HUKERI

Preliminary Observations on Approval of APR for FY12, Business Plan and ARR for F14 – FY16 & Tariff filing for FY14

1. General Observations on ERC / Tariff filing application:

As per KERC (Tariff) Regulations, 2000, a licensee is required to file their tariff applications along with relevant forms as specified in the Regulations namely A1 to A4 and D1 to D24, audited accounts and half yearly accounts. However in the present filing of HUKERI the following documents / formats are not enclosed to the tariff application.

i) Business Plan for FY14 to FY18

ii) Half Yearly Accounts ending 30th Sept.2012

iii) D1 statement and D9(a), D10 and D19 for FY14

iv) D12

Further, Hukeri RECS did not project revenue in Form 21 at the proposed tariff, same may be furnished.

2. Annual Performance Review for FY12:

It is observed that, Rs,3980 lakhs is withdrawn in the accounts for FY12 pertaining to arrears from IP set consumers with the approval of Co-operative Department, GoK, based on resolution passed in the Annual General Body Meeting, however Co-operative Department, GoK, has imposed five conditions for approval. Compliance of Hukeri RECS to those conditions may be explained. Even after providing for write off of this arrears, still Rs.716.30 lakhs is shown as arrears payable by IP sets. The details for Rs.716.30 lakhs shall be furnished to the Commission.

There is a balance of Rs.5125.62 lakhs shown as sundry creditors for purchase of power. Reasons for accumulation of such huge amount in the Balance Sheet shall be explained.

Further, it is observed that, Hukeri RECS has not furnished details of capital expenditure incurred in the year 2011-12 and amount capitalized, the same should be furnished.

Distribution losses level approved for the year 2011-12 was 14% as indicated in the tariff order for 2012. The actual loss has reported for the year 2011-12 is 15.3%. Reasons for increase in the distribution loss levels should be explained.

3. Annual Revenue Requirement for FY14 – FY16:

a) Sales estimates for FY14:

i) For the purpose of validating the sales, HRECS shall furnish the following data for the years FY11, FY12 & FY13:

Sales-MU

Month	FY11			FY12			FY13*		
	Metered [other than BJ/KJ & IP	BJ/KJ & IP	Total	Metered [other than BJ/KJ & IP	BJ/KJ & IP	Total	Metered [other than BJ/KJ & IP	BJ/KJ & IP	Total
Apr									
May									
Jun									
Jul									
Aug									
Sep									
Oct									
Nov									
Dec									
Jan									
Feb									
March									

Total									

Note: FY13 actual up to Nov-12 & estimates for the remaining period

ii) HRECS shall furnish the details of installations as under:

Numbers

Month	FY11			FY12			FY13*		
	Metered [other than IP	IP	Total	Metered [other than IP	IP	Total	Metered [other than IP	IP	Total
Apr									
May									
Jun									
Jul									
Aug									
Sep									
Oct									
Nov									
Dec									
Jan									
Feb									
March									
Total									

Note: FY13 actual up to Nov-12 & estimates for the remaining period

It is noted that, for estimating the sales and installations, only one year growth rate instead of Compounded Annual Growth Rate (CAGR) is considered even though the data is available for more than three years. Further, the one year growth rate is based on FY13 data which is also estimated data. Thus forecasting actual data which is available upto FY12 should be considered.

It is noted that, the one year growth rate indicated at page 24 for installations and at page 26 for energy sale does not tally with the figures indicted in the write up (page No.42 to 59). this shall be clarified.

Further, it is stated that, for FY14 estimate is based on one year growth of FY14 over FY13 similar statement is made for the other years of the control period. It seems there is a typographical error which needs to be rectified.

The overall sales growth rate for FY14 is estimated at 12% which is on the higher side compare to the CAGR (FY09 to FY12) of 8.6%.

The category wise comments is as under:

BJ/KJ:

Regarding BJ/KJ it is assumed that, all the installations would be serviced during the beginning of the year for each of the years in the control period as a result the sales is over estimated hence mid year figures need to be considered for estimation.

LT Categories other than BJ/KJ and temporary installations:

It is noted that, for all categories of LT excluding BJ/KJ and temporary it is noted that, the growth rate considered for sales is on the lower side in comparison to the CAGR worked out for the period FY09 to FY12. It may be noted that the CAGR LT2(b) is 21%, for LT3 is 15%, LT5 is 8.5% and for public water supply it is 7%. Reasons for considering lower growth rate shall be furnished.

LT4(a)

HUKERI shall furnish the specific consumption based on actual data available from Apr-12 to Nov.-12. As per the monthly reports submitted to the Commission total consumption for FY12 – 130.82 MU and specific consumption works out 6358 units / IP / year, whereas as per HUKERI ERC filing data, the total consumption is given as 142.37 MU and specific consumption given as 6545.22 units / IP/ year. The difference in total consumption and specific consumption is 11.55 MU and 187 units / IP/ year.

Therefore, the reasons for the difference in specific consumption and total consumption shall be furnished to the Commission. Further, it is observed that, the projections of specific consumption for FY13 to FY16 is on a very higher side and shall be furnished based on the actual specific consumption of FY12.

LT7:

It is noted that, even though the number of installations is reducing from FY12 onwards an increase in sales is indicated for FY13 and it is retained at FY13 level for the control period. The reasons for the same shall be furnished.

HT1 Category:

Even though the number of installations has remained the same, an increase in energy sales is shown for all the years. The reasons for projecting increase in sales without increase in number of installations may be explained.

HT2(a)

It is noted that, even though the number of installations is maintained at the same level for the years FY14 and FY15 an increase in sales is indicated for FY15 with respect to FY14 sales. Further, a growth rate of 12% is considered for FY14 as against CAGR of 9% (for the period FY09 to FY12).

HT2(b)

It is noted that, even though the number of installations is maintained at the same level for the years FY15 and FY16 an increase in sales is indicated for FY16 with respect to FY15 sales. Further, a growth rate of 15.5% is considered for FY14 as against CAGR of 9% (for the period FY09 to FY12).

HT3(a)

It is noted that, even though the number of installations is maintained at the same level for the control period a decrease in sales is indicated year on year. Further, a negative growth is considered for FY14 as against CAGR of about 6% (for the period FY09 to FY12).

b) Power Purchase for FY14:

Hukeri RECS was directed in the MYT Tariff order dated 07.03.2008, that the Society shall make its own commercial arrangements for the power purchase at competitive rates instead of depending on HESCOM. However copies of the agreement having entered into for purchase of power has not been furnished so far to the Commission. Hukeri RECS shall furnish the copies of the power purchase agreement with the generators.

HUKERI shall furnish the details of estimates of meeting solar and non solar RPO for the period FY14 – FY16. HUKERI shall also clarify whether charges to meet RPO has been included in its projections of power purchase for FY14 – FY16.

Distribution Losses for FY14-16:

HUKERI has proposed distribution loss of 15.09% for FY14, 15.05% for FY15 and 14.98% for FY16. The actual distribution loss of 15.3% achieved during FY12 as against an approved loss level of 14.25%. Considering the capex of Rs.4.28 Crs in FY11, Rs.5.72 Crs in FY12 and proposed capex of Rs5.61 Crs in FY13, Hukeri Society should be able to bring down its loss levels to the targeted levels. Further, the Society having proposed capex of more than Rs.6.50Crs for each year of the control period FY14-16,the proposed loss levels appears to be meager. As such HUKERI is directed to propose aggressive loss reduction during the control period FY14 to FY16 and thereby proposed reduced loss levels.

c) Observation on Capex:

Hukeri RECS has indicated capex for FY14-16. However, it has not indicated the details of capital works programme for the control period. The same shall be furnished.

4) Observations on items of ARR:

a) O & M expenses:

HUKERI has indicated employee cost of Rs.486.47 lakhs in FY11, Rs.553.03 lakhs in FY12 and projected Rs.891.11 lakhs in FY13 and Rs.1110.00 lakhs in FY14 in Rs.1246.52 lakhs in FY15 and Rs.1217.08 lakhs in FY16. Reasons for projecting such an abnormal increase should be furnished.

It is further noticed that, an amount of Rs.240.81 lakhs for each year of the third control period is shown towards over time allowances. Reasons for proposal to incur such huge expenditure shall be explained.

It is also seen that, the projections made for printing and stationery, travelling, advertisement and miscellaneous expenses are on a very higher side. Society should explain reasons for projecting huge expenditure under these head of account.

Directives:

Hukeri RECS was asked to comply with the following directives in the tariff order dated 3rd October 2012.

a) Implementation of HVDS programme in Hukeri jurisdiction
b) Demand Side Management in agriculture pumps
c) Implementation of Niranthara Jyothi Yojana
d) Systematic audit of distribution transformers
e) To establish service centers in each O & M section to effectively deal with consumer complaints.

It is stated by Hukeri RECS that, HVDS pilot programme is being taken up. Details of area, feeder etc where HVDS pilot programme will be implemented shall be furnished.

Further it is stated that, 11 KV Bagewadi feeder has been commissioned under NJY scheme. The details of improvements in supply and reduction in failure of distribution transformers and other benefits etc. after the commissioning of the NJY feeder shall be furnished.

5. Kannada Version of Tariff Filing:

HUKERI RECS is directed to furnish copies of the tariff filing in Kannada. Also copies in Kannada shall be made available to public after acceptance of the application by the Commission.

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