

**BEFORE THE KARNATAKA ELECTRICITY REGULATORY COMMISSION
BANGALORE**

**Application of the Hukeri Rural Electric Co-operative Society Ltd. for approval of
ERC For the Financial Year 2005-06**

Present:

Sri K.P.Pandey	Chairman
Sri H.S.Subramanya	Member
Sri S.D.Ukkali	Member

No.B/02/4

Dated 8th November 2005

ORDER

1. Background of the present filing

The Hukeri Co-operative Society is a licensee for distribution of electricity in the Hukeri Taluka of Belgaum District. As per Tariff Regulations 2000 as amended from time to time, the Society has to file the Expected Revenue from Charges (ERC) for the ensuing year on or before 30th of November every year. The Society had sought extension of time of one month i.e., up to 31st December 2004 to file the ERC for FY06. The Commission had considered the request of the Society and had granted extension of time upto 31st December 2004. Accordingly the Society filed its ERC for FY06 on 31st December 2004.

In the ERC filed by the Society, a revenue gap of Rs.8.04 crores was shown without indicating any measures to meet the gap. The Commission therefore returned the ERC along with the observation stating that as per the Tariff Regulations 2000, the Society has not indicated measures to meet the gap and as such the ERC filed by the Society is incomplete and liable to be

rejected outright. The other observations on the ERC were also communicated to the Society vide Commission's letter dated 3rd February 2005. As the Society did not furnish any reply to the Commission's observation, the Commission issued a reminder on 11th July 2005. Thereafter the Society furnished replies to the observations along with a revised ERC for FY06 on 26th July 2005. In the revised ERC the Society has proposed a tariff increase of 11.28% to mobilise additional revenue of Rs.19.63 crores. Since a uniform retail tariff to Consumers in all the Licensees' areas across the State including the area under the Hukeri society is being followed, the Commission decided to consider the ERC of Hukeri Society after issue of Tariff Order in respect of the ESCOMs. The Commission has issued the Tariff Order 2005 on 27.9.05 and accordingly the BST, transmission charges approved therein are applicable to the Society also and the retail tariff to all the consumers in the Society's area.

2. Analysis of ERC for FY04

- 2.1 The Commission in its order dated 28-03-2003 had approved the ERC of the Society for FY04. In the said order the Commission had approved that for bulk supply from KPTCL, the cash payment by the Society shall be at the rate of 100 paise per kWh and to pay the balance of 112.24 paise per unit through adjustment out of the Government subsidy (Approved BST was 193.57 paise per unit and approved transmission charges was 18.67 paise per unit, totalling to 212.24 paise per unit). The Society filed a review petition before the Commission vide petition No. RP-/04/2003 dated 28.03.2003 to reduce the cash payment but the same was disposed of by the Commission vide its order dated 30.06.2003 directing the Society to seek revision of rates after the actuals for FY04 are available.
- 2.2 In the Tariff Amendment Order of December 2003, the Commission revised the BST as 209.35 paise per unit as against the earlier approved rate of 193.57 paise per unit, an increase of 15.78 paise per unit. While approving this revised rate the Commission had decided that any further adjustment in the

BST to Hukeri Society would be considered when the details of actual income and expenditure of the Society for FY04 are available.

2.3 The Society has furnished the provisional accounts for FY04 & FY05 on 14.10.2005 stating that the audit is still in progress. The accounts produced by the Society contains only Revenue Account, Capital Account and Balance Sheet and does not contain the schedules with details of expenses. The expenses approved by the Commission in the ERC for FY04 under various heads such as employee cost, O&M expenses and Establishment and general expenses are not comparable with the information in the accounts in the absence of the schedules. Therefore, the Commission would consider the information as furnished in the ERC for validation. The differences between the approved ERC figures and the actuals for FY04 are discussed below:

2.3.1 **Sales Forecast:**

Table-1

Approved Energy sales and actual sales for FY04

(Million Units)

Category	Approved as per ERC	Actuals as per ERC filing for FY06	Difference
Bhagya Jyothi	0.29	0	-0.29
LT2 a & b Domestic Lighting etc	14.74	13.74	-1.00
LT2 b Private Professional Educational Institutions	0.06	0.07	0.01
Commercial	1.71	1.82	0.11
IP Sets unmetered (up to 10 HP) LT-4 a & d	85.06	79.43	-5.63
LT4 – b IP Sets – Creamy layer	1.09	2.05	0.96
IP sets –LT-4c	0.21	0.21	0
LT Industries	3.05	2.94	-0.11
Water Supply-LT	2.68	3.51	0.83
Street Lights	0.88	1.48	0.60
Temporary	0.03	0.05	0.02
LT -Total	109.80	105.30	-4.50
HT- Water supply	2.00	2.98	0.98
HT- Industries	4.00	4.14	0.14
HT- Commercial	0.25	0.38	0.13
HT-Irrigation	1.26	0.82	-0.44

Category	Approved as per ERC	Actuals as per ERC filing for FY06	Difference
HT-Total	7.51	8.32	0.81
Total	117.31	113.62	-3.69

The Commission notes that there is an overall decrease in sales by 3.69 MU as compared to the approved quantum of sales on account of decrease in sales to LT2a & IP set (LT4a) consumers and there is a marginal increase in sales to HT categories of consumers.

2.3.2 Revenue from Sale of Power

As against the approved revenue of Rs.1752.37 lakhs for FY04 in the ERC, the actual revenue as per Form D2 furnished by the Society is Rs. 1627.96 lakhs, a reduction of Rs.124.41 lakhs. The Commission observes that the main reason for this difference is that in respect of IP sets under LT4(a) category, tariff as approved by the Commission has not been applied. As seen from form D21 provided in the filing, even in FY06, demand at the existing rate is shown at the rate of Rs. 540 per HP after deducting Govt subsidy as Rs.180 per HP, while the approved rate is Rs. 720 per HP per annum and there was no Govt subsidy available from 1.4.04 as indicated in the Commission's Tariff Order March 03. As seen from Form D2, for 15755 installations under this category, a demand of Rs. 421.33 lakhs has been raised in FY04, where as the same works out to Rs.555.84 lakhs at the approved rate of Rs.720 per HP per annum at an average load of 4.90 HP per IP set (as given in Form D21). The Society has clarified vide its letter dated 22.10.05 that it has billed the IP sets under LT4(a)(i) category at the rate of Rs.540 per HP per annum for un-metered installations and at the rate of Rs.10 per HP per month plus energy charges at 40 paise per unit for metered installations. Therefore, it is clear that the Society has not applied the rate approved in Tariff Order 2003. The Commission decides to account the difference in revenue on this account amounting to Rs. 134.50 lakhs for the purpose of this analysis. **The Commission directs the Society to revise the revenue demand in respect of LT4a(i) category from**

1.4.04 and onwards in accordance with the Commission's Tariff Order and file a statement of compliance before the Commission within one month from the date of this order duly supported by an affidavit, failing which the Commission will proceed to take further action against the Society for breach of Conditions of Licence.

2.3.3 Other Income

As against other income/ Misc income of Rs. 217.87 lakhs approved in the ERC, the actual other income as per the filing is Rs. 271.18 lakhs (Rs. 266.10 lakhs from consumers as per form D21 + Rs.5.07 lakhs from others as per Form D4).

2.3.4 Distribution Loss & Energy Input

The Commission had approved an input energy of 137.73 MU. As against this the actual energy purchased is 133.95 MU, a reduction of 3.78 MU. The Commission had fixed the allowable distribution loss at 15%. As against this the Society has achieved a loss level of 15.18% which is marginally higher than the target.

2.3.5 Power Purchase Cost

As against approved expenditure of Rs. 2916.83 lakhs in the ERC, the actual expenditure as per accounts/ERC is Rs. 3045.82 lakhs which includes interest provision for delayed payment amounting to Rs. 147.28 lakhs. After excluding the interest provision, the actual expenditure incurred by the Society is Rs.2898.54 lakhs, thus there is a savings of Rs. 18.29 lakhs. The Commission notes that there was an upward revision of BST by 15.78 paise per unit effective from 1.1.04. However, the savings in power purchase cost is on account of reduced energy input to an extent of 3.78 MU. The Commission allows actual power purchase cost as per accounts, by excluding interest on delayed payments.

2.3.6 Expenses

Details of Expenses approved by the Commission in the ERC for FY04 and actual expenses for FY04 as furnished in the ERC of FY06 is given below:

(Rs lakhs)

Particulars	Expenses as approved by KERC for FY04	Actual expenses for FY04 as per ERC of FY06
Repairs and maintenance	35.25	24.29
Employee Cost	346.37	363.71
Administration and General Expenses	25.86	21.41
Depreciation	132.30	133.02
Interest and Finance charges	4.10	4.22
Less; Expenses capitalised	- 57.46	- 62.81
Surplus/Reasonable Return	29.85	28.30
Net expenditure	516.27	512.14

The Commission notes that while there is increase in employee cost to an extent of Rs. 17.34 lakhs, there is savings in Repairs and maintenance expenses and Est & General expenses, resulting in a net savings of Rs. 3.13 lakhs in the overall expenditure. The Commission observes that the Society should have taken action to keep the employee cost within the approved estimate. The above actual expenditure includes bonus and free lighting to employees which was assessed as Rs. 0.70 lakhs and Rs.6.35 lakhs respectively, totalling to Rs. 7.05 lakhs which has not been allowed by the Commission for pass through in the ARR. The Commission notes that since the total actual expenditure incurred by the Society is well with in the approved estimate, the Commission retains the approved expenditure of Rs.516.27 lakhs for the purpose of this analysis.

2.3.7 Revenue Gap for FY04

Considering the actual income and expenditure as discussed above, the revenue gap for FY 04 is as follows:

Table-2
Gap in Revenue for FY04

(Rs. in Lakhs)

Particulars	As per Approved ERC	Actuals
Revenue from Sale of Power	1752.37	1627.96 + 134.50
Other Income/ Misc Income	217.87	271.18
Total income	1970.24	2033.64
Power Purchase cost	2916.83	2898.54
Other Expenses	516.27	516.27
Total Expenditure	3433.10	3414.81
Revenue Gap before Subsidy	1462.86	1381.17

Accordingly, the Commission approves subsidy allocation of Rs.1381.17 lakhs to the Society for FY04 as against 1462.86 lakhs indicated in the Commission's order dated 28.3.03.

2.3.8 Collection Efficiency:

In the revised ERC filed by the Society, details of DCB for FY04 and FY05 have been furnished. A comparison of the collection efficiency for FY04 and FY05 is given below:

Table-3
Comparison of Collection Efficiency for FY04 and FY05

Category	FY04			FY05		
	Demand	Collection	Collection Efficiency	Demand	Collection	Collection Efficiency
LT1	0	0	0	0	0	0
LT2	471.99	456.08	96.6%	528.33	468.52	88.7%
LT3	122.46	124.92	102.0%	147.85	139.48	94.3%
LT4	687.72	100.85	14.7%	588.58	29.08	4.9%
LT5	137.35	138.13	100.6%	139.35	127.56	91.5%
LT6 WS	210.49	60.00	28.5%	214.6	56.04	26.1%
LT6 SL	71.75	22.93	32.0%	83.77	26.47	26.1%

Category	FY04			FY05		
	Demand	Collection	Collection Efficiency	Demand	Collection	Collection Efficiency
LT7	5.71	5.83	102.1%	7.50	7.54	100.5%
LT Total	1707.47	908.74	53.2%	1709.98	854.69	50.0%
HT1	146.16	100.07	68.5%	170.98	0	0.0%
HT2a	191.05	191.3	100.1%	195.1	195.39	100.1%
HT2b	22.73	17.46	76.8%	26.99	16.99	62.9%
HT3	26.68	25.53	95.7%	28.43	27.00	95.0%
HT Total	386.62	334.36	86.5%	421.5	239.38	56.8%
Total	2094.09	1243.100	59.4%	2131.48	1094.07	51.3%
Without IP sets	1406.37	1142.25	81.2%	1542.90	1064.99	69.0%

The Commission notes that the overall collection efficiency of the Society is reducing from year to year. As pointed out in the Commission's order dated 28.3.03, the overall collection efficiency in FY02 was 93.5% which got reduced to 84.7% in FY03 (upto Dec 02) and as seen from the above table, the collection efficiency is drastically reduced to 59.4% in FY04 and to 51% in FY05. Even by excluding IP set, the collection efficiency, which was 81.2% in FY04, has reduced to 69% in FY05. This clearly indicates slackness on the part of the society in collecting its dues. The Society has explained in the ERC that various amounts are due from the Government in respect of write off of IP set dues, Gram Panchayat dues, dues of TPC and TMCs etc amounting to Rs.17.22 crores. The Commission directs the Society to take urgent steps for recovery of its dues from all the consumers including from Govt and local bodies.

2.3.9 Cash payment of BST for FY04

As discussed earlier, the Commission had determined the cash payment by the Society for bulk supply of power from KPTCL (bulk supply tariff plus transmission charges) as 100 paise per unit and to adjust the balance of 112.24 paise per unit out of the subsidy provision made by Govt. in the Commission's order dated 28.03.2003. On the review petition filed by the Society, the Commission had indicated in its Order dated 30.6.03 that the Society can seek revision after the actual figures are available at the end of the year. In the Tariff Amendment Order dated 15.12.03, the Commission

enhanced the BST by 15.78 paise per unit and has stated that any further adjustment in the BST to the Society will be considered when the details of actual income and expenditure for FY04 are available.

Based on the actual income and expenditure as discussed in the preceding paragraphs, the amount available for cash payment of Bulk supply cost in FY04 is as follows:

(Rs lakhs)

Total Revenue including other income	2033.64
Expenses other than power purchase cost	516.27
Revenue available for power purchase	1517.37
Cash payment at the approved rate for Bulk Supply cost in FY04:	
4/03 to 12/03 at 100 paise per unit on 98.699 MU	Rs lakhs - 986.99
1/04 to 3/04 at 115.78 paise per unit on 35.249 MU	- 408.11
Total for 133.95 MU	1395.10

From the above table it is clear that, revenue is available to meet the cash payment of bulk supply cost at the rates already approved by the Commission in the Order dated 28.3.03/15.12.03 and revision of the said cash payment component is not warranted.

3 ERC for FY05

The Society had filed its ERC for FY05 on 01.03.2004. The Commission observed that the Society had indicated a gap of Rs.5.49 crores for FY05 without indicating any measures to meet the said gap and that in terms of Tariff Regulations the filing is liable to be rejected. While returning the ERC filed by it, the Society was requested vide Commission's letter dated 11.03.2004 to file the ERC in a complete manner as per the Regulations. The Society neither attended to the observations of the Commission nor it filed a revised ERC for

FY05. In the circumstances, the Commission could not proceed with validation of the ERC for FY05 and therefore the Commission is constrained not to pass any order on the ERC for FY05.

4 ERC for FY06

The Society has filed the revised ERC for FY06 on 26th July 2005. The validation of ERC for FY06 is discussed below:

4.1 Compliance with Directives

The status of compliance to the Directives as indicated in the ERC of the Society is as under:

- a) **HT/LT Ratio:** It is stated by the Society that the HT LT ratio of lines is 1:3.5 which is at the same level, which was prevailing during FY04. The Society proposes to improve the ratio of HT/LT by providing 60 additional DTCs & 11 KV lines. The Commission notes that the Society has not put in any effort to reduce this ratio despite envisaging such a scheme in the earlier ERC filing also. The Commission directs the Society to take up this work by utilising the proposed capital expenditure and reduce the gap in the HT/LT ratio over a period of next 3 years.
- b) **DC/MNR installations:** The ERC filing is silent about the status of DC/MNR installations. The Commission directs the Society to bring down the DC/MNR installations to less than 1.00%, if it is already not achieved.
- c) **Computerisation:** the Society has not mentioned anything about the progress made in this direction. The Commission notes that in the previous ERC the progress of computerisation was indicated as 60-80% in the areas of billing, inventory management etc, The Commission

d) believes that the remaining work has been completed during FY05 and FY06.

d) **Establishment of Consumer Grievance redressal Forum**

The Society has not mentioned anything about establishment of Consumers' Grievance redressal Forum in terms of section 42 of the Electricity Act. The Commission has issued necessary Regulations in this regard. The Society is directed to establish a forum in terms of the regulations framed by the Commission.

e) **Implementation of Regulations on Consumer Complaint handling and Licensees standards of performance**

The Society is directed to furnish a report to the Commission as to the implementation of the Regulations on Consumer Complaint Handling and Licensees standards of performance.

The Commission directs the Society to furnish a comprehensive statement of compliance to all the directives issued by the Commission within a period of one month from the date of this order.

4.2 **Capital Investment Programme for FY06:**

The Society, in its initial ERC filing, had proposed to incur a capital expenditure of Rs. 154.34 lakhs without furnishing any scheme-wise break up of expenditure to be incurred. The Commission in its earlier orders had suggested to invest in the distribution schemes, in order to strengthen the system, but the Society has not made any progress in this regard. However the Commission approves the expenditure subject to furnishing scheme-wise details of the proposed expenditure.

4.3 Energy input:

In terms of section 39(1) of the Electricity Act 2003, KPTCL is barred from trading in electricity from 10.06.2005. The GoK vide its order dated 10.05.2005 has ordered ESCOMs to purchase power from 10.06.2005 from various generating companies. Accordingly the PPA of KPC, VVNL, CGS and conventional IPPs are assigned to all the ESCOMs and the share of each ESCOM from these sources is in proportion to the energy drawn in FY05. The renewable sources of energy projects have been allocated based on the geographical locations of the projects. The allocation of input energy to ESCOMs and Hukeri Society has been discussed in Chapter-3 of the Tariff Order 2005. As per the said allocation the input energy allocated to the society for FY 06 is 159 MU to be drawn from HESCOM as against 151.90 MU indicated by the Society in its ERC for FY06.

4.4 Sales Forecast

Hukkeri Society has stated that projections for all categories except IP sets are based on 5 year simple average growth rates. For IP sets, the projections are based on sample IP set meter readings. This methodology adopted by the Society is reasonable. Excluding IP sets, the total sales projected in FY 06 is 35.28 MU as against 34.53 MU in FY 05 indicating a growth of 2.17%. The growth rate in FY 05 over FY 04 is 7.41%. Hence, the projected growth rate seems to be on the lower side. Regarding IP sets, the Commission notes that the society has projected sales of 93.45 MU based on specific consumption per HP of sample metered IP sets. In the absence of any further details, the Commission accepts the projections of the Society for all the categories including IP sets.

The sales projected by the society and approved by the Commission is as follows:

Table-4
Approved sales for FY 06

Category	Sales projected by Hukeri Society and Approved by KERC
Bhagya Jyothi	0
LT2 a & b Domestic Lighting etc	15.51
LT2 b Private Professional Educational Institutions	0.07
Commercial	2.11
IP Sets unmetered (up to 10 HP) LT-4 a & b	93.45
LT4 – c IP Sets	0.15
IP sets –LT-4d	0.002
LT Industries	2.86
Water Supply-LT	3.32
Street Lights	1.69
Temporary	0.12
LT -Total	119.28
HT- Water supply	3.10
HT- Industries	4.21
HT- Commercial	0.46
HT-Irrigation	1.65
HT-Total	9.42
Total	128.70

4.5 Distribution loss:

The Society has projected the distribution loss in FY06 as 15.26%. The Commission approves a loss level of 15% as in FY04 and directs the Society to achieve additional metered sales of 6.45 MU in addition to the approved sales of 128.70 MU as an efficiency improvement measure.

4.6 Annual Revenue Requirement

4.6.1 Revenue from existing Rates

The Society has estimated revenue of Rs. 2109.70 lakhs for FY06 calculated at the pre-revised tariff, which includes other income from the consumers. The revenue from IP sets under LT4(a) category has been computed at the rate of Rs.540 per HP per annum (Rs.720-Rs.180) as discussed earlier. Since the government subsidy of Rs.180 per HP per annum is not available, the revenue shall be calculated at the rate of Rs.720 per HP per annum upto the date of coming into force of Tariff Order 2005 and there after, the rates given in the Tariff Order 2005 shall be applicable. Therefore, the Commission directs the Society to bill IP installations accordingly. The Commission would consider the difference in revenue on this account as Rs. 80.52 lakhs for 15640 IP sets (76687 HP) for the seven months period from 4/05 to 10/05 for the purpose of revenue estimation.

The Commission has rationalised the tariff in the Tariff Order 2005, by determining separate tariff for urban areas and Village Panchayat areas and therefore the entire revenue estimate for FY06 would be required to be recast. As explained in Chapter 12 of the Tariff Order 2005, the financial implication of the tariff rationalisation is not ascertainable by the Commission for want of data on the number of installations in urban and village panchayat areas, its load profile etc. Therefore, the Commission would consider the revenue estimate at the pre-revised tariff for the present analysis, subject to actuals at the year-end. Considering this, the total revenue at the existing rates would be Rs. 2190.22 lakhs (Rs.2109.70 lakhs as estimated by the Society plus difference in revenue of IP sets Rs. 80.52 lakhs).

4.6.2 Revenue from revised rates

The Commission has approved the retail tariff in the Tariff Order 2005 in respect of all the ESCOMs, which is applicable to Hukeri Society as well. The Society shall implement the said Order effective from 10th October 2005.

Since the revenue from the revised tariff has not been computed for want of details of urban and rural consumers, the ERC approved in this Order is subject to truing up after the actual figures are available for FY06.

4.6.3 **Other Income:** The Society has estimated the other income (other than from consumers) as Rs. 5.02 lakhs. The reason for reduction in other income when compared to the estimate in the ERC for FY04 is that the other income/Misc income from consumers is included in the Revenue from sale of energy, as discussed earlier. The Commission accepts the estimate of the Society.

4.6.4 **Revenue Requirement for FY06**

The Society has submitted the provisional accounts for FY04 and FY05. As already discussed, the figures under each head of expenditure, as per the provisional accounts are not comparable with heads of accounts given in the ERC filed by the Society. Hence for the purpose of analysis of ERC and to estimate the expenses for FY06, the Commission has considered the ERC filing figures:

a) Power purchase Cost: The Society has indicated input energy of 151.90 at a cost of Rs. 4561.63 lakhs in its ERC filing for FY06, which was proposed to be purchased from KPTCL. The power purchase cost of the Society for FY06 as determined in the Tariff order 2005 (page 99) is Rs. 3196 lakhs. The Transmission charges for input energy of 159 MU at the rate of 19.42 paise per unit would be Rs. 308.78 lakhs. Thus the total power purchase cost for FY06 is Rs.3504.78 lakhs.

b) Repairs and maintenance: The Society has estimated a sum of Rs.36.05 lakhs during FY06, which accounts for 9.24% increase over projected figures for FY05. In the interest of better maintenance of the distribution network, the Commission allows the proposed R & M expenses of Rs. 36.05 lakhs for FY06.

Employee Cost: A sum of Rs. 301.81 lakhs is projected by the Society for FY06 as against Rs. 321.99 lakhs for FY05 and actual expenditure of Rs.363.71 lakhs in FY04. This accounts for a decrease in expenditure by 6.27% over FY05. The Society has indicated payment of Bonus/ex-gratia of Rs.1.10 lakhs. Further, an amount of Rs.6.35 lakhs towards free electricity to employees of the society as determined in Commission's Order dated 28.03.2003 is disallowed for the reasons discussed in the earlier Orders of the Commission. After disallowing Bonus and cost of free lighting, the total allowable expenses would be Rs.294.36 lakhs for FY06.

c) Administration and General Expenses

The Society has proposed a sum of Rs. 24.96 lakhs for FY06, a reduction of 5.13% over FY05. The Commission approves this estimate.

e) Depreciation Charges

The Society has proposed a sum of 125.52 lakhs, which works out to a weighted average rate of 6.12% on the gross fixed assets for FY05. The Commission accepts the same.

f) Interest & Finance Charges: The Society has proposed Rs.2.77 lakhs as interest & finance Charges payable against REC loans for FY06, which is agreed to by the Commission.

g) Expenses Capitalised: The Society has proposed to capitalise a sum of Rs.49.63 lakhs during FY06 and the Commission accepts the same.

h) Other debts: The Society has proposed a sum of Rs.30.50 lakhs towards provision for payment of interest on consumer deposits. The Commission notes that the estimated Security deposits from the consumers in FY06 is Rs. 393.82 lakhs and the interest at 6% (RBI rate) thereon works out to Rs. 23.63 lakhs. Accordingly, the Commission allows an amount of Rs.23.63 lakhs.

i) **Return on capital Base:** The Commission has been allowing a reasonable return on the capital base of the Society in the previous Orders. The Commission has allowed ROE at 12% to the ESCOMs in FY06 for the reasons discussed in Tariff Order 2005 (page 58 & 59). On the same lines, the Commission hereby allows a Return on Equity (RoE) of 12% to the Society. ROE works out to Rs. 98.10 lakhs (on the Equity plus Reserves totalling to Rs. 817.51 lakhs as on 1.4.05), as against a return of Rs. 28.30 lakhs proposed by the Society in the ERC.

4.7 **Approved ERC for FY06**

Based on the above discussions, the abstract of proposed and Approved ERC for FY06 is as given below:

Table-5
Approved ERC for FY06

Particulars	Unit	Proposed by the Society	Approved by KERC
Power Purchase	MU	151.90	159.00
Energy Sales	MU	128.71	135.15
Distribution Loss	%	15.27%	15.00%
Income	Rs. lakhs		
Revenue from sale of Power		2306.06	2190.22
Miscellaneous Income			
Other Income		5.02	5.02
Total Income		2311.08	2195.24
Expenditure			
Power Purchase cost		4561.63	3504.78
Repairs and maintenance		36.05	36.05
Employee Cost		301.81	294.36
Admn. & General charges		24.96	24.96
Depreciation		125.53	125.52
Interest & Finance charges		2.77	2.77
Total Expenditure		5052.75	3988.44
Other Debits – Int. on SD		30.50	23.63
Less Expenses Capitalised		-49.63	-49.63
Net Expenditure		5033.62	3962.44
Reasonable Return		28.30	98.10
Total Revenue Requirement		5061.92	4060.54
Surplus(+)/Gap(-) before subsidy		-2750.84	-1865.30

The total revenue gap of the Society as per the approved ERC is Rs.1865.30 lakhs, which has to be met by the Government through subsidy. Out of the subsidy allocation of Rs.1750 crores by the Government for FY06, subsidy that has been allocated to the ESCOMs is Rs. 1726.30 crores and the balance available is Rs. 23.70 crores. The above revenue gap of Rs1865.30 lakhs could be met from the balance thus available.

4.8 Cash Payment for Bulk Supply from HESCOM

As indicated in the foregoing paras, the total power purchase cost for FY06 would be Rs.3504.78 lakhs. This includes transmission charges of Rs. 308.78 lakhs towards transmission charges payable to KPTCL. Considering the cash flow of the Society, the Commission determines the cash payment by the Society towards power purchase for FY06 as follows:

Table-6
Cash payment by the Society towards power purchase

	Rs. in lakhs
Total Revenue from sale of power at the existing rates for FY06	2190.22
Miscellaneous Income	5.02
Total Revenue	2195.24
Less Expenses other than power purchase	555.76
Revenue available for power purchase	1639.48
Approved power purchase quantity(MU)	159
Cash available Per unit	103.11

After providing for marginal variations in the estimates and specially in view of rationalisation of the tariff effected by the Commission in Tariff Order 2005, which may have larger impact on the Society's revenue because of larger rural area under the Society, the Commission decides that the cash payment by the Society towards the power purchase cost shall be 100.00 Paise per unit, payable to KPTCL and HESCOM as follows:

(1) Transmission charges to KPTCL	19.42 Paise per unit
(2) BST to HESCOM	<u>80.58</u> Paise per unit
Total	<u>100.00</u> Paise per unit

HESCOM shall recover 80.58 paise per unit from the Hukeri Society towards BST and the remaining amount of BST shall be adjusted out of the subsidy to be released to the Society by the Govt. Since the BST and the revised Transmission charges, as approved in Tariff Order 2005, are applicable from 01.04.2005, the above cash payment rates shall be applicable from 01.04.2005.

This Order is signed, dated and issued by Karnataka Electricity Regulatory Commission at Bangalore on this day the 8th day of November 2005.

Sd/-
(K.P.Pandey)
Chairman

Sd/-
(H.S.Subramanya)
Member

Sd/-
(S.D.Ukkali)
Member