

CHAPTER – 4

ANNUAL PERFORMANCE REVIEW FOR FY17

4.0 BESCOM's Application for APR for FY17:

BESCOM has filed its application on 30th November, 2017, for Annual Performance Review (APR) of FY17. Revision of ARR and Retail supply tariff for FY19, while also seeking approval of its revised ARR in the Annual Performance Review (APR) for FY17 based on the Audited Accounts.

The Commission in its letter dated 18th December, 2017 had communicated its preliminary observations to the application. BESCOM, in its letter dated 26th December, 2017 has furnished its replies to the preliminary observations made by the Commission.

The Commission in its Multi Year Tariff (MYT) Order dated 30th March, 2016 had approved BESCOM's Annual Revenue Requirement (ARR) for FY17, FY18 and FY19. The revised Annual Revenue Requirement (ARR) of BESCOM under APR for FY17, based on the Audited Accounts, is discussed in this Chapter.

4.1 BESCOM's Submission:

BESCOM has submitted its proposals for Annual Performance Review and for revision of ARR for FY17, based on the Audited Accounts as follows:

TABLE – 4.1

APR for FY17 – BESCOM's Submission

Sl. No	Particulars	Rs. Crores
		As Filed
1	Energy at Gen Bus in MU	31487.89
2	Energy at Interface in MU	30227.64
3	Distribution Losses in %	13.19
	Sales in MU	
4	Sales to other than IP & BJ/KJ installations	18824.95
5	Sales to BJ/KJ installations	128.84
6	Sales to IP installations	7285.47

	Total Sales	26239.26
	Revenue	
7	Revenue from tariff and Misc. Charges	13778.41
8	Tariff Subsidy to BJ/KJ installations	38.21
9	Tariff Subsidy to IP Sets	2044.53
	Total Revenue	15861.15
	Expenditure	
10	Power Purchase Cost	12168.30
11	Transmission charges of KPTCL	1495.51
12	SLDC Charges	9.17
	Power Purchase Cost including cost of transmission	13672.98
13	Employee Cost	982.70
14	Repairs & Maintenance	74.84
15	Admin. & General Expenses	217.90
	Total O&M Expenses	1275.44
16	Depreciation	374.36
	Interest & Finance charges	
17	Interest on Loans	319.99
18	Interest on Working capital	352.14
19	Interest on consumer deposits	244.17
20	other Interest & Finance charges	14.33
21	Less interest & other expenses capitalised	98.99
	Total Interest & Finance charges	831.64
22	Other Debits	10.80
23	Net Prior Period Debit/Credit	0.00
24	Return on Equity	139.44
25	Provision for taxation	0.00
26	Other Income	64.22
	ARR	16240.44
27	Incentives for performance on distribution loss reduction	0.00
28	Regulatory Asset as per T.O. dated 02.03.2015 & carrying cost (581.30+68.41)	649.71
	Net ARR	16890.15
	Gap in Revenue for FY17	-1028.99
	Average cost of Supply - Rs. Per Unit	6.44

BESCOM has reported a revenue gap in revenue of Rs.1028.99 Crores for FY17, considering a revenue of Rs.15861.15 Crores against the approved revenue of Rs.15764.97 Crores.

4.2 BESCOM's Financial Performance as per Audited Accounts for FY17:

An overview of the financial performance of BESCOM for FY17 as per its Audited Accounts is given below:

TABLE – 4.2
Financial Performance of BESCOM for FY17

		Rs. Crores
Sl. No.	Particulars	FY17
	Receipts	
1	Revenue from Tariff and misc. charges	15861.17
2	Other income	215.32
	Total Revenue	16076.49
	Expenditure	
3	Power Purchase Cost	12196.15
4	Transmission charges of KPTCL	1495.51
5	SLDC Charges	9.17
	Power Purchase Cost including cost of transmission	13700.83
6	Operating Expenses	74.84
8	Employee Benefit Expenses	871.93
	Finance Cost	638.03
9	Depreciation	374.71
10	Other Expenses	613.26
11	Exceptional Items	-51.55
12	Regulatory income	-230.33
	Net ARR	15991.72

As per the Audited Accounts, BESCOM has earned a profit of Rs.**84.77** Crores for FY17. The profits / losses reported by BESCOM in its audited accounts in the previous years are as follows:

TABLE – 4.3
BESCOM's Accumulated Profits / Losses

Particulars	Rs. Crores
Accumulated losses as at the end of FY10	(350.88)
Profit earned in FY11	0.20
Profit earned in FY12	118.14
Losses incurred in FY13	(432.77)
Profits earned in FY14	76.10
Profits earned in FY15	113.44
Profits earned in FY16	108.01
Profits earned in FY17 and Adjustment	77.20
Accumulated losses as at the end of FY17	(290.56)

The accumulated losses, as seen from the above table, are Rs.290.56 Crores as at the end of FY17.

As per the provisions of MYT Regulations, the Commission has taken up the Annual Performance Review of FY17, duly considering the actual revenue and expenditure as per the Audited Accounts vis-à-vis the revenue/expenditure approved by the Commission, in its Tariff Order dated 30th March, 2016. The item-wise review of expenditure and the decisions of the Commission thereon are discussed in the following paragraphs:

4.2.1 Sales for FY17:

A. Sales -other than IP Sets:

The Commission in its Tariff Order, 2016, dated 30.03.2016 had approved total sales of 26472.74 MU to various consumer categories, as against the BESCOM proposal (including additional sales) of 27540.36 MU. The Actual sales of BESCOM as per the current APR filing [D-2 FORMAT] are 26239.26 MU, indicating a shortfall in sales to an extent of 233.43 MU as compared to the approved sales.

The category-wise sales approved by Commission and the actuals for FY 17 are indicated in the table below:

TABLE-4.4
Sales - FY17 Approved & Actuals

Category	Million Units		
	Approved in Tariff Order-2016	Actuals	Difference
1	2	3	(3-2)
LT-2a*	6617.58	6444.13	-173.45
LT-2b	43.12	46.30	3.18
LT-3	1942.44	1879.30	-63.14
LT-4b	2.88	2.04	-0.84
LT-4c	6.07	5.04	-1.03
LT-5	1203.65	1163.20	-40.45
LT-6	509.97	581.85	71.88
LT-6	370.38	387.47	17.09
LT-7	185.94	158.68	-27.26
HT-1	723.98	681.56	-42.42
HT-2a	4743.47	4456.17	-287.30
HT-2b	2834.01	2619.62	-214.39
HT-2c	240.28	270.05	29.77
HT-3a & b	77.60	15.07	-62.53

HT-4	104.50	106.41	1.91
HT-5	78.53	82.49	3.96
Sub total	19684.41	18899.41	-785.00
BJ/KJ	49.15	54.38	5.23
IP	6739.18	7285.47	546.29
Sub total	6788.33	7339.85	551.52
Grand total	26472.74	26239.26	-233.48

*Including BJ/KJ installations consuming more than 18 units/month

The Commission notes that the major categories contributing to the reduction in sales with respect to the estimates are LT 2a-Domestic category (173.45 MU), LT 3-Commercial (63.14 MU), HT Industries (287.30 MU), HT Commercial (214.39 MU) and HT3-Irrigation (62.53 MU). On the other hand, major categories contributing to the increase in sales as compared to the estimates are LT-6 Water supply (71.88 MU) and IP Sets (546.29 MU).

The Commission's observations with respect to the sales for FY 17 and the replies of BESCOM are discussed below:

- i. BESCOM was directed to analyze the reasons for reduction in the sales to LT-2a category.

BESCOM in its replies dated 26.12.2017, has attributed the decrease in the sales to LT-2a and LT 3 categories to the implementation LED programme under DSM.

The Commission notes that BESCOM has not quantified the peak and energy savings due to implementation of LED Programme. Any DSM programme needs to be evaluated and quantified in terms of savings of peak demand and energy in order to ascertain the usefulness of such programmes and therefore, directs BESCOM to take up proper monitoring & evaluation of DSM programmes and report the results.

- ii. BESCOM was directed to analyze the reasons for reduction in sales to HT categories:

BESCOM in its replies, has stated that the HT-sales has reduced due to consumers opting for Open Access and that in FY17, HT consumers had procured 1358 MU through OA/wheeling.

The Commission notes that as per the category-wise breakup furnished in the replies to preliminary observations, the energy under OA/wheeling for FY 17 works out to 1484.49 MU and not 1358 MU. Thus, the Commission notes that there is inconsistency in the data furnished about the energy accounted under Open Access/Wheeling. Nevertheless, the Commission notes that the energy procured from OA/wheeling has grown by 2.4 times in FY17 as compared to FY16.

- iii. The Commission had directed BESCO to furnish the data of sales to HT2(a) HT2(b) and HT-2c categories along with the consumption from open access / wheeling for the period 2014-15 to 2016 -17.

BESCO, has accordingly furnished the details of energy procured under OA/Wheeling by HT-2a, HT-2b and HT-2c categories.

- iv. BESCO was directed to confirm as to whether, the category-wise sales indicated in D-2 Format is excluding unbilled sales. If unbilled sales are included, to furnish category-wise break up of unbilled sales.

BESCO in its replies has clarified that the said sales do not include unbilled sales.

B. Sales to IP sets- APR for FY17

- i) In its Tariff Order dated 30th March, 2016, the Commission had approved specific consumption of IP-sets as 8,037 units/installation/annum for FY17, whereas as per the data of IP-set consumption reported by the BESCO in its tariff filing, the specific consumption works out to 8,829 units / installation / annum. This corresponds to a huge increase of 792 units/installation / annum in absolute terms, which corresponds to 9.8 per cent in percentage terms.
- ii) The total IP-set consumption reported for the FY17 is 7,285.47 MU, whereas the IP-set consumption approved by the Commission was 6,739.18 MU. The difference in the consumption between that approved and reported for FY17 is 546.29 MU. This corresponds to 8.1

percent increase over the approved figures. Thus, the quantum of sales to the IP-sets' category has exceeded the approved quantum by 546.29 MU and the specific consumption has also increased by 792 units/ installation/annum for the FY17.

- iii) Further, the Commission had approved 8,53,519 as the number of IP-set installations for the FY17, but, the actual number of installations serviced, as reported by the BESCOM, is 8,41,228. The difference in the number of installations being 12,291 which corresponds to 1.4 percent decrease in the number of installations, as against the approved number of installations for the FY17.
- iv) The Commission, in its Tariff Order dated 30th March, 2016, had directed the BESCOM to compute the IP-set consumption on the basis of meter readings of agricultural feeders segregated under NJY, for the reason that the energy consumed by the IP-sets could be measured at 11 kV level at the substations after allowing for the losses prevailing in the distribution system, and to report the same in the format, prescribed by the Commission. It is noted that the Commission has been following this methodology for computing the IP set consumption since 2014 noting the fact that the ESCOMs have bifurcated the 11 KV feeders into separate rural feeders to provide 24x7 power supply and agriculture feeders to provide regulated supply. Accordingly, the BESCOM was directed to furnish 11 kV feeder-wise, month-wise, IP-set consumption based on the energy recorded at the meters provided to the agricultural feeders segregated under NJY scheme, duly deducting the distribution losses prevailing in 11 kV lines, distribution transformers, and LT system, to the Commission, every month. However, it is noted that the BESCOM has not been submitting the required data of IP-set consumption regularly, to the Commission.
- v) The Commission, in its preliminary observations, had raised the issue of increase in both sales and specific consumption of IP-sets and the BESCOM was directed to furnish the reasons for increase in specific consumption as well as total consumption compared to approved

figures considering the fact that the number of installations serviced have come down by 12,291 in FY17. Accordingly, the BESCOM was directed to furnish necessary month-wise feeder-wise data as per the energy recorded in the segregated agricultural feeders, clearly indicating the input energy to the feeders on the basis of energy recorded in the meters [(initial reading-final reading) *Multiplying constant], in support of its claims of IP-set consumption for the FY17, as per the prescribed format.

- vi) The BESCOM, in its reply to the preliminary observations, had submitted the input energy data of the segregated agricultural feeders, without submitting the corresponding IP-set consumption as per the prescribed format, for the FY17. Further, it had stated that due to addition of 1,059 exclusive agricultural feeders segregated under NJY scheme in FY17 (from 971 in FY16), the consumption of IP-sets has increased when compared to the approved quantum. The Commission notes that the increase in sales to IP sets despite the decrease in the number of installations by 12,291 for the FY17, may be due to the fact that the BESCOM has not correctly submitted the particulars of input data of 11 kV exclusive agricultural feeders. Also, it is noted that, mere increase in the number of exclusive feeders segregated under NJY in FY17 may not contribute to the increase in consumption. In fact, the consumption of IP sets should be accurate since it is based on the metered consumption at the substations. Therefore, input to 11kV feeders should have to be reckoned correctly so that the net IP-set consumption arrived at after deducting the allowable energy losses in the distribution system, would reflect the correct consumption.
- vii) The Commission had observed some data gaps in respect of the exclusive agricultural feeders particularly in the details of energy meters' initial & final readings and the net consumption arrived at on the basis of energy meter readings and hence, sought complete meter reading details in respect of all the exclusive agricultural feeders so as to verify the overall sales claimed by the BESCOM for FY17, in its Tariff application. The Commission had also sought the details of GPS survey

of IP sets conducted to arrive at the net number of installations by deducting the defunct/dried up wells based on the such survey results.

- viii) The Commission notes that the overall IP sets' consumption should not have been more than the approved quantum, due to the fact that the number of IP sets serviced have come down by 12,291 as compared to approved numbers, in FY17. Hence, the Commission is of the view that abnormal increase in both specific consumption and overall consumption in FY17 may be due to supplying of more than scheduled hours of power including supplying on ineffective single phase/open-delta system, to exclusive agricultural feeders. This should be stopped forthwith as giving power supply to IP sets for more than the scheduled hours of supply will result in increased consumption, which in turn results in higher subsidy burden to the Government, which it has not provided for. **Therefore, the BESCO is directed to restrict the hours of power supply made through the agricultural feeders segregated under NJY and also strictly adhere to the number of hours of scheduled power supply as fixed by the Government, so that the specific consumption and total consumption of IP sets are within the quantum approved by the Commission.**
- ix) The BESCO in its subsequent email communication dated 23.1.2018 and 6.2.2018 has submitted feeder-wise, month-wise IP-set consumption data in respect of the exclusive agricultural feeders segregated under NJY, clearly indicating the details of initial & final readings and multiplying constants of the energy meters, as per the prescribed format along with the details of enumeration of IP sets. On detailed verification of the data furnished by the BESCO, in respect of agriculture feeders, it is noted that the overall sale to the extent of 7,285.47 MU for FY17 has been reiterated, as submitted in its Tariff application. Therefore, the Commission hereby considers the IP set consumption of 7,285.47 MU for FY17, as the same has been supported by the exclusive agricultural feeders' energy meter data.

- x) As regards deduction of defunct/dried up IP sets from its account on the basis of GPS survey report, the BESCO has submitted that it had conducted the exercise of GPS survey of total 7,91,616 IP sets and out of which it has found that 9,076 IP sets are defunct and 1,46,885 IP sets are seasonally active, during FY17. Accordingly, it has deducted 9,076 number of defunct IP sets from its account in the month of March, 2017. Therefore, the Commission notes that due to deduction of defunct IP sets, the net number of installations reckoned taking into account of 9,076 number of defunct IP sets for FY 17 are 8,32,152 (8,41,228-9,076).
- xi) In view of the above facts, the Commission notes that the BESCO's overall IP-set consumption for FY17 is 7,285.47 MU based on segregated agricultural feeders as claimed in the D-2 Format of its Tariff application and also taking into account the number defunct IP sets in the field, based on the GPS survey. **Hence, the Commission decides to allow the Consumption of 7,285.47 MU claimed by the BESCO in its Tariff filing for APR of FY17.**

In the light of the above discussion, the Commission approves total sales of 26239.26 MU for FY17 and the category-wise sales as indicated in Col-3 of the table 4.4.

4.2.2 Distribution Losses for FY17:

BESCO's Submission:

The Commission had approved the average distribution losses as 13.00 per cent. As against this, the BESCO in its Tariff application has reported the actual distribution losses as 13.19 per cent.

Commission's Analysis and Decisions:

The Commission in its Tariff Order dated 30th March, 2016, had approved the range of distribution losses for the FY17 as under:

Range of Distribution losses	FY17
Upper limit	13.25
Average	13.00
Lower Limit	12.75

The BESCOM, in its current tariff application has reported the average distribution losses of 13.19% considering the energy input at interface points and sales as per the audited accounts for the FY17.

The Commission notes that, the distribution losses reported by the BESCOM fall within the approved range of losses for FY17. Therefore, allowing any incentive or levy of any penalty for non-achievement of loss targets, will not arise. Accordingly, the Commission considers the Distribution loss for FY17 at 13.19%.

4.2.3 Power Purchase for FY17:

BESCOM Submission:

The Commission in its Tariff order dated 30th March, 2016, had approved source-wise quantum and cost of power purchase for FY17. BESCOM, in its application has submitted the details of actual power purchase for FY17 for the purpose of Annual Performance Review as under:

TABLE – 4.5
Power Purchase for FY17- Approved and Actuals

Source of Generation	Actuals for FY17			Approved for FY17			Difference-between Actuals and Approved-for FY17			% increase (+)/decrease (-) over approved figures	
	Energy in MUs	Cost in Rs Cr.	Rate in Rs per Unit	Energy in MUs	Cost in Rs Cr.	Rate in Rs per Unit	Energy in MUs	Cost in Rs Cr.	Rate in Rs per Unit	Energy	Cost
KPCL Hydel Stations	2164.42	199.95	0.92	3636.16	407.22	1.12	-1471.74	-207.27	-0.20	-40.48	-50.90
KPCL-Thermal Stations	9742.93	4136.99	4.25	9912.49	4044.06	4.08	-169.56	92.93	0.17	-1.71	2.30
CGS	10927.07	3872.64	3.54	10286.44	3335.99	3.24	640.63	536.65	0.30	6.23	16.09
Major IPPs	3540.28	1453.73	4.11	3566.25	1478.40	4.15	-25.97	-24.67	-0.04	-0.73	-1.67
IPPs -Minor (RE Projects)	3204.03	1263.48	3.94	3522.21	1439.08	4.09	-318.18	-175.60	-0.14	-9.03	-12.20
Other States Projects	63.30	28.86	4.56	68.86	32.36	4.70	-5.56	-3.50	-0.14	-8.07	-10.82
Short /Medium term ,UI & Sec-11	3007.94	1265.85	4.21	529.87	267.06	5.04	2478.07	998.79	-0.83	467.68	373.99

Transmission Charges (KPTCL & PGCIL)		2247.16			1940.83			306.33			15.78
SLDC / POSOCO Charges		10.94			9.17			1.77			19.30
Misc Energy	47.07	-280.76									
Energy Balancing	-1209.14	-498.01	4.12								
TOTAL	31487.89	13700.83	4.35	31522.28	12954.17	4.11	-34.38	746.66	0.24	-0.11	5.76

Commission's analysis and decisions;

1. The actual power purchase for FY17, as per annual accounts submitted by BESCOM is 31487.89 MU at Rs 13700.83 Crores, as against the approved quantum of 31522.28 MU at Rs 12954.17 Crores. This indicates that while there is reduction in quantum of power purchased to an extent of 34.38 MU, there is an increase in the cost by Rs. 746.66 Crores.
2. As against the approved cost of energy amounting to Rs 12954.17 Crores, the actual cost of power purchased by BESCOM is Rs 13700.83 Crores for FY 17, which accounts for an increase by **5.76%** over and above the approved cost.
3. On an analysis of the source-wise approved and actual power purchases of all ESCOMs, the following deviations in the quantum of energy purchased and its cost are observed:
 - i. KPCL Generation: There is shortfall in supply from sources of power from KPCL Hydel and
 - ii. KPCL Thermal projects, as indicated below:

TABLE-4.6

Short-fall in supply from KPCL Hydel Stations

Approved Energy	Actual Energy	Shortfall in energy compared with approved availability in MU	Cost of Shortfall Energy in Rs Crores.
10704.90	6563.74	4141.16	380.99

The shortfall from the above Hydel sources, which is the cheaper source of power, has been met by procuring power from the following sources by ESCOMs:

Sources of supply	Energy in MU	Cost in Rs. Crores
Short/Medium term purchases	3061.41 MU	Rs.1310.28
Un-requisitioned surplus power from CGS	357.85 MU	Rs.127.39
Imposition of Sec-11 on the State Embedded Generators (during April and May 2016)	721.90 MU	Rs. 346.33

Thus, the ESCOMs have met the deficit from hydro sources with other sources such as Short/Medium term purchases, Un-requisitioned surplus power from CGS, and imposition of Section-11 on the State Embedded Generators (during April and May 2016) at an additional cost of Rs.1403.01 Crores.

The short-fall in thermal energy to the extent of 917.52 MU, has also been met by procuring Un-requisitioned surplus power from CGS, without any significant cost implications.

- iii. The change in the source-wise mix of supply, reconciliation of energy and its cost among ESCOMs has resulted in increase in average power purchase cost of BESCO to Rs.4.35 per KWh as against the approved rate of Rs.4.11 per KWh.
4. **In order to ensure proper accounting of energy and its cost by the ESCOMs, BESCO is directed to reconcile the inter-ESCOM energy exchanges and their costs every month and it shall collect/pay the amounts out of the tariff subsidy received from the Government of Karnataka.**
5. The Commission notes that, so far the SLDC has not implemented the intra-state ABT. As per the directions issued by the Government of Karnataka, vide its letter dated 28th January, 2016, intra-State ABT has to be implemented immediately by the KPTCL and ESCOMs. **The Commission therefore directs the SLDC, KPCL and the BESCO to take immediate appropriate action to implement intra-state ABT and to host the details thereof, on their respective websites.**

6. The power purchases made by the BESCOM during FY17 from different sources of generation also include the energy purchased during April and May 2016, under Section 11 of the Electricity Act, 2003, in pursuance of the Government Order dated 16.09.2015. The Government, in the said order, had fixed a provisional tariff of Rs.5.08 Per unit subject to determination of final tariff by this Commission. The Commission in its Order dated 18th August, 2016, has fixed the final tariff at Rs.4.67 per unit and has ordered recovery of the excess amount paid, if any, from the generators. However, some of the generators having filed petitions before the Hon'ble High Court, which reminded the matter, back to the Commission for fresh disposal. However, the decision in writ petitions has been challenged by the ESCOMs and the Commission in writ appeals. Hence, the Power Purchase cost allowed for 2 months is subject to outcome of the writ appeals and any consequential proceedings thereafter.

In the circumstances explained above, the Commission hereby decides to approve the actual power purchases of 31487.89 MU at a cost of Rs. 13700.83 Crores, for the purpose of Annual Performance Review for FY17.

4.2.4 RPO Compliance for FY17:

1. BESCOM in its petition has furnished the details of RPO compliance for solar and non-solar RPO for 2016-17 as follows:

TABLE-4.7

BESCOM's RPO Compliance for FY17

Particulars	Million Units
Energy Requirement	31487.89
Obligation	
Non-Solar energy to be procured at 11%	3463.67
Solar energy to be procured (at 0.75%)	236.16
Compliance (Non-Solar)	
Non-Solar energy	3380.62
Solar energy	324.14
Compliance- Non solar (as % of Energy Requirement)	10.74%
Compliance -Solar (as % of Energy Requirement)	1.02%

2. BESCOM has stated that as per actual achievement, the Solar RPO achieved is in excess by 0.27 percentage points and that of Non-solar RPO is short by 0.26 percentage points and therefore, has requested the Commission to set-off the unmet RPO of Non-solar by Solar energy procured in excess of RPO for FY 17.
3. The Commission in its preliminary observations had directed BESCOM to confirm whether the RPO compliance, as submitted in the tariff petition, is in accordance with the Government Order No. EN 43 PSR 2017 dated 26.09.2017 and if not to give reasons for deviation from the GO. Further, for validating the RPO compliance and to work out APPC, BESCOM was directed to furnish the data as per the specified format, duly reconciling the data with the audited accounts.
4. BESCOM in its replies to preliminary observations has stated that it has complied with RPO in accordance with the Government Order No. EN 43 PSR 2017 dated 26.09.2017, but in the Government Order, the solar roof top energy of 15.24 MU was not considered that, therefore, the same is considered by BESCOM during Truing up exercise. Further BESCOM has furnished the details of breakup of Non-Solar and Solar RPO compliance for FY17 as indicated below:

TABLE-4.8
Compliance of Non-solar RPO for FY17

Sl. No.	Particulars	Quantum in Mu	Cost Rs Crores
1	Total Power purchase from all sources	31487.89	13672.98
2	Non-solar Renewable energy purchased under PPA route at generic tariff including Non solar RE purchased from KPCL	2885.60	1024.42
3	Non-solar Short term purchase from RE Sources excluding Sec. 11 Purchase	83.04	42.18
4	Non-solar Short term purchase from RE Sources under Sec. 11	87.31	40.77
5	Non-solar RE purchased at APPC	0	0
6	Non-solar RE pertaining to green energy sold to consumers under green tariff	0	0
7	Non-solar RE purchased from other ESCOMs	258.46	100.28

8	Set-off surplus of solar power against shortage of non-solar power	90.74	0
9	Non-solar energy sold to other ESCOMs	0	0
10	Non-solar RE purchased from any other source like banked energy purchased at 85% of generic tariff	7.8	2.98
11	Total Non-solar RE energy purchased (No.2+No. 3+No. 4+No. 5+No. 7+No. 9)	3412.95	1210.64
12	Non-solar RE accounted for the purpose of RPO (No, 10-No. 5-No. 6-No. 8)	3412.95	1210.64
13	Non-solar RPO complied in % (No. 11/No. 1)*100	10.84	-

TABLE-4.9
Compliance of Solar RPO for FY17

Sl. No	Particulars	Quantum in Mu	Cost Rs Crores
1	Total Power purchase from all sources	31487.89	13672.98
2	Solar energy purchased under PPA route at generic tariff including Non- Solar energy purchased from KPCL	269.37	170.12
3	Solar Short term purchase from RE Sources excluding Sec. 11 Purchase	0	0
4	Solar Short term purchase from RE Sources under Sec. 11	0	0
5	Solar energy purchased at APPC	0	0
6	Solar energy pertaining to green energy sold to consumers under green tariff	0	0
7	Solar energy purchased from other ESCOMs	0	0
8	Solar energy sold to other ESCOMs	0	0
9	Solar energy purchased from NTPC (or others) as bundled power	57.31	60.80
10	Solar energy purchased from any other source like banked energy purchased at 85% of generic tariff	0	0
11	Total solar energy purchased (No.2+No, 3+No. 4+No. 5+No. 7+No.10)	326.68	230.92
12	Solar energy accounted for the purpose of RPO (No 11-No. 5-No. 6-No, 8)	326.68	230.92
13	Solar RPO complied in % (No, 12/No, 1)*100	1.04	1.69

The Commission has relied upon the prevailing Regulations, the Government Order No. EN 43 PSR 2017 dated 26.09.2017 and the available data with the Commission, for ascertaining the RPO compliance for FY17.

The Commission notes that as per the GO dated 26.09.2017, the input energy for BESCOM is 31443.06 MU, whereas as per the APR, the Commission has approved 31487.89 MU, as per the audited accounts.

Regarding the Non-Solar RPO, considering the input energy of 31487.89 MU, the Non-solar RPO target at 11.00% works out to 3463.67 MU. In the GO, the Non-solar energy purchased is indicated as 3055.94 MU which excludes the 7.80 MU of banked energy purchased by BESCOM. Further, GoK has allocated 258.46 MU of Non-solar energy to BESCOM from other ESCOMs as per GO dated 26.09.2017. The Commission notes that GO has allocated 21.81 MU from GESCOM to BESCOM. However, as per actuals the surplus in GESCOM is only 19.53 MU, which is reckoned by the Commission. Thus, the total RE-energy allocated to BESCOM from other ESCOMs would be 256.18 MU and not 258.46 MU. Considering 256.18 MU from other ESCOMs and 12.52 MU of Shimshapura power plant [which is Small Hydro as per MNRE definition] and excess solar energy of 90.52 MU as discussed in the subsequent paragraphs, the total energy accounted towards Non-solar RPO would be 3422.96 MU [3055.94+7.8+256.18+12.52+90.52]. Further, the balance 40.71 MU is deducted out of the 136.63 Non-Solar energy purchased during April, 2017 [Data furnished for FAC by BESCOM], as the prevailing Regulations specify that any obligated entity may meet its RPO for any financial year before 31st May of the immediate following financial year. **Therefore, the Commission holds that BESCOM has met its Non-Solar RPO target of 11% for FY17, in terms of the prevailing Regulations.**

Regarding the Solar RPO, considering the input energy of 31487.89 MU, the Solar RPO target at 0.75% works out to 236.16 MU. In the GO, the Solar energy purchased is indicated as 311.44 MU which excludes the 15.24 MU of energy purchased by BESCOM from roof-top installations. Thus, the total solar energy purchased by BESCOM works out to 326.68 MU which is in excess of the target by 90.52 MU. This excess solar energy is accounted for meeting the Non-Solar RPO target for FY 17 as discussed earlier, in accordance with the prevailing Regulations. **Therefore, the Commission holds that BESCOM has**

met its Solar RPO target of 0.75% for FY17, in terms of the prevailing Regulations.

4.2.5 Operation and Maintenance Expenses:

BESCOM's Submission:

The BESCOM in its application has sought approval of O&M expenditure of Rs.1275.44 Crores for FY17. As per the audited accounts, the BESCOM has incurred O & M expenses of Rs.1174.92 Crores as detailed below:

TABLE – 4.10
BESCOM's O&M Expenses for FY17

	Rs. Crores
Repairs & Maintenance expenses	74.87
Employee Expenses	879.97
A&G expenses	220.08
O&M expenses	1174.92

The BESCOM has requested the Commission to consider indexation ratio of CPI: WPI at 80:20 as followed by the CERC for working out the weighted inflation rate at 4.95% calculated on one year CPI and WPI index from January-December, 2016 and has arrived at the normative O&M expenditure after factoring in the compounded annual growth rate (CAGR) with the number of consumers at 5.41%, computed based on the consumer growth as per actuals of FY17 over FY16 (one Year) with the base year adjusted O&M expenses of Rs.1051.15 Crores for FY16. The BESCOM has projected the normative O&M expenses as follows:

TABLE – 4.11
Normative O & M Expenses – BESCOM's submission

Particulars	FY17
One year Consumer growth rate as per actual (CGI) (FY17 over FY16)	5.41%
Weighted Inflation Index (WII)	4.95%
O&M Cost of FY16 as per APR (base year)in Rs.Crores (Adjusted).	1051.15
O&M Index= O&M (t-1)*(1+WII+CGI-X) in Rs.Crores.	1132.22

Further, the BESCOM has claimed that it has incurred additional O&M Expenses of an amount of Rs.**143.15** Crores as uncontrollable expenditure towards contributions to Pension and Gratuity. Thus, the BESCOM has claimed uncontrollable O&M expenditure of Rs.**143.15** Crores over and above the normative O&M expenses of Rs.**1132.32** Crores. The total O&M expenses claimed by the BESCOM for FY17 are Rs.**1275.47** Crores.

Commission's analysis and decisions:

The Commission in its Tariff Order dated 30th March, 2016 had approved O&M expenses inclusive of contribution to the P&G Trust for FY17 as detailed below:

TABLE – 4.12
Approved O&M Expenses for FY17,
as per Tariff Order dated. 30.03.2016

Particulars	FY17
No. of installations	10574032
Weighted Inflation Index	6.01%
CGI based on 3 Year CAGR	7.24%
Base year expenses (as per actuals of FY15) in Rs. Crores.	1201.45
Total Approved O&M Expenses for FY17– in Rs. Crores	1348.61

The Commission in its preliminary observations had sought the details of certain expenses booked under A&G expenses by the BESCOM during FY17. The BESCOM, in its replies has stated that it has incurred expenses of Rs.113.64 Crores towards remuneration to contract agencies and that an amount of Rs.45.19 Crores has been incurred towards conveyance and travel expenses. That, further, an amount of Rs.4.22 Crores is incurred on Legal, Professional and Consultancy charges. The BESCOM has furnished the Division-wise breakup of expenditure incurred on the Remuneration paid to Chartered Accountants for auditing Cash & Revenue Accounts, Remuneration paid to Contract Agencies / Services obtained in different O&M Divisions, remuneration paid to Grama Vidhyuth Prathinidhi, remuneration paid to Contract agencies for obtaining Manpower services, amount paid to Total Revenue Management agencies for providing services relating to Billing & Collection activities - other than RAPDRP (Infosys) and

Amount paid to Service provider for obtaining IT related Web services, SMS Services and Broadband charges. Further, the BESCOM has furnished the division-wise breakup of expenditure incurred on the conveyance and travelling expenses and legal, professional and consultancy charges without furnishing the details/purpose for having incurred the above expenditure during FY17. The Commission notes that, the conveyance expenses incurred by the BESCOM during FY17 is on the higher side and directs it to minimize the same, in future.

The Commission in its earlier Tariff Orders has been stressing the need to initiate adequate measures to reduce the controllable O&M expenses, so as to be within the approved figures.

The BESCOM has sought consideration of one-year data of CPI and WPI data for determining the index for inflation and consumer growth rate. The Commission, in its Order dated 7th January, 2016 in RP No.5/2014, and in its Tariff Order dated 11th April, 2017 has decided to allow O & M expenses as per the norms of the MYT Regulations. Thus, in accordance with the methodology adopted while approving the ARR for FY14-16 and subsequent APRs, the Commission proceeds with the determination of the normative O & M expenses based on the 12-year data of WPI and CPI and three year CAGR of consumers.

Considering the Wholesale Price Index (WPI) as per the data available from the Ministry of Commerce & Industry, Government of India and Consumer Price Index (CPI) as per the data available from the Labour Bureau, Government of India and adopting the methodology followed by the CERC, with CPI and WPI in a ratio of 80: 20 and as per the provisions of MYT Regulations, the allowable inflation for FY17 is computed as follows:

TABLE-4.13
Allowable Inflation for FY17

Year	WPI	CPI	Composite Series	Yt/Y1=Rt	Ln Rt	Year (t-1)	Product [(t-1)* (LnRt)]
2005	103.37	115.8	113.314	1.04			
2006	109.59	122.9	120.238	1.11	1.06	1	0.06
2007	114.94	130.8	127.628	1.17	1.13	2	0.24
2008	124.92	141.7	138.344	1.27	1.22	3	0.60
2009	127.86	157.1	151.252	1.39	1.33	4	1.16
2010	140.08	175.9	168.736	1.55	1.49	5	1.99
2011	153.35	191.5	183.87	1.69	1.62	6	2.90
2012	164.93	209.3	200.426	1.85	1.77	7	3.99
2013	175.35	232.2	220.83	2.03	1.95	8	5.34
2014	182.00	246.90	233.92	2.15	2.06	9	6.52
2015	177.03	261.42	244.542	2.25	2.16	10	7.69
2016	180.60	274.30	255.56	2.26	2.26	11	8.95
A= Sum of the product column							39.44
B= 6 Times of A							236.63
C= (n-1)*n*(2n-1) where n= No. of years of data=12							3036.00
D=B/C							0.08
g(Exponential factor)= Exponential (D)-1							0.0811
e=Annual Escalation Rate (%)=g*100							8.1059

While determining the normative O & M expenses for FY17, the Commission has considered the following aspects:

- The actual O & M expenses as per the audited accounts for FY16 excluding contribution to Pension and Gratuity Trust, as base year data.
- The three year compounded annual growth rate (CAGR) 6.41% of the number of installations considering the actual number of installations as per the audited accounts up to FY17.
- The weighted inflation index (WII) at 8.1059% as computed above.
- Efficiency factor at 1% as considered in the earlier two control periods.

Thus, the normative O & M expenses for FY17 will be as follows:

Particulars	FY17
No. of Installations As per actuals as per Audited Accts	10696029
Weighted Inflation Index	8.1059%
Consumer Growth Index (CGI) based on 3 Year CAGR	6.41%
Actual O & M expenses for FY16 excluding P&G contribution (base figure for FY16)-in Rs. Crores.	1017.15
O&M Index= O&M (t-1)*(1+WII+CGI-X)- in Rs. Crores	1154.68

The above normative O & M expenses have been computed without considering the contribution to Pension and Gratuity Trust.

BESCOM, as per its audited accounts has incurred an amount of Rs.143.15 Crores towards Contribution to Pension and Gratuity Trust for FY17. The Commission as per the provisions of the MYT Regulations, decides to treat employee costs on account of Contribution to P&G Trust as uncontrollable O&M expenses. This component has been allowed in addition to the normative O&M expenses to enable BESCOM to meet its actual employee costs. Considering the uncontrollable O & M expenses, the total allowable O & M expenses for FY17 works out to Rs.1297.83 Crores. The O&M expenses now allowed on normative basis are more than the actual O&M expenses incurred by BESCOM for FY17.

The allowable O&M expenses for FY17 are as follows:

TABLE – 4.14
Allowable O & M Expenses for FY17

Sl. No.	Particulars	Rs. Crores
		FY17
1	Normative O & M expenses	1154.68
2	Additional employee cost (uncontrollable O & M expenses)	143.15
3	Allowable O & M expenses for FY17	1297.83

Thus, the Commission decides to allow an amount of Rs.1297.83 Crores as O&M expenses for FY17.

4.2.6 Depreciation:

BESCOM's Submission:

BESCOM in its applications has claimed an amount of Rs.374.35 Crores as depreciation after deducting an amount of Rs.126.25 Crores being the depreciation amount withdrawn on account of assets created out of consumers' contributions / grants as per Accounting Standards (AS) – 12 as detailed below:

TABLE – 4.15

Depreciation for FY17 – BESCO's Submission

Particulars	Rs. Crores	
	FY-17	
	Approved	Actual
Buildings	4.03	7.74
Civil	0.16	0.22
Other Civil	0.07	0.05
Plant & M/c	97.83	122.62
Line, Cable Network	294.78	367.13
Vehicles	1.06	1.57
Furniture	0.57	0.63
Office Equipment's	0.77	0.63
Intangible assets	0.01	0.01
Sub Total	399.26	500.60
Depreciation Withdrawn	127.98	126.25
Total	271.29	374.35

The BESCO has requested the Commission to allow depreciation amount of Rs.374.35 Crores for FY17.

Commission's analysis and decisions:

In accordance with the provisions of the KERC (Terms and Conditions for Determination of Tariff) Regulations, 2006, the allowable depreciation for FY17 has been determined by the Commission duly considering the data of assets as per the audited accounts as follows:

TABLE – 4.16

Allowable Depreciation for FY17

Particulars	Rs. Crores		
	Opening Balance of Asset as on 01.04.2016	Closing Balance of Asset as on 31.03.2017	Depreciation for FY17
Buildings	106.77	155.96	7.64
Civil	4.07	4.83	0.22
Other Civil	1.61	1.91	0.06
Plant & M/c	1986.52	2297.26	121.45
Line, Cable Network	6742.16	7872.41	367.24
Vehicles	24.46	25.48	1.58
Furniture	13.62	15.01	0.63
Office Equipment	13.97	14.44	0.63
Intangible Assets	8.00	9.23	0.00
Released Asset Re-used	44.63	47.75	1.53
Sub Total	8945.83	10444.28	500.97

Less; Depreciation on account of assets created out of consumer contribution / grants			126.26
Net allowable depreciation			374.71

Considering the opening and closing balance of gross blocks of fixed assets for FY17 and the depreciation as per annual accounts, the weighted average rate of depreciation works out to 5.17%.

As per the audited accounts for FY17, an amount of Rs.126.26 Crores towards depreciation on assets created out of consumer's contribution and grants on actual basis is considered for computation of allowable depreciation for FY17.

Based on the above, the Commission decides to allow the actual net depreciation of Rs.374.71 Crores for FY17.

4.2.7 Capital Expenditure for FY17:

A. Annual Performance Review for FY17:

The BESCOM, in its application for APR for FY17, has indicated a capital expenditure of **Rs.1615.92 Crores** in Format D-17. The capital expenditure of Rs.1615.92 Crores for FY17 is against the Commission approved capex of **Rs.2000 Crores** (the originally approved capex was Rs.1529.41 Crores in the Tariff Order dated 30th March, 2016) for the FY17. However, the BESCOM has furnished the breakup of category-wise expenditure of **Rs.1402.25 Crores** for FY17 as shown below:

TABLE-4.17
Capital expenditure of the BESCOM for FY17

SI No.	Heads of works	Approved by KERC on 23/11/2016	Rs. Crores
			Actual Expenditure
1	Ganga kalyana Works	264.6	83.34
2	Service connection works		59.98
3	Water Works		38.50
4	Providing Infra. to General IP Set		0.66
5	11 KV Evacuation line	68.10	46.97

6	Providing Additional DTC's /Enhancement of DTCs	39.40	27.17
7	Reconductoring of HT lines	21.03	14.50
8	Reconductoring of LT lines	25.29	17.44
9	SDP Progress	-	14.00
10	Strengthening of HT/LT network including OH/UG cable and AB cable	51.52	35.53
11	Local planning	156.59	107.99
12	Safety works	19.23	13.26
13	Emergency / Calamity Works	1.91	1.32
14	Meters	20.22	6.05
15	Providing Infrastructure to Un - authorised IP sets	260.26	179.49
16	NJY	453.83	312.98
17	HVDS	213.15	147.00
18	RGVY 12th plan	25.85	17.83
19	RAPDRP B	15.00	4.25
20	RAPDRP A	60.99	42.06
21	DAS	135.08	93.16
22	SG	0.82	0.57
23	DSM	17.06	11.77
24	DDUGJY	-	0.00
25	IPDS	-	0.00
26	One time maintenance	91.15	82.78
27	Civil Engineering Works	48.91	33.73
28	IT initiative	10.00	9.92
29	TIC	-	0.00
30	Replacement of existing conventional TC. by Amorphous Core TC. In South Circle	-	0.00
31	Corporate Office Reserve Fund	-	0.00
	Grand Total	2000.00	1402.25

Commission's Analysis and Decision:

In the preliminary observations made by the Commission, the BESCOM was directed to explain the reasons for the difference of Rs.231.67 Crores between Rs.1615.92 Crores and Rs.1402.25 Crores in the total Capex for FY17.

The BESCOM in its reply to the preliminary observations, has furnished the reasons stating that the difference is due to Capitalization of interest and

finance charges and making provision for capital bills on hand relating to contracts in progress.

The Commission notes that after the issue of Tariff Order on 30.03.2016, the BESCO had approached the Commission for approval of revised capex to an extent of Rs.3251.48 Crores as against the originally approved capex of Rs.1529.41 Crores for FY17, for carrying out the GoI and GoK initiated works. The Commission, after detailed examination, had approved a revised capex of Rs.2000 Crores for the FY17. Though, the BESCO had sought approval for an ambitious capex of huge sum for FY17, it could achieve capex of only Rs.1615.92 Crores for the FY17, which is marginally more than the originally approved capex of Rs.1529.41 Crores. This shows that, the BESCO's planning, monitoring and execution of its capex is not properly managed and is not as per the 'Capital expenditure guidelines' issued by the Commission.

The BESCO has stated that, consequent to the introduction of GoI planned programs such as IPDS, DDUGJY, some of the Non-planned works under E&I work have been dropped, which resulted in poor progress of capex during FY17. The BESCO has also stated that, though some of the works are completed, non-submission of bills has resulted in poor financial progress. This clearly shows that, the BESCO has not kept track of the priority works and has not given thrust to complete them in time.

In the case of SDP works, BESCO, in its reply to the preliminary observations, has stated that, SDP works include 11 kV evacuation, providing additional DTC, Re-conducting and other improvement works in 31 backward, more backward and most backward identified taluks in BESCO jurisdiction. It has further stated that, since the works are taken up under grants, they are not included in the capex of MYT filing.

The Commission notes that, the capex approved for FY17 also includes works which are to be taken up with grants, own fund and internal resources. The reasons furnished by BESCO in this regard are not acceptable.

In the case of execution of Extension and Improvement (E&I) works, the BESCOM has stated that, except in Strengthening of 11 kV UG cable Network with RMUs, all other sub-categories, the expenditure is well within the capex approved by the Commission as shown in the table below:

Table-4.18
Details of E&I works for FY17

E&I works	Approved Capex	Expenditure incurred	Rs. Crores
			Deviation
11 KV Lines for New Stations	68.1	46.97	-21.13
11 KV Other Work+ DTCs including dedicated DTCs for DWS Schemes.	39.4	27.17	-12.23
Re- conducting of ACSR /Rabbit to Coyote in Bangalore Urban	21.03	14.5	-6.53
Re-conducting of LT line using Rabbit conductor	25.29	17.44	-7.85
Strengthening of 11 KV UG cable Network with RMUs	1.52	35.53	34.01

BESCOM also stated that, the expenditure towards the above works could not be foreseen, while proposing. This stand of BESCOM is not acceptable. The Commission notes that, any work to be taken up for execution should undergo proper planning well in advance as per the 'Capital expenditure Guidelines for ESCOMs' and the capex planning, execution, monitoring and completion should be managed properly.

The BESCOM has also stated that, the projects are not completed in the stipulated time targets and extension of time taken for completion. This shows that, BESCOM is not taking up the monitoring of works seriously so as to achieve its capex in time.

Further, the BESCOM has stated that, it has initiated action to recover Rs.44.30 Crores from BBMP towards Tender Sure carried out during FY16 and, for FY17, it has incurred an amount of Rs.44.865 Crores as spill over expenditure towards Tender Sure works during FY17 and the same will also be collected from BBMP.

The Commission notes that, BESCOM was not able to collect the amount spent on Tender Sure works even one year after the Commission's

directions issued in the Tariff Order dated 12th April, 2017. The Commission views this issue seriously and directs the BESCO to collect the amount within three months and report compliance to the Commission, failing which, the entire amount with applicable interest would be disallowed in the APR of FY18, besides fixing responsibility on the concerned officials.

The BESCO has furnished the details of sources of funding for the capex during FY17 as follows:

Availed a loan of	Rs.783.65 Crores,
Received grants	Rs.388.89 Crores
Internal Resources	Rs.229.71 Crores
Total	Rs.1402.25 Crores

The BESCO has stated that, it has incurred Rs.9.75 Crores for implementation of the Surya Raitha Scheme under DSM during the FY17.

The Commission, after reviewing the capex achieved by BESCO for FY17, and the explanations furnished decides to allow the capex of Rs.1615.92 Crores, subject to disallowance if any, of the amounts recoverable from BBMP towards Tender Sure works and the imprudent capex, if any, as per the results of Prudence Check of capital expenditure for FY17 that should be taken up during APR of FY18.

B. Post-Commissioning analysis of the capital expenditure of categorised works for FY17 by BESCO:

The Commission has directed the KPTCL & ESCOMs to conduct the Post Commissioning analysis of the works which have been completed and categorized during FY17 and submit their reports. The Commission also, has specified the methodology and formats for conducting the post-commissioning analysis of the works.

The BESCO had sought time up to end of December, 2017 for submission of the reports on the post commissioning analysis. The Commission would consider taking up the the Prudence Check of these works for FY17 along with the works of FY18 through a third party.

4. 2.8 Interest and Finance Charges

a) Interest on Capital loan:

BESCOM's Submission:

The BESCOM in its application has claimed an amount of Rs.319.99 Crores towards interest on capital loans drawn from banks / financial institutions. The details of interest on capital loans claimed by the BESCOM are as follows:

TABLE – 4.19

Interest on Capital Loans- BESCOM's Submission

Particulars	Rs. Crores
	FY17
Opening balance of the capital Loan	2941.88
Add: New Loans availed	1087.45
Less repayments	254.56
Closing balance of capital loans	3774.77
Average loan for the year	3358.33
Weighted average rate of interest in %	9.53%
Interest on long term loans	319.99

Considering the opening balance of loans, fresh borrowings and the repayment of loans during FY17, the actual weighted average rate of interest on the average loan amount works out to 9.53%. BESCOM has requested the Commission to allow an amount of Rs.319.99 Crores towards interest on capital loans for FY17.

Commission's analysis and decisions:

The Commission notes that, while claiming the interest on capital loan and computation of weighted average interest rate, the amounts of the opening and closing balance of capital loan, considered by the BESCOM, are not as per the audited accounts for FY17.

The Commission has considered the opening and closing balances of long term capital loans as per the audited accounts for FY17 and repayments/new loans as per format D9 of the Tariff application as shown below:

TABLE – 4.20

Allowable Interest on Capital Loans – FY17

Particulars	Rs. Crores
	FY17
Opening Balance Secured Loans	2997.61
Opening Balance Un-secured Loans	363.64
Total opening balance of loans	3361.25
Add; New Loans	1087.45
Less; Repayments	257.18
Total loan at the end of the year	4191.52
Average Loan	3776.39
Interest on long term loans as per audited accounts for FY17	321.36

Considering the average loan of Rs.3776.39 Crores and an amount of Rs.321.36 Crores incurred towards interest on long term capital loans, the weighted average interest works out to 8.51% which is lesser than the prevailing interest rates.

Thus, the Commission decides to allow an amount of Rs.321.36 Crores towards interest on capital loan for FY17.

b) Interest on Working Capital:

BESCOM's Submission:

The BESCOM, in its tariff application, has submitted the details of short term loans/overdraft borrowed during the year FY17 to meet its day to day expenditure (working capital) from Banks. The BESCOM has indicated the total opening and closing balances of short term loans at Rs.1399.95 Crores and Rs.1608.89 Crores respectively and the total opening and closing balances of overdraft at Rs.2274.58 Crores and Rs.2172.92 Crores respectively for FY17. The actual interest on short term loan and overdraft is indicated as Rs.352.18 Crores and the weighted average rate of interest is indicated as 9.60% per annum.

In accordance with the provisions of the MYT Regulations, the BESCOM has computed the normative interest on working capital, at Rs.352.18 Crores based on the base rate of 9.95% plus 250 basis points as per the RBI notification for the month ended March, 2016 (Minimum 9.30% and

Maximum 9.95%) at 12.45% p.a. for FY17, limited to the actual expenditure plus 50% of the difference between the actual expenditure and the amount calculated on normative basis as detailed below:

TABLE – 4.21
Interest on Working Capital - BESCO's Submission

Particulars	Rs. Crores
	FY17
One-twelfth of the amount of O&M Expenses	960.105
Opening GFA as per Audited Accounts	8908.46
Stores, materials and supplies at 1% of Opening balance of GFA	89.08
One-sixth of the Revenue	2643.528
Total Working Capital	2828.718
Rate of Interest (% p.a.)	12.45%
Interest on Working Capital	352.18
Actual Interest incurred for FY-17	354.02
50% of the difference of interest incurred and interest on normative basis	352.18
Normative Interest on Working capital	352.14

Commission's analysis and decisions:

As per the audited accounts, the BESCO has incurred interest of Rs.352.65 Crores on short term borrowings/overdrafts during FY17.

The Commission has been computing the interest charges considering the base rate up to 30th June, 2017 and the Marginal Cost of fund based Lending Rates (MCLR) effective from 1st July, 2017. It is stated by the BESCO that the short term loans for the FY17 have been availed at a weighted average rate of interest at 12.45%. As per the BESCO's application, the short term loan and the overdraft have been availed at a weighted average rate of interest of 9.50%. However, for computation of normative interest on working capital, as per the provisions of MYT Regulations, the Commission decides to consider the base rate of interest of 11.25% by considering base/MCLR rate with a spread of 250 basis points for FY17.

As per the KERC (Terms and Conditions for Determination of Tariff) Regulations, 2006 and amendments thereon, the Commission has computed the allowable interest on working capital for FY17 as follows:

TABLE – 4.22

Allowable Interest on Working Capital for FY17

Particulars	Rs. Crores
	FY17
One-twelfth of the amount of O&M Expenses	108.15
Opening GFA	8953.10
Stores, materials and supplies 1% of Opening balance of GFA	89.53
One-sixth of the Revenue	2643.53
Total Working Capital	2841.21
Rate of Interest (% p.a.)	11.75%
Normative Interest on Working Capital	333.84
Actual interest on WC as per audited accounts for FY17	352.65
Allowable Interest on Working Capital	333.84

Since the actual interest on working capital is more than the normative interest on working capital, the Commission, as per the provisions of the MYT Regulations, decides to limit the allowable interest on working capital to the normative levels.

Thus, the Commission decides to allow an amount of Rs.333.84 Crores towards interest on working capital for FY17.

c) Interest on Consumer Deposits:

BESCOM's Submission:

BESCOM in its application has claimed an amount of Rs.244.17 Crores towards payment of interest on consumer security deposits for FY17 as detailed below:

TABLE – 4.23

Interest on consumer security deposits for FY17

Particulars	Rs. Crores
	FY17
Opening balance of Consumer Deposits	3401.75
Closing balance of consumer deposits.	3662.91
Average Consumer deposit for FY17	3532.33
Calculated Interest on consumer deposits	273.76
Bank Rate of Interest -%	7.75%
Actual interest paid during FY17	244.17

Commission's analysis and decisions:

The Commission notes that, the actual opening and closing balance of consumer security deposits for FY17 is Rs.3233.35 Crores and Rs.3501.10 Crores respectively. The actual interest on consumer security deposits factored in the audited accounts of the BESCOM is Rs.244.40 Crores for FY17. The interest on consumer security deposits amounting to Rs.244.40 Crores claimed by the BESCOM as per the audited accounts for FY17 works out to a weighted average rate of interest of 7.26%.

As per the KERC (Interest on Security Deposit) Regulations, 2005, the interest on consumer deposits shall be allowed as per the bank rate prevailing as on the 1st of April of the relevant year. The bank rate as on 1st April, 2016 was 7.75%. The actual weighted average rate of interest is below the applicable bank rate.

Thus, the Commission decides to allow an amount of Rs.244.40 Crores towards interest on consumer security deposits for FY17.

d) Other Interest and Finance charges:

The BESCOM has claimed an amount of Rs.14.33 Crores towards other interest and finance charges for FY17 which includes charges payable to banks / financial institutions and guarantee commission payable to GoK and also stamp duty. The Commission notes that, as per the audited accounts, the finance charges of Rs.11.63 Crores claimed by BESCOM is not the financial charges incurred in availment of capital loans during FY17. This amount, as per the audited accounts is booked under the debits and is being charged by the bankers in transferring the funds on day to day basis to offices. Further, the BESCOM has incurred an amount of Rs.1.9 Crores as guarantee paid to GoK and payment of Rs.0.80 Crores for stamp duty on availment of loans during FY17. **Hence, the Commission decides to allow an amount of Rs.2.70 Crores as other interest and finance charges for FY17.**

e) Capitalization of Interest and other expenses:

The BESCOM in its application has claimed, as per the audited accounts, an amount of Rs.98.99 Crores towards capitalization of interest on loan and

other operation and maintenance expenses for FY17. The Commission notes that, as per the audited accounts, Rs.37.88 Crores and Rs.29.72 Crores have been factored as capitalized amount towards interest on capital loans and O&M expenses for FY17. The Commission has considered the same amount in computation of APR for FY17.

Thus the allowable interest and finance charges for FY17 is as follows:

TABLE – 4.24

Allowable Interest and Finance Charges

Sl. No	Particulars	Rs. Crores
		FY17
1	Interest on Loan capital	321.36
2	Interest on working capital	333.84
3	Interest on consumer deposits	244.40
4	Other interest and finance charges	2.70
5	Less: interest and other expenses capitalized	67.60
6	Net Interest and Finance Charges	834.70

4.2.9 Other Debits:

BESCO's Submission:

BESCO, in its application has claimed an amount of Rs.10.80 Crores towards other debits as detailed below:

TABLE – 4.25

Other Debits-BESCO's Submission

Sl No	Particulars	Rs. Crores
		FY17
1	Small and Low value items written off	0.03
2	Losses/gains relating to Fixed assets	
3	Assets decommissioning cost	0.07
4	Bad debts written off	0.63
5	Miscellaneous losses and write offs	
6	Material cost variance	9.70
7	others	0.37
	Total	10.80

Commission's analysis and decisions:

The Commission notes that as per the audited accounts for FY17, an amount of Rs.26.81 Crores including the Banker's charges and loss/gain relating to fixed assets has been factored as other debits and exceptional items.

Therefore, the Commission decides to consider an amount of Rs.26.81 Crores as other debits for FY17.

4.2.10 Return on Equity:

BESCOM's Submission:

BESCOM in its application has claimed Return on Equity of Rs.139.44 Crores as against the approved RoE of Rs.35.10 Crores for FY17, on the average of opening and closing balance of equity amount consisting of share capital, share deposit, profit earned during FY16 and recapitalized security deposit amount without considering the accumulated losses under reserve and surplus account as detailed below:

TABLE – 4.26

Return on Equity – BESCOM's Submission

Particulars	Rs. Crores
	FY17
Opening Equity	546.92
Share deposit	248.10
Less: Consumer meter security deposit capitalized	54.81
Equity addition during the year	218.68
Closing equity for the year	1058.9
Average Equity for FY17	899.59
Return on equity @ 15.50%	139.44

Commission's analysis and decisions:

i. Debt-Equity Ratio Vis-à-vis GFA:

The opening and closing balances of gross fixed assets along with break-up of equity and loan component and the details of GFA, debt and equity (net-worth) for FY17 as per actual data as per the audited accounts are indicated as follows:

TABLE – 4.27

Status of Debt Equity Ratio for FY17

	Rs. Crores						
	GFA (Actuals)	Debt (Actuals)	Equity (Net-worth) (Actuals)	Normative Debt @ 70% of GFA	Normative Equity @ 30% of GFA	% age of actual debt on GFA	% age of actual equity on GFA
Opening Balance	10454.79	4191.52	620.94	7318.35	3136.44	40.09	5.94
Closing Balance	8953.10	3361.25	317.49	6267.17	2685.93	37.54	3.55

From the above table it is evident that the debt and equity amounts lie within the normative amounts (in the debt equity ratio of 70:30) on the opening and closing balances of GFA for FY17.

ii. RoE Allowable:

The Commission notes that, as per (clauses of the MYT Regulation, 3.9, 3.6.1 and 3.6.2) RoE shall be allowed on the net worth of the licensee. The claims made by the BESCO, regarding the RoE, without considering the accumulated losses under reserve and surplus account is not consistent with the provisions of the MYT Regulations. The BESCO has been misinterpreting the MYT Regulations to claim the RoE by excluding the accumulated losses. The Hon'ble ATE in its Order dated 29.08.2006, in Appeal No. 84 of 2006, (KPTCL Vs KERC) has held that, the reserve and surplus have to be considered for computation of RoE. The Commission notes that, the BESCO in its Review Petition No. 6/2013 and 5/2014 filed before the Commission on the approved APR for the FY13 and FY14 had raised the same dispute on the computation of RoE by the Commission. The Commission has passed Orders, on these petitions by rejecting the issues raised by the BESCO. Hence this matter is a settled issue.

Accordingly, as per the prevailing MYT Regulations, and as has been done in the previous Tariff Orders, the State Commission has considered the balance of equity as at the beginning of the financial year for the reason that the capital (equity) that exists at the beginning of the year is what is available during the year as re-investment into the business. Further, for the equity invested by the Government of Karnataka during the year, this Commission has provided the return on equity on pro-rata basis. However, any surplus that is accrued during the year is capitalized only in the final accounts, at the end of the financial year and not during the year.

As per the KERC (Terms and Conditions for Determination of Tariff) Regulations, 2006, the Commission has computed the allowable Return on Equity at 15.5% on equity plus the accumulated balance of profit/loss as per the audited accounts, as at the beginning of the year duly factoring in the recapitalization of security deposit of Rs.100.00 Crores in compliance with the

Orders of the Hon'ble ATE in Appeal No.46/2014. The allowable RoE for FY17 is determined as follows:

TABLE – 4.28
Allowable Return on Equity

Particulars	Rs. Crores
	FY17
Paid Up Share Capital	546.92
Share deposit	245.90
Reserves and Surplus as on 01.04.2017	(375.33)
Recapitalization of security deposit	(100.00)
Total Equity	317.49
Return on equity @ 15.50%	49.21

Considering the total equity of Rs.417.49 Crores as at the beginning of the FY17 and factoring the recapitalization of security deposit of Rs.100.00 Crores in compliance with the Orders of the Hon'ble ATE in Appeal No.46/2014, BESCOM has a net worth of Rs.317.49 Crores.

Further, as reported by the BESCOM, an additional equity of Rs.218.68 Crores has been received from Government of Karnataka during the year. Considering the actual date of receipt of this additional equity as furnished by the BESCOM in its replies to the preliminary observations, the Commission, as per provisions of the MYT Regulations, has determined the allowable return on additional equity as detailed below:

TABLE-4.29
Return on equity for the additional equity received during FY17

Additional Equity received during FY17	Amount in Crores	Received on	No. of Months	RoE allowed
EN 27 PSR 2016 dated 31.05.2016	35.00	09.06.2016	9	4.07
EN 10 PSR 2016 dated 27.06.2016	4.8	08.07.2016	8	0.50
EN 27 PSR 2016 dated 31.08.2016	45.00	22.09.2016	6	3.49
EN 23 PSR 2016 dated 01.09.2016	18.66	22.09.2016	6	1.45
EN 10 PSR 2016 dated 17.09.2016	4.80	04.10.2016	5	0.31
EN 27 PSR 2016 dated 07.12.2016	45.00	19.12.2016	3	1.74
EN 23 PSR 2016 dated 24.12.2016	9.34	13.01.2017	2	0.24
EN 10 PSR 2016 dated 24.12.2016	4.80	13.01.2017	2	0.12
EN 10 PSR 2016 dated 31.01.2017	4.80	23.02.2017	1	0.06
EN 23 PSR 2016 dated 03.02.2017	9.34	23.02.2017	1	0.12
EN 27 PSR 2016 dated 09.02.2017	37.14	23.02.2017	1	0.48
TOTAL	218.68			12.58
Return on Equity allowed on Additional Equity Infusion in FY17				12.58

Thus, the Commission decides to allow Return on Equity of Rs.61.79 Crores for FY17.

4.2.11 Treatment of Regulatory Asset and carrying cost:

BESCOM's Submission:

The BESCOM in its application has claimed an amount of Rs.649.70 Crores as Regulatory asset with a carrying cost at 12% as detailed below:

Sl. No	Particulars	Amount in Rs. Crores
1	Deficit of FY15 carried	11.21
2	Regulatory asset to be recovered in FY17	541.97
3	RP No.5/2014 and RP No.6/2013	28.11
4	Total Regulatory Asset	570.08
5	Carrying cost at 12%	68.41
Total		649.70

The BESCOM has stated that, the Commission as per the Tariff Order dated 12th May, 2014, while approving the APR for FY13 had arrived at a deficit of Rs.1151.63 Crores. Out of this amount of deficit, Rs.524.53 Crores was assigned to Government of Karnataka towards additional subsidy for FY13 and an amount of Rs.611.00 Crores was set aside as Regulatory Asset to be recovered in the tariff over the next two years (FY16 & FY17) and an amount of Rs.17.13 Crores was absorbed in Tariff determination for FY15. The amount of Rs.524.53 Crores assigned to the Government is not yet realized. As per the Accounts for FY15, FY16 and FY17, after excluding the Regulatory Assets from the accounts, the receipts are not sufficient to meet the standalone expenditure of that particular year.

The BESCOM has stated that, the Commission vide Tariff Order dated 30th March, 2016, had allowed recovery of Regulatory Asset of Rs.541.97 Crores relating to FY13 and Rs.28.11 Crores of additional expenses allowed in Order dated 10th December, 2015 in R.P. No.6/2013 and Order dated 7th January, 2016 in R.P. No.5/2014 and Rs.11.21 Crores, the carry forward deficit of FY15. As per the audited accounts for FY 17, the revenue receipts during FY17 are not sufficient to meet the expenses of standalone year. The BESCOM has requested the Commission to allow recovery of the

same in FY19 with carrying cost for two years, i.e., FY17 and FY18 at the rate of 12% per annum for each year).

Commission's analysis and decision:

The details of the Regulatory Assets as per Commission's Orders from FY14 and onwards are as follows:

TABLE- 4.30

Recovery of Regulatory Asset

Sl. No	Particulars	Amount in Rs. Crores
1	Regulatory Asset as per the Commission's Order dated 12 th May, 2014	611.00
2	Gap in revenue on APR of FY14	367.33
3	Gap in revenue as per ARR for FY16	27.46
4	Total Gap for FY16	1005.79
5	Additional Revenue allowed by revision of Tariff for FY16	455.86
6	Balance unfilled Gap in Revenue	549.93
7	Amount disallowed on imprudent capex	7.96
8	Regulatory Asset to be recovered in FY17	541.97

As seen the following above Table, there was a total Revenue Gap of Rs. 1005.79 Crores for FY16 to be recovered in the ARR of FY16. Out of which an amount of Rs.455.86 Crores was ordered to be recovered in tariff for FY16. The remaining gap of Rs. 549.93 Crores was ordered to be recovered in the ARR of FY17. During the approval of ARR for FY17, the Commission has considered recovery of the said Regulatory Asset of Rs. 549.93 Crores. After setting off an amount of Rs.7.96 Crores which was disallowed towards imprudent capex for FY15, the net amount of Rs. Rs.541.97 Crores has been included in the ARR of FY17 as per the Commission's Order dated 30th March, 2016.

The Commission in the said Order had also included Rs.11.21 Crores being the approved deficit as per APR for FY15 and Rs.28.11 Crores being additional allowance of expenses as per the decision of the Commission in RP No. 5/2014 and RP No. 6/2013 in the ARR of FY 17 and allowed it to be recovered in the retail supply tariff for FY 17. The

Commission has not kept these amounts as Regulatory Asset in the ARR of FY17 as they were included in the recoverable ARR.

The Commission notes that, once, the deficit of Rs.541.97 Crores, of FY 17, deficit of Rs.11.21 Crores of FY15 and Rs.28.11 Crores of additional expenses are allowed and included by the Commission in the ARR of FY17 and allowed to be recovered in the retail supply tariff of FY17, the question of including the same again as an item of expenditure in the APR for FY17 for being allowed to be recovered in FY19, does not arise.

Regarding the claim of carrying cost, the Commission notes that, in its Order dated 30th March, 2016, it has included Rs.11.21 Crores as the revenue gap as per the APR for FY15 and Rs.28.11 Crores being the additional allowance of expenses as per the decision of the Commission in its Orders in RP No. 5/2014 and RP No. 6/2013 in the ARR of FY17. These items were included as additional claims and not as a Regulatory Asset. Hence, the allowance of carrying cost on these amounts, as claimed by the BESCO, does not arise.

Regarding the BESCO's claims of carrying costs on the Regulatory Asset, the Commission notes that, in the Tariff Order 30th March, 2016, an amount of Rs.541.97 Crores has been included as notional Regulatory deficit while approving the ARR of FY17. The Commission had approved an ARR of Rs.15764.97 Crores with the inclusion of the above said deficit and allowed to be recovered in the retail supply tariff for FY17. As per the audited accounts, the BESCO has earned of Rs.15861.17 Crores from the retail supply tariff in FY 17, which is more than the approved ARR and revenue demand by Rs.96.20 Crores. This means the ARR of Rs.15764.97 approved after inclusion of the notional regulatory deficit amount by the Commission has been fully recovered and there is no outstanding deficit to be considered for APR of FY 17, that can be allowed to be recovered in the subsequent ARR of FY19. The BESCO has filed the APR for FY 17 with the gap of Rs.1028.99 Crores. The Commission, after detailed analysis, as per the provision of MYT Regulations, approves the revised ARR of Rs.16095.26 Crores and the resultant revenue gap is Rs.234.10 Crores.

This revenue gap has mainly occurred on account of increase in net revenue expenditure by Rs.330.30 Crores over and above the approved expenditure of Rs.15764.97 Crores for FY17. The Commission notes that, the reason for increase in the revenue expenditure is mainly on account of the increase in the power purchase by Rs.746.64 Crores, the increase in the distribution loss by 0.19% than the approved loss of 13.00% and increase in the sale of energy to IP Sets by 546.29 MU vis-à-vis the approved quantum of sales of 6739.18 MU for FY17. The Commission notes that, the approved ARR of Rs.15764.97 Crores after inclusion of the Regulatory Assets as per the Tariff Order dated 30th March, 2016 has been fully recovered through the revenue of Rs.15861.17 Crores from the approved retail supply tariff. **Hence, the question of allowing the carrying cost on the notional Regulatory deficit of Rs.541.97 Crores does not arise.**

4.2.12 Other Income:

BESCOM's Submission:

The BESCOM has claimed an amount of Rs.64.22 Crores as other income as against the actual other income of Rs.215.32 Crores as per the audited accounts for FY17. The BESCOM has requested the Commission to allow BESCOM to retain the incentive of Rs.129.12 Crores earned for prompt payment of power purchase bills and Rs.7.73 Crores of miscellaneous income.

The details of the other income claimed by the BESCOM for FY17 as per the audited accounts are as under:

TABLE – 4.31
Other Income – BESCOM's Submission

Particulars	Rs. Crores
	FY17
Rent	2.49
Miscellaneous	47.27
Rebate at 0.5% for collection of Electricity Duty	3.66
Interest on Bank Deposits	6.46
Profit/Loss on Sale of stores	-0.36
Value of materials found excess during physical verification	0.01
Supervision charges collected from cable operators	3.63
Rental income from cable operators	1.06
Total other income	64.22

Commission's analysis and decisions:

The Commission notes that, as per the audited accounts, an amount of Rs.215.32 Crores is indicated as other income for FY17. Regarding the BESCO's request to allow it to retain the incentive earned on prompt payment of power purchase bills and the miscellaneous income, the Commission notes that any income earned during the course of business has to be passed on to the consumers as they bear the entire cost of operation of the distribution company including return on the equity. Hence there is no justification for claiming other income as Rs.64.22 Crores even though an amount of Rs.215.32 Crores has been accounted as other income in the audited accounts for FY17. The Commission's decision on similar claim has been made it clear in the earlier Tariff Orders.

However, Commission, as decided in the earlier Tariff Orders, in order to encourage and bring in financial discipline in timely payment of monthly power purchase bills, decides to continue to allow 10% of the total incentive amounting to Rs.12.912 Crores on account of timely payment of power purchase bills, to be retained by the BESCO for FY17. Further, the Commission considers the entire amount of Rs.69.14 Crores of miscellaneous income reported by the BESCO in its audited accounts, as other income. Thus after deducting the incentive amount of Rs.12.912 Crores and considering the amount of miscellaneous income, **the Commission decides to allow an amount of Rs.202.41 Crores as other income for FY17 as detailed below:**

TABLE – 4.32**Allowable Other Income for FY17**

Particulars	Rs. Crores
	FY17
Rent	2.49
Miscellaneous	69.14
Rebate at 0.5% for collection of Electricity Duty	3.66
Interest on Bank Deposits	6.56
90% of the incentives received on prompt payment of power purchase bills	116.22
Profit/Loss on sale of stores	(0.36)
Value of materials found excess during physical verification	0.01
Supervision charges collected from cable operators	3.63
Rental income from cable operators	1.06
Other income (Total)	202.41

4.2.13 Fund towards Consumer Relations / Consumer Education:

The Commission has been allowing an amount of Rs.1.00 Crore per year towards consumer relations / consumer education. The BESCOM in its application had not claimed any expenditure towards Consumer Relations/ Consumer Education incurred separately, even though an amount of Rs.2.58 Crores has been spent on DSM activities which also includes the expenditure made on consumer relation and consumer education as per the audited accounts for FY17.

Thus, the Commission decides to allow Rs.1 Crore towards consumer relations and consumer education for FY17. The balance amount is already considered while computing the O&M expenses on normative basis as discussed in the earlier paragraphs of this chapter.

4.2.14 Revenue Demand for FY17:

BESCOM has considered an amount of Rs.15861.15 Crores as the revenue from the sale of power and miscellaneous charges as per the audited accounts for FY17.

The Commission, as per the audited accounts, has considered the total amount of revenue from sale of power and miscellaneous charges of Rs.15861.17 Crores for FY17.

4.2.15 Subsidy for FY17:

The Commission in its Tariff Order dated 30th March, 2016 had approved tariff subsidy of Rs.1956.70 Crores towards sale of power to BJ/KJ and IP sets for FY17 in accordance with the prevailing Government Order. The BESCOM in its application has claimed an amount of Rs.2082.74 Crores as tariff subsidy for supply of free power to the subsidized categories, for FY17.

The Commission notes that, as per the audited accounts and the replies furnished to the preliminary observations, an amount of Rs.34.83 Crores and Rs.2049.47 Crores has been factored as tariff subsidy for BJ/KY and IP Set installations for FY17 respectively.

Thus, the Commission while Computing the revised ARR under APR for FY17, has approved the tariff subsidy of Rs.2084.30 Crores towards BJ/KY and IP Set installations for FY17 to be received from the Government.

4.3 Abstract of Approved ARR for FY17:

As per the above item-wise decisions of the Commission, the consolidated Statement of revised ARR as per the APR for FY17 is as follows:

TABLE – 4.33
Approved ARR for FY17 as per APR

Rs. Crores				
Sl. No	Particulars	As Approved	As Filed	As per APR
1	Energy at Generation Bus	31522.26	31487.20	31487.89
2	Transmission Losses of KPTCL in %	3.47%	3.47%	4.00%
3	Energy at Interface Points with KPTCL in MU	30428.44	30227.64	30227.64
4	Distribution Losses in %	13.00%	13.19%	13.19%
	Sales in MU			
5	Sales to other than IP & BJ/KJ installations	19684.41	18824.95	18899.41
6	Sales to BJ/KJ installations	49.15	128.84	54.38
7	Sales to IP Sets	6739.18	7285.47	7285.47
	Total Sales	26472.74	26239.26	26239.26
	Revenue in Rs. Crores			
8	Revenue from tariff and Misc. Charges	13808.27	13778.41	13776.87
9	Revenue from Subsidy to BJ/KJ installations	29.29	38.21	34.83
10	Revenue from Subsidy to IP Sets	1927.41	2044.53	2049.47
	Total Revenue	15764.97	15861.15	15861.17
	Expenditure in Rs. Crores			
11	Power Purchase Cost	11457.80	12168.30	12196.15
12	Transmission charges of KPTCL	1487.22	1495.51	1495.51
13	SLDC Charges	9.17	9.17	9.17
	Power Purchase Cost including cost of transmission	12954.19	13672.98	13700.83
14	Employee Cost		982.70	
15	Repairs & Maintenance		74.84	
16	Admin & General Expenses		217.90	
	Total O&M Expenses	1348.61	1275.44	1297.83
19	Depreciation	271.29	374.36	374.71
	Interest & Finance charges			
20	Interest on Loans	282.84	319.99	321.36
21	Interest on Working capital	306.00	352.14	333.84
22	Interest on belated payment on PP Bills	0.00	0.00	0.00
23	Interest on consumer deposits	257.45	244.17	244.40

24	Other Interest & Finance charges	10.19	14.33	2.70
25	Less interest & other expenses capitalized	80.00	98.99	67.60
	Total Interest & Finance charges	776.48	831.64	834.70
26	Other Debits/ Extraordinary Items	0.00	10.80	26.81
27	Net Prior Period Debit/Credit	0.00	0.00	0.00
28	Return on Equity	35.10	139.44	61.79
29	Provision for taxation	0.00	0.00	0.00
30	Funds towards Consumer Relations/Consumer Education	1.00	0.00	1.00
31	Other Income	203.00	64.22	202.41
	ARR	15183.67	16240.44	16095.26
32	Deficit for FY15 carried forward	11.21		0.00
33	Incentives / penalties for performance on distribution losses		0.00	0.00
34	Regulatory asset as per T.O dated 02.03.2015 & carrying Cost (581.30+68.41)	541.97	649.71	0.00
35	Additional allowable expenses as per the decision of KERC in RP 5/2014 & RP 6/2013	28.11		0.00
	Net ARR	15764.97	16890.15	16095.27
36	Gap in Revenue for FY17	0.00	-1028.99	-234.10

4.4 Gap in Revenue for FY17:

As against the approved ARR of Rs.15764.97 Crores, the Commission after Annual Performance Review of BESCOM for FY17 decides to allow a net ARR of Rs.16095.27 Crores for FY17. Considering the revenue of Rs.15861.17 Crores, the deficit of Rs.234.10 Crores is determined for FY17.

The Commission decides to carry forward the deficit of Rs.234.10 Crores of FY17 to the proposed ARR for FY19 as discussed in the subsequent Chapter of this Order.