

**BEFORE KARNATAKA ELECTRICITY REGULATORY COMMISSION**  
**BENGALURU.**

Filing No.....  
Case No.....

**IN THE MATTER OF**

An Application for approval of Annual Performance Review (APR) along with the audited Accounting Statements of Hukeri Rural Electric Co-operative Society Limited, under the provisions of the Electricity Act, 2003 and KERC (Terms and Conditions for Determination of Tariff for Distribution and Retail Sale of Electricity) Regulations, 2006, for FY 2021-22.

**AND IN THE MATTER OF**

Hukeri Rural Electric Co-operative Society Limited, a Co-operative Society incorporated under the provisions of the Karnataka Co-operative Societies Act, 1959, having its registered Office at HUKKERI ---

**APPLICANT**

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1. The Applicant is a Co-operative Society, incorporated under the provisions of the Karnataka Co-operative Societies Act, 1959 and a "Distribution and Retail Supply Licence" under Section 14 of the Electricity Act, 2003.
2. The Applicant is hereby submitting its audited Accounting Statements for the financial Year 2021-22 for the scrutiny of the Hon'ble Commission and also for the purpose of Annual Performance Review as provided under Regulation 2.8 of the Karnataka Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Distribution and Retail Sale of Electricity) Regulations, 2006 (hereinafter referred to as

“the **MYT Regulations**”) or truing up exercise to be conducted by the Hon’ble Commission, in compliance of the directions of the Hon’ble Commission.

3. The Applicant submitted that in the tariff order dated 09-06-2021, Hon’ble Commission for FY-22 had approved 338.881 MU at IF of HRECS (including AEQUS SEZ) of power purchase at the cost of Rs. 19509.87 lakh and sale of 273.983 MU (excluding AEQUS SEZ) of energy resulting in 45.75 MU energy loss, which translates into 13.50% distribution loss. As against the above approval, the Society has achieved 340.00 MU of power purchase at the cost of Rs. 20661.84 lakhs and sale of 291.27 MU (AEQUS included) of energy resulting in 48.735 MU loss, which translates into 14.33% distribution loss. Further the Applicant HRECS wish to bring to the notice of Hon’ble Commission that, the above power purchase cost included interest of Rs. 2275.01 claimed by HESCOM and the sum of Rs. 233.69 lakhs have been deducted as the Licensee HRECS has received a reduced supplemental bill for Rs. 233.69 lakhs pertaining to revision in power purchase cost. These have been included only for the purpose of tallying with the accounts.
4. The Hon’ble Commission has approved Capex of Rs. 3.59 crores for FY 22 in Tariff Order dated 09-06-2021. However actual Capital expenditure is of the order of Rs. 9.85 crs. But following table indicates the actual expenditure pertaining to tariff implication is of the order of Rs. 3.48 crs. The last column indicates CAPEX having impact on Tariff.

Sl.No	Name of Work	Amount in Crs	Source of Funding	Actual Amount of CAPEX, the interest and finance charges to be allowed in the Tariff
1	Flood Relief Works	1.80	GOK(To be received)	Nil
2	Ganga Kalyane Yojane	0.24	GOK	Nil
3	SDP Works	0.24	GOK	Nil
4	SCSP/TSP Works	0.07	GOK	Nil
5	Akram Sakram Works	0.19	GOK/Consumers	Nil
6	Improvement Works	3.22	Internal source	3.22
7	Service Connections	3.83	Consumer Contribution	Nil
8	NJY Works	0.26	Own Fund	0.26
	<b>Total</b>	<b>9.85</b>		<b>3.48</b>

5. The Applicant respectfully submits before the Hon'ble Commission that Share Capital at the beginning of FY 22 is Rs. 931.71 lakhs. The Commission in its successive Tariff Order did not allow RoE for the reason that accumulated losses have eroded the Equity Capital. The Commission taking in to consideration the efficiency of the Applicant in its operation, kindly to allow Return on Equity of Rs. 183.54 lakh as a special case. RoE calculation is as below:

Particulars	FY-2022
Equity at the beginning of the year	931.71
Addition during the year	34.68
Surplus	0.00
Total Equity	966.39
ROE @ 15.5%	149.79
IT @ 22.53%	33.75
Total RoE	183.54

6. The Applicant prays that notional interest on working capital and other savings made by the Society may be allowed to be retained by the Society as reward for the efficiency, as provided under the MYT Regulations. The Commission in their Order dated 09-06-2021 had allowed interest on working capital of Rs. 342.80 lakh for FY 22 which may kindly be retained in the Annual performance Review for FY 22.
  
7. It is respectfully submitted before the Hon'ble Commission that reduced purchase cost as claimed by the HESCOM for the period ending FY-2020 amounting to Rs. 233.69 lakhs on account of revision in the power purchase cost as approved by the Hon'ble Commission (reference page 18 para 2.2.4 of Tariff order 2021 approved for FY-20 14233.38 lakhs – actual accounted Rs. 14467.07 Lakhs for FY-20 by Hukkeri RECS), the same is factored in FY-20. Therefore the same has not been factored for tariff again. It is respectfully submitted that interest of Rs. 2275.01 lakhs claimed by HESCOM for FY 22 is not recognized in APR for FY-22, since interest is disallowed by the Hon'ble Commission in the successive tariff orders
  
8. The Applicant Hukkeri RECS respectfully submit to the Hon'ble Commission that the subsidy due from the State Government to the Applicant was mounting year on year and no interest is calculated. During Mar-2019, the arrears of subsidy amounting to Rs. 60.11 crores have been released vide GoK no. EN/27/PSR/2018/P-3 dated 06-03-2019 and Hubballi Electricity Supply Company (HESCOM) was directed to adjust

against principal amount. The interest to HECOM amounting to Rs. 123.79 crores remained unpaid as on 31-03-2022. This interest amount has to be waived by HESCOM, in case HESCOM rejects for waiver of interest, the Hon'ble Commission may kindly allow the same in the ARR of HUKERI RECS in phased manner. By letter No. HRECS/Accts/2019-20/147 dated 05-04-2019, the Applicant HRECS wrote to Additional Chief Secretary to Government, Energy Department, the copy of the same is also submitted to the Hon'ble Commission on 08-04-2019 and the copy of the same was also forwarded to HESCOM. However HESCOM in the letter No. HESCOM/GM(T)/EE(PTC)/AO(PTC)/2019-20/CYS-3184 dated 25-10-2019, addressed to Under Secretary to Energy Department, Vikas Soudha, Bengaluru have not agreed to waive. The Applicant Hukeri RECS vide the letter no. HRECS/Accounts/2019-20/4867, dated 15-02-2020 had again request to waive the interest for the reason that Rs. 60.11 crores arrears of subsidy released by the Government to HESCOM on account of HRECS arrears pertaining to 10 years prior to the date 31-03-2018 and for this reason alone Hukkeri RECS is not liable to pay interest. Besides it was also pointed out that the interest portion of Rs. 35.24 crores in the arrears pertain to the period prior to January 2017 as PPA was entered into on 15-12-2016. The Applicant Hukkeri RECS requests the Hon'ble Commission either to direct HESCOM to waive the interest or allow the same in the ARR of HUKERI RECS in phased manner as delay in release of subsidy is not attributable to Hukkeri RECS. It is respectfully submitted that interest claimed by

HESCOM till Mar-22 is not recognized in APR for FY-22 for revised tariff in view of the stand of the Applicant that interest is not payable and also it is unnecessary to factor tariff fee payable to Hon'ble Commission. Eventually this would reduce the burden of tariff increase to consumer. This is also in line with Hon'ble Minister of Energy proceedings where in it has been order to keep the interest portion separately and also not to insist for payment. The copy of the proceedings is also placed alongside the Petition and marked as Annexure "A".

**9. Flood Loss:**

The conditions of Assets that are severely damaged owing to floods during July 2021 in the operational area of HRECS which are enclosed as Annexure "B"

The Hon'ble Commission may kindly consider the loss on assets amounting to Rs. 150.31 lakhs in the APR for FY 22 and allow the same to be carry forward to ARR of FY 24.

**10. Store Materials written off:**

In HRECS Store, the electro mechanical energy meter parts are in the ledger account. There is no need of these parts, since these energy meters are replacing by static energy meters. Since these electro mechanical meter parts are not useful, these are removed from the store ledger account amounting to Rs. 3.27 lakhs and on account of flood loss of store materials has occurred which amounts to Rs. 5.98 lakhs.

The Board of Directors of HRECS in their meeting held on 24-09-2021 have approved as Scrap the material amounting to Rs. 3.27 lakhs.

Further there is a loss of store materials on account of floods. HRECS was able to lodge insurance claims with The New India Assurance Company and able to realise Rs. 6.54 lakhs and net loss of Rs. 5.98 lakhs in store materials have occurred and action was taken to remove from the store account the material costing Rs. 3.27.

The Hon'ble Commission may kindly consider the value of Rs. 9.25 lakhs in the APR for FY 22 and allow the same to be carried forward to ARR of FY 24.

11. Other income of Rs. 2517.61 lakhs, which includes income from sale of power to AEQUS SEZ of Rs. 1931.16 lakhs (2056.41-125.25 lakhs. FY20 revised power purchase cost) and Rs. 586.45 lakhs towards other income such as interest on bank deposit, scrap sales, rent from staff quarter, rebate on electricity duty and miscellaneous income.
12. It is respectfully submitted before this Hon'ble Commission that the following tables indicates the various items of revenue requirements as approved by the Hon'ble Commission and also, as per Audited accounts/notional item like interest on working capital for FY 2021-22.

Rs. in Lakhs

Particulars	Approved as per Tariff order 09-06-2021	As per Audited Accounts FY 22	As per Audited Accounts not taking revised PP cost & interest
Energy at IF Point including AEQUS SEZ	338.881	340.000	340.000
Sales to other than IP & BJ/KJ	81.747	77.754	77.754
Sales to BJ/KJ	3.906	3.923	3.923
Sales to IP	188.33	181.318	181.318
Sales to HRECS	273.983	262.995	262.995
Sales to SEZ		28.270	28.270
<b>Sales</b>		<b>291.265</b>	<b>291.265</b>
Distribution Loss (MU) of HRECS		48.735	48.735
Distribution Loss in %	<b>13.50%</b>	14.33%	14.33%
<b>Revenue</b>			
Revenue from Sale to other than IP & BJ/KJ	5793.30	6406.5	6406.50
Revenue from Sale to BJ/KJ	241.00	253.86	253.86
Revenue from Sale to IP	11111.50	10268.60	10268.60
Total Revenue	17145.80	16928.96	16928.96
<b>Expenditure</b>			
Power Purchase Cost	19509.87	20661.84	18620.52
O&M Expenses	1798.70	1782.44	1782.44
Depreciation	230.40	275.76	275.76
Interest on Loan Capital	8.90	8.58	8.58
Interest on Working Capital	342.80	-	342.80
Interest on Consumers' Deposit	73.20	61.3	61.30
Flood loss (Other than stores)	0.00	150.31	150.31
Store materials written off and flood loss in store	0.00	9.25	9.25
Expenses Capitalised	-77.40	-134.5	-134.50
Return on Equity	-	-	189.62
Regulatory Assets as per Tariff Order dated 04.-11-.2020	33.30	-	33.30
Other Income (included Aequs SEZ sales revenue )	-1920.16	-2642.86	-2517.61
<b>ARR</b>	<b>19999.61</b>	<b>20172.12</b>	<b>18821.77</b>
Less: Surplus of FY19 carried forward	2850.40		
<b>Net ARR</b>	<b>17149.21</b>	<b>20172.12</b>	<b>18821.77</b>
<b>Gap in revenue</b>	<b>-3.41</b>	<b>-3243.16</b>	<b>-1892.81</b>



It is submitted before the Hon'ble Commission to allow Rs. 1892.81 lakhs in the ARR of FY24 which has been factored in the application for ARR for FY-24 and Tariff Application for FY-24 filed alongside of this application for the kind consideration of the Hon'ble Commission.

13. The Applicant is ready and willing to provide any further information/clarifications, in due course, if sought by the Hon'ble Commission.

**PRAYER**

- I. To allow gap of Rs. Rs. 1892.81 lakhs of the year 2021-22 in the ARR of FY24 which has been factored in the application for revised ARR and tariff application filed alongside of this application for the kind consideration of the Hon'ble Commission.
- II. Approve the annexed audited Accounting Statements of the Applicant for the Financial Year 2021-22.
- III. Allow the items Interest on working capital and RoE for the year 2021-22 as mentioned in para 5 & 6 under revenue requirement which are normative in nature which are allowed by the MYT Regulations as a reward for the efficiency.
- IV. Allow the recovery of filing fees, costs and other expenses to be incurred in this regard as a pass through.
- V. Pass such other Orders as the Hon'ble Commission deems fit under the facts and circumstances of the case; and
- VI. Allow this application, in the interest of justice.

Place: Hukkeri  
Date: 28-11-2022

Sd/-  
Applicant

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**---APPLICANT**

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**AFFIDAVIT**

I, K. L. Shrinivas, son of K. G. Lokanth, aged about 49 years working as Managing Director of the Applicant and residing at Hukkeri, do hereby solemnly affirm and state on oath follows.

1. I am the Managing Director of the Applicant Society and I am duly authorized by the said Applicant to make this affidavit. I am conversant with the facts of the matter and hence I am competent to depose to this Affidavit.

2. The averments made in paragraphs 1 to 13 of the Application accompanying this Affidavit, herein now marked with letter "A" are true to the best of my knowledge, information and belief.
  
3. I further say that the statements made and data presented in the aforesaid Application are true to the best of my knowledge, as per records of the Applicant Society and based on estimations. Further, to my knowledge and belief, no material information has been concealed in the aforesaid Application.

Solemnly affirmed at Hukkeri on this 28<sup>th</sup> day of November 2022 that the contents of the above affidavit are true to my knowledge, no part of it is false and nothing material has been concealed therefrom.

Place: Hukkeri  
Date : 28-11-2022

Sd/-  
DEPONENT

Identified by me: