

CHAPTER – 4

ANNUAL PERFORMANCE REVIEW FOR FY18

4.0 BESCOM's Application for APR for FY18:

The BESCOM has filed its application on 30th November, 2018, for the Annual Performance Review (APR) of FY18, based on the Audited Accounts, along with the Annual Revenue Requirement for the Control Period FY20-FY22 and Retail Supply Tariff for FY20.

The Commission in its letter dated 12th December, 2018, had communicated its preliminary observations to the application. The BESCOM, has submitted its replies on 21st December, 2018, to the Commission's preliminary observations.

The Commission in its Order dated 11th April, 2017, had approved BESCOM's revised Annual Revenue Requirement (ARR) of Rs. 16914.19 Crores for FY18. The revised Annual Revenue Requirement (ARR) of the BESCOM under APR for FY18, 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 FY18, based on the Audited Accounts as follows:

TABLE – 4.1

APR for FY18 – BESCOM's Submission

(Amount in Rs. Crores)			
Sl. No.	Particulars	As Appd. in Tariff Order dt.11.04.2017	As Filed
1	Energy at Generation Bus-in MU	30,879.69	31,216.71
2	Transmission Losses of KPTCL in %	3.37%	4.20%
3	Energy at Interface Points with KPTCL - in MU	29,839.04	29,906.78
4	Distribution Losses in %	12.50	13.17
	Sales in MU:		
5	Sales to other than IP & BJ/KJ in MU	19,820.84	19,494.57
6	Sales to BJ/KJ	130.37	183.65
7	Sales to IP Sets	6,157.95	6,289.04

Sl. No.	Particulars	As Appd. in Tariff Order dt.11.04.2017	As Filed
	Total Sales in MU	26,109.16	25,967.26
	Revenue in Rs. Crores	-	-
8	Revenue from tariff and Misc. Charges	14,772.95	15,846.92
9	Revenue from Subsidy to BJ/KJ	84.48	91.99
10	Revenue from Subsidy to IP Sets	2,056.76	2,103.15
	Total Revenue	16,914.19	18,042.06
	Expenditure in Rs Crores:		
11	Power Purchase Cost	12,265.18	13,753.33
12	Transmission charges of KPTCL	1,347.80	1,358.51
13	SLDC Charges	11.33	11.37
	Power Purchase Cost including cost of transmission:	13,624.31	15,123.21
14	Employee Cost	-	1271.17
15	Repairs & Maintenance	-	98.27
16	Admin, & General Expenses	-	258.03
	Total O&M Expenses	1,486.60	1,627.47
17	Depreciation	373.76	429.87
	Interest & Finance charges:	-	-
18	Interest on Loans	354.81	343.08
19	Interest on Working capital	311.72	352.21
20	Interest on belated payment on PP Bills	0.00	0.00
21	Interest on consumer deposits	258.08	231.00
22	Other Interest & Finance charges	10.19	22.52
23	Less: interest & other expenses capitalised	-82.00	-92.83
	Total Interest & Finance charges:	852.80	855.98
24	Other Debit/ Extraordinary Items	0.00	-2.38
25	Net Prior Period Debit/Credit	0.00	0.00
26	Return on Equity	76.70	132.98
27	Provision for taxation	0.00	94.03
28	Funds towards Consumer Relations/Consumer Education	1.00	0.00
29	Other Income	-192.84	-220.67
	ARR	16,222.33	18,040.49
30	Add Deficit for FY16 carried forward	692.42	0.00
31	Penalties for performance on distribution losses	0.00	0.00
32	Disallowance of interest and Depreciation on imprudent investment in FY16	-0.56	0.00
	Net ARR	16914.19	18040.49
33	Surplus in Revenue for FY18	0.00	1.58

BESCOM has reported a revenue surplus of Rs.1.58 Crores for FY18, considering a Revenue Requirement of Rs.18040.49 Crores.

4.2 BESCOM's Financial Performance as per Audited Accounts for FY18:

An overview of the financial performance of BESCOM for FY18 as per its Audited Accounts is given below:

TABLE – 4.2

Financial Performance of BESCOM for FY18

(Amount in Rs. Crores)

Sl. No.	Particulars	FY18
	Receipts	
1	Revenue from Tariff and misc. charges	18,042.06
2	Other income	316.93
	Total Revenue	18,358.99
	Expenditure	
3	Power Purchase Cost	13,753.33
4	Transmission charges of KPTCL	1,358.51
5	SLDC Charges	11.37
	Power Purchase Cost including cost of transmission	15,123.21
6	Operating Expenses	90.42
7	Employee Benefit Expenses	1,110.63
	Finance Cost	790.65
8	Depreciation	429.87
9	Other Expenses	191.78
10	Exceptional Items	-39.90
11	Current Tax	25.59
12	Deferred Tax liability	68.44
13	Regulatory Deferral Accts. Balance	483.52
	Net ARR	18,274.21
	Net Profit	84.77

As per the Audited Accounts, BESCOM has earned a profit of Rs.84.77 Crores for FY18. The profits / losses reported by BESCOM in its audited accounts in the previous years as shown in the following Table:

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	77.20
Profits earned in FY18	84.77
Accumulated losses as at the end of FY18	-205.79

The accumulated losses, as seen from the above table, are Rs.205.79 Crores as at the end of FY18.

As per the provisions of the MYT Regulations, the Commission has taken up the Annual Performance Review of FY18, 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 11th April, 2017. The item-wise review of expenditure and the decisions of the Commission thereon are discussed in the following paragraphs:

4.2.1 Sales for FY18:

A. Sales -other than IP Sets:

The Commission in its Tariff Order, 2017, dated 11.04.2017, had approved total sales to various consumer categories at 26109.16 MU as against the BESCOM's proposal (including additional sales) of 26364.42 MU. The actual sales of BESCOM, as per the current APR filing [D-2 FORMAT] is 25967.27

MU, indicating a shortfall in sales to the extent of 141.89 MU as against the approved sales. The category-wise sales approved by Commission and the actuals as filed for FY 18 as shown in the following Table:

TABLE-4.4
Sales for FY18 as per APR

Category	Actual Sales-MU	Approved Sales-MU	Difference (2-3) MU
(1)	(2)	(3)	(4)
LT1 BJ/KJ <=40 units/month	137.73	130.37	7.36
LT1 BJ/KJ >40 nits/month	45.92	0.00	45.92
LT-2a	6,616.53	6,966.38	-349.85
LT-2b	49.29	49.07	0.22
LT-3	2,005.97	2000.85	5.12
LT-4 (a)	6,289.04	6,157.95	131.09
LT-4 (b)	0.95	4.60	-3.65
LT-4 (c)	4.52	4.90	-0.38
LT-5	1,185.41	1,187.24	-1.83
LT-6	813.85	453.97	359.88
LT-6	455.98	391.17	64.81
LT-7	157.12	158.63	-1.51
HT-1	679.43	738.04	-58.61
HT-2 (a)	4,470.59	4,663.23	-192.64
HT-2 (b)	2,562.32	2,666.85	-104.53
HT-2(c)	312.39	272.01	40.38
HT-3(a) & (b)	26.76	72.84	-46.08
HT-4	68.85	114.70	-45.85
HT-5	84.62	76.36	8.26
Grand total	25,967.27	26,109.16	-141.89
Sales to categories other than BJ/KJ <= 40units/month & IP sets	19,540.50	19,820.85	-280.35
Sales to BJ/KJ <= 40units/month & IP sets	6,426.77	6,288.31	138.46

The Commission notes that the major categories contributing to the reduction in sales with respect to the estimates, are LT 2a-Domestic category (349.85 MU), HT Industries (192.64 MU), HT Commercial (104.53 MU), HT3-Irrigation (46.08 MU) and HT-4 Residential Apartments (45.85 MU). On the other hand, major categories contributing to the increase in sales with respect to the estimates, are LT-6 Water supply (359.88 MU), LT-Public

Lighting (64.81 MU), IP Sets (131.09 MU) and BJ/KJ more than 40 units/month (45.92 MU).

BESCOM in its Tariff Petition had stated that:

- a. The sales reduction in LT-2a is due to demand side management initiatives, like installation of LED lights, solar water heaters etc.
- b. The reduction in HT sales is due to consumers opting for Open Access/group captive supply.
- c. The increase in IP set is attributed to good monsoon.

In the light of the above submissions, the Commission in its preliminary observations had directed BESCOM to:

- a) Henceforth, analyze the DSM programme that are implemented and to quantify the energy and cost savings, to justify the decrease in sales to a particular category.
- b) Furnish the data of sales to each of the HT category namely, HT2(a), HT2(b) and HT 2(c) categories along with the consumption from open access / wheeling for the year 2016-17 and 2017-18 in the specified format.
- c) Analyse the reasons for decrease in sales to HT-3 & HT-4 categories, and report.
- d) Analyse the reasons for increase in sales to LT-6 water supply and LT-6 Public lighting, and report.
- e) Confirm, as to whether the category-wise sales indicated in D-2 format, is excluding unbilled sales. If unbilled sales are included, category-wise break up of unbilled sales shall be furnished.

BESCOM, in its replies on the above issues, has submitted as follows:

- a) Analyzing the DSM programmes initiated in BESCOM, it has estimated the savings in LT-2a category, due to LED bulbs (10,08,4372 nos.) at 304.76 MU, LED tube lights (2,58,328 nos.) at 6.96 MU, 5-star rated ceiling fans (30989 nos.) at 0.729 MU and solar water heaters at 697 MU (7,04,049 nos.);

- b) BESCOM has submitted the sales data in the specified format;
- c) The HT-3 sales for FY18 has decreased with respect to approved figures, but has increased over FY17. In HT-4, major reduction in sales was found in Indiranagar and Hebbal divisions, due to some errors in billing.
- d) The reasons for increase in LT-6 category is due to replacement of MNR meters, replacement of electro-mechanical meters by static meters, metering of DC connections, replacement of burnt CTs, implementation of NJY, servicing of new installations and defunct tube wells becoming active due to increase in water table.
- e) There are no unbilled sales for FY18 accounted in D-2 format.

The Commission has noted the replies submitted on issues a) & e) and has considered the sales data furnished in reply to issue b) above for estimating the sales for the new control period. Regarding decrease in sales to HT-4 categories, in addition to the reasons submitted by BESCOM, it is noted that there is reduction of 97 installations in this category when compared to the approved figures. Regarding the increase in sales to LT-6 category, though the BESCOM has submitted various factors contributing to the reduction, the same is are not quantified.

B. Sales to IP sets;

- a) Specific consumption of IP sets for FY18 as approved by the Commission in the Tariff Order dated 11.04.2017 is 7,324 units / IP / Annum. As per the feeder-wise data of NJY feeders furnished by the BESCOM, the specific consumption for FY18 works out to 7341 units / IP / Annum. It is observed that there is only a marginal increase in the specific consumption by 17 units / IP / Annum.
- b) Total sales to IP sets approved by the Commission for FY18 in the Tariff Order is 6,157.95 MU for 8,50,790 number of IP installations. As reported by the BESCOM in the D2 format of tariff filing, the actual consumption is

6,289.04 MU for 8,72,229 number of IP set installations, indicating an increase of 131.09 MU, i.e., the sales have increased by 2.13%.

- c) As reported by BESCOM, the number of IP set installations in service at the end of FY18 are 8,72,229 as against the approved numbers of 8,50,790 which corresponds to an increase by 2.52%.
- d) 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. The Commission has been adopting this methodology for computing the IP set consumption since 2014 and had directed BESCOM 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. It is noted that the BESCOM has not been submitting the required data of IP-set consumption regularly, to the Commission. Instead, it submitted the month-wise / feeder-wise / subdivision-wise details of IP set consumption for FY18 vide letter No BESCOM/BC-26/F-2411/2018-19/343-344 dated 26.07.2018 and for FY19 up to September, 2018 vide letter No BESCOM/D(F)/DGM(RA)/BC-26/2018-19/1086-87 dated 19.12.2018.
- e) From the data furnished, while assessing the IP consumption, it is observed that, BESCOM has considered 13.17% as the distribution losses uniformly for all the feeders, prevailing in 11kV lines, distribution transformers and LT systems for FY18 and 10% for FY19. However, the BESCOM should have considered the actual losses by assessing the actual losses for each of the feeders.

- f) BESCOM had furnished that, 32,197 numbers of IP sets out of the 8,05,165 IP sets for which GPS survey is completed are not-in-use / dried up installations as on 01.12.2018. In the preliminary observations, the Commission had directed the BESCOM to revise and submit the IP set consumption based on the above figures. In the reply, BESCOM has informed that 32,197 numbers of the not-in-use / dried up installations, may get energized during monsoon due to availability of water and will consume power. Hence, BESCOM is said to have considered all the 8,72,229 number of installations as per DCB for computation of sales to IP sets. The Commission notes that, the reply of BESCOM that, the defunct IP sets may get energized during monsoon, if at all, would be applicable for future years and cannot be a valid reason for the year-2018, that is already over. However, considering that the possibility of usage of these IP sets during the period prior to December, 2018 cannot be totally ruled out, the Commission decides to reckon even these IP sets to assess the consumption of IP sets in BESCOM for FY18.
- g) BESCOM has furnished the feeder wise, month wise, subdivision-wise data subsequently on 26.07.2018 and 19.12.2018, by considering the initial and final readings, with appropriate multiplying constants of the energy meters in the prescribed format. On a detailed verification of this data, it is noted that the BESCOM has substantiated the overall sales to an extent of 6289.04 MU for FY18, as submitted in its Tariff application. Therefore, the Commission hereby considers the IP set consumption of 6289.04 MU for FY18.

Accordingly, the Commission decides to allow the IP set consumption of 6,289.04 MU for FY18, as claimed by the BESCOM in its tariff filing.

In view of the above, as per the audited accounts, the Commission approves the sales for FY18, as indicated in the following Table:

TABLE-4.5
Approved Sales as per APR for FY18

Category	Actual Sales-MU
LT1 BJ/KJ <=40 units/month	137.73
LT1 BJ/KJ >40 units/month	45.92
LT-2a	6,616.52
LT-2b	49.29
LT-3	2,005.97
LT-4 (a)	6,289.04
LT-4 (b)	0.95
LT-4 (c)	4.52
LT-5	1,185.41
LT-6	813.85
LT-6	455.98
LT-7	157.12
HT-1	679.43
HT-2 (a)	4,470.59
HT-2 (b)	2,562.32
HT-2(c)	312.39
HT-3(a) & (b)	26.76
HT-4	68.85
HT-5	84.62
Total	25,967.26
Sales to categories other than BJ/KJ <= 40units/month & IP sets	19,540.49
Sales- to BJ/KJ <= 40units/month & IP sets	6,426.77

4.2.2 Distribution Losses for FY18:

BESCOM's Submission:

The Commission had approved the average targeted distribution losses of 12.50 % for FY18. As against this, the BESCOM, as per the audited accounts, in its Tariff application has reported the actual distribution loss as 13.17% for FY18.

Commission's Analysis and Decisions:

The Commission in its Tariff Order dated 11th April, 2017, had approved the range of distribution loss for the FY18 as under:

Figures in Percentage

Range of Distribution loss	FY18
Upper limit	13.00
Average	12.50
Lower Limit	12.00

The BESCOM, in its current tariff application has reported the average distribution loss of 13.17% considering the energy input at interface points and sales as per the audited accounts for the FY18.

The Commission in its preliminary observations had noted that BESCOM had considered the approved loss as 13.00% instead of 12.50%. Hence, BESCOM was directed to submit the correct figures for FY18 and the status of distribution loss achieved upto November,2019. BESCOM in its replies has submitted that, it has compared the upper limit of the distribution loss with respect to actuals.

The Commission notes that, the actual distribution loss reported by the BESCOM is above the approved upper limit of the loss for FY18. Therefore, as per the MYT Regulations, the Commission decides to impose penalty for non-achievement of approved loss target reduction to an extent of 0.17 percentage point, which is worked out as indicated below:

TABLE-4.6

Penalty payable due to non-reduction in Distribution Losses

Particulars	FY18
Actual input at IF points as per audited accounts in MU	29,906.78
Retail sales in MU	25,967.26
Distribution loss	13.17%
Target Upper limit of distribution loss	13.00%
Target distribution loss	12.50%
Target Lower limit of distribution loss	12.00%
Excess loss – in percentage point	0.17
Input at target loss for actual sales in MU	29,847.43
Increase in input due to higher in distribution loss in MU	59.355
Average cost of power purchase in Rs./unit	4.8446
Penalty due to increase in losses Rs. Crores	28.75

Accordingly, the Commission considers the distribution losses for FY18 at 13.17%.

4.2.3 Power Purchase for FY18:**BESCOM's Submission:**

The Commission in its Tariff Order dated 11th April, 2017, had approved power purchase quantum of 30,879.69 MU for BESCOM, indicating source-wise quantum and cost of power purchase for FY18. BESCOM, in its application has submitted the details of actual power purchase for FY18 for the purpose of Annual Performance Review as per the following Table:

TABLE-4.7
Power Purchase for FY18- Approved and Actuals

Source of Generation	Approved for 2017-18			Actuals for 2017-18			Difference			% increase (+)/decrease (-) over approved figures	
	Energy in MU	Amount in Cr	Avg. cost in Rs/kWh	Energy in MU	Amount in Cr	Avg. cost in Rs/kWh	Energy in MU	Amount in Cr	Avg. cost in Rs/kWh	Energy	Amount
	1	2	3	4	5	6	7=4-1	8=5-2	9=6-3	10	11
KPCL Hydel Stations	2,833.31	316.57	1.12	1,744.21	189.40	1.09	-1089.12	-127.17	-0.03	-38.44	-40.17
KPCL-Thermal Stations	9,180.34	3,980.57	4.34	8,452.65	3,648.47	4.32	-727.69	-332.10	-0.02	-7.93	-8.34
KPCL-Wind	7.80	2.89	3.71	6.92	2.48	3.58	-0.88	-0.41	-0.13	-11.28	-14.19
CGS	10,002.98	3,573.87	3.57	11,016.51	4,234.84	3.84	1,013.53	660.97	0.27	10.13	18.49
Major IPPs	3,855.76	1,889.32	4.90	3,336.79	1,676.65	5.02	-518.97	-212.67	0.12	-13.46	-11.26
Minor IPPs(RE Projects)	4242.64	1672.31	3.94	4691.08	2041.17	4.35	448.44	368.86	0.41	10.57	22.06
Other State Hydro Projects	56.35	23.39	4.15	51.55	31.58	6.13	-4.80	8.19	1.98	-8.52	35.01
Short/Medium , UI & Sec 11	700.50	284.38	4.06	1,975.69	805.79	4.08	1,275.19	521.41	0.02	182.04	183.35
Transmission Charges (KPCL/PGCIL)	0.00	1868.03	-	0.00	2374.74	-	0.00	506.71	0.00	-	27.13
SLDC Charges/Tangedco	0.00	12.99	-	0.00	12.43	-	0.00	-0.56	0.00	-	-4.31
PCKL Rev Expr.	0.00	0.00	-	0.00	3.23	-	0.00	3.24	0.00	-	-
Misc. Energy	0.00	0.00	-	29.60	11.19	3.78	29.60	11.19	3.78	-	-
Energy Balancing	0.00	0.00	-	-88.29	-47.24	5.35	-88.29	-47.25	5.35	-	-
prior period expr.	0.00	0.00	-	0.00	168.11	-	0.00	168.11	0.00	-	-
prior period income	0.00	0.00	-	0.00	-29.61	-	0.00	-29.61	0.00	-	-
Total	30,879.69	13,624.31	4.41	31,216.71	15,123.21	4.84	337.02	1,498.91	-	-	-

Commission's analysis and decisions;

1. The actual power purchase for FY18, as per the annual accounts submitted by BESCOM is 31216.71 MU at a cost of Rs. 15,123.21 Crores, as against the approved quantum of 30879.69MU at a cost of Rs 13,624.31 Crores. This indicates that there is an increase in the quantum of power purchased to an

extent of 337.02MU and there is also an increase in the cost by Rs. 1,498.91Crores.

2. As against the approved cost of energy amounting to Rs 13,624.31 Crores, the actual cost of power purchased by BESCOM is Rs 15,123.21 Crores for FY 18, which accounts for an increase of 11.00% over the approved cost.
3. On an analysis of the source-wise approved and actual power purchases, it is observed that, there is deviation in the quantum of energy purchased and its cost. There is shortfall in the supply from sources of power from State Owned Hydel projects and Thermal projects, and also Major IPPs as indicated below:

Source of Generation	Approved Energy for 2017-18 in MU	Actual Energy for 2017-18 in MU	Shortfall Energy in MU
KPCL Hydel Stations	2,833.31	1,744.21	1,089.10
KPCL-Thermal Stations	9,180.34	8,452.65	727.69
Major IPPs	3,855.76	3,336.79	518.97
Total	15,869.41	13,533.65	2335.76

The shortfall from the cheaper source of KPCL Hydel projects, which was due to poor monsoon and the short fall from KPCL Thermal projects which was due to shortage of coal as well as the shortfall from Major IPPs, has been made good by procuring power, at an additional cost on short term/medium term basis and un-requisitioned surplus power from CGS, as indicated below:

Source of Generation	Approved Energy for 2017-18 in MU	Actual Energy for 2017-18 in MU	Excess Energy in MU
CGS	10,002.98	11,016.51	1,013.53
Short term purchases/UI Trading	700.50	1975.69	1275.19
Total	10,703.48	12,992.2	2,288.72

4. There is overall increase in the per unit cost of energy purchased due to the following:

- a) The PGCIL Transmission charges have increased by 95% to Rs.1016.23 Crores, when compared to the approved cost of Rs. 520.23 Crs.
 - b) In the Tariff Order 2017, while approving ARR for FY 18, the per unit cost of the energy purchased from co-generation plants under medium term was considered at Rs 3.47 per unit as an interim tariff. The actual cost per unit of energy increased to Rs.4.46/unit consequent to the determination of the final tariff for the said medium term power purchase.
 - c) The power from the new thermal projects like Kudgi STPS, BTPS Unit-3 and YTPS was considered as infirm power. The actual cost per unit of energy increased, consequent to achievement of Commercial Operation of these thermal plants due to applicability of preferential tariff, the final tariff for these plants is yet to be determined.
 - d) The increase in power purchase quantum, the change in the source-wise mix of supply and the reconciliation of energy and its cost among ESCOMs, have resulted in increase in average power purchase cost of BESCOM.
5. **The Commission notes an abnormal contribution from the State towards payment of PGCIL transmission charges. Due to this there will be a substantial financial impact, resulting in an increase in the retail supply tariff to the end consumers. The Commission, therefore, directs ESCOMs/PCKL to take appropriate action immediately, to resolve the issues with the appropriate authorities regarding the PGCIL transmission tariff. Henceforth, ESCOMs/PCKL shall constitute a dedicated team, which studies the pros and cons of any methodologies/amendments proposed to PGCIL's Transmission tariff or in any such other relevant matters, and shall effectively communicate the same to the concerned authorities, at the draft stage itself. The Commission will not allow such tariff in future, if it considers that the ESCOMs/PCKL have not taken effective and prompt steps to ensure that the PGCIL's transmission tariff is fair and equitable to the State.**
6. **In the circumstances explained above, the Commission hereby decides to approve the actual power purchases of 31216.71 MU at a cost of Rs 15123.21 Crores, for the purpose of Annual Performance Review for FY18.**

4.2.4 RPO Compliance for FY18:

1. BESCOM in its petition has furnished the details of RPO compliance for solar and non-solar RPO for 2017-18 as shown in the following Table:

TABLE-4.8

BESCOM's RPO Compliance for FY18

Particulars	Million Units
Power purchase at Generating. Bus	31,216.71
RPO	-
Non-Solar energy to be procured at 12%	3,746.01
Solar energy to be procured (at 2.75%)	858.46
Compliance	-
Non-Solar energy procured	3,433.98
Solar energy procured	1,207.91

2. BESCOM has stated that as per actual the Solar RPO achieved is in excess by 399.28 MU and that shortfall of 312.03 MU in Non-solar RPO is met by excess Solar energy purchased and therefore, it has complied with the both solar & Non-Solar RPOs for FY18.
3. The Commission in its preliminary observations had noted that, as per D-1 Format, the Non-solar energy purchased is 3489.26 MU, whereas for RPO it is indicated as 3489.06 MU and that the solar energy purchased is 1208.74 MU, whereas for RPO it is indicated as 1207.91. Hence BESCOM was directed to reconcile the data and also to consider energy procured from Shimsha Generating Station for Non-solar RPO compliance. 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 submitted that there was a typographical error in RPO data of FY18 and has furnished the revised details of Non-Solar and Solar RPO compliance for FY18 as indicated in the following Table:

TABLE-4.9
Compliance of Non-solar RPO for FY18

Sl. No.	Particulars	Quantum in MU	Cost Rs. Crores
1	Total Power purchase from all sources Excluding hydro sources	29,439.30	14,962.63
2	Non-solar Renewable energy purchased under PPA route at generic tariff including Non-solar RE purchased from KPCL	3,507.60	1,311.71
3	Non-solar Short term purchase from RE Sources excluding Sec. 11 Purchase	-	-
4	Non-solar Short term purchase from RE Sources under Sec. 11 of EA, 2003	-	-
5	Non-solar RE purchased at APPC	-	-
6	Non-solar RE pertaining to green energy sold to consumers under green tariff	-	-
7	Non-solar RE purchased from other ESCOMs	-	-
8	Non-solar energy sold to other ESCOMs	-	-
9	Non-solar RE purchased from any other source like banked energy purchased at 85% of generic tariff	9.34	29.70
10	Total Non-Solar RE Energy Purchased	3,516.94	1,341.41
11	Non-Solar RE accounted for the purpose of RPO including Excess solar (2+9)	3,516.94	1,341.41
12	Non-solar RPO complied in % (No. 11/No. 1)*100	11.95	-

TABLE-4.10
Compliance of Solar RPO for FY18

Sl. No.	Particulars	Quantum in MU	Cost Rs Crores
1	Total Power purchase from all sources excluding hydro sources	29,439.30	14,962.63
2	Solar energy purchased under PPA route at generic tariff including Non- Solar energy purchased from KPCL	1,008.34	591.89
3	Solar Short term purchase from RE Sources excluding Sec. 11 Purchase	-	-
4	Solar Short term purchase from RE Sources under Sec. 11 of EA, 2003	-	-
5	Solar energy purchased at APPC	-	-
6	Solar energy pertaining to green energy sold to consumers under green tariff	-	-
7	Solar energy purchased from other ESCOMs	-	-
8	Solar energy sold to other ESCOMs	-	-
9	Solar energy purchased from NTPC (or others) as bundled power	200.40	139.45

Sl. No	Particulars	Quantum in MU	Cost Rs Crores
10	Solar energy purchased from any other source like banked energy purchased at 85% of generic tariff	2.26	8.39
11	Total solar energy purchased (2+9+10)	1,211.00	739.73
12	Solar energy accounted for the purpose of RPO	1,211.00	-
13	Solar RPO complied in % (No, 12/No. 1)*100	4.11	-

As per the APR, the Commission has approved power purchase quantum of 29439.29 MU (31216.71-1744.21-42.84-8.71+18.34), excluding procurement from hydro sources, based on the audited accounts. The details of Non-solar energy procured is indicated below:

Energy in Million Units	
Co-generation (Power Purchase)	574.64
Mini Hydel	342.54
Wind power projects incl. KPCL	2,508.20
Bio mass	63.88
Shimsha	18.34
Less Previous year FY17 adjustment as per TO 2018	-40.71
Banked energy purchased	9.34
Non-solar Total	3,476.23

Regarding the Non-Solar RPO, considering the input energy (excluding procurement from hydro sources) of 29439.29 MU, the Non-solar RPO target at 12.00% works out to 3,532.71 MU. BESCOM has purchased 3,476.23 MU of Non-solar energy. The Commission had considered 40.71 MU out of the 136.63 Non-Solar energy purchased during April, 2017 for meeting the shortfall in Non-solar RPO of FY17, as the prevailing Regulations specified that any obligated entity may meet its RPO for any financial year before 31st May of the immediate following financial year, which is deducted as indicated in the table above. Thus, there is a shortfall of 56.48 MU in meeting the Non-solar RPO. As per the KERC (Procurement of Energy from Renewable Sources) (Fifth Amendment) Regulations, 2017, the shortfall of 56.48 MU is set off against surplus of Solar energy of 401.42 MU. Therefore, the Commission holds that BESCOM has met its Non-Solar RPO target of 12% for FY18, in terms of the prevailing Regulations.

Regarding the Solar RPO, considering the input energy (excluding procurement from hydro sources) of 29,439.29 MU, the Solar RPO target at 2.75% works out to 809.58 MU. BESCOM has purchased 1211.00 MU of Solar energy including 2.26 MU of banked energy purchased. Thus, BESCOM has purchased 401.42 MU excess solar energy beyond the target specified. Therefore, the Commission holds that BESCOM has met its Solar RPO target of 2.75% for FY18, 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.1627.47 Crores as against the approved O & M expenses of Rs.1486.60 Crores for FY18. As per the audited accounts, the BESCOM has incurred O & M expenses of Rs.1498.40 Crores as detailed in the following Table:

TABLE – 4.11
BESCOM's O&M Expenses for FY18

Amount in Rs. Crores	
Repairs & Maintenance expenses	82.72
Employee Expenses	1,118.43
A&G expenses	297.25
O&M expenses	1,498.40

The BESCOM has requested the Commission to consider indexation ratio of CPI: WPI at 78:22 based on the actual expenditure incurred in respect of Repairs and Maintenance, Employee Cost and A & G expenses ratios, as against the ratio of 55:45 as followed by the CERC and the ratio of 80:20 considered by the Commission for the previous control period. Accordingly, BESCOM has worked out the weighted inflation rate at 8.23% and has arrived at the normative O&M expenditure after factoring in the compounded annual growth rate (CAGR) for number of consumers at 5.99%, computed based on the consumer growth as per actuals for the period FY15 to FY18, with the base year adjusted O&M expenses of Rs.1297.83 Crores for FY17. The BESCOM has projected the normative O&M expenses as follows:

TABLE – 4.12**Normative O & M Expenses – BESCOM's submission**

Particulars	FY18
3- year Consumer growth rate as per actual (CGI) (FY15 to FY18)	5.99%
Weighted Inflation Index (WII)	8.23%
O&M Cost of FY17 as per APR (base year) in Rs. Crores (Adjusted).	1,297.83
O&M Index= O&M (t-1)*(1+WII+CGI-X) in Rs. Crores.	1,469.42

Further, the BESCOM has claimed that, as per audited accounts, it has included additional O&M expenses of Rs.158.04 Crores as uncontrollable expenditure towards pay revision arrears and the additional contributions of terminal benefits to the Pension and Gratuity Trust. Thus, the BESCOM has claimed uncontrollable O&M expenditure of Rs.158.04 Crores over and above the normative O&M expenses of Rs. 1,469.42 Crores. The total O&M expenses claimed by the BESCOM for FY18 is Rs. 1,627.46 Crores.

Commission's analysis and decisions:

The Commission in its Tariff Order dated 11th April, 2017 had approved O&M expenses inclusive of contribution to the P&G Trust for FY18 as detailed below:

TABLE – 4.13
Approved O&M Expenses for FY18

Particulars	FY18
No. of installations	1,12,48,009
Weighted Inflation Index	7.71%
CGI based on 3 Year CAGR	6.00%
Base year expenses (as per actuals of FY16) in Rs. Crores.	1,167.38
Approved O & M expenses for FY17	1,318.98
Total Approved O&M Expenses for FY18– in Rs. Crores	1,486.60

The Commission in its preliminary observations had noted that the BESCOM, had computed the O&M expenses by proposing change in the CPI and WPI ratios, from the approved ratios of 80:20 to 78:22. The expenditure considered in arriving at the ratio's as shown in Table 4.15 of the tariff petition was different from the actual expenditure booked as per the audited accounts for FY18. Thus, BESCOM was directed to furnish the correct details and also to furnish the

actual amount of additional employee cost incurred towards payment of pay revision arrears for the period from 01.04.2017 to 31.03.2018, for having claimed Rs.158.04 Crores as an additional employee cost for FY18.

The Commission had also noted that, the BESCOM had claimed additional employees cost of Rs.206.79 Crores towards the Terminal Benefits in format D6. However, as per the audited accounts, an amount of Rs.191.79 Crores is booked as Terminal Benefit under employee cost. Hence, BESCOM was directed to furnish the correct amount with computation sheet and the relevant Actuarial Valuation Report thereof, duly considering the actual figures as per audited accounts for FY18.

The BESCOM, in its replies, furnishing the details, has requested the Commission to consider:

- a. the O & M expenses as per table-3.15 of the tariff petition, as some of the expenses which are separately approved as per the regulatory formats, were included under other expenditure head of account as per the audited accounts.
- b. the actual additional employee cost incurred towards payment of pay revision arrears for the period from 01.04.2017 to 31.03.2018 as Rs.167.08 Crores
- c. Terminal benefit expenses as computed at the ratio of total expenditure of FY17.

The Commission notes that BESCOM has not submitted the Actuarial Valuation report as directed, to arrive at the terminal benefit expenses. However, the Commission has considered the ratio of contribution towards pension and gratuity to the P & G Trust, as per the orders issued by the P & G Trust, on the basis of the relevant Actuarial Valuation report. 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.

In accordance with the methodology adopted while approving 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 and Industries, Government of India (GoI) and Consumer Price Index (CPI) as per the data available from the Labour Bureau, Government of India (GoI), 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 FY18 as shown in the following Table:

TABLE-4.14
Allowable Inflation for FY18

Year	WPI	CPI	Composite Series	Yt/Y1=Rt	Ln Rt	Year (t-1)	Product [(t-1)* (LnRt)]
2006	70.2	122.9	112.36				
2007	73.6	130.8	119.36	1.06	0.06	1	0.06
2008	80.0	141.7	129.36	1.15	0.14	2	0.28
2009	81.9	157.1	142.06	1.26	0.23	3	0.70
2010	89.7	175.9	158.66	1.41	0.35	4	1.38
2011	98.2	191.5	172.84	1.54	0.43	5	2.15
2012	105.7	209.3	188.58	1.68	0.52	6	3.11
2013	111.1	232.2	207.98	1.85	0.62	7	4.31
2014	114.8	246.9	220.48	1.96	0.67	8	5.39
2015	110.3	261.4	231.20	2.06	0.72	9	6.49
2016	110.3	274.3	241.50	2.15	0.77	10	7.65
2017	114.1	281.2	247.78	2.21	0.79	11	8.70
A= Sum of the product column							40.23
B= 6 Times of A							241.40
C= (n-1)*n*(2n-1) where n= No of years of data=12							3,036.00
D=B/C							0.08
g(Exponential factor)= Exponential (D)-1							0.0828
e=Annual Escalation Rate (%)=g*100							8.2760

While determining the normative O & M expenses for FY18, the Commission has considered the following aspects:

- The actual O & M expenses as per the audited accounts for FY16 as the base year expenses and the approved normative O & M expenses for FY17, excluding contribution to Pension and Gratuity Trust.

- b) The three year compounded annual growth rate (CAGR) 5.99% of the number of installations considering the actual number of installations as per the audited accounts up to FY18.
- c) The weighted inflation index (WII) at 8.276% as computed above.
- d) Efficiency factor at 1% as considered in the earlier control periods.

Thus, the normative O & M expenses for FY18 will be as shown in the following Table:

Particulars	FY18
No. Of Installations	1,12,44,760
CGI based on 3 Year CAGR	5.99%
Inflation index	8.2760%
Base Year O&M Cost excluding contribution to P & G Trust (FY16 as per actuals, (Rs. In Crores)	1,017.15
Approved O & M expenses without contribution to P & G Trust for FY17 (Rs. In Crores)	1,154.68
O&M Index= O&M (t-1)*(1+WII+CGI-X) (Rs. In Crores)	1,307.83

The above normative O & M expenses have been computed without considering the contribution to the Pension and Gratuity Trust. The additional amounts towards Pay revision arrears and contribution to P & G trust are discussed below:

- i. BESCOM has included Rs.158.04 crores as an additional employee cost for FY18 towards pay revision arrears from 01.04.2017 to 31.03.2018. BESCOM in its replies has informed that against its claim for additional O & M expenses of Rs.158.04 Crores, an amount of Rs. 129.63 Crores is the provision made for payment of pay revision arrears payable from 01.04.2017 to 31.03.2018, which is included under salaries head of accounts, under employee cost and Rs.28.41 Crores towards pension and gratuity contribution to P & G Trust on account of pay revision and revision of contribution rates, which is already accounted under Terminal Benefit, under employee cost, as per audited accounts for FY18. The Commission notes the Order issued by the KPTCL on the revision of pay to the employees of KPTCL/ESCOMs, is effective from 1st April, 2017.

Accordingly, the Commission decides to consider to allow Rs.129.63 Crores as an additional employee cost towards pay revision for FY18, to enable BESCOM to meet the employee cost.

- ii. BESCOM, as per its audited accounts has booked an amount of Rs.191.79 Crores towards Contribution to Pension and Gratuity Trust for FY18. The Commission notes that, as per the replies furnished by BESCOM, this amount also includes Rs. 28.41 Crores being the additional contribution required to be made on account of revision of pay and also revision of contribution rates as per actuarial valuation report.

Thus, 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.

Based on the above, the allowable O&M expenses for FY18 are indicated in following Table:

TABLE – 4.15
Allowable O & M Expenses for FY18

Amount in Rs. Crores		
Sl. No.	Particulars	FY18
1	Normative O & M expenses	1,307.83
2	Additional employee cost (uncontrollable O & M expenses) towards contribution to P & G trust	191.79
3.	Additional employee cost (uncontrollable O & M expenses) towards revision of pay	129.63
Allowable O & M expenses for FY18		1,629.25

The Commission notes that as per the audited accounts, the actual O & M expenses inclusive of additional O & M expenses of Terminal Benefits and revision of pay, is Rs. 1498.40 Crores for FY18. The allowable O & M expenses of Rs.1629.25 Crores for FY18 computed as above is more than the actual total O & M expense by Rs.130.85 Crores. The Commission also notes that the additional O& M expense on account of revision of pay of Rs. 129.63 Crores is already included in the salary item of expenditure. Without allowing the same and considering the normative O & M expenses and the Contribution

to P & G trust, which is inclusive of Rs. 28.41 Crores as brought out in the above para, Rs. 1499.62 Crores is sufficient to meet the actual O & M expenses, inclusive of revision of pay and contribution to P&G trust (terminal benefits) of Rs. 1498.40 Crores for FY18. The Commission, in its earlier Orders, has been consistently stressing the need to control the controllable O&M expenses and opines that allowing O&M expenses, beyond the actual amount of O&M expenses incurred and accounted in the audited accounts, will burden the end consumers if made a part of retail supply tariff, to be approved for FY20.

Thus, the Commission decides to limit the expenses to the actuals and allow Rs. 1,499.62 Crore as the allowable expenses for FY18.

4.2.6 Depreciation:

BESCOM's Submission:

BESCOM in its application has claimed an amount of Rs.429.87 Crores as depreciation after deducting an amount of Rs.143.17 Crores being the depreciation amount on the assets created out of consumers' contribution / grant withdrawn as per Indian Accounting Standards (AS) – 20 as detailed below:

TABLE – 4.16
Depreciation for FY18 – BESCOM's Submission

Particulars	Rs. Crores	
	Approved	Actual
Buildings	4.94	8.18
Civil Works	0.23	0.26
Other Civil works	0.06	0.07
Plant & Machinery	146.77	142.12
Line, Cable Network	385.26	417.67
Vehicles	1.35	1.42
Furniture	0.71	0.76
Office Equipment	0.80	0.67
Intangible assets/Released materials	0.12	1.89
Sub Total	540.24	573.04
Depreciation Withdrawn	-166.35	-143.17
Total	373.89	429.87

The BESCOM has requested the Commission to allow the above depreciation amount for FY18.

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 FY18 has been determined by the Commission duly considering the value of assets as per the audited accounts as shown in the following Table:

TABLE – 4.17
Allowable Depreciation for FY18

Particulars	Amount in Rs. Crores		
	FY17	FY18	
	Closing Balance of Asset as on 31.03.2017	Closing Balance of Asset as on 31.03.2018	Depreciation
Buildings	155.96	183.70	8.18
Civil works	4.83	5.17	0.26
Other Civil works	1.91	2.90	0.07
Plant & M/c	2,297.26	2,589.05	142.12
Line, Cable Network	7,872.41	9,039.69	417.67
Vehicles	25.48	25.44	1.42
Furniture	15.01	17.21	0.76
Office Equipment	14.44	15.70	0.67
Released assets reused & depreciation	47.75	65.82	1.89
Intangible Assets	9.23	18.63	0.00
Sub Total:	10,444.28	11,963.31	573.04
Less Depreciation on Assets from Consumer Contribution			-143.17
Total	10,444.28	11,963.31	429.87
Land and Rights	10.52	10.92	0.00
	10,454.80	11,974.23	429.87

Considering the opening and closing balance of gross blocks of fixed assets for FY18 and the depreciation as per audited annual accounts, the weighted average rate of depreciation works out to 5.11%.

As per the audited accounts for FY18, an amount of Rs.143.17 Crores towards depreciation on assets created out of consumer's contribution and grants on actual basis has been considered for computation of allowable depreciation for FY18.

Accordingly, the Commission decides to allow the actual net depreciation of Rs.429.87 Crores for FY18.

4.2.7 Capital Expenditure for FY18:

A. Annual Performance Review for FY18:

The BESCOM, in its application for APR for FY18, has indicated a capital expenditure of **Rs 1979.01 Crores**. The capital expenditure of **Rs 1979.01 Crores** for FY18 is against the Commission approved capex of Rs 3272.32 Crores for the FY18. The BESCOM has furnished the breakup of category-wise expenditure of Rs.1979.01 Crores for FY18 as shown in the following Table:

TABLE-4.18
Capital expenditure of the BESCOM for FY18

Sl. No.	Head of Works	Approved by KERC on 16.10.2017 (Rs. in Crores)	Actual Expenditure (Rs. in Crores)	% of Approved amount utilized
1	Ganga Kalyana Works	75.76	119.13	157%
2	Water Works	47.73	80.58	61%
3	Service connection works	85.20		
4	SDP Works	44.77	Utilized under 11 KV evacuation, providing additional DTC, Strengthening of HT/LT network etc.	100%
5	Providing Infrastructure to Unauthorized IP sets	420.00	240.70	57%
6	NJY	459.89	425.65	93%
7	DDUGJY	150.00	9.55	6%
8	IPDS	290.00	105.70	36%
9	RGGVY 12th Plan	42.00	54.56	130%
10	DAS	60.04	23.74	40%
11	DSM	81.42	9.01	11%
12	RAPDRPA	42.86	48.31	113%
13	11kV new lines/Link lines	97.10	102.47	106%
14	Providing additional DTC's / Enhancement of DTCs	73.15	42.94	59%
15	Strengthening of HT Circuit using Conductor/UG cable/ Covered Conductor/AB Cable	120.57	81.90	68%

Sl. No.	Head of Works	Approved by KERC on 16.10.2017 (Rs. in Crores)	Actual Expenditure (Rs. in Crores)	% of Approved amount utilized
16	Strengthening of LT circuit using Conductor/UG cable/AB cable	122.22	86.88	71%
17	Local planning, safety, Emergency, Natural Calamity	163.77	124.52	76%
18	Meters	109.00	45.18	41%
19	HVDS	175.00	147.76	84%
20	One time maintenance	10.00	9.22	92%
21	Erection of distribution transformer centers using 11 metres. Spun Poles	50.00	11.38	23%
22	Smart Grid	0.15	0.06	38%
23	Civil Engineering Works	85.39	34.93	41%
24	IT Initiative	66.58	13.61	20%
25	TIC	5.02	1.34	27%
26	Auto reclosure	50.00	0.00	0%
27	Model Sub Division	300.00	0.00	0%
28	Corporate office reserve fund	44.70	159.89	358%
Total		3,272.32	1,979.01	60%

Commission's Analysis and Decision:

The Commission notes that after the issue of the Tariff Order 2017 on 11.04.2017, the BESCOM had approached the Commission for approval of revised capex to an extent of Rs. 3,272.32 Crores as against the originally approved capex of Rs.967.30 Crores for FY18, for implementation of various Government of India/ Government of Karnataka Schemes, System improvement works including concept of Model Subdivisions in BMAZ and to provide 11 kV Auto Recloser (LRC) and Sectionalisers (LBS). The Commission, after detailed examination, had approved a revised capex of Rs. 3,272.32 Crores for the FY18 on 16.10.2017. Though, the BESCOM had sought approval for an ambitious capex of Rs. 3,272.32 Crores for FY18, it could achieve capex of only Rs. 1,979.01 Crores (60%) for the FY18. This shows that, the BESCOM's planning, monitoring and execution of its capex is not properly managed and BESCOM is not complying with the 'Capital expenditure guidelines' issued by the Commission.

The approved amount for E & I works has not been fully utilized. In the case of ToD metering, the BESCOM has stated that, it has reprogrammed 2,236 nos. of installation meters out of 2,314 nos., and that balance 68 nos. could not be programmed due to compatibility issues. However, there is

mismatch in the above said total no. of installations. During the Review meeting held on 16.11.2018, BESCOM submitted that there are 2,349 total nos. of installations and remaining 113 nos. are yet to be reprogrammed. It was stated that the BESCOM has re-invited tenders for this work and financial evaluation is under progress. The Commission directs BESCOM to complete the process of tendering for this work and ensure 100% ToD metering, which will help in improving the ToD billing and thus increase its revenues.

Considering the progress achieved in DTC metering, the Commission is of the view this work is far from being satisfactory. It notes that out of 167144 numbers of DTCs (excluding DTCs feeding IP sets and independent Water supply installations), 1,15,693 have been metered. Out of the balance of 51,451 DTCs, BESCOM has furnished action plan for metering only 1024 number of DTCs. Therefore, the Commission, hereby, directs BESCOM to complete the metering of remaining 51,451 DTCs, latest by 30.09.2019 and report the status to the Commission on a quarterly basis. Further, it should be ensured that the meters already fixed are operational through periodical testing and calibration wherever necessary.

In the preliminary observations made by Commission, the BESCOM was directed to explain the reasons for the shortfall of the expenditure booked against the approved amounts in the total Capex programme for FY18.

The BESCOM in its replies has furnished the reasons stating that the repeated tenders were floated to finalize the awarding of works due to poor response for the tenders, delay in execution of the works due to Right of Way (RoW) problems, litigations, standing crops, objections by the public etc., and that bills were not submitted by the firm/agencies in certain cases for asset categorization, even though physical progress had been achieved. It is stated that the remaining works which are under progress during the current financial year, would be taken up in the subsequent financial year as spill over works. The Commission directs, the BESCOM to complete the works within the time schedule, to avoid time and cost overruns.

The Commission notes that, the capex approved for FY18 also includes works which are to be taken up with grants, own fund, loan and internal resources. The progress of works taken up under grants, own fund, loan and internal resources is only 60% during FY18. The delay in implementing these projects would deny BESCOM the benefits of Grants and BESCOM may lose the grants also, resulting in time overruns and cost overruns. Hence, to take advantage of the above benefits, the Commission directs the BESCOM to complete the works under grants, with utmost priority.

The utilization of capex in respect of important schemes like DAS, DSM, Smart grid and works like Auto reclosure, Model subdivision, for which additional budget was sought, is not satisfactory. The Commission reiterates its direction to complete these works within reasonable time.

The reasons provided for shortfall in respect of providing electrical infrastructure to regularize the unauthorized IP sets, DDUGJY and IPDS Schemes, shows that BESCOM is not planning these works as per the 'Capital expenditure Guidelines for ESCOMs'.

Further, Commission had directed BESCOM to submit the physical progress as well as financial progress in respect of all the above said works along with time lines for completion. However, BESCOM has requested Commission for relaxation on the same, which is not justifiable, as physical and financial progress of each and every work is required to be monitored even internally on a regular basis. Therefore, the Commission directs BESCOM to submit the same to the Commission without fail, within a month of the issue of this Order.

The Commission, after reviewing the capex achieved by BESCOM for FY18, and the explanations furnished, decides to allow the capex of Rs. Rs 1979.01 Crores subject to submission of physical and financial progress of the above said works within a one month from date of issue of this Order. The Commission has entrusted the work of carrying out prudence check of capital expenditure for FY17 & FY18 to the Consultants. On receipt of final report in this regard, the Commission will take a view on disallowance of the costs associated with imprudent works.

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.343.08 Crores towards interest on capital loans drawn from banks / financial institutions. The details of interest on capital loans claimed by the BESCOM are as shown in the following Table:

TABLE – 4.19
Interest on Capital Loans- BESCOM's Submission

Amount in Rs. Crores	
Particulars	FY18
Opening balance of the capital Loans	4,016.84
Add: New Loans availed	424.72
Less: Repayments of Loans	-263.30
Closing balance of capital loans	4,178.26
Average loan for the year	4,097.55
Weighted Average Rate of Interest	8.37%
Interest on long term loans	343.08

BESCOM has requested the Commission to allow an amount of Rs.343.08 Crores towards interest on capital loans for FY18.

Commission's analysis and decisions:

The Commission, in its preliminary observations, had noted that the opening and closing balance of long term loans, new borrowings and repayments figures furnished in Table 3.23 does not match with the figures as per the audited accounts for FY18. Hence, BESCOM was directed to furnish the D-9 Format for each year from FY18 (actual) to FY22 separately, by considering the amount of current maturities of long term debts, duly matching the figures with the audited accounts for FY18, including bank-wise / financial institution-wise opening balance, receipt, repayment, interest rate, term of the loans, purpose of availing the loan, interest amount and the closing balances of the loans.

BESCOM in its replies has furnished the revised data of short-term loans and long-term loans which has been considered by the Commission.

The Commission has considered the opening and closing balances of long term capital loans as per the audited accounts for FY18 and repayments/new loans as per format D9 of the Tariff application are as shown in the following Table:

TABLE – 4.20
Allowable Interest on Capital Loans – FY18

Amount in Rs. Crores	
Secured Loans	3,660.60
Unsecured Loans	430.92
Total	4,091.52
Add: new Loans borrowed	523.29
Less: Repayments	263.30
Total loan at the end of the year	4,351.51
Average Loan	4,221.51
Interest paid on long term loans as per schedule 22	343.27
Weighted average rate of interest based on the actual interest paid on long term loans	8.13%
Interest Rate allowed	8.13%
Interest Allowed	343.27

Considering the average loan of Rs.4221.51 Crores and an amount of Rs.343.27 Crores incurred towards interest on long term capital loans, the weighted average interest works out to 8.13% which is comparable with the prevailing interest rates.

Thus, the Commission decides to allow Rs.343.27 Crores towards interest on capital loan for FY18.

b) Interest on Working Capital:

BESCOM's Submission:

The BESCOM has submitted the details of short term loans/overdraft borrowed during the year FY18 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.1608.90 Crores and Rs.1714.34 Crores respectively and the total opening and closing balances of overdraft at Rs.2172.91 Crores and Rs.2050.38 Crores respectively for FY18. The actual

interest on short term loan and overdraft is indicated as Rs.311.53 Crores and the weighted average rate of interest on short term loan is 7.46% and overdraft is 8.89% per annum.

In accordance with the provisions of the MYT Regulations, the BESCOM has computed the normative interest on working capital, at Rs.352.21 Crores at an interest rate of 12.10% p.a. for FY18, 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 - BESCOM's Submission

Particulars	Rs. Crores
	FY18
One-twelfth of the amount of O&M Expenses	135.66
Stores, materials and supplies at 1% of Opening balance of GFA	104.46
One-sixth of the Revenue	3,007.01
Total Working Capital	3,247.13
Rate of Interest (% p.a.)	12.10%
Interest on Working Capital	392.90
Actual Interest incurred for FY-18	311.53
50% of the difference of interest incurred and interest on normative basis	40.68
Normative Interest on Working capital	352.21

Commission's analysis and decisions:

The Commission in its preliminary observations had directed BESCOM to furnish the details of both short-term loans and overdraft balance in line with the long term loans, duly tallying the figures with the audited accounts for FY18.

BESCOM in its replies has furnished the above details which is appropriately considered by the Commission.

As per the audited accounts, the BESCOM has incurred interest of Rs.311.53 Crores on short term borrowings and Overdrafts during FY18.

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. For both the short term loans and the overdraft availed by BESCOM, the weighted average rate of

interest is 8.25% for FY18. However, for computation of normative interest on working capital, as per the provisions of the MYT Regulations, the Commission decides to consider the interest rate of 11.00% as considered while approving the ARR, by considering base/MCLR rate with a spread of 250 basis points for FY18. 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 FY18 as follows:

TABLE – 4.22
Allowable Interest on Working Capital for FY18

Particulars	Rs. Crores
	FY18
One-twelfth of the amount of O&M Exp.	124.97
Opening GFA	10,454.80
Stores, materials and supplies 1% of Opening balance of GFA	104.55
One-sixth of the Revenue	3,007.01
Total Working Capital	3,236.53
Rate of Interest (% p.a.)	11.00%
Normative Interest on Working Capital	356.02
Actual Interest on Working Capital	311.53
50% of the difference of interest incurred and interest on normative basis	22.24
Allowable Interest on Working Capital	333.77

Since the actual interest on working capital is less than the normative interest on working capital, the Commission, as per the provisions of the MYT Regulations, decides to allow the actual interest on working capital plus 50% of the difference between normative interest on working capital and the actual interest on working capital.

Thus, the Commission decides to allow Rs. 333.77 Crores towards interest on working capital for FY18.

c) Interest on Consumer Deposits:

BESCOM's Submission:

BESCOM has claimed an amount of Rs.231.00 Crores towards payment of interest on consumer security deposits for FY18 as per the following Table:

TABLE – 4.23
Interest on consumer security deposits for FY18
BESCOM Submission

Particulars	Rs. Crores
	FY18
Opening balance of Consumer Deposits	3,623.01
Closing balance of consumer deposits.	3,972.66
Average Consumer deposit for FY18	3,797.84
Interest on consumer deposits claimed	231.00

Commission's analysis and decisions:

The Commission in its preliminary observations had noted that the figure indicated in the Table 3.26 do not match with the figures indicated in the pre-audited accounts for FY18. Hence, BESCOM was directed to recast and submit the same to the Commission.

BESCOM in its replies has informed that the Profit and Loss statement indicates Rs. 195.15 Crores instead of Rs. 231 Crores that the difference of Rs.35.85 Crores is restated balance of prior period income significantly not pertaining to interest on consumer deposit alone and there are certain items like bonus & OSL provisions which are clubbed and netted off and balance of Rs. 195.15 Crores is depicted in accounts.

The Commission notes the reply furnished by BESCOM. As per the audited accounts, the actual opening and closing balance of consumer security deposits for FY18 is Rs.3501.10 Crores and Rs.3805.86 Crores respectively. The actual interest on consumer security deposits factored in the audited accounts of the BESCOM is Rs.195.15 Crores for FY18. The interest on consumer security deposits amounting to Rs.195.15 Crores claimed by the BESCOM as per the audited accounts for FY18 works out to a weighted average rate of interest of 5.34%.

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, 2017 was 6.75%. The actual weighted average rate of interest is below the applicable bank rate.

Thus, the Commission decides to allow an amount of Rs.195.15 Crores being the actual interest on consumer security deposits for FY18.

d) Other Interest and Finance charges:

The BESCOM has claimed an amount of Rs.22.52 Crores towards other interest and finance charges for FY18 which includes charges payable to banks / financial institutions, guarantee commission payable to GoK and the stamp duty charges.

The Commission notes that, as per the audited annual accounts, the interest of Rs. 0.71 Crores, on security deposit from staff interest paid to Service Tax department of Rs. 9.63 Crores and the bank charges of Rs. 9.60 Crores, is not the finance charges incurred while availing the capital / working capital loans during FY18. This amount is booked under other operative expenses and the Commission has considered the same as administrative and general expenses under O&M expenses. the Commission, as per the audited accounts has considered the other interest and finance charges as per the following Table:

TABLE- 4.24
Allowable other Finance Charges for FY 18

Particulars	Amount in Rs. Crores	
		FY18
Guarantee Commission to GoK		1.98
Stamp duty		0.60
Total		2.58

Thus, the Commission allows an amount of Rs. 2.58 Crores towards other finance charges.

e) Capitalization of Interest and other expenses:

The BESCOM in its application has claimed, as per the audited accounts, an amount of Rs.92.83 Crores towards capitalization of interest on loan and other operation and maintenance expenses for FY18. The Commission notes that, BESCOM in its audited accounts, has capitalized interest on capital loan of Rs. 61.27 Crores, R&M expenses of Rs. 0.03 Crores, employee expenses of Rs. 7.80 Crores and administrative and general expenses of

23.76 Crores for FY18. Hence, the Commission decides to consider interest and other expenses capitalized at Rs. 92.86 Crores for FY18.

Thus, the total allowable interest and finance charges for FY18 are as shown in the following Table:

TABLE – 4.25
Allowable Interest and Finance Charges

Amount in Rs. Crores		
Sl. No	Particulars	FY18
1	Interest on Loan capital	343.27
2	Interest on working capital	333.77
3	Interest on consumer deposits	195.15
4	Other interest and finance charges	2.58
5	Less: interest and other expenses capitalized	-92.86
6	Net Interest and Finance Charges	781.91

4.2.9 Other Debits:

BESCOM's Submission:

BESCOM, in its application has claimed an amount of Rs. -2.38 Crores towards other debits as detailed below:

TABLE – 4.26
Other Debits-BESCOM's Submission

Rs. Crores		
Sl No	Particulars	FY18
1	Small and Low value items written off	0.04
2	Losses/gains relating to Fixed assets	-7.25
3	Assets decommissioning cost	0.18
4	Bad debts written off	0.24
5	Miscellaneous losses and write offs	0.45
6	Material cost variance	3.96
	Total	-2.38

Commission's analysis and decisions:

The Commission notes that as per the audited accounts for FY18, an amount of Rs. 4.87 Crores including the material cost variance, bad debts written off, small and low value items written off, miscellaneous losses written off and asset decommissioning cost have been factored as other operating

expenses. The other items of expenses claimed by BESCOM are factored under other income.

Therefore, the Commission decides to consider an amount of Rs.4.87 Crores as other debits for FY18.

4.2.10 Return on Equity:

BESCOM's Submission:

BESCOM in its application has claimed Return on Equity of Rs.132.98 Crores as against the approved RoE of Rs.76.70 Crores for FY18, on the opening balance of equity amount consisting of share capital, share deposit, accumulated surplus and recapitalized security deposit and on the equity amount received during the year, as detailed below:

TABLE – 4.27
Return on Equity – BESCOM's Submission

Particulars	Rs. Crores
	FY18
Opening Equity	546.91
Share deposit	464.58
Less: Consumer meter security deposit capitalized	-54.81
Equity addition during the year	191.84
Reserves and surplus	-290.56
Closing equity for the year	857.96
Return on equity @ 15.50%	132.98

Commission's analysis and decisions:

i. Debt-Equity Ratio Vis-à-vis Gross Fixed Assets:

The opening and closing balances of gross fixed assets along with break-up of equity (Net worth) and capital loan component details for FY18 as per actual data as per the audited accounts are indicated in the following Table:

TABLE – 4.28
Status of Debt Equity Ratio for FY18

	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	10,454.80	4,091.52	620.94	7,318.36	3,136.44	39.14	5.94
Closing Balance	11,974.23	4,221.51	1,103.55	8,381.96	3,592.27	35.25	9.22

From the above table, it is evident that the ratio of debt and equity are within the normative limits (in the debt equity ratio of 70:30) on the opening and closing balances of GFA for FY18.

ii. Return on Equity (RoE):

The Commission notes that, as per Clauses 3.9, 3.6.1 and 3.6.2 of the MYT Regulation, the RoE shall be allowed on the opening balance of net worth of the licensee. The claims made by the BESCOM, by considering the total amount of additional equity of Rs. 191.84 Crores infused by the GoK during FY18, at different dates, is not in line with the MYT Regulations.

Accordingly, as per the prevailing MYT Regulations, and as has been done in the previous Tariff Orders, the 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, the Commission has provided the return on equity on pro-rata basis as per the provisions of the MYT Regulations.

As per the KERC (Terms and Conditions for Determination of Distribution and Retail Supply 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 FY18 is determined as indicated in the following Table:

TABLE – 4.29
Allowable Return on Equity

Amount in Rs. Crores	
Particulars	FY18
OB: Paid Up Share Capital	546.92
OB: Share Deposit	464.58
OB: Reserves and Surplus	-290.56
Less: Recapitalized Security Deposit	-100.00
Total opening balance of Equity	620.94
RoE at 15.50%	96.24

Considering the total equity of Rs.620.94 Crores as at the beginning of the FY18 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.620.94 Crores.

Further, as reported by the BESCOM, an additional equity of Rs.191.84 Crores has been received from Government of Karnataka during the year at different dates. Considering the actual date of receipt of this additional equity as furnished by the BESCOM, the Commission, as per provisions of the MYT Regulations, has determined the allowable return on additional equity as detailed below:

TABLE-4.30
Return on equity for the additional equity received during FY18

Additional Equity received during FY18	Amount in Crs	Received on	No. of Months	RoE allowed Rs. Crores
EN2 PSR 2017 dated 03.05.2017	8.92	16.05.2017	10	1.15
EN 40 PSR 2017 dated 05.05.2017	38.00	18.05.2017	10	4.91
EN 25 PSR 2017 /P2 dated 03.05.2018	0.41	04.07.2017	8	0.04
EN 25 PSR 2017/P2 dated 23.06.2017	1.77	04.07.2017	8	0.18
EN 25 PSR 2017/P2 dated 28.07.2017	1.77	11.08.2017	7	0.16
EN 40 PSR 2017 dated 28.07.2017	38.00	11.08.2017	7	3.44
EN 25 PSR 2017 /P2 dated 28.07.2017	0.41	11.08.2017	7	0.04
EN2 PSR 2017 dated 28.07.2017	8.92	11.08.2017	7	0.81
EN 40 PSR 2017 dated 16.10.2017	38.00	02.11.2017	4	1.96
EN 25 PSR 2017 /P2 dated 16.10.2017	1.77	02.11.2017	4	0.09
EN 25 PSR 2017 /P2 dated 16.10.2018	0.41	02.11.2018	4	0.02

Additional Equity received during FY18	Amount in Crs	Received on	No. of Months	RoE allowed Rs. Crores
EN2 PSR 2017 16.10.2017	8.92	02.11.2018	4	0.46
EN 40 PSR 2017 dated 20.01.2018	34.16	03.02.2018	1	0.44
EN 25 PSR 2017 /P2 dated 20.01.2018	1.19	03.02.2018	1	0.02
EN 25 PSR 2017 /P2 dated 20.01.2019	0.28	03.02.2018	1	0.00
EN2 PSR 2017 20.01.2018	8.91	03.02.2018	1	0.12
TOTAL	191.84			13.70
Return on Equity allowed on Additional Equity Infusion in FY18				13.70

Thus, the Commission decides to allow total Return on Equity of Rs.109.95 Crores for FY18 (Rs.96.24 Crores +13.70 Crores).

4.2.11 Other Income:

BESCOM's Submission:

The BESCOM has indicated an amount of Rs.220.67 Crores as other income as against the actual other income of Rs. 316.93 Crores as per the audited accounts for FY18. The BESCOM has requested the Commission to allow BESCOM to retain 50% of the incentive of Rs.192.54 Crores earned for early prompt payment of power purchase bills and accordingly has requested to allow other income of Rs.220.67 Crores for FY18.

The details of the other income claimed by the BESCOM for FY18 as per the audited accounts are as under:

TABLE – 4.31
Other Income – BESCOM's Submission

Particulars	Amount in Rs. Crores	
		FY18
Rent		2.04
Miscellaneous		100.35
Rebate at 0.5% for collection of Electricity Duty		3.69
Interest on Bank Deposits		6.73
Profit/Loss on Sale of stores		-3.07
Value of materials found excess during physical verification		0.04
Interest subsidy received under National Electricity fund		21.87
50% of Incentive for prompt payment		96.27
Losses/gains relating to fixed assets		-7.25
Total other income		220.67

Commission's analysis and decisions:

The Commission notes that, as per the audited accounts, an amount of Rs. 316.93 Crores is indicated as other income for FY18. Regarding the BESCOM's request to allow it to retain the 50% of the incentive earned on prompt payment of power purchase bills, 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 the incentive earned for payment of power purchase bills in time. Hence, there is no justification for claiming other income as Rs.220.67 Crores even though an amount of Rs.316.93 Crores has been accounted as other income in the audited accounts for FY18. The Commission's decision on similar claim has been made clear in its 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.19.254 Crores earned on account of timely payment of power purchase bills, to be retained by the BESCOM for FY18. Thus after deducting the incentive amount of Rs.19.254 Crores, the Commission decides to allow an amount of Rs.297.68 Crores as other income for FY18 as detailed below:

TABLE – 4.32
Allowable Other Income for FY18

Particulars	Rs. Crores
	FY18
Rent	2.04
Miscellaneous	100.35
Rebate at 0.5% for collection of Electricity Duty	3.69
Interest on Bank Deposits	6.73
Profit/Loss on Sale of stores	-3.07
Value of materials found excess during physical verification	0.04
Interest subsidy received under National Electricity fund	21.87
90% of Incentive for prompt payment	173.29
Losses/gains relating to fixed assets	-7.25
Total other income	297.68

4.2.12 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 separately claimed any expenditure towards Consumer Relations/ Consumer Education incurred.

The Commission notes that, as per the audited accounts, BESCOM has incurred Rs. 2.76 Crores towards DSM expenses. The Commission in its preliminary observations on the filings, had sought the details of expenditure made on consumer relation / education during FY18. BESCOM in its replies has furnished the details for Rs. 2.76 Crores incurred for the consumers' awareness programme during FY18.

Thus, the Commission having noted the expenditure made by BESCOM, decides to allow Rs.1 Crore towards consumer relations and consumer education for FY18.

4.2.13 Revenue Demand for FY18:

BESCOM has considered an amount of Rs.18042.06 Crores as the revenue from the sale of power and miscellaneous charges as per the audited accounts for FY18.

The Commission, as per the audited accounts, has considered the total amount of revenue from sale of power and miscellaneous charges of Rs.18042.05 Crores for FY18.

4.2.14 Subsidy for FY18:

The Commission in its Tariff Order dated 11th March, 2017 had approved the total tariff subsidy of Rs. 2,141.24 Crores towards sale of power to BJ/KJ and IP sets for FY18 in accordance with the prevailing Government Order. The BESCOM in its application has claimed an amount of Rs. 2,103.15 Crores as tariff subsidy for supply of free power to IP category and Rs. 91.99 Crores for BJKJ installations, for FY18.

The Commission notes that, as per the audited accounts and the replies furnished to the preliminary observations, an amount of Rs. 2103.15 Crores has been factored as tariff subsidy for supply of free power to IP category and Rs. 91.99 Crores for BJKJ installations consuming up to 40 units / month respectively (Total subsidy Rs.2195.14 Crores), for FY18.

Thus, the Commission while Computing the revised ARR under APR for FY18, has Considered the tariff subsidy of Rs. 2,195.14 Crores towards IP Set installations and BJ/KJ and for FY18, to be received from the Government.

4.2.15 Income Tax:

BESCOM has claimed an amount of Rs. 94.03 Crores towards Income Tax for FY18, as per the audited annual accounts. This amount includes Rs. 25.59 Crores as current tax and Rs. 68.44 as deferred tax liability for FY18.

The Commission, in accordance with the provisions of Clause -3.12.6 of the KERC (Terms & Conditions for Determination of Tariff for Distribution and Retail Supply of Electricity) (Second Amendment) Regulations, 2015, has decided to consider the actual payment of current Income Tax of Rs. 25.59 Crores for FY18, as per the audited accounts. Regarding the claims pertaining to the provisions made for deferred tax liability of Rs. 68.44 Crores, as per the audited accounts, the Commission decides not to allow the same upfront and the same will be allowed on actual payment, i.e., as and when paid by the BESCOM, to the Income Tax Authorities in the relevant years.

Thus the Commission, decides to allow only the actual current tax paid of Rs. 25.59 Crores for FY18.

4.3 Abstract of Approved ARR for FY18:

As per the above item-wise decisions of the Commission, the consolidated Statement of revised ARR as per the APR for FY18 is as indicated in the following Table:

TABLE – 4.33
Approved ARR for FY18 as per APR

Amount in Rs. Crores

Sl. No	Particulars	APR FY18		
		As Appd in Tariff Order dt.11.04.2017	As Filed	As per APR
1	Energy at Generation Bus-MU	30,879.69	31,216.71	31,216.71
2	Transmission Losses of KPTCL in %	3.37%	4.20%	4.20%
3	Energy at Interface Points with KPTCL in MU	29,839.04	29,906.78	29,906.78
4	Distribution Losses in %	12.50%	13.17%	13.17%
	Sales in MU	-	-	-
5	Sales to other than IP & BJ/KJ in MU	19,820.84	19,494.57	19,540.49
6	Sales to BJ/KJ	130.37	183.65	137.73
7	Sales to IP Sets	6,157.95	6,289.04	6,289.04
	Total Sales	26,109.16	25,967.26	25,967.26
	Revenue in Rs. Crores	-	-	-
8	Revenue from tariff and Misc. Charges	14,772.95	15,846.92	15,846.91
9	Revenue from Subsidy to BJ/KJ	84.48	91.99	91.99
10	Revenue from Subsidy to IP Sets	2,056.76	2,103.15	2,103.15
	Total Revenue	16,914.19	18,042.06	18,042.05
	Expenditure in Rs Crores	-	-	-
11	Power Purchase Cost	12,265.18	13,753.33	13,753.33
12	Transmission charges of KPTCL	1,347.80	1,358.51	1,358.51
13	SLDC Charges	11.33	11.37	11.37
	Power Purchase Cost including cost of transmission	13,624.31	15,123.21	15,123.21
14	Employee Cost	-	1,271.17	-
15	Repairs & Maintenance	-	98.27	-
16	Admin & General Expenses	-	258.03	-
	Total O&M Expenses	1,486.60	1,627.47	1,499.62
17	Depreciation	373.76	429.87	429.87
	Interest & Finance charges	-	-	-
18	Interest on Loans	354.81	343.08	343.27
19	Interest on Working capital	311.72	352.21	333.77
20	Interest on belated payment on PP Bills	0.00	0.00	0.00
21	Interest on consumer deposits	258.08	231.00	195.15
22	Other Interest & Finance charges	10.19	22.52	2.58

Sl. No	Particulars	APR FY18		
		As Appd in Tariff Order dt.11.04.2017	As Filed	As per APR
23	Less; interest & other expenses capitalised	-82.00	-92.83	-92.86
	Total Interest & Finance charges	852.80	855.98	781.91
24	Other Debit/ Extraordinary Items	0.00	-2.38	4.87
25	Net Prior Period Debit/Credit	0.00	0.00	0.00
26	Return on Equity	76.70	132.98	109.95
27	Provision for taxation	0.00	94.03	25.59
28	Funds towards Consumer Relations/Consumer Education	1.00	0.00	1.00
29	Other Income	-192.84	-220.67	-297.68
	ARR	16,222.33	18,040.49	17,678.34
30	Deficit for FY16 carried forward	692.42	0.00	0.00
31	Penalties for performance on distribution losses	0.00	0.00	-28.75
32	Disallowance of interest and Depreciation on imprudent investment in FY16	0.56	0.00	0.00
	Net ARR	16,914.19	18,040.49	17,649.59
33	Surplus in Revenue for FY18	0.00	1.58	392.46
34	Average cost of supply-Rs./kWh	6.48	6.95	6.80

4.4 Gap in Revenue for FY18:

As against the approved ARR of Rs. 16,914.19 Crores, the Commission after Annual Performance Review of BESCOM for FY18 decides to allow a net ARR of Rs. 17,649.59 Crores for FY18. Considering the revenue of Rs18,042.05 Crores, a surplus of Rs.392.46 Crores is determined for FY18.

The Commission decides to carry forward the revenue surplus of Rs.392.46 Crores of FY18 to the proposed ARR for FY20 as discussed in the subsequent Chapter of this Order.