

**KARNATAKA ELECTRICITY REGULATORY COMMISSION,
BANGALORE - 560 001**

Dated this 23rd day of April, 2015

Order on HESCOM's revision of ARR in respect of
Annual Performance Review for FY09

In the matter of:

**Revision of ARR in respect of Annual Performance Review of HESCOM for FY09, as
per audited accounts.**

Present:	Shri H.D.Arun Kumar	Member
	Shri D.B.Manival Raju	Member

O R D E R

Preamble

Whereas, the Commission, in its Tariff Order dated 25th November, 2009 had approved the APR for FY09 under MYT framework based on provisional accounts furnished by HESCOM.

Whereas, the approved ARR for FY09, as per Tariff Order dated 25th November, 2009 is as follows:

TABLE – 1.1
Consolidated ARR as per Annual Performance Review for FY09

Sl. No.	Particulars	As Revised in Replies dated 20.08.2009	Actual as per Provisional Accounts	As approved in APR
1	Power Purchase			
2	Transmission Charges			
3	SLDC Charges	1895.91	1896.88	1896.88
4	R&M Expenses	21.76	21.76	
5	Employee Expenses	203.98	203.98	
6	A&G Expenses	41.75	41.22	257.49
7	Depreciation	51.75	51.76	51.76
8	Advance against depreciation	0.00	0.00	55.89
9	Interest & Finance Charges			
10	Interest on Loan Capital	113.57	128.22	128.22
11	Interest on Working Capital	11.46	0.00	32.84
12	Interest on Consumer Deposits	20.01	20.01	16.64
13	Interest on belated payment of power purchase cost		41.35	0.00
14	Other Interest & Finance Charges		0.43	0.43
15	Total	2360.19	2405.61	2440.16
16	Less: Interest & other expenses capitalized	0.00	3.61	3.61
17	Other Debits (incl. Prov for Bad debts)	4.44	14.64	4.31
18	Extraordinary Items	0.00	0.00	0.00
19	Other (Misc.)-net prior period credit	-20.10	-20.09	-20.09
20	Total	2344.53	2396.55	2420.77
21	ROE 14%	42.62		41.60
22	Other Income	18.75	12.58	12.58
23	Provision for taxes	6.23	-5.71	-5.71
24	Surplus & Deficit Carried forward			
25	NET ARR	2374.63	2378.26	2444.08

Based on the approved ARR of Rs. 2444.08 Crores for FY09 and by considering the revenue of Rs.1304.73 Crores, as per provisional audited accounts, the deficit for FY09 was worked out at Rs.1139.35 Crores. The said deficit was ordered to be paid by the Government through additional subsidy, which was worked out as under:

TABLE – 1.2
Computation of Additional Tariff Subsidy for FY09

Amount in Rs Crs		
Sl. No	PARTICULARS	FY09
1	Net ARR (Trued Up)	2444.08
2	Total Energy Sale for all categories during the year MU	5514.39
3	Average cost of supply in Rs. per unit	4.43
4	Energy Sale for IP Sets (LT-4a) & BJ/KJ during the year MU	3091.72
5	Energy Sale to other categories other than IP sets during the year –MU	2422.67
6	Total Revenue demand for the year in respect of IP sets & BJ/KJ	207.26
7	Total Revenue demand for the year in respect of all categories other than IP & BJ/KJ	1097.47
8	Average Realization Rate for categories other than IP & BJ/KJ	4.53
9	Average Realization Rate for IP & BJ/KJ categories	0.67
10	Revenue estimation of IP Sets based on average cost of Supply	1370.31
11	Revenue estimation of all Categories other than IP sets & BJ/KJ	1073.77
12	Revenue estimation based on average cost of Supply	2444.08
13	Gross Revenue subsidy	1163.05
14	Cross subsidy contribution from other categories	23.70
15	Net Additional Revenue subsidy for FY09	1139.35

Whereas, the Additional Chief Secretary to Government, Energy Department GOK, vide letter No. EN 21 PSR 2014 dated 19th November, 2014 has requested the Commission to review the additional subsidy approved in APR for FY 09 in the Commission's Order dated 25th November, 2009 on the grounds that the BJ/KJ and IP Sets subsidy of Rs.630.93 Crores released by the Government of Karnataka during the same period and booked in the audited accounts for FY09 of HESCOM, was not reckoned while approving the APR for FY09. The Commission, after due verification has found that, HESCOM had not accounted the subsidy of Rs.630.93 Crores, released by the Government, in its provisional accounts.

Therefore, in response to the GoK letter dated 19th November, 2014, the Commission, vide its letter No. B/12/14/1538 dated 30th December, 2014

had requested HESCOM to file its application before the Commission for revision of APR for FY09 based on the audited accounts and also to furnish views on the adjustment of excess subsidy in installments as suggested by GOK.

HESCOM, in response to the Commission's Letter dated 30th December 2014, has filed an application, vide its letter dated 30th January, 2015, for review of APR for FY09 and to approve the revised ARR for FY09 by retaining the ARR of Rs.2444.08 Crores and a deficit of Rs.508.42 Crores by considering the revenue of Rs.1935.66 Crores as against the approved deficit of Rs.1139.35 Crores.

HESCOM has submitted its revised ARR with Computation of Additional Tariff Subsidy / deficit of Rs. 508.42 Crores for FY09 as under:

TABLE – 1.3

Computation of Additional Tariff Subsidy for FY09 based on Audited Accounts

Amount in Rs Crs		
Sl. No	PARTICULARS	FY09
1	Net ARR (Trued Up)	2444.08
2	Total Energy Sale for all categories during the year MU	5514.39
3	Average cost of supply in Rs. per unit	4.43
4	Energy Sale for IP Sets (LT-4a) & BJ/KJ during the year MU	3091.72
5	Energy Sale to other categories other than IP sets during the year –MU	2422.67
6	Total Revenue demand for the year in respect of IP sets & BJ/KJ	838.19
7	Total Revenue demand for the year in respect of all categories other than IP & BJ/KJ	1097.47
8	Average Realization Rate for categories other than IP & BJ/KJ	4.53
9	Average Realization Rate for IP & BJ/KJ categories	2.71
10	Revenue estimation of IP Sets based on average cost of Supply	1370.31
11	Revenue estimation of all Categories other than IP sets	1073.77
12	Revenue estimation based on average cost of Supply	2444.08
13	Gross Revenue subsidy	532.12
14	Cross subsidy contribution from other categories	23.70
15	Net Additional Revenue subsidy for FY09	508.42

HESCOM's Financial Performance in FY09

An overview of the financial performance of HESCOM for FY09 as per audited accounts is as under:

TABLE – 1.4
Financial Performance of HESCOM for FY09
Amount in Rs. Crs

Sl. No.	Particulars	Actual as per Provisional Accounts
1	Power Purchase in MU	7997.69
2	Transmission Loss in MU	630.34
3	Transmission Loss in %	7.88%
4	Energy Available at interface point (MU)	7367.35
5	Sale of Power (MU)	5528.71
6	Distribution Loss %	24.96%
7	Average Cost of Supply (in Rs per Unit)	4.39
	Receipts	
8	Revenue from tariffs & Misc. Charges	1305.24
9	RE subsidy from Govt.	563.71
11	Total	1868.95
	Expenditure	
12	Power Purchase	
13	Transmission Charges	
14	SLDC Charges	1925.94
15	R&M Expenses	21.76
16	Employee Expenses	208.87
17	A&G Expenses	41.16
18	Depreciation	51.54
19	Advance against depreciation	0.00
20	Interest & Finance Charges	
21	Interest on Loan Capital	118.17
22	Interest on Working Capital	11.46
23	Interest on Consumer Deposits	19.90
24	Interest on belated payment of power purchase cost	47.20
25	Other Interest & Finance Charges	0.67
26	Total	2446.67
27	Less: Interest & other expenses capitalised	3.61
28	Other Debits (incl. Prov for Bad debts)	14.76
29	Extraordinary Items	0.00

30	Other (Misc.)-net prior period credit	-15.73
31	Total	2442.09
32	ROE 14%	
33	Other Income	12.65
34	Provision for taxes	-0.26
35	NET ARR	2429.18

Considering the actual revenue of Rs.1868.95 Crores, as per audited accounts, HESCOM has a incurred loss of Rs.560.25 Crores for FY09.

Commission's Analysis and Decisions:

While examining the request of the Government to rework the subsidy based on the actual revenue, the Commission notes that, as compared to the provisional accounts, the actual figures of revenue, sales and expenses, as per audited accounts vary significantly. Therefore, it would not be appropriate to re-work the subsidy by considering only the revenue without considering the other components of ARR. Hence, while considering the review of APR for FY09, as per audited accounts, the revenue as well all the other expenses as per actuals will have to be considered to rework the subsidy payable by the Government. Hence, the Commission has decided to review/analyze the actual revenue, sales, power purchases and all the other expenses pertaining to ARR of FY09, as per audited accounts vis-à-vis the expenses/revenues approved under MYT order, for approving the revised ERC/ARR for FY09, duly applying the norms as per MYT Regulations.

The item wise analysis and validation of expenses and decision of the Commission thereon are as discussed below:

Sales for FY09:

The Commission, in its MYT order dated 18.01.2008, had approved 5896.95 MU as the sales for FY09. As per the provisional accounts for FY09, the sales

were indicated as 5514.39 MU. Accordingly, the Commission had approved 5515.39 MU as sales for FY09 in its Tariff Order dated 25th November, 2009. However, as per the audited accounts the sales are indicated as 5528.71 MU. Thus the actual sales are lower by 368.24 MU with reference to the approved sales.

The Commission therefore has considered now the sales of 5528.71 MU as per Audited Accounts furnished by HESCOM.

Distribution Loss:

The Commission, in its MYT Order dated 18th January, 2008, had approved a distribution loss of 24.00% with reference to input energy inclusive of EHT sales for FY09. As against this, HESCOM had earlier reported a loss level of 25.15%, which was 1.15% higher than the target loss level, fixed by the Commission and therefore the Commission had levied a penalty of Rs.3.82 Crores in the APR for FY10. However, as per the audited accounts, the actual distribution losses for FY09 are reported as 24.96%. The Commission notes that, with the revised distribution losses reported by HESCOM, the actual loss is within the approved range of losses (23% to 25%) for FY09. **Hence, the penalty of Rs.3.82 Crores imposed in the Tariff Order dated 7th December, 2010 has to be withdrawn and reversed in the revised APR for FY09.**

Power Purchase:

The Commission had approved the power purchase quantum of 8084.97 MU for FY09. As against this, as per provisional accounts, HESCOM had reported power purchase of 7706.40 MU. The Commission had considered the same for APR of FY09. However, as per the audited accounts HESCOM has reported power purchase of 7997.69 MU for FY09. The Commission considers the same for revised ARR for FY09.

As per the provisional accounts, HESCOM had reported to have incurred power purchase cost of Rs.1896.88 Crores as against approved figure of Rs.1637.65 Crores inclusive of transmission charges. As per the audited accounts, HESCOM has reported power purchase cost of Rs.1925.94 Crores for FY09. The Commission decides now to allow the power purchase cost of Rs.1925.94 Crores for FY09 for revised APR for FY09.

Operation and Maintenance Expenses:

As per the MYT order dated 18.01.2008, the Commission had approved an amount of Rs.246.58 Crores towards O & M expenses. As per the provisional accounts, the O&M expenses were Rs.266.96 Crores. The Commission had approved on normative basis an amount of Rs.257.49 Crores as O & M expenses in the APR for FY09. Now, as per the audited accounts, HESCOM has reported O & M expenses of Rs.271.79 Crores for FY09. However, there being no fresh grounds not to adopt the normative approach, in accordance with MYT Regulations, the O & M expenses for FY09 are now retained as under:

TABLE – 1.5

Allowable O & M Expenses for FY09 as per Norms

Particulars	Amount in Rs Crs	
	FY08	FY09
No. Of Installations	3099379	3255257
Consumer Growth Rate in %		5.03%
Weighted Average Inflation Rate*		5.02%
O&M Cost for FY08	238.31	
O&M Index= O&M (t-1)*(1+WII+CGI-X)		257.49

*Inflation rate as per CERC Notifications issued from time to time.

The Commission therefore decides to allow O & M Expenses of Rs.257.49 Crores in the revised ARR for FY09.

Depreciation:

HESCOM, in its original filing, had claimed depreciation of Rs.51.75 Crores for FY09 and the Commission had allowed the same in the APR for FY09. The amount as per the provisional accounts was Rs.51.76 Crores. However, as per the audited accounts, the depreciation for FY09 is reported as Rs.51.54 Crores. **The Commission therefore decides to allow an amount of Rs.51.54 Crores being the actual depreciation for FY09.** Further, the Commission has considered allowing Advance Against Depreciation (AAD) based on the actual loan repayment and the actual depreciation allowed.

Advance Against Depreciation:

HESCOM, in its original filing, had not claimed any amount towards AAD for FY09. However, the Commission notes that, HESCOM has made repayment of long-term loans to the extent of Rs.107.65 Crores during FY09. As per Clause 3.8.4 of MYT Regulations, the Commission may allow advance against depreciation to the extent of difference between the amount of depreciation computed and the debt repayment for the financial year. As per the audited accounts of HESCOM, the difference between the actual debt repayment of Rs.107.65 Crores and actual depreciation of Rs.51.54 Crores for FY09 works out to Rs.56.11 Crores. **The Commission therefore decides to allow an amount of Rs.56.11 Crores as Advance Against Depreciation for FY09, in addition to the depreciation allowed.**

Interest and Finance Charges:

HESCOM, in its original filing, had claimed an amount of Rs.145.04 Crores towards interest and finance charges for FY09. The Commission had approved an amount of Rs.128.22 Crores towards interest and finance charges in the APR for FY09. As per provisional accounts, interest and

finance charges were indicated as Rs.190.01 Crores. However, as per audited accounts the interest and finance charges is Rs.193.79 Crores which includes the following:

TABLE – 1.6
Interest and Finance Charges for FY09

Amount in Rs. Crs	
Particulars	Amount
Interest on Loan Capital	118.18
Interest on Consumer Security Deposit	19.90
Interest on belated Power purchase payments	47.20
Other interest and finance charges	0.67
Interest on working capital	11.46
Less: Interest capitalized	(3.61)
Total	193.79

Considering the Interest on loan capital of Rs.118.18 Crores as per audited accounts, the Commission notes that the average rate of interest works out to 9.24%, which is considered as reasonable. Hence the Commission decides to allow an amount of Rs.118.18 Crores towards interest on loans for FY09 for revised APR for FY09.

HESCOM, in its original filing, had claimed an amount of Rs.41.35 Crores towards interest on belated payment of power purchase Bills for FY09 but this was not allowed in the approved APR for FY09. This is revised in the audited accounts to Rs.47.20 Crores. The Commission has not allowed the interest on belated payment of power purchase costs in the MYT order, for the reason that, interest on working capital is being allowed separately as per norms under MYT Regulations. Accordingly, the Commission has not allowed the same in the revised ARR for FY09 also.

Capitalization of Interest:

HESCOM in its original filing, has indicated an amount of Rs. 3.61 Crores as interest capitalised for FY09 and considered the same in the approved

APR for FY09. As per audited accounts also, the amount is shown as Rs.3.61 Crores. **The Commission therefore allows an amount of Rs.3.61 Crores towards capitalization of Interest for FY09 for revised ARR for FY09.**

Interest on Consumer Security Deposit:

HESCOM, in its original filing, had claimed an amount of Rs.20.01 Crores towards interest paid on security deposit to consumers. The Commission had allowed an amount of Rs.16.64 Crores in the APR for FY09. However, as per the audited accounts, the interest on consumer deposit is reported as Rs.19.90 Crores. **The Commission therefore decides now to allow an amount of Rs.19.90 Crores towards interest on consumer deposit for FY09 for revised ARR for FY09.**

Interest on Working Capital:

HESCOM in its original filing, had claimed an amount of Rs.11.46 Crores towards Interest on Working Capital for FY09. As per the MYT Regulations norms, the Commission had allowed an amount of Rs.42.25 Crores in the APR for FY09. However, as per audited accounts also, an amount of Rs.11.46 Crores is booked under interest on working capital. **However, as per the MYT Regulations, the Commission decides now to allow interest on working capital of Rs.44.83 Crores for revised APR for FY09,** which is computed as follows:

TABLE – 1.7

Allowable revised Interest on Working Capital for FY09

Amount in Rs. Crs	
Particulars	FY 09
One-twelfth of the amount of O&M Exp.	21.46
Opening GFA as per Audited Accts	1869.12
Stores, materials and supplies 1% of Opening balance of GFA	18.69
One-sixth of the Revenue	311.49
Total Working Capital	351.64
Rate of Interest (% p.a.)	12.75%
Interest on Working Capital	44.83

Other Interest and Finance charges:

HESCOM, in its original filing, had indicated an amount of Rs.0.43 Crores towards other interest and finance charges for FY09. As per the provisional accounts also the amount was indicated as Rs.0.43 Crores and the Commission had approved the same in the APR for FY09. However, as per the audited accounts, the same is indicated as Rs.0.67 Crores.

Accordingly, the Commission now allows an amount of Rs.0.67 Crores towards other interest and finance charges for FY09.

Other Debits:

As per the Tariff Order dated 25th November, 2009 issued on APR for FY09, the Commission had allowed an amount of Rs.4.31 Crores towards Other Debits for FY09 based on the provisional audited accounts. However, as per the audited accounts an amount of Rs.14.76 Crores is reported as other debits for FY09. The Commission notes that this amount claimed by HESCOM includes an amount of Rs.10.33 Crores towards provision for bad and doubtful debts which is not being considered by the Commission.

Hence, an amount of Rs.4.43 Crores is now allowed towards other debits for revised ARR for FY09.

Return on Equity (RoE):

The Commission had allowed an RoE of Rs.41.60 Crores for APR for FY09. However, considering the figures of equity and accumulated profits / losses as per audited accounts, the allowable RoE is reworked out as follows:

TABLE – 1.8
Allowable Return on Equity for FY09

Particulars	Amount in Rs. Crs
	FY09
Paid Up Share Capital	233.34
Share Deposit	0.00
Capital Reserve	74.81
Equity for FY09	308.15
Equity Reserves & Surplus at the beginning of the year	308.15
RoE	43.14
Approved by Commission	43.14

The Commission therefore now allows an amount of Rs.43.14 Crores as RoE for revised APR for FY09.

Provision for Taxation:

The Commission had approved an amount of Rs.(-)5.71 Crores as provision for taxes during the APR for FY09. HESCOM has indicated a credit of Rs.0.26 Crores towards provision for taxation in FY09 as per the Audited Accounts. **Hence the Commission decides to allow the same for revised ARR for FY09.**

Net Prior Period Debits / Credits:

The Commission had allowed an amount of Rs.20.09 Crores towards Net Prior Period credits for FY09 based on the provisional audited accounts of HESCOM in the APR for FY09. However, considering the data as per audited accounts, the Commission now decides to allow an amount of Rs.15.73 Crores as net prior period credit for revised ARR for FY09.

Other Income:

The Commission had allowed an amount of Rs.12.58 Crores as other income for APR for FY09 based on the provisional accounts. **However, considering, the data as per audited accounts, the Commission now decides to allow other income of Rs.12.65 Crores for revised ARR as per revised APR for FY09.**

Abstract of revised ARR as per revised APR for FY09:**TABLE – 1.9****Consolidated ARR as per revised Annual Performance Review for FY09**

Amount in Rs Crs

Sl. No.	Particulars	Actual as per Provisional Accounts	Approved as per MYT Order	As appd in APR-25.11.2009	As per revised APR 23.03.2015
	Revenue				
1	Revenue from tariffs & Misc. Charges	1304.73		1304.73	1305.24
2	RE subsidy from Govt.				563.71
3	Total	1304.73		1304.73	1868.95
	Expenditure				
4	Power Purchase				
5	Transmission Charges				
6	SLDC Charges	1896.88	1637.65	1896.88	1925.94
7	R&M Expenses	21.76			
8	Employee Expenses	203.98			
9	A&G Expenses	41.22	246.58	257.49	257.49
10	Depreciation	51.76	172.30	51.76	51.54
11	Advance against depreciation	0.00	0.00	55.89	56.11
12	Interest & Finance Charges				
13	Interest on Loan Capital	128.22	156.43	128.22	118.18
14	Interest on Working Capital	0.00	42.25	32.84	44.83
15	Interest on Consumer Deposits	20.01	19.57	16.64	19.90
16	Interest on belated payment of power purchase cost	41.35	0.00	0.00	
17	Other Interest & Finance Charges	0.43	0.00	0.43	0.67
18	Total	2405.61	2274.78	2440.16	2474.67
19	Less: Interest & other expenses capitalised	3.61	0.00	3.61	3.61
20	Other Debits (incl. Prov for Bad debts)	14.64	0.00	4.31	4.43
21	Extraordinary Items	0.00	0.00	0.00	0.00
22	Other (Misc.)-net prior period credit	-20.09	0.00	-20.09	-15.73
23	Total	2396.55	2274.78	2420.77	2459.76
24	ROE 14%		42.68	41.60	43.14
25	Other Income	12.58	12.82	12.58	12.65
26	Provision for taxes	-5.71	8.00	-5.71	-0.26
27	Surplus & Deficit Carried forward		100.00		

28	Add back of penalty for actual distribution losses				3.82
29	NET ARR	2378.26	2212.64	2444.08	2493.81
30	Surplus (+) / Shortfall (-)	-1073.53	-2212.64	-1139.35	-624.86

Considering revenue of Rs.1868.95 Crores as per audited accounts and revised ARR of Rs.2493.81 Crores, the deficit for FY09 works out to Rs.624.86 Crores.

Revised Average Cost of Supply for FY09:

Revised Average Cost of Supply for FY09

Amount in Rs. Crs

Particulars	FY09
Net Approved ARR	2493.81
Sales for FY09 (MU)	5528.71
Average Cost of Supply Rs./unit	4.51

Revised Gap in Revenue for FY09:

The revised gap for FY09 as per the revised approved ARR is as follows:

TABLE – 1.10

Revised Gap in Revenue for FY09

Amount in Rs. Crs

Particulars	FY09
Net Approved ARR	2493.81
Revenue as per actuals including subsidy	1868.95
Revised Gap in revenue	624.86

The Commission notes that, even after considering the revenue demand and subsidy of Rs.1868.95 Crores received from GoK, there is a revenue gap of Rs.624.86 Crores for FY09.

In the above context, as per the decision of the Commission in its Tariff Order dated 25th November, 2009, the additional subsidy to be paid by GoK for FY09 is revised as follows:

TABLE – 1.11
Computation of revised Additional Tariff Subsidy for FY09

Amount in Rs Crs

Sl. No	PARTICULARS	As approved in T.O dtd. 25.11.2009		As per Revised APR FY09
		FY08	FY09	
1	Net ARR (Trued Up)	1954.80	2444.08	2493.81
2	Total Energy Sale for all categories during the year MU	5302.74	5514.39	5528.71
3	Average cost of supply in Rs. per unit	3.69	4.43	4.51
4	Energy Sale for IP Sets (LT-4a) & BJ/KJ during the year MU	2990.22	3091.72	3111.97
5	Energy Sale to other categories other than IP sets during the year -MU	2312.52	2422.67	2416.74
6	Total Revenue demand for the year in respect of IP sets & BJ/KJ	868.68	207.26	770.80
7	Total Revenue demand for the year in respect of all categories other than IP & BJ/KJ	1001.03	1097.47	1098.15
8	Average Realization Rate for categories other than IP & BJ/KJ	4.33	4.53	4.54
9	Average Realization Rate for IP & BJ/KJ categories	2.91	0.67	2.48
10	Revenue estimation of IP Sets based on average cost of Supply	1102.31	1370.31	1403.70
11	Revenue estimation of all Categories other than IP sets	852.49	1073.77	1090.11
12	Revenue estimation based on average cost of Supply	1954.80	2444.08	2493.81
13	Gross Revenue subsidy	233.63	1163.05	632.90
14	Cross subsidy contribution from other categories	148.54	23.70	8.04
15	Net Revenue subsidy	85.09	1139.35	624.86
16	Total subsidy for FY08 & FY09	1224.44		709.96
17	Excess Revenue subsidy to be recovered from HESCOM by GoK	514.49		

As per the above computation, the Government is required to release additional subsidy of Rs.709.96 Crores (Rs.85.09 Crores and Rs.624.86 Crores) instead of Rs.1224.44 Crores ordered in the Commission's Tariff Order dated 25th November, 2009 for FY08 and FY09.

Considering, the revised APR for FY09, based on the request of Government of Karnataka and the data as per audited accounts of HESCOM, an amount of Rs.514.49 Crores received as subsidy in excess needs to be recovered from HESCOM. However, HESCOM has sought certain book adjustments citing prior period subsidy receivable from the GoK in response to the GoK proposal to recover the excess subsidy amount, in three installments of Rs.210.00 Crores during 2014-15 to 2016-17. In this regard, the Commission is of the view that the question of adjustment of prior period subsidy cannot be linked to the excess subsidy received for FY09. The same has to be taken up by HESCOM with the GoK separately. Keeping in view the financial position of HESCOM, the Commission considers it appropriate that the Government recover the excess subsidy of Rs.514.49 Crores in five annual installments commencing from FY16.

Commission's Order:

Based on the above discussions, the Commission hereby approves:

1. Net ARR of Rs.2493.81 Crores in respect of Annual Performance Review for FY09.
2. Revised additional subsidy of Rs.624.86 payable by Government for FY09.
3. Recovery of excess subsidy amount of Rs.514.49 Crores from HESCOM by the GoK, in five annual installments commencing from FY16.
4. This Order is signed dated and issued by the Karnataka Electricity Regulatory Commission at Bangalore on this day the 23rd April, 2015.

(H.D. Arun Kumar)
Member

(D.B. Manival Raju)
Member