

CHAPTER – 1

INTRODUCTION

1.0 Brief History of Hukeri Rural Electric Co-operative Society (HRECS)

Hukeri Rural Electric Co-operative Society (HRECS) was established on 21st July, 1969 as a Rural Electric Co-operative Society under the provisions of the Karnataka Co-operative Societies Act, 1959. It is a Distribution Licensee under Section 14 of the Electricity Act, 2003 (herein after referred to as the Act), responsible for purchase, distribution and retail supply of electricity to the consumers in Hukeri Taluk of Belagavi District. The Society is catering to 120179 consumers as on 31st March, 2017.

AEQUS is a Special Economic Zone establishment in Hukeri taluk and is availing HT power supply from the HRECS. It has filed separate application for approval of ARR for FY19 as a Distribution Licensee.

The distribution area of HRECS with six numbers of 110 / 11 kV substations and two numbers of 33 / 11 kV sub-stations, is divided into the following sub-divisions:

1. Hukeri East
2. Hukeri West
3. Sankeshwar
4. Yamakanamaradi
5. Hidkal Dam
6. Kanagala
7. Hebbal
8. Sulthanpur
9. Bellada Bagewadi

1.1 HRECS's Profile

The profile of HRECS is asunder:

As on 31-03-2017

Sl. No	Particulars		Statistics
1.	Area	Sq. km.	991.49
2.	Consumers	Nos	120179
3.	Energy Consumption	MU	265.63
4.	Distribution Transformers	Nos.	2204
5.	Assets	Rs. Cr	7479.39

1.2 Background for Current filing:

HRECS has filed its application for approval of the APR for FY17 and the ARR and revision of Retail Supply Tariff for the FY19 on 30th November, 2017. The Commission, communicated its preliminary observations on the application to the HRECS on 21st December, 2017. The replies to the observations were submitted by the HRECS on 26th December, 2017.

1.3 Public Consultation Process:

The Commission treated the application of HRECs as a petition and directed it vide letter dated 29th December, 2017, to publish the summary of the ARR and Tariff proposals in the newspapers to invite objections / suggestions from the stakeholders.

Accordingly, the HRECS has published the summary of tariff application in the following newspapers:

Name of the News Paper	Language	Date of Publication
The Indian Express	English	04.01.2018
Deccan Herald		05.01.2018
Kannada Prabha	Kannada	04.01.2018
Vijaya Vani		05.01.2018,

In response to the above notifications, the Commission received two objections.

1.4 SUGGESTIONS / OBJECTIONS & REPLIES

In pursuance of the provisions of section 64 of the Electricity Act, 2003, The Commission also held a Public Hearing on 27th February, 2018 to obtain suggestions/views/objections from the interested stake-holders, at the Head office of Hukkeri RECS at Hukkeri.

The details submissions/objections during the public hearing both in writing and orally are furnished below:

List of persons who filed written objections: -

SI No	Application No.	Name & Address of Objectors
1	HR-01	Sri. Prakash Basappa, Sankeshwara
2	HR-02	Sri.Jinagouda Rayagouda, Patil Hukkeri
3	HR-03	Sri.Vikram Annappa, AEQUS SEZ Pvt. Ltd, Belagavi

List of the persons, who made oral submissions during the Public Hearing, held on 27.02.2018.

SL. No.	Names & Addresses of Objectors
1	Sri.Jinagouda Rayagouda, Patil Hukkeri
2	Sri. Prakash Basappa, Sankeshwara
3	Sri.Balappa Babu kanti, Masaraguppi
4	Sri. Kempanna Basvannappa Nerili
5	Sri. M.B.Bevina math, G.M.Tech, HESCOM

Gist of the objections of the stakeholders/public, HRECS's response and the Commission's Views.

1. Objections relating to Tariff Issues:	
Objections	Replies by HRECS
1) In spite of the Commission increasing the tariff every year, HRECS incurs huge losses. Details of additional revenue receipts and expenditures for	Upward revision in cost of power purchase and interest on dues lead to losses to HRECS, which necessitate upward revision of tariff.

FY14, FY15, FY16 and FY17 may be made available.	
Commission's Views: Commission has dealt with the matter appropriately in the relevant Chapter of this Tariff Order.	
2) HRECS shall explain the proposal for uniform hike of Rs.0.75 per unit across all types of the consumers in Hukkeri.	Uniform tariff hike for all categories is proposed to bridge the gap in the Revenue and the increased cost of input energy for FY17.
Commission's Views: Commission has dealt with the matter appropriately, in the relevant Chapter of the Tariff Order.	
3) Action taken for recovery of arrears of electricity dues and amount collected for FY16 and FY17 may be furnished.	The reasons for accumulation of arrears are: Power supply was irregular during FY16 due to load shedding resulting in lower consumption. In due course, the implementation of NJY scheme, improved not only the deteriorated condition of supply of power, but, also increased the energy consumption by all categories of consumers. Suitable measures would be taken for recovery of arrears.
Commission's Views: Reply furnished by HRECS is noted.	
4) List of consumers having arrears of more than Rs. One Lakh with status of disconnection may be furnished	List of installation having huge arrears is furnished. The Government installations have not been disconnected, whereas, disconnection notices have been served to other consumers.
Commission's Views: Reply furnished by HRECS is noted.	
5) Reasons for not recovering arrears of 51.19 Crores pertaining to IP consumers may be furnished and to fix responsibility for the same.	Government is requested to release balance subsidy and also Rs. 10.29 Cr towards subsidy for IP consumers for FY17.
Commission's Views: Reply furnished by HRECS is noted. The HERCS shall pursue the matter with the Government to get the balance of subsidy released.	
6) Reasons for not clearing the Power purchase dues of HESCOM, which increased from Rs. 101 Crores to Rs. 147 Crores, in spite of upward revision of retail tariff.	Liability of Rs.28.78 Cr is because of increase in power purchase cost for FY16 and Rs. 4.76 Cr is towards interest demanded in FY17. Action is being taken for getting waiver of interest. The arrears will be paid once the subsidy from the Government is released.
Commission's Views: Reply furnished by HRECS is noted.	
7) Whether the interest payable on deposits of IP consumers considered for issue of shares certificates	Issue of Shares certificates would be examined.
Commission's Views: Reply furnished by HRECS is noted.	
8) Details of Rs. 33,06,360/-, expenses	Details of advertisements, approved by

towards advertisement for FY17, may be furnished.	Members of the Board, are furnished in the tariff application.
Commission's Views: Reply furnished by HRECS is noted.	
9) Reason for not releasing the arrears of Rs. 14.30 Crores due to the employees for FY17, though there is a credit of Rs.20.16 Crores	Action will be taken for release of arrears of salaries.
Commission's Views: Reply furnished by HRECS is noted.	
10) Furnish the number of retired employees re-employed, amount of salary being paid and the basis of fixing the salary	Two employees on retirement, whose services are found essential, are re-employed with a consolidated payment of Rs. 8000/- per month
Commission's Views: Reply furnished by HRECS is noted.	
11) To furnish the details of DA, leave salary, Bonus disbursed to the employees for the period from 2003 to 2017	Particulars called for are furnished.
Commission's Views: Reply furnished by HRECS is noted.	
12) Affidavit filed in reply to question 11 for the FY16 leads to an inference that financial decision are taken without bringing it to the notice of Managing Committee.	Affidavit is being wrongly interpreted. All financial decisions are taken with the approval of Managing Committee
Commission's Views: Reply furnished by HRECS is noted.	
13) Reasons for not confirming the services of a few employees, working on daily wage and about to attain the age of superannuation.	Approval of GoK for the proposal for additional staff is awaited.
Commission's Views: Reply furnished by HRECS is noted.	
14) The Status of on-going works as on 31.12.2017 and reasons for delay in completion of the works with huge outlay may be furnished for the works projected at a cost of Rs.28,67,086/-.	Total outlay of works completed till September 2017 is Rs.53,45,863/- with the other works under execution.
Commission's Views: Reply furnished by HRECS is noted.	
15) Action taken against the engineers for failure to complete contract works relating to M.K.Hubbali Sahakari Sakkare Karakane, Muddinakoppa and Sri. Someshwara Sahakari Sakkare Karakane, Bylahongal.	Contract work of Muddinakoppa has been completed and the other two works have been discontinued owing to certain difficulties and none can be held responsible for the same.
Commission's Views: Reply furnished by HRECS is noted.	
16) Number of transformers installed with the location and number of layout works completed with the total cost during FY17 be furnished	Details of installation of 67 transformers are furnished and Layout works are underway.

Commission's Views: Reply furnished by HRECS is noted.	
17) Status of energy audit with number of transformers centers being metered be furnished	Energy audit is being undertaken duly providing meters for 243 transformers centers.
Commission's Views: Reply furnished by HRECS is noted. HERCS is directed to conduct energy audit of all metered DTCs and submit the reports to the Commission regularly.	
18) Furnish the details of constitution of CGRF and resolution for appointing the members.	CGRF is constituted by the HERCs as per thenotification of the KERC.
Commission's Views: Reply furnished by HRECS is noted.	
19) Means of payment of arrears amounting to Rs.147.45 Crores due to HESCOM, may be furnished.	Prolonged discussions have been held with HESCOM and the arrears would be adjusted against the amount due from GoK.
Commission's Views: Reply furnished by HRECS is noted.	
20) Action plan to wipe out a loss of Rs.70 Crores sustained by HRECS as on 31.03.2017	Loss will be made good by increase of retail tariff, collection of arrears and other miscellaneous sources
Commission's Views: Reply furnished by HRECS is noted. The HRECS shall note that retail supply tariff is approved to bridge the gap between the existing revenue and ARR for the ensuring year. The revision is not meant to wipe out losses of theprevious years.	
21) Failure to realize the subsidy of Rs. 47.60 Cr and Rs. 3.76 Cr for the last 8 years may be explained	Efforts are being put forth to obtain the subsidy from the GoK.
Commission's Views: Reply furnished by HRECS is noted.	
22) Whether the released copper wires are being disposed, if so, the amount realized from sale. In case of non-disposal of copper wire, furnish the name of the person responsible for the same.	Scrap copper wires, weighing 133 tons, remain unsold as reasonable 'offer for purchase' were not received from the prospective buyers, during the auctions conducted on four different occasions
Commission's Views: Reply furnished by HRECS is noted.	
23) Whether the asset register of the HERC is updated till 31.03.2017. if so the valuation of the properties with particulars.	Asset register is updated with a total value of Rs. 74.79 Cr, as on 13.02.2017
Commission's Views: Reply furnished by HRECS is noted. However, the HRECs shall prepare the accounts for the period ending 31.03.2017.	
24) Amount of Rs.1.53 Cr collected towards regularization of unauthorized IP sets is yet to be utilized even after 10 years. Furnish the reasons for not completing the minor works under the above head and failure to secure the amount due from GoK.	Total amount collected under regularization scheme is utilized to carryout works under the same head and the amount receivable from GoK has been released on 03.02.2018.
Commission's Views: Reply furnished by HRECS is acceptable.	
25) An amount of Rs. 7.21 Cr has	A grant of Rs. 7.00 Cr has been

been spent for DDUGJY scheme Furnish the details of receipt and pay out of Grants and number of persons benefitted under the scheme.	sanctioned and expenditure so far is Rs.7.21 Cr. 11 KV feeder separation, system strengthening, new lines, re-conductoring and metering etc. are carried out under this scheme. The consumers are not direct beneficiaries of this scheme, but, they would get quality and reliable power supply without interruptions and it also reduces the distribution line loss and reduction in maintenance cost. The installation of new electro static energy meters replacing the old meters would facilitate accurate and precise measurement of energy.
Commission's Views: Reply furnished by HRECS is noted.	
26) Whether NJY works are completed, if so, the benefits derived from the project.	NJY scheme is nearing completion. It is intended to provide 24 hours supply to the rural consumers.
Commission's Views: Reply furnished by HRECS is noted.	
27) Furnish inventory report of RGGVY scheme	11 kV Line: 26.70 km, 25 kVA transformers centers: 94 no, Lt lines: 188.49 km. Project completion report has been accepted.
Commission's Views: Reply furnished by HRECS is noted.	
28) In how many cases arrears remain un paid for more than 3 years ? in how many instances A.B.N. cases are filed after 2010?	1630 consumer installations are having arrears for more than 3 years amounting to Rs. 2.89 Cr. A.B.N. cases are not filed.
Commission's Views: Reply furnished by HRECS is noted. HRECs shall take effective measures of collect the arrears by taking recourse to all the available legal remedies.	
29) Whether the disconnection lists are prepared at regular intervals, if so, whether area engineer and line man return the disconnection list after suitable action.	Yes. Disconnection lists are prepared at regular intervals. The lists are returned after giving effect to the disconnection list.
Commission's Views: Reply furnished by HRECS is noted.	
35)In HRECS filing for FY19: Table 36- page no. 51 - Projection of Sale of Energy for ASEZ - 29.39 MU, ASEZ filing for FY19: Estimated power requirement at IF point - 11.73 MU, ASEZ filing for FY17: Actual quantity of power purchased at IF point - 13.33 MU. Reasons for the difference may be furnished.	Consumption is arrived on CAGR basis and additional energy required by AEQU.S. However, HRECS will abide by the decision of KERC in this regard.
Commission's Views: Reply furnished by HRECS is noted. The Commission has dealt with the matter appropriately, in the relevant Chapter of the Tariff Orders of HRECs & AEQU.S.EZ.	
36)In page no. 65, para 25.2.7 HRECS	Proposal is subject to decision of the

requests an increase in PP cost for FY19 to Rs. 6.56/Kwh, without any relevant calculations. HRECS ought to have followed the methodology formulated by the Commission in arriving at the power purchase cost for Deemed Licensee, AEQUS, a distribution company, as well.	Commission and their determination of price for electricity.
Commission's Views: Reply furnished by HRECS is noted. The Commission has dealt with the matter appropriately, in the relevant Chapter of the Tariff Orders of HRECS and AEQUS SEZ	
37) In page no. 66, para 25.2.7: the HRECS requests the Commission to approve the PP cost of Rs. 6.56/Kwh, which is requested to be not approved by the Commission, keeping in view the interest of AEQUS consumers	Proposal is subject to decision of the Commission.
Commission's Views: Reply furnished by HRECS is noted. The Commission has dealt with the matter appropriately, in the relevant Chapter of this Tariff Order.	
38) Page no, 82, table 63: HRECS requests for increase in Tariff for ASEZ by INR 0.75/Kwh, which is requested to be declined by the Commission, keeping in view the interest of AEQUS consumers	A net gap of Rs. 23.98 Cr has to be recovered on energy sale by HRECS and a proposal placed before the Commission and HRECS will abide by the order of the Commission
Commission's Views: Reply furnished by HRECS is noted. The Commission has dealt with the matter appropriately, in the relevant Chapter of this Tariff Order.	
39) Para 5.1 of filing: Consumer profile Table, HRECS has categorized SEZ under HT-2(a), a consumer category, whereas, it is mentioned that SEZ are Deemed Licensee in para 23.3.6. SEZ needs to be categorized as a Distribution Company	Sales to SEZ has been shown separately and not merged in HT-2(a)
Commission's Views: Reply furnished by HRECS is noted.	

The gist of the submissions made during the Public Hearing, held on 27.02.2018.

- 1) IP Set installations to be provided with 6 hours of power supply during the day time to avoid loss of water and Electricity.
- 2) Farmers in the area of HRECS have been suffering from severe drought for the last 2 years and therefore, the tariff should not be increased.

- 3) Procedure for arranging power supply to be simplified and supply to be given within a time frame to avoid theft of power.
- 4) In the interest of Consumers, the NJY Scheme may be extended to the houses located close by the villages.
- 5) HRECS is making substantial profit and as such there is no need to revise the Tariff.

The HRECS took note of the comments and suggestions and assured the Commission to address them suitably.