Rs.88.44 Crores and Rs.109.05 Crores respectively for FY02, has been fully allowed.

e. **Depreciation, Interest & Finance Charges:** As per audited accounts Rs.349.91 Crores and Rs.641.00 Crores has been incurred towards Depreciation and Interest on Loans respectively for FY02. The Commission had not allowed an amount of Rs.1 Crore towards Depreciation in approving the ARR in its tariff Order dated 18th May, 2002, for the reason that KPTCL did not furnish the required details. The Commission by considering the same, has disallowed an amount of Rs.1 Crore and allowed Rs.348.91 Crores towards Depreciation. Further, the Commission also allowed Rs.638.74 Crores towards interest on loan by disallowing Rs.2.26 Crores towards penalty paid to REC under the head of account - Interest on Loans, which was originally disallowed for the reason that it is an avoidable expenditure. Further, the capitalised interest on loan of Rs.27.60 Crores has also been factored separately while allowing the interest on loans.

f. **Other Debits/ Expenses**: The actual other expenses as per audited accounts is Rs.140.85 Crores. This amount includes the provision for bad and doubtful debts of Rs.118.40 Crores which is not allowed by the Commission for the reason that it is only a creation of provisions. The Commission has allowed the actual amount incurred towards other Debits/ expenses of Rs.22.45

Crores without considering the provisions. This is as per the methodology originally adopted in the Order approving the ARR.

g. **Net Prior Income/Expenses**: The actual amount of net prior period income as per audited accounts is Rs.59.17 Crores and the same has been fully allowed.

h. **Income Tax**: The actual Income Tax paid, as per audited accounts, is Rs.4.53 Crores and the same has been fully allowed.

i. **Rate of Return(RoR)**: The Commission has allowed an amount of Rs.92.52 Crores towards RoR at 3% on the Net Fixed Assets of Rs.3083.85 Crores at the beginning of FY02.

j. **Other Income**: The actual other Income as per audited accounts is Rs.96.59 Crores and the same has been fully allowed.

k. **Revenue & RE Subsidy**: As per the audited accounts, the Revenue from sale of power is Rs.4511.41 Crores and the RE subsidy is Rs.2210.65 Crores. As per the directions of Hon'ble ATE, the Commission has considered the actual revenue and subsidy without considering the revenue from additional sales as has been reckoned while approving the ARR as per Truing Up Order dated 31.12.2007.

l. Based on the above discussion, the abstract of Revised ARR for FY02 is as follows:

TABLE - 4

ABSTRACT OF REVISED ARR FOR FY02

Rs. Crores

Sl. No.	Particulars	Original Approved ARR As per T.O dated 18.05.2002	Actuals as per Audited Accounts for FY02	Revised ARR as per Orders of Hon'ble ATE
1	Power Purchase at Generating Bus in MU	29020.00	29061.15	29061.15
2	Energy Sales in MU	20024.00	18639.42	18639.42
3	Energy Loss in MU	8996.00	10421.73	10421.73
4	Transmission & Distribution Loss in %	31.00	35.86	35.86

5	**Revenue:**			
6	Revenue from sale of Power	4637.85	4511.41	4511.41
7	Subsidies	1779.00	2210.65	2210.65
8	Other Income	62.11	96.59	96.59
9	**Total Revenue**	**6478.96**	**6818.65**	**6818.65**
10	**Expenditure:**			
11	Power Purchase Cost	4723.63	4786.67	4786.67
12	Employees cost	699.41	731.24	707.45
13	R&M Expenses	100.88	88.44	88.44
14	A&G Expenses	94.67	109.05	109.05
15	**Total O&M Expenses -Rs. In Crores**	894.96	928.74	904.95
16	Less: Expenses Capitalized	-65.00	-25.69	-25.69
17	Depreciation	354.66	349.91	348.91
18	Interest & Finance charges	434.39	641.00	638.74
19	Less: Interest Capitalized	0.00	-27.60	-27.60
20	Other Expenses (Other Debits)	19.36	140.85	22.45
21	Net Prior Period Expenses/Income	11.68	-59.17	-59.17
22	Rate of Return/Equity	82.97	0.00	92.52
23	Income Tax	0.00	4.53	4.53
24	**Total Expenses**	**6456.65**	**6739.24**	**6686.31**
25	**Net ARR (24-8)**	6394.54	6642.65	6589.72
26	**Less: Penalty for Excess T&D Loss**			**-232.70**
27	**NET ARR (After deducting Penalty for Increase in T&D losses)(25-26)**			**6357.02**
28	**Surplus (6+7-27)**	**22.31**	**79.41**	**365.04**

m. **Net Revenue Gap/ Surplus for FY02**: As per the above computations, an amount of Rs.365.04 Crores is found as surplus revenue.

n. **Carrying Cost**: The Hon'ble ATE has allowed the carrying cost on the amounts payable to Tanir Bhavi on the ground that the same had not been allowed in tariff and that the amounts due to be recovered through tariff attract carrying costs. KPTCL, in its Memo dated 30.09.2019, has claimed an amount of Rs.262.11 Crores towards carrying cost on the Tanir Bhavi claims. As per audited accounts for FY02, the total power purchase cost of Rs.4786.67 Crores is inclusive of full fixed cost of 4 cents per kwhr paid to Tanir Bhavi. The Commission notes that Government of Karnataka was meeting the statutory requirement of earning 3% RoR on the net fixed assets at the beginning of the year, and meeting the deficit through allocation of adequate subsidy. The Government of Karnataka has allocated subsidy of Rs.2210.65 Crores for FY02, so as to enable KPTCL to earn the said 3% RoR. With this arrangement KPTCL was able to pay the full fixed cost to Tanir Bhavi, though the same was not allowed by the commission in Tariff. Since the Commission had not allowed the difference of fixed cost of 2 cents per kwhr in the tariff the same is met through the RE subsidy and KPTCL has not borrowed any amount for making payment to Tanir Bhavi. The Commission also notes that Tanir Bhavi claims of Rs.433.31 Cores were fully paid by KPTCL through ESCROW arrangements with reference to the bills preferred by the said Company. The details of amounts incurred towards power purchase cost paid to Tanir Bhavi, at 4 cents per kwhr, is indicated under Schedule-19 of the audited accounts for FY02.

While Complying with the Orders of the Hon'ble ATE to allow full power purchase cost of Tanir Bhavi with full fixed cost at four cents per kwhr, it is found that the revised ARR has resulted in a net revenue surplus of Rs.365.04 Crores for FY02 as shown in Table-4 above. Considering the surplus revenue of Rs.365.04 Crores, the cumulative surplus for FY01 and FY02 works out to Rs.622.27 Crores. The Commission notes that the question of carrying cost would arise only when there is net revenue deficit which necessitates borrowing of funds and payment of interest thereon. Since, there is overall revenue surplus of Rs.622.27 Crores, as at the end of FY02, even after allowing full payment of Tanir Bhavi claims as per the Orders of the Hon'ble ATE, the Commission is unable to allow any carrying cost to KPTCL, to safeguard the interest of the consumers.

C. Revision of ARR for FY2002-03:

a) **Power Purchase costs**: The Commission in compliance of the Hon'ble ATE Order, has considered the actual power purchase cost of Rs.5393.41 Crores as per audited accounts. This includes an amount of Rs.131.84 Crores for FY03, towards difference of two cents per kwhr of Fixed cost payable to Tanir Bhavi to be allowed as per the Orders of the Hon'ble ATE. The

Commission has fully allowed the actual Power Purchase cost of Rs.5393.41 Cores for FY03.

b) **Transmission & Distribution (T & D) Losses**: The T & D Loss target fixed by the Commission, the actual losses as per the audited accounts, and the losses as worked out as per the Order dated 04.12.2007, in appeal No.100/2007 and Order dated 09.05.2008 in Appeal No. 9 of 2008 of Hon'ble ATE, are worked out as under:

TABLE - 5

Computation of Losses and penalty for FY03

Sl.No.	Particulars	FY03
1	Actual input at Generation Bus as per audited accounts in MU	29278.72
2	Energy at Interface Points in MU including KPCL colony consumption in MU	27277.67
3	Percentage of declared Transmission loss as per audited accounts (including wheeled, imported and exported energy)	6.55%
4	Targeted Transmission loss in %	6.39%
5	Increase in percentage loss	0.16%
6	Increase in input due to increase in transmission in MU	46.85
7	Energy Input at generating point by considering the target loss in MU (Sl.No.1 – 6)	29231.87
8	Average cost of power purchase in Rs. per unit	1.8421
9	**Increase in power purchase cost due to increase in losses in Rs. Crores.**	**8.63**

Thus, the Commission, in compliance of the Orders of the Hon'ble ATE has disallowed an amount of Rs.8.63 Crores in the revised ARR for FY03 towards penalty for exceeding the loss targets fixed by the Commission.

c) **Employees cost**: As per audited accounts, an amount of Rs.270.09 Crores has been incurred towards employees cost. The Commission had not allowed an amount of Rs.1.26 Crores towards Bonus/ ex-gratia (Rs.0.87 Crores) and cost of free lighting to employees (Rs.0.39 Crores) incurred and included in the employees cost and has allowed Rs.268.83 Crores towards employees cost foe FY03. The same amount of disallowance has been

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retained, while regulating the expenses for FY03. The expenses capitalised under this head of expenditure, amounting to Rs.20.45 Crores, has also been considered as per the audited accounts.

d) **Repair & Maintenance Expenses and Administration & General Expenses (R&M) & (A&G)**: The actual R&M and A&G expenses as per audited accounts amounting to Rs.24.53 Crores and Rs.39.81Crores respectively for FY03, has been fully allowed.

e) **Depreciation and Interest & Finance Charges:** As per audited accounts Rs.175.64 Crores and Rs.428.84 Crores are incurred towards Depreciation and Interest & Finance Charges respectively, as per the audited accounts for FY03. While the Depreciation has been fully allowed, the Interest and Finance charges of Rs.332.00 Crores has been allowed by disallowing Rs.96.84 Crores towards interest on delayed payments of power purchase, which has not been allowed while approving the ARR for FY03. The capitalised interest on loan of Rs.7.29 Crores has also been factored in while allowing the interest on loans.

f) **Other Debits/ Expenses**: The actual other debits/ other expenses as per audited accounts is Rs.14.59 Crores has been fully allowed.

g) **Net Prior Period Expenses/Income**: The actual net prior period expenses / income as per audited accounts amounting to Rs.4.42 Crores has been fully allowed.

h) **Income Tax**: The actual Income Tax paid, as per audited accounts, is Rs.4.23 Crores and the same has been fully allowed.

i) **Rate of Return (RoR):** The Commission has allowed an amount of Rs.53.02 Crores towards RoR at 3% on the Net Fixed Assets at the beginning of FY03. After the formation of ESCOMs from 01.06.2002, KPTCL continued as Transmission and Distribution company upto 31.05.2002. Hence, the Rate of Return (RoR) has been separately computed for two months considering net fixed assets of Rs.3339.26 Crores at 3% and net fixed assets of Rs.1453 Crores at 3% for 10 Months.

j) **Other Income:** The actual other Income as per audited accounts is Rs.126.71 Crores and the same has been fully allowed for FY03.

k) **Revenue & RE Subsidy**: As per the audited accounts, the Revenue from sale of power is Rs.5680.34 Crores and the RE subsidy is Rs.570.22 Crores. As per the directions of Hon'ble ATE, the Commission has considered the actual revenue and RE subsidy without considering the revenue from additional sales as has been reckoned while approving the ARR as per Truing Up Order dated 31.12.2007.

l) **Based** on the above discussion the abstract of Revised ARR for FY03 is as follows:

TABLE - 6

ABSTRACT OF REVISED ARR FOR FY03

Rs. Crores

Sl. No.	Particulars	Original Approved ARR As per T.O dated 08.05.2002 & Revised	Actuals as per Audited Accounts for FY03	Revised ARR as per Orders of Hon'ble ATE
1	Power Purchase at Generating Bus (MU)	30552.00	29278.72	29278.72
2	Energy at Interface Points in MU including KPCL colony consumption	28600.00	27277.67	27277.67
3	Transmission loss in %, as per audited accounts (including wheeled/ imported/ exported energy)	6.39	6.55	6.55
	Revenue:			
4	Revenue from sale of Power	6053.08	5680.34	5680.34
5	Subsidies	260.87	570.22	570.22
6	Other Income	10.40	126.71	126.71
	Total Revenue	**6324.35**	**6377.27**	**6377.27**
	Expenditure:			
7	Power Purchase Cost	5420.44	5393.41	5393.41
8	Employees cost	199.31	270.09	268.83
9	R&M Expenses	42.80	24.53	24.53

10	A&G Expenses	59.87	39.81	39.81
11	**Total O&M Expenses**	**301.98**	**334.43**	**333.17**
12	Less: Expenses Capitalized	-86.98	-20.45	-20.45
13	Depreciation	195.87	175.64	175.64
14	Interest & Finance charges	422.40	428.84	332.00
15	Less: Interest Capitalized	0.00	-7.29	-7.29
16	Other Expenses (Other Debits)	8.46	14.59	14.59
17	Net Prior Period Expenses/Income	5.11	4.42	4.42
18	Rate of Return	90.24	0.00	53.02
19	Income Tax	0.00	4.23	4.23
20	**Total Expenses**	**6357.52**	**6327.82**	**6282.73**
21	**Net ARR (20-6)**	**6347.12**	**6201.11**	**6156.02**
22	Less: Penalty for Excess Trans mission Loss	**-**	**-**	**8.63**
23	**NET ARR (After deducting Penalty for exceeding Transmission loss target)**	**-**	**-**	**6147.39**
24	**Surplus (4+5-23)**	**-33.17**	**49.45**	**103.17**

m) **Net Revenue Surplus for FY03**: As per the above computations, an amount of Rs.103.17 Crores is found as surplus revenue.

n) **Carrying Cost**: The Hon'ble ATE has allowed the carrying cost on the amounts payable to Tanir Bhavi on the ground that the same had not been allowed in tariff and that the amounts due to be recovered through tariff attract carrying costs. KPTCL, in its Memo dated 30.09.2019, has claimed an amount of Rs.284.77 Crores towards carrying cost on the Tanir Bhavi claims. As per audited accounts for FY03, the total power purchase cost of Rs.5393.41 Crores is inclusive of full fixed cost of 4 cents per kwhr paid to Tanir Bhavi. The Commission notes that Government of Karnataka was meeting the statutory requirement of earning 3% RoR on the net fixed assets at the beginning of the year, and the meeting the deficit through allocation of adequate subsidy. The Government of Karnataka has allocated subsidy of Rs.570.22 Crores for FY03, so as to enable KPTCL to earn the said 3% RoR. With this arrangement KPTCL was able to pay the full fixed cost to Tanir

Bhavi, though the same was not allowed by the commission in Tariff. Since the Commission had not allowed the difference of fixed cost of 2 cents per kwhr in the tariff the same is met through the RE subsidy and KPTCL has not borrowed any amount for making payment to Tanir Bhavi. The Commission also notes that Tanir Bhavi claims of Rs.131.84 Cores were fully paid by KPTCL through ESCROW arrangements with reference to the bills preferred by the said Company. The details of amounts incurred towards power purchase cost paid to Tanir Bhavi Company, at 4 cents per kwhr, is indicated under Schedule-19 of the audited accounts for FY03.

While Complying with the Orders of the Hon'ble ATE to allow full power purchase cost of Tanir Bhavi with full fixed cost at four cents per kwhr, it is found that the revised ARR has resulted in a net revenue surplus of Rs.365.04 Crores for FY03 as shown in Table-6 above. Considering the surplus revenue of Rs.103.17 Crores, the cumulative surplus for FY02 and FY03 works out to Rs.725.44 Crores. The Commission notes that the question of carrying cost would arise only when there is net revenue deficit which necessitates borrowing of funds and payment of interest thereon. Since, there is overall revenue surplus of Rs.725.44 Crores, as at the end of FY03, even after allowing full payment of Tanir Bhavi claims as per the Orders of the Hon'ble ATE, the Commission is unable to allow any carrying cost to KPTCL, to safeguard the interest of the consumers.

D. Revision of ARR for FY2003-04:

a) **Power Purchase costs**: The Commission has considered the actual power purchase cost of Rs.6024.75 Crores as per audited accounts for FY04. This includes an amount of Rs.134.44 Crores towards difference of two cents per kwhr of Fixed cost payable to Tanir Bhavi to be allowed as per the Orders of the Hon'ble ATE. The Commission as per the Hon'ble ATE Order, has fully allowed the actual total Power Purchase cost of Rs.6024.75 Crores for FY04 including the additional two cents per kwhr paid to Tanir Bhavi.

b) **Transmission Losses**: The Transmission Loss target fixed by the Commission, the actual losses as per the audited accounts and the computation of losses as per the Order dated 04.12.2007, in appeal No.100/2007 and Order dated 09.05.2008 in Appeal No. 9 of 2008 of Hon'ble ATE, are worked out as under:

TABLE - 7

Computation of Losses and penalty for FY04

Sl.No.	Particulars	FY04
1	Actual input at Generation Bus as per audited accounts in MU	31217.45
2	Energy at Interface Points including auxiliary consumption of KPTCL stations in MU	29710.08
3	Percentage of Transmission loss as per audited accounts (including wheeled/ imported/ exported energy) in MU	4.74%
4	Target Transmission loss in %	6.00%
5	Reduction in percentage loss	1.26%
6	Reduction in input energy due to decrease in Transmission losses in MU	393.34
7	Input energy at generating point by considering the target loss in MU (Sl.No. 1+6)	31610.79
8	Average cost of power purchase in Rs. Per unit	1.9299
9	**Incentive due to savings in power purchase cost due to Reduction in losses in Rs. Crores-**	**75.91**

Thus, the Commission, in compliance of the Orders of the Hon'ble, ATE has allowed an amount of Rs.75.91 Crores in the ARR for FY04, as an incentive for having achieved reduction in transmission loss compared to the targets fixed by the Commission for FY04.

c) **Employees cost**: As per audited accounts, an amount of Rs.136.63 Crores has been incurred towards employees cost for FY04. The Commission had not allowed an amount of Rs.1.86 Crores towards Bonus/ ex-gratia (Rs.1.47 Crores) and cost of free lighting to employees (Rs.0.39 Crores) incurred and included in the employees cost and has allowed Rs.134.77 Crores. The same amount of disallowance has been retained while regulating the employee's expenses for FY04. An amount of Rs.21.93 Crores towards expenses capitalised under employee's cost, has also been considered as per the audited accounts.

d) **Repair & Maintenance Expenses and Administration & General Expenses (R&M) & (A&G)**: The actual R&M and A&G expenses as per audited accounts amounting to Rs.15.94 Crores and Rs.32.63 Crores respectively has been fully allowed for FY04.

e) **Depreciation and Interest & Finance Charges:** As per audited accounts Rs.172.58 Crores and Rs.324.42 Crores are accounted towards Depreciation and Interest and Finance Charges respectively for FY04. While the Depreciation has been fully allowed, an amount of Rs.278.70 Crores has been allowed by disallowing Rs.45.72 Crores towards interest on delayed power purchase payments, which had not been allowed while approving the ARR for FY04. The capitalised interest on loans of Rs.36.94 Crores has also been considered while allowing the interest on loans.

f) **Net Prior Period Expenses/Income**: As per the audited accounts the net prior period income of Rs.46.45 Crores is fully considered for FY04.

g) **Other Debits/ Expenses**: The actual other debit/expenditure as per audited accounts is Rs.0.97 Crores and the same has been fully allowed.

h) **Income Tax:** The actual Income Tax paid, as per audited accounts, is Rs.7.39 Crores and the same has been considered.

i) **Rate of Return (RoR)**: The Commission has allowed an amount of Rs.52.46 Crores towards RoR at 3% on the Net Fixed Assets of Rs.1748.63 at the beginning of FY04.

j) **Other Income**: The actual other Income as per audited accounts is Rs.121.71 Crores has been considered.

k) **Revenue & RE Subsidy**: As per the audited accounts, the Revenue from sale of power is Rs.6444.28 Crores and the RE subsidy is Rs.96.39 Crores for FY04. As per the directions of Hon'ble ATE, the Commission has considered the actual revenue and RE subsidy without considering the revenue from additional sales as has been reckoned while approving the ARR as per Truing Up Order dated 31.12.2007.

Based on the above discussion the abstract of Revised ARR for FY04 is as follows:

TABLE - 8

ABSTRACT OF REVISED ARR FOR FY04

Rs. Crores

Sl. No.	Particulars	Originally Approved ARR As per T.O dated 10.03.2003	Actuals as per Audited Accounts for FY 04	Revised ARR as per Orders of Hon'ble ATE
1	Power Purchase at Generating Bus (MU)	**29946.00**	**31217.45**	**31217.45**
2	Energy at Interface Points (including auxiliary consumption of KPTCL Stations) in MU	**28149.00**	**29710.08**	**29710.08**
3	Transmission loss as per audited accounts (including wheeled/ imported/ exported energy) in %,	**6.00**	**4.74**	**4.74**
4	**Revenue**			
5	Revenue from sale of Power (BST)	5971.61	6444.28	6444.28
6	RE Subsidy	0.00	96.39	96.39
7	Other Income	40.55	121.71	121.71
8	**Total Revenue**	**6012.16**	**6662.38**	**6662.38**
9	**Expenditure**			
10	**Power Purchase Cost**	5446.42	6024.75	6024.75
11	Employees cost	123.05	136.63	134.77
12	R&M Expenses	16.18	15.94	15.94
13	A&G Expenses	24.50	32.63	32.63
14	**Total O&M Expenses**	**163.73**	**185.21**	**183.35**
15	Less: Expenses Capitalized	-27.46	-21.93	-21.93
16	Less: Employees cost & A&G expenses allocated to BST	-7.38	0.00	0.00
17	Depreciation	185.11	172.58	172.58
18	Interest & Finance charges	244.69	324.42	278.70
19	Less: Interest Capitalized	-25.00	-36.94	-36.94

20	Other Expenses (Other Debits)	4.93	0.97	0.97
21	Net Prior Period Expenses/Income	-15.60	-46.45	-46.45
22	Rate of Return	42.72	0.00	52.46
23	Income Tax	0.00	7.39	7.39
24	**Total Expenses**	**6012.16**	**6609.99**	**6614.87**
25	**Net ARR (24-7)**	**5971.61**	**6488.28**	**6493.16**
26	**Add Incentive for Reduced Transmission Loss**			**75.91**
27	**NET ARR (After adding incentive for reduction in Transmission losses**			**6569.07**
28	**Deficit (5+6-27)**	**0.00**	**52.39**	**-28.39**

l) **Net Revenue Gap for FY04**: As per the above computations, an amount of Rs.28.39 Crores is found as revenue deficit for FY04.

m) **Carrying Cost**: The Hon'ble ATE has allowed the carrying cost on the amounts payable to Tanir Bhavi on the ground that the same had not been allowed in tariff and that the amounts due to be recovered through tariff attract carrying costs. KPTCL, in its Memo dated 30.09.2019, has claimed an amount of Rs.274.26 Crores towards carrying cost on the Tanir Bhavi claims. As per audited accounts for FY04, the total power purchase cost of Rs.6024.75 Crores is inclusive of full fixed cost of 4 cents per kwhr paid to Tanir Bhavi. The Commission notes that Government of Karnataka was meeting the statutory requirement of earning 3% RoR on the net fixed assets at the beginning of the year, and the meeting the deficit through allocation of adequate subsidy. The Government of Karnataka has allocated subsidy of Rs.96.39 Crores for FY04, so as to enable KPTCL to earn the said 3% RoR. With this arrangement KPTCL was able to pay the full fixed cost to Tanir Bhavi, though the same was not allowed by the commission in Tariff. Since the Commission had not allowed the difference of fixed cost of 2 cents / kwhr in the tariff the same is met through the RE subsidy and KPTCL has not borrowed any amount for making payment to Tanir Bhavi. The Commission also notes that Tanir Bhavi claims of Rs.134.44 Cores were fully paid by KPTCL through ESCROW arrangements with reference to the bills preferred by the said Company. The details of amounts incurred towards power purchase cost paid to Tanir Bhavi Company, at 4 cents per kwhr, is indicated under Schedule-19 of the audited accounts for FY04.

While Complying with the Orders of the Hon'ble ATE to allow full power purchase cost of Tanir Bhavi with full fixed cost at four cents per kwhr, it is found that the revised ARR has resulted in a net revenue deficit of Rs.28.39 Crores for FY04 as shown in Table-8 above. Considering this deficit, the cumulative surplus for FY02 and FY03 works out to Rs.697.05 Crores. The Commission notes that the question of carrying cost would arise only when there is net revenue deficit which necessitates borrowing of funds and payment of interest thereon. Since, there is overall revenue surplus of Rs.697.05 Crores, as at the end of FY04, even after allowing full payment of Tanir Bhavi claims as per the Orders of the Hon'ble ATE, the Commission is unable to allow any carrying cost to KPTCL, to safeguard the interest of the consumers.

E. Revision of ARR for FY2004-05:

a) **Power Purchase costs**: The Commission has considered the actual power purchase cost of Rs.6013.56 Crores as per audited accounts for FY05. This includes an amount of Rs.130.23 Crores for FY05, towards difference of two cents per kwhr of Fixed cost payable to Tanir Bhavi to be allowed as per the Orders of the Hon'ble ATE. The Commission as per the Orders of the Hon'ble ATE has fully allowed Power Purchase cost of Rs.6013.56 Crores for FY05.

b) **Transmission Losses:** The Transmission Loss target fixed by the Commission, the actual losses as per the audited accounts and the loss computations as per the Order dated 04.12.2007, in appeal No.100/2007 and Order dated 09.05.2008 in Appeal No. 9 of 2008 of Hon'ble ATE, are worked out as under:

TABLE - 9

Computation of Losses and penalty for FY05

Sl.No.	Particulars	FY05
1	Actual input at Generating points as per audited accounts in MU	33110.41
2	Energy at Interface Points (Including auxiliary consumption of KPTCL Stations) in MU	31727.66
3	Percentage of Transmission loss	4.176%
4	Targeted Transmission loss in %	4.18%
5	Decrease in percentage loss	0.004%
6	Decrease in input due to increase in Transmission losses in MU	1.27
7	Input energy at generating point by considering target loss in MU (Sl. No. 1 + 6)	33111.68
8	Average cost of power purchase in Rs. Per unit	1.8162
9	**Incentive allowed due to savings in power purchase cost due to reduction in losses in- Rs. Crores**	**0.23**

Thus the Commission, in compliance of the Orders of the Hon'ble ATE, allows an amount of Rs.0.23 Crores in the revised ARR for FY05, towards incentive for having reduced the transmission loss targets below the target fixed by the Commission for FY05.

c) **Employees cost**: As per audited accounts, an amount of Rs.144.92 Crores has been incurred towards Employee Cost for FY05. An amount of Rs.1.86 Crores has been disallowed towards Bonus/ ex-gratia (Rs.1.47 Crores) and cost of free lighting to employees (Rs.0.39 Crores) incurred and included in the employees cost. The Commission has allowed Rs.143.06 Crores after disallowing the above amounts.

d) **Repair and Maintenance Expenses and Administration & General Expenses (R&M & A&G)**: The actual expenses as per audited accounts towards R & M Expenses and A & G Expenses are Rs.20.84 Crores and Rs.35.31 Crores respectively for FY05. The same have been fully allowed. An amount of Rs.17.00 Crores towards expenses capitalised has been considered as per audited accounts for FY05.

e) **Depreciation and Interest & Finance Charges:** As per audited accounts Rs.193.47 Crores and Rs.279.26 Crores are accounted towards Depreciation and Interest and Finance Charges respectively for FY05. The Depreciation has been fully allowed and an amount of Rs.171.69 Crores has been allowed towards interest on loans by disallowing Rs.107.57 Crores towards interest on belated power purchase payments which had not been allowed while approving the ARR for FY05. The capitalised interest on loan amounting to Rs.28.28 Crores has also been factored in while allowing the interest on loans for FY05.

f) **Other Debits/Expenses**: The actual other debits/expenditure as per audited accounts is Rs.0.41 Crores and the same has been fully allowed.

g) **Net Prior Period Expenses/Income**: As per the audited accounts an amount of Rs.15.24 Crores, is indicated as net prior period expenses and the same has been fully allowed.

h) **Income Tax:** The actual Income Tax paid, as per audited accounts, is Rs.8.37 Crores and the same has been fully allowed.

i) **Return on Equity (RoE)**: The Commission has allowed an amount of Rs.98.38 Crores being the Return on Equity at 12% on the opening balance of equity of Rs.819.87 Crores for FY05.

j) **Other Income**: The actual other Income as per audited accounts is Rs.159.51 Crores and the same has been fully allowed.

k) **Revenue & RE Subsidy**: As per the audited accounts, the Revenue from Bulk Supply Tariff and Transmission charges is Rs.6615.41 Crores. As per the audited accounts, KPTCL has not received any amount of RE subsidy from the GoK for FY05, since it had become a transmission company exclusively dealing with transmission of power only. As per the directions of the Hon'ble ATE, the Commission has considered the actual revenue of Rs.6615.41 Crores, without considering the revenue from the additional sale for FY05.

Based on the above discussion, the abstract of Revised ARR for FY05 is as follows:

TABLE - 10

ABSTRACT OF REVISED ARR FOR FY05

Rs. Crores

Sl. No.	Particulars	Original Approved ARR As per T.O dated 27.09.2005	Actuals as per Audited Accounts for FY 05	Revised ARR as per Orders of Hon'ble ATE
1	Power Purchase at Generating Bus in MU	**33110.00**	**33110.41**	**33110.41**
2	Energy at Interface Points (Including auxiliary consumption of KPTCL Stations) in MU	**31726.00**	**31727.66**	**31727.66**
3	Transmission loss in %	**4.18**	**4.18**	**4.18**
4	**REVENUE**			
5	Revenue from Bulk Supply Tariff and Transmission charges	6227.21	6615.41	6615.41
6	Transmission charges	433.42	0.00	0.00
7	Other Income	211.52	159.51	159.51
8	**Total Revenue**	**6872.15**	**6774.92**	**6774.92**
9	**Expenditure**			
10	**Power Purchase Cost (BST)**	5980.08	6013.56	6013.56
11	Employees cost	142.34	144.92	143.06
12	R&M Expenses	20.84	20.84	20.84
13	A&G Expenses	34.87	35.31	35.31
14	**Total O&M Expenses**	**198.05**	**201.08**	**199.22**
15	Less: Employees cost & A&G expenses allocated to BST	-19.77	-17.00	-17.00
16	Depreciation	196.23	193.47	193.47
17	Interest & Finance charges	168.97	279.26	171.69
18	Less: Interest Capitalized	-27.89	-28.28	-28.28
19	Other Expenses (Other Debits)	0.41	0.41	0.41
20	Net Prior Period Expenses/Income	15.81	15.24	15.24
21	Return on Equity at 12%	**99.74**	0.00	98.38
22	Income Tax	8.37	8.37	8.37
23	**Total Expenses**	**6620.00**	**6666.11**	**6655.06**
24	**Net ARR (23-7)**	**6408.48**	**6506.59**	**6495.54**
25	Add Incentive for reduction in Transmission Losses.			**0.23**
26	**NET ARR (After adding incentive for decrease in Transmission losses (24+25)**			**6495.77**
27	**Surplus (5+6-26)**	**252.15**	**108.82**	**119.64**

l) **Net Revenue surplus for FY05**: As per the above computations, an amount of Rs.119.64 Crores is found as revenue surplus for FY05.

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m) **Carrying Cost**: The Hon'ble ATE has allowed the carrying cost on the amounts payable to Tanir Bhavi on the ground that the same had not been allowed in tariff and that the amounts due to be recovered through tariff attract carrying costs. KPTCL in its Memo dated 30.09.2019 has claimed an amount of Rs.250.04 Crores towards carrying cost. The Commission notes that the actual power purchase cost, as per the audited accounts, is inclusive of the power purchase cost (with fixed cost at 4 cents per kwhr) to Tanir Bhavi which is fully paid through ESCROW arrangements with reference to the bills preferred by the said Company. While Complying with the Orders of the Hon'ble ATE, the Commission has arrived at a net revenue surplus of Rs.119.64 Crores for FY05 as shown in Table-10 above. Considering the revenue surplus and deficit of earlier years from FY01 to FY05, the overall net revenue surplus upto the end of FY05 works out to Rs.816.69 Crores.

n) The Commission notes that, vide its Order dated 15th December, 2003, an additional amount of Rs.444 Crores was allowed as additional power purchase cost, due to deficit in the expected monsoon and suitable tariff increase was allowed in respect of LT2(b), LT3. HT2(a) and HT2(b) consumers. This additional tariff allowed by the Commission had been continued during FY04 and FY05 as well and was not withdrawn.

o) Also, as informed in GoK letter No. EN 93 PSR 2005/426 dated 22.11.2005, due to collection of higher bulk supply tariff at the rate of 209.35 paise per unit (as against approved tariff of 193.38 paise per unit) and transmission charges at 18.67 paise per unit (as against approved tariff of Rs.15.23 paise per unit), a surplus of Rs.729 Crores was found during FY05 as per the audited accounts. As per the Draft Tariff Policy, 2005, KPTCL can make a profit of only 14% Return on Equity (RoE) on the equity at the beginning of the financial year, which was worked out as Rs.108.82 Crores. Hence, by retaining Rs.108.82 Crores as net profit for FY05, KPTCL had requested the Government of Karnataka (GoK) to reduce the subsidy allocation to an extent of Rs.620.58 Crores payable to ESCOMs. The GoK has therefore adjusted the surplus of Rs.620.58 Crores from the subsidy payable to ESCOMs. The GoK, in its letter 22.11.2005 has justified the same stating that during the earlier years, when there was a deficit in revenue, the GoK has allocated adequate subsidy to KPTCL/ ESCOMs over and above the expenses, in order to ensure the required Rate of Return (RoR) and that when there is surplus, it has the right to adjust the same in the subsidy allocation.

p) As per the revision of ARR in this Order in terms of the Orders of the ATE, revenue surplus amount of Rs.816.68 Crores has been found, as at the end of FY05. Since the GoK has already adjusted surplus amount of Rs.620.58 Crores against the subsidy payable to the ESCOMs, the same has been considered to arrive at net surplus of Rs.196.11 Crores, as at the end of FY05. In view of this, the Commission has not allowed any carrying cost to KPTCL, for FY05.

F. Revision of ARR for FY2005-06:

a) **Power Purchase costs**: The Commission has considered the actual power purchase cost of Rs.1236.50 Crores as per audited accounts for FY06. This includes an amount of Rs.22.23 Crores towards difference of two cents per kwhr of Fixed cost payable to Tanir Bhavi to be allowed as per the Orders of the Hon'ble ATE and Rs.12.18 Crores towards interest on power purchase payments. The Commission as per the Orders of the Hon'ble ATE, has fully allowed Power Purchase cost of Rs.1236.50 Crores for FY06.

b) **Transmission Losses:** The Transmission loss target fixed by the Commission, the actual losses as per the audited accounts are shown as follows:

TABLE - 11

Computation of Losses and penalty for FY06

Sl.No.	Particulars	FY06
1	Actual input at Generating points as per audited accounts in MU	34640.55
2	Energy at Interface Points (Including auxiliary consumption of KPTCL Stations) in MU	33140.56
3	Percentage of Transmission loss	4.33%
4	Targeted Transmission loss in %	4.18%
5	Increase in percentage loss	0.15%

As per GO No. EN31 PSR 2003 dated 10.05.2005 the ESCOMs started purchasing power from various generating companies directly and KPTCL was not allowed to trade in power. Thus, KPTCL became exclusively a wires Company w.e.f. 10.06.2005 and hence, there were no transactions relating to Bulk Power Supply, from June, 2005 onwards. Therefore, the question of T & D loss computation with reference to the energy sold and the levy of penalty / incentive for reduced/ excess transmission and distribution losses did not arise, in line with the approach adopted in the earlier Order for FY06. Therefore, for the excess transmission loss of 0.15%, during FY06, levy of penalty had not been considered.

c) **Employees cost**: As per audited accounts, an amount of Rs.194.46 Crores has been incurred towards Employee Cost. An amount of Rs.1.86 Crores has been disallowed towards Bonus/ ex-gratia (Rs.1.47 Crores) and cost of free lighting to employees (Rs.0.39 Crores) incurred and included in the employees cost. The Commission has allowed Rs.192.60 Crores after disallowing the above amounts.

d) **Repair & Maintenance Expenses and Administration & General Expenses (R&M & A&G)**: The actual expenses as per audited accounts towards R & M Expenses and A & G Expenses are Rs.17.47 Crores and Rs.44.45 Crores respectively for FY06. The same has been fully allowed. Further, Rs.16.85 Crores as per the audited accounts has been factored in towards capitalised employee cost, R & M Expenses and A&G expenses allocated to Bulk Supply Tariff.

e) **Depreciation and Interest & Finance Charges:** As per audited accounts Rs.209.97 Crores and Rs.399.11 Crores are accounted towards Depreciation and Interest and Finance Charges respectively for FY06. While the Depreciation has been fully allowed, an amount of Rs.156.64 Crores has been allowed towards interest on loans and disallowed Rs.242.47 Crores towards interest on belated power purchase payments which had not been allowed while approving the ARR for FY06. The capitalised interest on loans amounting to Rs.24.34 Crores has been factored in, while allowing the interest on loans for FY06.

f) **Other Debits/Expenses**: The actual other debits/expenditure as per audited accounts is Rs.0.74 Crores and after disallowing an amount of Rs.0.33 Crores towards provisions for bad debts, the Commission has allowed Rs.0.41 Crores as other debits for FY06.

g) **Net Prior Period Expenses/Income**: As per the audited accounts an amount of Rs.7.93 Crores, is indicated as net prior period expenses and the same has been fully allowed.

h) **Income Tax:** The actual Income Tax paid, as per audited accounts, is Rs.33.81 Crores and the same has been fully allowed for FY06.

i) **Return on Equity (RoE)**: The Commission has allowed an amount of Rs.105.40 Crores towards RoE at 12% on the opening balance of Equity of Rs.878.31 Crores as at the beginning of FY06.

j) **Other Income**: The actual other Income as per audited accounts is Rs.257.23 Crores and the same has been fully allowed.

k) **Revenue & RE Subsidy**: As per the audited accounts, the Revenue from sale of bulk power and transmission charges is Rs.1582.11 Crores and the RE subsidy amount from the GoK is Rs.315.91 Crores for FY06. The Commission, as per the direction of the Hon'ble ATE, has been considered the said amount, for FY06.

Based on the above discussion the abstract of Revised ARR for FY06 is as follows:

TABLE - 12

ABSTRACT OF REVISED ARR FOR FY06

Rs. Crores

Sl. No.	Particulars	Original Approved ARR As per T.O dated 27.09.2005	Actuals as per Audited Accounts for FY 06	Revised ARR as per Orders of Hon'ble ATE
1	Power Purchase at Generating Bus in MU	35324.00	34640.55	34640.55
2	Energy at Interface Points (including auxiliary consumption of KPTCL Stations) in MU	33847.00	33140.56	33140.56
3	Transmission loss in %	4.18	4.33	4.33

4	**Revenue**			
5	Bulk Supply Tariff and Transmission charges from T.O 06.07.2007	1592.83	1582.11	1582.11
6	Subsidy	0.00	315.91	315.91
7	Other Income	68.40	257.23	257.23
8	**Total Revenue**	**1661.23**	**2155.25**	**2155.25**
9	**Expenditure**			
10	**Power Purchase Cost (BST)**	935.55	1236.50	1236.50
11	Employees cost	181.47	194.46	192.60
12	R&M Expenses	32.30	17.47	17.47
13	A&G Expenses	41.86	44.45	44.45
14	**Total O&M Expenses**	**255.63**	**256.38**	**254.52**
15	Less: Employees cost & A&G expenses allocated to BST	-22.60	-16.85	-16.85
16	Depreciation	236.11	209.97	209.97
17	Interest & Finance charges	203.37	399.11	156.64
18	Less: Interest Capitalized	-36.94	-24.34	-24.34
19	Other Expenses (Other Debits)	1.00	0.74	0.41
20	Net Prior Period Expenses/Income	1.00	7.93	7.93
21	**Return on Equity @ 12%**	**107.63**	0.00	105.40
22	Income Tax	0.00	33.81	33.81
23	Less: SLDC Charges	-5.00	0.00	0.00
24	Less: Excess transmission charges collected	-14.51	0.00	0.00
25	**Total Expenses**	**1661.24**	**2103.24**	**1963.99**
26	**Net ARR (25-7)**	**1592.84**	**1846.01**	**1706.76**
27	**Surplus (5+6-26)**	**0.00**	**52.01**	**191.26**

l) **Net Revenue Gap for FY06**: As per the above computations, an amount of Rs.191.26 Crores is found as revenue surplus for FY06.

m) **Carrying Cost**: The Hon'ble ATE has allowed the carrying cost on the amounts payable to Tanir Bhavi on the ground that the same had not been allowed in tariff and that the amounts due to be recovered through tariff attract carrying costs. KPTCL, in its Memo dated 30.09.2019 has claimed an amount of Rs.40.02 Crores towards carrying cost. The Commission notes that the actual power purchase cost, as per the audited accounts, is inclusive of the power purchase cost (with fixed cost at 4 cents per kwhr) to Tanir Bhavi which is fully paid through ESCROW arrangements with reference to the bills preferred by the said Company. While Complying with the Orders of the Hon'ble ATE, the Commission has arrived at a net revenue surplus of Rs.191.26 Crores for FY06 as shown in Table-12 above. The Commission also notes that by considering the net surplus of Rs.196.11 Crores as at the end of FY05 and the surplus of 191.26 Crores, as per the revised ARR of FY06, there is an overall net surplus revenue of Rs.387.37 Crores, as ta the end of FY06. Hence, the Commission has not allowed any carrying cost to KPTCL for FY06.

G. Truing up of ARR for FY2006-07:

The Hon'ble ATE, in its Order dated 09.05.2008 in Appeal No.9 of 2008, has ordered Truing up of ARR for FY06-07 based on the audited accounts, in view of the fact that earlier, the Commission has carried out the trued up as per the provisional accounts, which was not implemented. Hence in compliance of the said Orders, the Commission has carried out the trued up the ARR for FY07 as per the audited accounts as follows:

a. **Power Purchase costs**: The Commission has considered the actual power purchase cost of Rs.77.75 Crores as per audited accounts for FY07. The Commission notes that KPTCL had become a wires Company and that it was not dealing with any power purchase transactions from 10th June 2005 onwards. However, the amount of Rs.77.75 Crores incurred towards power purchase cost during FY07 has been fully allowed treating the same as the costs pertaining to power purchase transactions for the earlier periods.

b. **Transmission Losses:** The Transmission Loss target fixed by the Commission, the actual losses as per the audited accounts are shown as under:

TABLE - 13

Computation of Losses for FY07

Sl.No.	Particulars	FY07
1	Actual input at Generating points as per audited accounts in MU	40708.96
2	Energy at Interface Points in MU	38795.96
3	Actual Percentage of Transmission loss	4.70%
4	Target Transmission loss in %	4.18%
5	Increase in percentage loss	0.52%

As per GO No. EN31 PSR 2003 dated 10.05.2005 the ESCOMs started purchasing power from various generating companies directly and KPTCL was not allowed to trade in power. Thus, KPTCL became exclusively a wires Company w.e.f. 10.06.2005 and hence, there were no transactions relating to Bulk Power Supply, from June, 2005 onwards. Therefore, the question of loss computation with reference to energy sold and the levy of penalty / incentive for reduced/ excess transmission losses did not arise, in line with the approach adopted in the earlier Order for FY07. For the excess transmission loss of 0.52%, during FY07, levy of penalty had not been considered for FY07.

c. **Employees cost**: As per audited accounts, an amount of Rs.165.96 Crores has been incurred towards Employee Cost. An amount of Rs.1.86 Crores has been disallowed towards Bonus/ ex-gratia (Rs.1.47 Crores) and cost of free lighting to employees (Rs.0.39 Crores) incurred and included in the employees cost. Thus, the Commission has allowed Rs.164.10 Crores after disallowing the above amounts.

d. **R & M Expenses and A & G Expenses**: The actual expenses as per audited accounts towards R & M Expenses and A & G Expenses are Rs.27.49 Crores and Rs.54.04 Crores respectively for FY07. The same have been fully allowed duly factoring in Rs.22.03 Cores towards capitalisation of expenses under O & M expenses.

e. **Depreciation and Interest & Finance Charges:** As per audited accounts Rs.233.41 Crores and Rs.362.78 Crores are accounted towards Depreciation and Interest and Finance Charges respectively for FY07. The interest & Finance Charges includes an amount of Rs.208.57 Crores towards interest on belated payment of power purchase payments. The Commission has fully allowed the Depreciation and Interest & Finance Charges which includes interest on belated power purchase payments as per the Order of the Hon'ble ATE, duly factoring in the capitalisation of interest on loans to an extent of Rs.27.89 Crores.

f. **Other Debits/ Expenses**: The actual other debits/expenditure as per audited accounts is Rs.8.04 Crores and the same has been fully allowed for FY07.

g. **Net Prior Period Expenses/Income**: As per the audited accounts an amount of Rs.8.22 Crores, is indicated as net prior period expenses and the same has been fully allowed for FY07.

h. **Income Tax:** The actual Income Tax and the Fringe Benefit Tax accounted as per audited accounts is Rs.60.23 Crores. This amount includes an amount of Rs.40.84 Crores towards Deferred Tax which is not allowed by the Commission. Thus, the Commission has allowed Rs.19.39 Crores towards Income tax for FY07.

i. **Return on Equity (RoE)**: The Commission has allowed an amount of Rs.134.50 Crores towards RoE at 14% on the opening Equity of Rs.960.71 Crores at the beginning of FY07 as has been reckoned and allowed while originally approving the ARR for FY07.

j. **Other Income**: The actual other Income as per audited accounts is Rs.191.03 Crores for FY07 and the same has been fully allowed.

k. **Revenue from Transmission Charges**: As per the audited accounts, the Revenue from Transmission Charges is Rs.775.87 Crores. The same has been considered as per the actuals for FY07.

Based on the above discussion the abstract of Revised ARR for FY07 is as follows:

TABLE - 14

ABSTRACT OF TRUED UP OF ARR FOR FY2006-07

Rs. Crores

Sl. No.	Particulars	Original Approved ARR as per T.O dated 16.10.2006	Actuals as per Audited Accounts for FY 07	Now Revised ARR as per Truing up
1	Power Purchase at Generating Bus in MU	35324.00	40708.96	40708.96
2	Energy at Interface Points in MU	33847.00	38795.96	38795.96
3	Transmission loss in %	4.18	4.70	4.70
4	**Revenue:**			
5	Transmission charges	**681.46**	775.87	775.87
6	Subsidy	0.00	0.00	0.00
7	Other Income	24.00	191.03	191.03
8	**Total Revenue**	**705.46**	**966.90**	**966.90**

9	**Expenditure**			
10	Power Purchase Cost	0.00	77.75	77.75
11	Employees cost	182.96	165.96	164.10
12	R&M Expenses	32.30	27.49	27.49
13	A&G Expenses	42.05	54.04	54.04
14	**Total O&M Expenses**	**257.31**	**247.49**	**245.63**
15	**Less:** Expenses capitalized	0.00	-22.03	-22.03
16	Depreciation	120.33	233.41	233.41
17	Interest & Finance charges	278.44	362.78	362.78
18	Less: Interest & other expenses Capitalized	-74.37	-27.89	-27.89
19	Other Expenses (Other Debits)	1.05	8.04	8.04
20	Net Prior Period Expenses/Income	1.00	8.22	8.22
21	Return on Equity @ 14%	**95.56**	0.00	134.50
22	Income Tax	10.77	60.23	19.39
23	AAD	19.42	0.00	0.00
24	Less: SLDC Charges	-4.05	0.00	0.00
25	**Total Expenses**	**705.46**	**948.01**	**1039.80**
26	**Net ARR (25-7)**	**681.46**	**756.97**	**848.77**
27	**Deficit (5+6-26)**	**0.00**	**18.90**	**-72.90**

l. **Net Revenue Gap for FY07**: As per the above computations, an amount of Rs.72.90 Crores is found as revenue deficit for FY07.

m. **Carrying Cost:** The Hon'ble ATE has allowed the carrying cost on the amounts payable to Tanir Bhavi on the ground that the same had not been allowed in tariff and that the amounts due to be recovered through tariff attract carrying costs. The Commission notes that the actual power purchase cost, for the period from FY01 to FY06, as per the audited accounts, is inclusive of the power purchase cost (with fixed cost at 4 cents per kwhr) to Tanir Bhavi which is fully paid through ESCROW arrangements with reference to the bills preferred by the said Company. While Complying with the Orders of the Hon'ble ATE, the Commission has arrived at a net revenue surplus of Rs.387.37 Crores up to FY06. The net deficit of Rs.72.90 Crores for FY07 would get set off against the surplus upto FY06. Hence, in the view of the overall net surplus of Rs.314.47 Crores, as at the end of FY07, the Commission is unable to allow any carrying cost to KPTCL, for FY07.

III. Abstract of Surplus / deficit consequent on Revision of ARR from FY01 to FY07:

Based on the revision of ARR as per items A to G in para – II, as discussed above, the net surplus / deficit from FY01 to FY07 is worked out as under:

TABLE - 15

ABSTRACT OF DEFICIT/ SURPLUS FOR THE PETIOD FY01 to FY07

Period	Revised Surplus (+)/ Deficit (-) in revenue (Gap) Rs.Crores	Overall cumulative surplus Rs. Crores
FY01	257.23	257.23
FY02	365.04	622.27
FY03	103.17	725.44
FY04	-28.39	697.05
FY05	119.64	816.69
Less… Subsidy Adjusted by GoK		-620.58
Surplus up to the end of FY05		196.11
FY06	191.26	387.37
FY07	-72.90	**314.47**

Thus, based on the revised ARR in terms of Hon'ble ATE Orders there is a net surplus of Rs.314.47 Crores as at the end of FY07.

IV. Treatment of Surplus found in the revision of ARR:

The net surplus of revenue of Rs.314.47 Crores, arrived at after complying with the Orders of the Hon'ble ATE, as indicated at Table-15, for the period FY01 to FY07, is ordered to be taken into account in the Annual Performance Review proceedings and revision of ARR of FY19, to be approved by the Commission.

V. For the foregoing reasons, the Commission hereby passes the following

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

i. Based on the revised ARR for the period from FY01 to FY07, in terms of Order dated 09.05.2008 of the Hon'ble ATE, a net surplus of Rs.314.47 Crores, is arrived at.

ii. The said net surplus amount of Rs.314.47 Crores is ordered to be given effect in respect of KPTCL's revision of ARR, as per Annual Performance Review for FY19 and revision of Transmission tariff thereof for FY21.

This Order is signed and issued by the Karnataka Electricity Regulatory Commission on 16th day of January, 2020.

Sd/-	Sd/-	Sd/-
(SHAMBHU DAYAL MEENA) **CHAIRMAN**	**(H.M.MANJUNATHA)** **MEMBER**	**(M.D.RAVI)** **MEMBER**