

REPLIES TO PRELIMINARY OBSERVATIONS

(KERC Letter No.B/04/17/1591/Dt.20-12-2017)

I. Annual Performance Review for FY-17:

A. Sales – Other than IP sets:

- i) As desired by the Hon'ble Commission, the data relating to energy sales in respect of HT-2a, HT-2b and HT-2c categories are furnished here below:

HT-2a (in MU)				
Year	Sales by MESCOM	Energy Procured by HT consumers under open access / wheeling	Total of MESCOM sales & OA/Wheeling consumption	% share of OA energy to total energy
2015-16	600.27	120.12	720.39	
2016-17	566.60	241.47	808.07	

HT-2b (in MU)				
Year	Sales by MESCOM	Energy Procured by HT consumers under open access / wheeling	Total of MESCOM sales & OA/Wheeling consumption	% share of OA energy to total energy
2015-16	180.07	0.00	180.07	
2016-17	186.06	0.00	186.06	

HT-2c (in MU)				
Year	Sales by MESCOM	Energy Procured by HT consumers under open access / wheeling	Total of MESCOM sales & OA/Wheeling consumption	% share of OA energy to total energy
2015-16	155.05	8.82	163.87	
2016-17	154.85	27.32	182.17	

- ii) Hon'ble Commission has observed that at page No.13 and D-2 format of filing, MESCOM has considered energy sales to MSEZ as 83.38 MU instead of 80.49 MU. In this regard, it is to be submitted that in the Table No.5.11 of Tariff Order 2016, energy indicated for MSEZ is 83.38 MU. Since, MSEZ is purchasing energy from MESCOM; MESCOM has considered the sales to MSEZ as 83.38 MU.

However, MESCOM has accepted to correct the same as observed by the Hon'ble Commission and corrected statement is enclosed as **Annexure-P1** and **Annexure-P2**.

Regarding difference in consumption for FY-17 in respect of MSEZ, it is to be submitted that MESCOM is taking the consumption as per DCB i.e., Apr-16 to Mar-17 DCB whereas MSEZ has taken the actual consumption from Apr-16 to Mar-17. In the DCB of MESCOM, Mar-16 consumption is reflected in Apr-16 DCB and so on. The details are as below;

Consumption as per MSEZ	18.54
Less: April-17 consumption as per MESCOM DCB	1.90
Add: April-16 consumption as per MESCOM DCB	1.67
Consumption as per MESCOM	18.31

B. Sales to IP sets:

Hon'ble Commission has observed that;

- in spite of reduction in number of IP sets consumption under IP category has increased by about 34%.
- Specific consumption of IP sets in FY-17 is 5720 units / annum as against the approved specific consumption of 4280 units / annum.
- to revise month-wise & total IP consumption and number of installations for FY-17 taking into account GPS survey data.
- To justify and furnish necessary data in support of the claim of IP set consumption made for FY-17 including the month-wise pilot meters consumption.

On the above, it is to be submitted before the Hon'ble Commission as here under;

- ✓ The number of IP set installation as at the end of 31-03-2016 is 2,78,171 and it has increased to 2,91,129 as at the end of 31-03-2017. Hence, there is considerable increase in energy sales for FY-17.
- ✓ For FY-17 specific consumption has been worked out to 5720 units/annum, i.e., 477units/month/installation. For the sake of computation, consumption of 5HP IP sets will be about 794 units / installation / month for usage for 7 hours in a day and in rainy season consumption will be lesser for lesser hours of usage. As such, MESCOM's specific consumption of 5720units / annum is justifiable.

- ✓ The consumption of IP sets for the year FY-17 is 1628.06 MU which is 477 units / month / installation. Increase in consumption during the months of April-17, May-17, Jan-17, Feb-17 and March-17 is due to dry weather conditions and shortage of rainfall in the rainy season.
- ✓ The GPS survey is not yet completed. Taking of meter reading from the IP set installation is being continuously objected by many of the farmers, and some of the meters were un-authorizedly removed by the farmers. Hence the assessment of IP set consumption is made on the basis of the meters provided to DTCs feeding predominantly IP Sets.
- ✓ The month-wise pilot meter consumption of DTCs indicating initial & final reading and multiplying constant for the year FY-17 and for the FY-18 (Upto Sept-17) have been sent to KERC by email on 23-12-2017. The data for the month of Oct-17 and Nov-17 is being finalized and will be submitted at the earliest.

C. Distribution Losses:

1. Hon'ble Commission has observed that the MESCOM has reported the distribution loss of 11.40% for FY-17 as against the approved distribution loss of 11.15% which is higher by 0.25%.

In this regard, it is to be submitted that in the Tariff Order 2016, Hon'ble Commission has approved an average distribution loss of 11.15% for FY-17 with 11.35% being the upper limit and 10.95% being the lower limit. MESCOM's position of distribution loss in FY-17 is 11.40% which is higher by 0.05% compared to the upper limit of 11.35%.

Further, with the increase in infrastructure the distribution losses also increase. In FY-17 input energy has increased and correspondingly distribution losses have also increased.

The Improvement works taken up for Fy-17 and for Fy-18(upto Nov-17) is indicated below.

Particulars	Fy-17	Fy-18 (upto nov-17)
Additional Transformers	1225 nos	857 nos
HT/LT re-conductoring	708.44 kms	474.24kms
Link Lines	542.5 kms	352.67kms

The status of distribution loss for FY-18 (Upto Sept-17) is as shown below.

Sl. No.	Name of the Division	Net Energy input in MU	Metered Sales in MU	% Distribution Loss
1	Mangalore-1	343.52	323.81	5.74%
2	Mangalore-2	315.63	307.98	2.42%
3	Puttur	156.51	135.26	13.57%
4	Bantwal	254.33	227.59	10.52%
5	Udupi	356.33	324.65	8.89%
6	Kundapura	100.27	91.79	8.46%
7	Shimoga	263.92	237.61	9.97%
8	Bhadravathi	143.85	125.35	12.86%
9	Sagar	146.91	130.16	11.40%
10	Shikaripura	205.38	180.23	12.25%
11	Chikmagalur	112.69	88.49	21.48%
12	Koppa	48.01	41.01	14.60%
13	Kadur	283.10	229.39	18.97%
MESCOM		2730.45	2443.31	10.52%

The status of Energy audit of Towns and Cities for the Year FY-17 and FY18 (Upto Sept-17) is indicated below.

Name of the Town / City	FY-17			Fy 18(as at the end of Sep-17)		
	Energy Input in MU	Energy Sold in MU	% Distribution Losses	Energy Input in MU	Energy Sold in MU	% Distribution Losses
Mangaluru	831.37	798.59	3.94	425.59	411.63	3.28
Udupi	299.19	286.74	4.16	148.40	138.44	6.71
Shivamogga	242.78	227.69	6.22	127.75	119.24	6.67
Bhadravathi	125.90	112.71	10.47	69.70	62.71	10.04
Sagar	28.20	26.52	5.97	15.18	14.36	5.40
Chikamagaluru	61.20	55.43	9.42	33.50	30.03	10.37
Puttur	51.34	48.21	6.10	29.80	28.86	3.16
Bantwal	34.66	31.23	9.9	17.38	15.04	13.50
Shikaripura	15.04	14.02	6.76	6.49	6.01	7.37
Kadur	31.37	28.33	9.71	18.30	16.33	10.79
Tarikere	16.53	15.08	8.72	9.83	8.98	8.62
Beltangady	8.65	8.23	4.87	4.36	4.16	4.58
Sullia	17.02	16.60	2.48	8.26	8.05	2.55
Kundapura	21.03	19.82	5.76	10.93	10.33	5.45
Karkala	22.17	20.82	6.10	10.76	9.85	8.44
Soraba	7.57	6.81	9.95	4.15	3.82	8.03
Hosanagar	3.50	3.29	6.02	1.83	1.74	4.78
Thirthahalli	28.63	27.22	4.91	5.59	5.21	6.91
Mudigere	6.74	6.57	2.42	3.21	3.17	1.28
Koppa	4.31	4.11	4.51	2.51	2.42	3.88
Sringeri	2.45	2.34	4.70	1.15	1.10	4.84
NR Pura	4.48	4.25	5.17	2.37	2.28	3.90

D. Power Purchase:

1. As desired by the Hon'ble Commission D1 format for FY-17 has been resubmitted with the breakup of fixed and variable charges in **Annexure-P3**.
2. As desired by the Hon'ble Commission, the reconciled energy balancing statement signed by all the ESCOMs is furnished in **Annexure-P4**.
3. As desired by the Hon'ble Commission, the details for Rs.4.07Cr in D-1 format under non-recurring bills.

SI No	Particulars	Amount
1	Reimbursement of MAT to Tata Power Co. Ltd., as per Hon'ble Supreme Court Order dated 29-06-2016.	14738560
2	Amount paid to Shri Balaji Sugars & Chemicals Pvt. Ltd., towards infirm energy injected for the period from 02-11-2015 to 31-03-2016 as per SLDC letter dated 16-12-2016.	6493602
3	Power purchased from Solar Roof Top generation.	19485220
	Total:	40717382

4. The Hon'ble Commission has observed that the tariff in respect of BTPS-2 & RTPS-8, the tariff admitted by MESCOM is higher than the approved rate and in respect of BTPS-1, Kadra, Kodasalli and Gerusoppa Power House, the tariff admitted by MESCOM is higher than BESCO.

In this regard, it is to be submitted that MESCOM has admitted the claims of power purchase as per the bills submitted by KPCL.

E. Capital Expenditure for FY-17:

Hon'ble Commission has observed that in D-15 & D-17 format expenditure capitalized for FY-17 is taken as Rs.248.17 Cr. In this regard, it is to be submitted that as can be referred in Note-12 of the Annual Accounts of MESCOM the total additions to the assets is Rs.248.17 Cr which is excluding the assets created out of Govt. grants / consumers contribution i.e., Rs.57.83 Cr.

Further, as desired by the Hon'ble Commission the category-wise capex expenditure incurred during FY-17 is furnished in the following format.

SI No	Particulars	Approved capex the FY-17	Actual expenditure
1	Extension & Improvement (Addl. DTCs, Link-Lines, HT/LT Reconductoring, providing intermediate poles, HVDS, etc.)	100.00	62.92
2	DTC Metering	0.25	19.42
3	Replacement of MNR / DC & Electromagnetic meters by Static meters and providing SMC meter protection box wherever required.	5.00	2.11
4	Nirantara Jyothi Yojana	-	-
5	R-APDRP Programme	-	16.73
6	Replacement of faulty DTCs	3.50	10.40
7	Service Connections	40.00	31.26
8	Rural Electrification (General)		
a.	RGGVY (DDG) Programme	-	0.02
b.	Electrification of Hamlets	2.00	0.98
c.	Energization of IP sets (including providing infrastructure of UA IP sets) (includes electrification of IP sets under Ganga Kalyana also)	75.00	90.71
d.	Kutir Jyothi	0.25	0.01
e.	Sheegra Samparka Yojane	-	4.24
9	Tribal Sub Plan		
a.	Electrification of Tribal Colonies	1.50	1.50
b.	Energization of IP Sets	0.75	0.30
c.	Kutir Jyothi	0.05	0
10	Special Component Plan		
a.	Electrification of S.C. Colonies	1.00	0.37
b.	Energization of IP sets	1.00	0.78
c.	Kutir Jyothi	0.10	0.01
11	Tools & Plants and Computers	5.00	3.48
12	Civil Engineering Works	16.00	25.20
13	33 kV Sub stations & Line works	37.50	17.94
	GRAND TOTAL:	288.90	288.38

- i) Regarding the additional expenditure over & above the approved capex in respect of DTC metering, it is to be submitted as follows;

MESCOM has awarded the work of supply and installation of AMR meters to Distribution Transformer centres circle-wise during the year 2015-16 for a period of contract 5 years.

As per payment clause, payment has to be made in following ways;

- a) Supply portion:
 - i) 40% payment plus 100% taxes against materials supplied.
 - ii) 30% payment after installation, commissioning & transferring of data from DTC meters to central data centre.
 - iii) 30% payment in sixty equal monthly installments (5 years).
- b) Erection Portion:
 - i) 70% payment shall be made after commissioning.
 - ii) 30% payment shall be made in 60 installments (5 years).
- c) Maintenance portion:
 - i) 20% payment shall be made after commissioning.
 - ii) 80% payment shall be made in 60 installments (5 years).

As the agency has not completed entire work in time during the year FY-17, 30% of payment of supply has been made during this year FY-17. Hence the expenditure of FY-17 is Rs.19.42 cr as against the commission approved capex of Rs. 0.25 cr.

- ii) In FY-17, MESCOM has achieved a capex of Rs.62.92 Cr against the capex of Rs.100 Cr approved by the Hon'ble Commission. The progress of improvement works during 3 years is given below.

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18 (upto Nov-17)
1	No. of DTC's added	1689	1740	1225	857
2	HT lines in RKms	716.99	716.52	542.49	352.67
3	HT lines reconductoring in RKms	179.07	252.47	171.00	104.32
4	LT line	129.84	136.10	82.26	79.50
5	LT line reconductoring in RKms	780.55	579.45	537.44	371.22

- iii) As desired by the Hon'ble Commission, the details of the civil engineering works and the breakup of cost involved is furnished in **Annexure-P5**.
- iv) Hon'ble Commission has observed that MESCOM has incurred a capex of Rs.24.23 Cr for installation of additional transformers. In this regard, it is to be submitted that installation of additional transformers is also relating to system improvement works and hence, the same has been considered under the approved capex of Rs.100 Cr of E&I works.

II. ARR Proposals for Financial Year 2019:

A. Sales to installations other than IP sets:

1. Number of installations:

- i) As desired by the Hon'ble Commission, the data pertaining to installations consuming more than 40 units / month as at the end of Nov-17 of FY-18 is furnished below;

Category	Installations as on 30.11.2017	Consumption Apr-17 to Nov-17
BJ/KJ Installations having monthly consumption more than 40 units	15,854	9.35 MU

- ii) Growth Rate in respect of number of installations:

- a. Hon'ble Commission has observed that the growth rate considered for LT-SL & LT-5 is lower when compared to CAGR.

In this regard, it is to be submitted that in respect of LT-Street Light installations, CAGR considered by MESCOM is 7.36% which is 5 year CAGR from FY-13 to FY-17.

Further, in respect of LT-5 category it is submitted that CAGR for 3 to 5 years is appeared to be abnormal when compared to the actual growth in FY-17 with reference to FY-16. Hence, MESCOM has considered 2 year CAGR for four different sub categories i.e., with SL=<5HP, with SL >5HP & <40HP, with SL =>40HP & <67HP and with SL =>67HP. However, since for the fourth sub category CAGR works out is negative, the figures of FY-17 are maintained for FY-19. The details of CAGR with reference to different years are indicated below.

Year	With SL =<5 HP	With SL >5 HP & < 40 HP	With SL =>40 HP & < 67 HP	With SL =>67 HP
5 year CAGR (FY-13 to FY-17)	5.35%	7.00%	4.40%	-6.05%
4 year CAGR (FY-14 to FY-17)	6.19%	6.43%	3.57%	-15.54%
3 year CAGR (FY-15 to FY-17)	5.15%	6.08%	3.69%	-5.23%
2 year CAGR (FY-16 to FY-17)	1.06%	5.91%	0.95%	-6.00%

b. Hon'ble Commission has desired MESCOM to consider revising the projection in respect of number of installations under HT-2c and HT-3 category. In this regard, it is to be submitted that the past trend indicates very high inconsistencies in the growth rate. Hence, Hon'ble Commission is requested to consider the projections made by MESCOM for these categories.

iii) As desired by the Hon'ble Commission, the data relating to number of installations in different years are given in **Annexure-P6**.

2. Growth Rate in respect of Energy Sales:

c. Hon'ble Commission has observed that the growth rate considered for energy sales in respect of LT-3, LT-6 WS & SL, HT-2c and HT-4 appears to lower and in respect of LT-2b appears to be higher.

In this regard, it is to be submitted that MESCOM has projected the energy sales in respect of these categories attentively having taken into account the past experiences.

In respect of LT-3 category, Hon'ble Commission may note that the CAGR of different years are not matching with the actual growth in FY-17 with reference to FY-16 energy sales. Hence, MESCOM has proceeded to adopt CAGR of 2 year for projection of energy sales. The details of CAGR in different years are as below;

Year	LT-3 Rural	LT-3 Urban
5 year CAGR (FY-13 to FY-17)	5.73%	6.48%
4 year CAGR (FY-14 to FY-17)	6.90%	6.64%
3 year CAGR (FY-15 to FY-17)	5.61%	6.80%
2 year CAGR (FY-16 to FY-17)	2.92%	5.58%

In respect of LT-6 WS & SL categories, 5 year CAGR of 5.46% & 4.82%, respectively, from FY-13 to FY-17 are appear to be appropriate and hence, the same has been adopted for projection of energy sales under these categories.

In respect of HT-2c category, though the CAGR for 3 to 5 years are positive in FY-17 the growth rate is negative with reference to the energy sales in FY-16. Hence, MESCOM has maintained the energy sales of FY-17 for FY-19 also.

In respect of HT-4 category, 5 year CAGR of 7.99% from FY-13 to FY-17 is appear to be appropriate and hence, the same has been adopted for projection of energy sales under this category.

In view of the above, Hon'ble Commission is requested to approve the energy sales as projected by MESCOM for FY-19.

- d. Hon'ble Commission has desired MESCOM to estimate the sales under HT-2a category duly including the OA / Wheeling sales. In this regard, it is to be submitted that MESCOM is unable to estimate the OA / wheeling sales for the future year since, as can be observed that increase in OA / wheeling sales was 63 MU in FY-15 and the same is about 240 MU in FY-17. Hence, MESCOM has proceeded to retain the quantum of energy sales of FY-17 for FY-19 also. As such, Hon'ble Commission is requested to consider the same.
- e. As desired by the Hon'ble Commission, the data relating to energy sales in FY-16, FY-17 & FY-18 are given in **Annexure-P7**.

B. Sales to IP sets for 2019:

Hon'ble Commission has observed that specific consumption of 5720 units / annum considered by MESCOM for projection of IP set consumption is higher.

In this regard, it is to be submitted that specific consumption of FY-17 is works out to 5720 units / annum which has been adopted for FY-19 also for projecting the energy sales under the category.

Regarding the position of sales to IP sets in FY-17, the details have been submitted supra under the section "Annual Performance Review for FY-17" above.

Hon'ble has observed that IP consumption in previous years⁷ is nowhere near the consumption claimed for FY-17. In this regard, it is to be submitted that in FY-12, the specific consumption was worked out to be 5035 units / annum. Comparing to this, the specific consumption in FY-17 is slightly higher. Specific consumption in previous years are as below;

Year	Sales in MU	Specific consumption (units / annum)
FY-12	1058.95	5035
FY-13	1060.21	4640
FY-14	1122.69	4622
FY-15	1086.18	4280
FY-16	1197.43	4447
FY-17	1628.06	5720

C. Sales to MSEZ:

In the past years, MSEZ has never achieved the energy sales even 25% to their estimations. Hence, MESCOM has proceeded to retain the sales of FY-17 for FY-19 also. Since, over estimations of energy sales by MSEZ is affecting MESCOM's ARR and thereby the tariff, Hon'ble Commission is requested to consider the energy sales projected by MESCOM for FY-19.

D. Sales to KPCL:

As desired by the Hon'ble Commission breakup of sales to KPCL & wheeling for FY-18 and FY-19 is given below;

		FY-18	FY-19
KPCL Consumption (MU)	:	5.89	5.89
Wheeling energy (MU)	:	81.21	81.21
Total (MU)	:	87.10	87.10

E. Power Purchase:

- Hon'ble Commission has desired submit the detailed bases for estimating the power purchase estimates for FY-19.

In this regard, it is to be submitted that M/s PCKL has made available the source wise energy availability and related cost which has been considered in the filing. Further, the details of projection furnished by M/s PCKL are enclosed herewith as **Annexure-P8**.

2. As desired by the Hon'ble Commission, the solar energy projection details are given below;

Type of Solar Plant	Capacity in MW	Energy & cost for the FY-17		Estimated Energy & Cost for Fy-18		Whether Approved by the Commission
		MU	Rs.in Cr	MU	Rs.in Cr	Yes/No
1-3 MW projects allotted to Farmers by KREDL	9.00	2.71	2.23	12.62	9.29	Yes
1150MW Projects Taluk wise issued by KREDL	70.00	0.00	0.00	48.53	23.38	Yes
970MW projects entered PSA with SECI	81.41	0.00	0.00	0.00	0.00	Yes
Solar Park	80.20	0.00	0.00	0.00	0.00	Yes
Other MW projects through competitive biddings	67.00	71.52	53.50	106.7	75.34	Yes
<u>SRTPV Projects</u>						
1) 500 KW & below	2587.47 KW	1.51	1.95	4.68	2.64	
2) more than 500 KW	-	-	-	-	-	

3. As desired by the Hon'ble Commission, energy from non-solar sources has been estimated considering the actuals of FY-18 (upto-Nov-11) as below;

Type of Solar Plant	Energy & cost for the FY-17		Estimated Energy & Cost for Fy-18	
	MU	Rs.in Cr	MU	Rs.in Cr
Wind	202.36	72.46	269.81	96.61
Mini Hydel	233.30	79.19	311.07	105.59
Co-gen	24.00	8.33	32.00	11.10
Total:	459.66	159.98	612.88	213.30

4. As desired by the Hon'ble Commission, month wise / source wise projected energy requirement for FY-19 is furnished in **Annexure-P9**.
5. Regarding the basis for tariff considered in respect of BTPS unit-III, it is to be submitted that PCKL has replied the query as follows;
“The KPCL has projected capacity charges of Rs.2.16 per unit for BTPS Unit-III. The same has been considered in the projection for FY 2018-19. The average variable cost for the month of July-2017, Aug-2017 and Sep-2017 is considered for energy charges for FY 2018-19”.

F. RPO Compliance:

1. Hon'ble Commission has desired MESCOM to confirm whether the RPO compliance filed is in accordance with the GOK Order No.EN 43 PSR 2017 dated 26-09-2017.

In this regard, it is to be submitted that MESCOM has considered the GOK Order No. No.EN 43 PSR 2017 dated 26-09-2017 while furnishing the compliance to RPO for FY-17.

2. Hon'ble Commission has observed that in the filing MESCOM has indicated the Solar Power and non-solar power purchased as 86.04 MU and 565.59 MU as against 84.19 MU and 552 MU, respectively.

In this regard, it is to be submitted that in the order dated 26-09-2017, GOK has considered the energy details furnished by SLDC regarding compliance of RPO across ESCOMs. In the order GOK has considered the net energy purchase from solar and non-solar sources after excluding the Green Energy Sales by MESCOM (solar green energy sales 1.85 MU & non-solar green energy sales 13.59 MU). This has been separately indicated in the table given at page No.20 & 21 in the MESCOM filing.

3. As desired by the Hon'ble Commission, the following details are furnished in respect of NCE projects.

Source	Capacity under PPA in MW as on 30.11.2017	Anticipated MW capacity addition under PPA during the remaining period of the FY-18	Anticipated MW capacity addition under PPA during the FY-19
Wind	149.35	-	-
Mini-Hydel	168.58	-	-
Co-Generation	38.61	-	-
Biomass	-	-	-
Waste to Energy	-	-	-
Solar	126.00	20.00	161.61

G. Wheeling Charges for FY-19:

Hon'ble Commission desired MESCOM to clarify whether applicability of concessional wheeling charges to RE sources, as existed, is to be continued or otherwise.

In this regard, it is to be submitted that for open access / wheeling transactions, for other than RE sources, the applicable wheeling charges are wheeling charges in kind, wheeling charges in cash, cross subsidy surcharge and additional surcharges (matter is pending before Hon'ble KERC for adjudication). Similarly, the wheeling transactions of RE sources also need to be applied all the relevant charges as is being applicable to OA / wheeling transactions of other than RE sources.

H. Cross-subsidy surcharge (CSS):

Hon'ble Commission has desired that the CSS proposed by MESCOM should be limited to 20% of the tariff applicable to the respective category of consumers.

In this regard, it is to be submitted that while furnishing the views / comments to the Draft of KERC (Terms & Conditions for Open Access) [04th Amendment] Regulations 2017, MESCOM has stated that the ceiling of CSS i.e., not to exceed 20% of the tariff applicable to the category of the consumers seeking open access is resulting in non-realization of Cross Subsidy component entirely.

However, as directed by the Hon'ble Commission CSS, limiting to 20% of the proposed tariff applicable to the respective categories are submitted below;

Voltage Level	HT-1	HT-2a	HT-2b	HT-2c	HT-4	HT-5
As proposed in the Filing						
66 kV & above	0.04	1.31	3.40	2.59	0.81	8.84
33 kV	-	1.26	3.35	2.54	0.76	8.79
11 kV	-	1.02	3.11	2.30	0.52	8.55
Avg. Tariff	7.02	8.29	10.38	9.57	7.79	15.82
20% of Avg. tariff	1.40	1.66	2.08	1.91	1.56	3.16
As revised						
66 kV & above	0.04	1.31	2.08	1.91	0.81	3.16
33 kV	-	1.26	2.08	1.91	0.76	3.16
11 kV	-	1.02	2.08	1.91	0.52	3.16

I. Capital Expenditure for FY-19:

For FY-19, MESCOM has proposed for a capex of Rs.803.50 Cr. If the capex proposal of various scheme works is excluded then capex for FY-19 would be Rs.385.40 Cr only, which is Rs.95.50 Cr higher than the approved figures of Hon'ble Commission.

- i. Hon'ble Commission has observed that for FY-19 MESCOM has proposed for a budget of Rs.150 Cr towards E&I works which is Rs.50 Cr more than what had approved for FY-19.

In this regard it is to be submitted that, System improvement works like providing additional transformers, Link-Lines, Re-conductoring of HT/LT/33kV lines are being carried out regularly. As more number of 33kV/11kV/LT Reconductoring and Link line works amounting Rs.80.00 Cr have been sanctioned during 2017-18, the financial progress of these works is likely to be incurred during 2018-19. The approximate cost of spill over and new works will be Rs.85.00 Cr & Rs.65.00 Cr respectively. Hence the Budget provision of Rs.150.00 Cr is made for FY-19.

- ii. Hon'ble Commission has observed that for FY-19 MESCOM has proposed for a budget of Rs.45 Cr towards Service Connection works which is Rs.5 Cr more than what had approved for FY-19.

In this regard it is to be submitted that, as per GoK order works pertaining to electrical infrastructure required for energisation of drinking water supply installations are to be executed by ESCOMS. As large number of drinking water supply applications are being received in MESCOM the capital budget of Rs.45.00 Cr is proposed for FY-19 under Service connections including water supply works.

- iii. Hon'ble Commission has observed that for FY-19 MESCOM has proposed for a budget of Rs.40 Cr towards replacement of faulty Distribution Transformers which is Rs.35 Cr more than what had approved for FY-19.

In this regard it is to be submitted that, due to load growth more number of additional distribution transformers are likely to be added to the system every year. Hence a yearly Rs.5.00 Cr additional Budget provision is made for replacement of faulty DTCs i.e. for FY-19 totaling Rs.45.00 Cr. As distribution transformer is major equipment, as a regular practice in MESCOM the cost of new transformer is taken for preparation of estimates even for replacement of faulty DTCs. Hence an

amount of Rs.45.00 Cr is proposed for FY-19 for the purpose of sanctioning the estimates.

- iv. Further, it is to be submitted that the item No.6b at page No.231 is wrongly mentioned as "Energization of IP sets including providing infrastructure to regularized IP sets" inadvertently, which may kindly be corrected as "**Energization of IP sets Including Ganga Kalyana**".
- v. Hon'ble Commission has observed that MESCOM has not furnished the status of implementation of DDUGJY, RAPDRP and Model electricity village works.

In this regard, the following are submitted;

Improvement works for Model Electricity village:

As per GOK Order No: EN 70 VSC 2017 dated: 24.05.2017, 5 numbers of villages in each assembly constituency are to be converted as model electricity villages.

Further, as per GOK Order No: EN 70 VSC 2017 dated: 28.10.2017, 1 number of village in each assembly constituency is to be converted as model electricity village in addition to the order dated: 24.05.2017.

Hence it is proposed to execute some of the improvement works in the selected 138 number of villages coming under 23 number of rural assembly constituencies of MESCOM at a cost of about Rs.40.00 Lakhs per village. Hence a Budget provision of Rs.50.00 Cr is made for FY-18 and additional Rs.10.00 Lakhs is allocated for FY-19 required for balance works.

Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY):

GOI has launched DDUGJY for Rural areas. REC is the Nodal Agency. Scope of work includes feeder separation, strengthening of sub-transmission and distribution system, metering, rural electrification etc. 'In-Principle' approval for an amount of Rs.395.65 Crores has been communicated from REC/GoK during January-2017 for all 4 districts of MESCOM.

Further, tender process has been completed and feeder segregation and rural electrification works have been awarded on 28.04.2017 and metering component works awarded on 28.9.2017. The works are under progress and the scheduled date

of completion is 3 years from the date of award. Hence Budget provision of Rs.59.90 Cr is made for FY18 and Rs.170.00 Cr is made for FY-19.

Integrated Power Development Scheme(IPDS):

Govt has launched IPDS for Urban/ Semi-urban areas. PFC is the Nodal agency. Scope of work includes strengthening of sub-transmission and distribution network, metering, provision for solar panels, IT enablement works etc. Sanction for an amount of Rs.157.80 Cr has been communicated from PFC for 29 numbers of statutory towns for the above works excluding IT enablement works.

Further, tender process has been completed and strengthening of distribution networks and provision for solar panels on roof top of government buildings works have been awarded on 28.04.2017 and metering component works awarded on 28.9.2017. The works are under progress and the scheduled date of completion is 3 years from the date of award. Hence Budget provision of Rs.34.17 Cr is made for FY18 and Rs.62.00 Cr is made for FY-19.

IPDS (Integrated Power Development Scheme) Part -II:

The scope of work involves ERP and IT applications in IPDS towns i.e. establishing IT infrastructure etc. The DPR amounting Rs.6.00 Cr was submitted to MoP for approval and approval has been accorded for Rs.75 cr.

Acceptance letter for sanctioned DPR is submitted to PFC on 19.07.2017. Consent letter for appointment of PMA and implementation process for MESCOM is given to BESCOM.

BESCOM has taken up decision to go ahead with the project without PMA for the IPDS IT and RFP for appointment of ITIA is scheduled to be completed by first week of December and awarding of contract by 28th Feb 2018.

Hence Budget provision of Rs.3.72 Cr is made for FY18 and Rs.1.00 Cr is made for FY-19.

As such, total budget of Rs.37.89 Cr for FY-18 and Rs.63 Cr for FY-19 has been earmarked for R-APDRP (IPDS) works.

Further, regarding the capex of Rs.267 Cr approved by Hon'ble Commission for implementation of Model Subdivision in Mangaluru and Shivamogga vide letter No.KERC/M/03/17-18/1444/Dt.28-112017, it is to be submitted before the Hon'ble Commission to consider the relevant interest on capital loan and depreciation on the actual amount of capex incurred in the year FY-18 and FY-19 in the Annual Performance Review proposals of relevant years.

J. Observation on Expenses & Revenue:

1. **BLANK**

2. As desired by the Hon'ble Commission, revised Format-D6A is submitted as **Annexure-P10**.

4. As desired by the Hon'ble Commission, the details for the items given in Format D-7 under the head "Professional Charges" and "Conveyance & Hiring Charges" is given below;

Professional Charges:

Particulars	Amt(Lakhs)
Other Professional charges-Legal Fees	214.02
Remuneration to Contract Agencies for opening & maintenance of ledger accounts	340.67
Remuneration paid to Chartered Accountants for updating cash & revenue accounts	5.16
Rem. paid to pvt. Agencies for collecting electricity bills-ATP	270.98
Commission paid to Post Office for collecting Electricity bill	22.24
Commission paid to Shivamogga One/Mangaluru One for collecting electricity bill	39.04
Commission paid to MSTC for sale of scrap	9.53
Computer hiring charges	0.63
Engaging manpower during Monsoon period in Sub-divisions	13.71
Engaging manpower for meter reading through agency	974.73
Engaging of manpower for office works through private agency	1050.72
Expenses of HT Rating through agency	1.28
Expenses of LT Rating through agency	4.15
Engaging man power for station/line maint. work through agency	52.55
Other expenses like remuneration to contract sweeper etc.	40.30
Total:	3039.71

Conveyance & Hiring charges:

Particulars	Amt(Lakhs)
Vehicle hiring expenses for vehicles hired to stations	280.62
Vehicle running expenses other than store vehicles	129.28
Vehicle hiring expenses	448.12
Travelling & other exp. of non-functional Directors of Company	2.35
Conveyance expenses	0.33
Total	860.70

For FY-18 and FY-19, the expenses have been projected by applying the escalation rate of 11.04% as indicated in page No.49 of the filing.

5. Hon'ble Commission has observed that in Format D-4 MESCOM has not considered the miscellaneous revenue for FY-19 but in the previous years there was considerable income under the head.

In this regard, it is to be submitted that the miscellaneous income is not a regular consistent income. Hence, MESCOM has excluded the same for FY-19. In FY-17, the total miscellaneous income was Rs.44.94 Cr. Major income recorded under the head is Rs.36.60 Cr related to interest on PPC transferred from KPTCL to MESCOM as per GOK order No.EN 67 PSR 2017 dated 31-07-2017 (copy of the GOK order enclosed as **Annexure-P11**).

6. As desired by the Hon'ble Commission, revised Format D-15 duly including the value of assets created out of consumer's contribution / grant for FY-17, FY-18 (projection) and FY-19 (projection) is submitted as **Annexure-P12**.

7. As desired by the Hon'ble Commission, the loan details are furnished in enclosed **Annexure-P13**.

8. Hon'ble Commission has observed that MESCOM has projected the uniform amount of Rs.2.39 Cr as capitalization of interest & finance charges and it is meager.

In this regard, it is to be submitted that this amount has been anticipated based on the actuals of FY-17. Hence, Hon'ble Commission is requested to consider the same and the actuals can be made up in the APR of the relevant years.

9. Soft copy of Half yearly Accounts of MESCOM for FY-18 is enclosed as **Annexure-P16**
For kind needful of the Hon'ble Commission.

10.As desired by the Hon'ble Commission, the details of bad debts written off and the provision for bad & doubtful dues in the year FY-17 is submitted as below;

Particulars	Amt(Lakhs)
Bad debts written off dues from Consumers	0.42
Bad & doubtful debts provided for dues from Consumers	144.88
Total:	145.30

11.Hon'ble Commission has desired to justify the withdrawal of Rs.267.03 Cr in FY-17 relating to interest accrual on the inter ESCOMs energy balancing cost during previous years.

In this regard, it is submitted that the Company has charged the interest on the receivables from other ESCOMs on account of Energy Balancing for the period from 2004-05 to 2014-15. The same has been treated as income and accounted in the books of accounts during FY 2013-14 and FY 2014-15. The same has been shown as receivables from other ESCOMs. Since the amount is not realized from other ESCOMs and the debt was not acknowledged by ESCOMs and also to comply with the Statutory Audit Observations, the Company has decided to not to charge the interest on the receivables from other ESCOMs from the FY 2015-16. The interest already charged up to the year 2015-16 amounting has been written off during the FY 2016-17.

12.Regarding ROE claimed by MESCOM for FY-17, it is to be submitted that MESCOM has applied the same rate as approved in Tariff Order 2016 for FY-17.

13.As desired by the Hon'ble Commission, the amount of subsidy claimed and received from GOK for FY-17 is given below;

Category	Consumption (in MU)	Subsidy claimed (Rs. In Cr)	Subsidy received (Rs. In Cr)
Bj/KJ	13.93	10.27	10.27
IP Set	1628.06	775.58	559.30
Total	1641.99	785.85	569.57

Further, details of equity received from GOK for FY-17 and FY-18 (upto November-17) is enclosed as **Annexure-P14**

14.Regarding the Regulatory Asset of Rs.283.90 Cr proposed by MESCOM, it is to be submitted that the Hon'ble Commission may kindly note that in the APR for FY-17 the deficit arrived is Rs.537.82 Cr which includes Rs.267.03 Cr. This amount has been arosued on account of withdrawal of the interest claimed on inter-ESCOM energy balancing receivables from other ESCOMs, as detailed above. The amount was claimed as income in the in the FY-14 & FY-15. Hence, in order to avoid steep increase in the tariff in one year MESCOM has proposed Rs.283.90 Cr as Regulatory Asset.

15.Regarding the proposal of simplification of tariff, it is to be submitted that MESCOM has submitted the copy of the report to the Hon'ble Commission as Annexure-7 to the MESCOM filing.

K. Directives:

Enclosed as **Annexure-P15**.