

## CHAPTER-4 ANNUAL PERFORMANCE REVIEW FOR FY-19

**4.1** Hon'ble Commission has approved the Annual Revenue Requirement of MESCOM for FY-19 in the Tariff Order-2018 dated 14th May 2018. MESCOM has finalized the Annual Accounts for FY-19 and accordingly, proposing here below the Annual Performance Review for the financial year FY-19, in accordance with the *KERC (Terms & Conditions for Determination of Tariff for Distribution and Retail Sale of Electricity) Regulations, 2015*, for kind consideration of the Hon'ble Commission.

**4.2 Annual Performance Review for the financial year FY-19:**

The operating and financial performance of the Company in FY-19 is detailed in the foregoing paragraphs.

**4.2.1 Operating Performance:**

**a. Energy Sales:**

Category wise actual energy sales in FY-19 as against the energy sales approved in Tariff Order-2018 are as below;

Category	FY-18 MU	FY-19 MU	
	Actuals	As apprd. in T.O. 2018	Actuals
LT-1: =< 40 Units	34.21	33.23	37.29
LT-1: > 40 Units	12.60	14.08	12.08
LT-2a	1335.27	1406.98	1361.98
LT-2b	13.77	14.80	13.62
LT-3	362.66	375.73	370.30
LT-4a	1661.64	1381.08	1630.90
LT-4b&c	8.84	11.50	7.76
LT-5	136.90	143.13	133.95
LT-6(W/s)	118.84	131.39	123.02
LT-6(St. Lt.)	68.03	73.72	69.82
LT-7	20.41	19.40	20.41
<b>LT-Total</b>	<b>3773.17</b>	<b>3605.04</b>	<b>3781.13</b>

Category	FY-18 MU	FY-19 MU	
	Actuals	As apprd. in T.O. 2018	Actuals
HT-1	90.54	90.54	97.81
HT-2a	596.27	616.10	624.76
HT-2b	193.17	198.66	200.43
HT-2c	137.07	172.35	144.58
HT-3a&b	23.61	19.93	41.20
HT-4	19.10	21.11	20.42
HT-5	5.96	5.50	1.73
<b>HT-Total</b>	<b>1065.72</b>	<b>1124.19</b>	<b>1130.93</b>
MSEZ Supply	39.60	45.32	41.94
KPCL Consumption	3.43	5.89	2.88
<b>Grand Total</b>	<b>4881.92</b>	<b>4780.44</b>	<b>4956.88</b>

Category	% incr. / dec. w.r.t. FY-18 Actuals	% incr. / dec. w.r.t. apprd. Quantum
LT-1:> 40 Units	9.00%	12.22%
LT-1:=< 40 Units	-4.13%	-14.20%
LT-2a	2.00%	-3.20%
LT-2b	-1.09%	-7.97%
LT-3	2.11%	-1.45%
LT-4a	-1.85%	18.09%
LT-4b&c	-12.22%	-32.52%
LT-5	-2.15%	-6.41%
LT-6(W/s)	3.52%	-6.37%
LT-6(St. Lt.)	2.63%	-5.29%
LT-7	0.00%	5.21%
<b>LT-Total</b>	<b>0.21%</b>	<b>4.88%</b>
HT-1	8.03%	8.03%
HT-2a	4.78%	1.41%
HT-2b	3.76%	0.89%
HT-2c	5.48%	-16.11%
HT-3a&b	74.50%	106.72%
HT-4	6.91%	-3.27%
HT-5	-70.97%	-68.55%
<b>HT-Total</b>	<b>6.12%</b>	<b>0.60%</b>
MSEZ Supply	5.91%	-7.46%
KPCL Consumption	-16.03%	-51.10%
<b>Grand Total</b>	<b>1.54%</b>	<b>3.69%</b>

As can be observed from the above table, MESCOM has reached the targeted approved sales in respect of both LT & HT category. In respect of LT & HT category the achievement is about 105% & 101%, respectively. Even, compared to FY-18, there is overall increase of about 1.54% wherein the contribution of increase under LT category is about 0.21% and HT category is 6.12%.

The major variations in the energy sales across the categories, compared to the energy sales approved in the Tariff Order 2017, are analyzed below;

**LT-2b:** This category has marginally retained the energy sales equivalent to that of 2017-18.

**LT-4a:** The category has recorded 1630.90 MU of energy sales in FY-19 which is 18% higher compared to approved sales of 1381.08 MU. However, compared to FY-18, there is reduction in consumption by about 1.84%.

In this regard, it is to be submitted that while approving the sales for FY-19 in Tariff Order-2018, Hon'ble Commission has considered the specific consumption of FY-16 i.e., 4447 units / IP set, whereas the specific consumption per IP in FY-17 was 5720 units.

**LT-4b&c:** This category has marginally retained the energy sales equivalent that of 2017-18.

**LT-5:** This category has recorded reduced consumption by 2.15% compared to FY-18. On analysis, it is observed that since FY-17 the consumption is reducing under the category.

**LT-6a&6b:** Compared to energy sales approved in Tariff Order-2018 there is decrease in consumption by about 5.98%. However, compared FY-18, the category has recorded an increase by 3.19%.

**HT-4:** This category has marginally retained the energy sales equivalent that of 2017-18.

**HT-5:** This category being the service connections for temporary installations, the consumption pattern are inconsistent.

The data in respect of sales along with the consumption from open access / wheeling for the period from 2016-17 to 2018-19 are furnished below;

**HT-2a (MU)**

Year	Energy Procured from MESCOM	Open Access + Wheeled Energy	Total
FY-17	548.29	241.47	789.76
FY-18	596.27	283.26	879.53
FY-19	624.76	319.96	944.72

**HT-2b (MU)**

Year	Energy Procured from MESCOM	Open Access + Wheeled Energy	Total
FY-17	186.06	-	186.06
FY-18	193.17	3.41	196.58
FY-19	200.43	3.82	204.25

**HT-2c (MU)**

Year	Energy Procured from MESCOM	Open Access + Wheeled Energy	Total
FY-17	154.85	27.12	181.97
FY-18	137.07	47.76	184.83
FY-19	144.58	49.54	194.12

**b. Distribution Loss:**

In the Tariff Order 2018, Hon'ble Commission has approved an average distribution loss of 10.95% for FY-19 with 11.20% being the upper limit and 10.70% being the lower limit against which the actual distribution loss of MESCOM in the year FY-19 is 10.52%.

1	Energy at Interface Points in MU	5539.73
2	Total Sales in MU	4956.88
<b>3</b>	<b>Distribution Loss (%)</b>	<b>10.52%</b>

#### 4.2.2 Financial Performance:

The financial performance of MESCOM as per the Audited Annual Accounts for FY-19 v/s the Annual Revenue Requirement approved by the Hon'ble Commission in the Tariff Order-2018 is tabulated below;

Particulars	ARR for FY-19 apprd. in TO-2018 (Rs. In Cr.)	As per FY-19 Audited A/cs (Rs. In Cr.)
<b>A. INCOME:</b>		
Revenue from sale of power	2489.57	2456.29
Revenue subsidies	756.13	895.96
<b>A-Total Income:</b>	<b>3245.70</b>	<b>3352.25</b>
<b>B. EXPENDITURE:</b>		
(1) Purchase of Power	1640.56	1994.99
(2) KPTCL Transmission charges	224.37	226.15
(3) SLDC Charges	2.09	1.90
<b>Sub-Total (1+2+3):</b>	<b>1867.02</b>	<b>2223.04</b>
<b>O&amp;M Costs:</b>		
(a) Repairs & Maintenance	491.33	59.14
(b) Employee Costs		392.40
(c) Administrative & General Expenses		106.84
<b>Sub-Total (a+b+c):</b>	<b>491.33</b>	<b>558.38</b>
Depreciation	97.02	125.69
<b>Interest &amp; Finance Charges:</b>		
(i) Interest on Loan Capital	84.70	69.64
(ii) Interest on Working Capital	64.31	30.95
(iii) Interest on Consumer Deposits	35.57	34.15
(iv) Interest on belated power purchase payments	-	-
<b>Sub-Total (i+ii+iii+iv):</b>	<b>184.58</b>	<b>134.74</b>
Less: Interest & Finance charges capitalized	(2.39)	(2.10)
Other Debits (including bad debts)	-	18.42
Extraordinary items	-	36.60
Provision for taxes	-	0.16
Funds towards consumer relations	0.50	0.39
<b>Sub-Total:</b>	<b>(1.89)</b>	<b>53.47</b>
<b>B-Total Expenditure:</b>	<b>2638.06</b>	<b>3095.32</b>
Return on Equity	121.67	-
Deficit of FY-17	553.84	-
Less: Other Income	(67.87)	(75.84)
<b>NET Annual Revenue Requirement</b>	<b>3245.70</b>	<b>3019.48</b>
Net Movement in Reg. Deferral account balance	-	(-)276.38
<b>REVENUE Surplus / (Deficit)</b>	<b>-</b>	<b>56.39</b>

Particulars	As proposed for FY-19 APR (Rs. In Cr.)
<b><u>A. INCOME:</u></b>	
Revenue from sale of power	2456.29
Revenue subsidies	895.96
<b>A-Total Income:</b>	<b>3352.25</b>
<b><u>B. EXPENDITURE:</u></b>	
(1) Purchase of Power	1994.99
(2) KPTCL Transmission charges	226.15
(3) SLDC Charges	1.90
<b>Sub-Total (1+2+3):</b>	<b>2223.04</b>
<b><u>O&amp;M Costs:</u></b>	
(a) Repairs & Maintenance	59.14
(b) Employee Costs	392.40
(c) Administrative & General Expenses	106.84
<b>Sub-Total (a+b+c):</b>	<b>558.38</b>
Depreciation	125.69
<b><u>Interest &amp; Finance Charges:</u></b>	
(i) Interest on Loan Capital	69.63
(ii) Interest on Working Capital	49.99
(iii) Interest on Consumer Deposits	34.15
(iv) Interest on belated power purchase payments	-
<b>Sub-Total (i+ii+iii+iv):</b>	<b>153.77</b>
Less: Interest & Finance charges capitalized	(2.10)
Other Debits (including bad debts)	18.42
Extraordinary items	36.60
Provision for taxes	0.16
Funds towards consumer relations	0.39
<b>Sub-Total:</b>	<b>53.47</b>
<b>B-Total Expenditure:</b>	<b>3114.35</b>
Return on Equity	92.55
Deficit of FY-17	-
Less: Other Income	(75.84)
<b>NET Annual Revenue Requirement</b>	<b>3131.06</b>
Net Movement in Reg. Deferral account balance	-
<b>REVENUE Surplus / (Deficit)</b>	<b>221.19</b>

The major variation in the expenditure, with reference to the approved costs is observed in power purchase cost, O&M Expenses and depreciation charges. Variations in the rest of the expenditure heads are marginal.

**Power Purchase Cost:**

The approved power purchase cost for FY-19 was Rs.1867.02 Cr (including KPTCL and PGCIL transmission charges) whereas the actual expenditure is Rs.2223.04 Cr. The approved cost per unit was Rs.3.37 against which actual is Rs.3.72/unit. Source wise details are submitted in Format D-1.

Source	Approved Energy Purchase and Cost for FY-19				
	MU	Fixed Charges (Rs.in Cr)	Variable Charges (Rs.in Cr)	Total (Rs.in Cr)	Avg. Cost (Rs./unit)
1	2	3	4	5	6
KPCL Thermal	306.17	35.52	97.54	133.06	4.35
CGS	1792.74	164.13	493.70	657.83	3.67
UPCL	322.18	51.87	101.49	153.36	4.76
KPCL Hydel	2139.06	-	173.97	173.97	0.81
Other Hydel	24.65	-	9.29	9.29	3.77
NCE	824.95	-	337.13	337.13	4.09
Short Term	123.53	-	50.40	50.40	4.08
UI Charges	-	-	-	-	-
Energy Balancing	-	-	-	-	-
Energy Sales (IEX)	-	-	-	-	-
PGCIL Charges	-	125.34	-	125.34	-
POSOCO Charges	-	0.18	-	0.18	-
KPTCL Tr. Charges	-	224.37	-	224.37	-
SLDC Charges	-	2.09	-	2.09	-
Other Charges	-	-	-	-	-
<b>TOTAL:</b>	<b>5533.28</b>	<b>603.50</b>	<b>1263.52</b>	<b>1867.02</b>	<b>3.37</b>

Source	Actual Energy Purchase and Cost for FY-19				
	MU	Fixed Charges (Rs.in Cr)	Variable Charges (Rs.in Cr)	Total (Rs.in Cr)	Avg. Cost (Rs./unit)
1	2	3	4	5	6
KPCL Thermal	223.08	70.49	77.59	148.08	6.64
CGS	1868.29	196.11	574.61	770.72	4.13
UPCL	234.42	54.87	90.72	145.59	6.21
KPCL Hydel	2383.51	-	193.03	193.03	0.81
Other Hydel	13.53	-	12.26	12.26	9.06
NCE	1166.01	-	500.50	500.50	4.29
Short Term	120.73	-	50.42	50.42	4.18
UI Charges	-4.42	-	1.49	1.49	-3.37
Energy Balancing	41.64	-	41.64	41.64	10.00
Energy Sales (IEX)	-65.13	-	-27.56	-27.56	4.23
PGCIL Charges	-	156.50	-	156.50	-
POSOCO Charges	-	0.23	-	0.23	-
KPTCL Tr. Charges	-	226.15	-	226.15	-
SLDC Charges	-	1.90	-	1.90	-
Other Charges	-	2.09	-	2.09	-
<b>TOTAL:</b>	<b>5981.66</b>	<b>708.34</b>	<b>1514.70</b>	<b>2223.04</b>	<b>3.72</b>

As can be noted from the above table, approved power purchase cost per unit for FY-19 is Rs.3.37 whereas the actuals is Rs.3.72. On analysis it is ascertained that the following factors have mainly contributed for increased power purchase cost;

- Hon'ble Commission has not approved any fixed charges in respect of BTPS-III and YTPS. The cost implication of this is Rs.31.34 Cr.
- In respect of Kudgi, the approved fixed charge is Rs.14.74 Cr whereas the actuals is Rs.46.08 Cr. The cost implication of this is Rs.31.34 Cr.
- Variable charge / unit approved in respect of MAPS, Kaiga and Kudankulam Atomic units are Rs.3.66 and the actuals is Rs.3.99/unit. The cost implication of this is Rs.9.26 Cr.



- Variable charge / unit approved in respect of DVC units are Rs.2.01 per unit and the actuals is Rs.2.33/unit. The cost implication of this is Rs.6.83 Cr.
- Variable charge / unit approved in respect of UPCL unit is Rs.3.15 / unit and the actuals is Rs.3.87/unit. The cost implication of this is Rs.16.88 Cr.
- Approved PGCIL charges are Rs.125.34 Cr, whereas the actuals is Rs.156.50 Cr. The cost implication of this is Rs.31.16 Cr.
- Energy balancing impact is Rs.41.64 Cr.
- In aggregate, additional cost implication to MESCOM towards power purchase cost in FY-19 is Rs.168.45 Cr. Hence, there is increase in power purchase cost.

**O&M Charges:**

In the Tariff Order 2018, Hon'ble Commission has approved O&M Charges of Rs.491.33 Cr for FY-19. While approving the O&M Charges, Hon'ble Commission has observed that;

*MESCOM in its letter dated 27<sup>th</sup> March 2018 has submitted that the pay scale of the employees / officers of KPTCL / ESCOMs have been revised with effect from 1<sup>st</sup> April 2017. Hence, the liability on account of the payment of pay revision arrears of Rs.83.67 Crores for FY 18 and the additional employee expenditure on pay revision of Rs.97.98 Crores for FY 19 may be included as additional employee cost in computation of O&M expenditure for FY 19. The Commission notes that the additional employee cost projected by the MESCOM for FY 18 and FY 19 on account of revision of pay scales is on ad-hoc basis without taking into account the retirement of employees / officers during FY 18 and FY 19. Thus the Commission decides that the additional employee cost due to revision of pay scale during FY 19 could be factored and considered only at the time of approving APR for FY 19, when the actual impact of revision of pay schemes is reported in details by MESCOM as per its audited accounts.*

Thus, obviously the impact of revision has not been considered by the Hon'ble Commission while approving O&M charges for FY-19. Further, the impact of pay revisions has been crystallized in FY-18 and accordingly, Hon'ble Commission has factored Rs.47.94 Cr towards revision of pay scales while approving APR for FY-18. As such, the O&M expenses of Rs.558.38 Cr incurred by MESCOM in FY-19 is fairly acceptable.

Hence, Hon'ble Commission is requested to consider the O&M charges of Rs.558.38 Cr incurred by MESCOM in FY-19.

**Depreciation:**

As against the approved depreciation of Rs.97.02 Cr, MESCOM has provided Rs.125.69 Cr. This is after deducting Rs.27.10 Cr, which has been charged for the assets created out of consumers' contribution & Government Grants.

The wide difference being noticed between the approved and actual figures is due to the reasons that the Hon'ble Commission while approving the depreciation amount for FY-19 has considered the weighted average rate of FY-17 as per the Annual Accounts for FY-17. Further, an amount of Rs.34.83 Cr was also deducted out of the total depreciation so arrived which is stated to be towards the depreciation on the assets created out of consumers' contribution & Government Grants. In fact, the depreciation amount provided in FY-17 accounts is after deducting the depreciation amount in respect of the assets created out of consumers' contribution & Government Grants. Hence, deduction of Rs.34.83 Cr as the depreciation on the assets created out of consumers' contribution & Government Grants has led to deduction of the depreciation amount in respect of the assets created out of consumers' contribution & Government Grants twice. Therefore, such wide difference is being noticed when comparing actuals with that of approved figures.

As such, Hon'ble Commission is requested to consider the depreciation amount provided in Annual Accounts for FY-19.

In view of the above, for the sake of clarity MESCOM is indicating the assets and depreciation created out of consumers' contribution and Government Grants in Format D-8 and D-15 separately for the years FY-20 and FY-21 which may kindly be taken to notice.

**Interest & Finance Charges:**

In the Tariff Order 2018, Hon'ble Commission has approved the Interest & Finance Charges of Rs.184.58 Cr for the year FY-19.

As per the provisions of MYT Regulations MESCOM has claimed the Interest & Finance charges in the APR of FY-19 as follows;

<b>Particulars</b>	<b>As approved in TO-2018</b>	<b>As per Audited Accounts</b>	<b>As claimed in APR</b>
Interest on Loan Account	84.70	69.64	69.63
Interest on Working Capital	64.31	30.95	49.99(*)
Interest on Consumer Deposits	35.57	34.15	34.15
<b>Total</b>	<b>184.58</b>	<b>134.74</b>	<b>153.77</b>

(\*) Claimed Working capital is arrived as follows in line with MYT Regulations.

<b>Particulars</b>	<b>As per Audited Accounts (Rs.in Cr)</b>
1/12th of O&M Expenses	46.54
Opening GFA	2223.25
1% of opening GFA	22.23
1/6th of Revenue	558.71
<b>Total Working Capital</b>	<b>627.48</b>
Normative Interest on Working Capital @ 11%	69.02
Actual interest on working capital incurred in FY-19 (*)	30.96
Interest on working capital claimed	<b>49.99</b>

(\*)Statement showing status of borrowing as on 31-03-2019 is enclosed as **Annexure-1**.

**Extraordinary Items:**

In the Annual Accounts for FY-19, MESCOM has considered an amount of Rs.36.60 Cr under '*Extraordinary Items*'.

In this regard, it is to be submitted that consequent to divesting of the bulk supply business from KPTCL with effect from 10-06-2005, GOK, in the order No.EN 67 PSR 2017 dated 31-07-2017, had ordered KPTCL to transfer the ESCOMs related current assets and liabilities to the respective ESCOMS. As per the said GOK order, MESCOM related activities were as below;

- i. To account RE subsidy of Rs.77.22 Cr as receivable from GOK.
- ii. To account power purchase dues of KPCL of Rs.69.58 Cr as payable to KPCL.
- iii. To account interest on power purchase dues of Rs.36.60 Cr as payable to KPCL.
- iv. To write back the interest on power purchase dues of Rs.36.60 Cr. (Since the same has already been waived off by KPCL in their books of accounts)
- v. To account the difference in receivables and payables resulting from the above transactions to be adjusted in the net worth of MESCOM.

MESCOM while giving the effect to the above stated activities has considered reducing Rs.28.96 Cr from the net worth. (Rs.77.22 Cr – Rs.69.58 Cr - Rs.36.60 Cr) and also accounted Rs.44.24 Cr as 'miscellaneous income' in the Annual Accounts for FY-17.

In fact, MESCOM was supposed to add Rs.7.64 Cr to the net worth (Rs.77.22 Cr – Rs.69.58 Cr) and not to consider interest income Rs.36.60 Cr as 'miscellaneous income' since the same had been written off by KPCL.

As such, the error has been rectified in the Annual Accounts for FY-19 by adding Rs.36.60 Cr to the net worth and also taking Rs.36.60 Cr as expenses under 'Extraordinary Items'.

**Funds towards Consumer Relations:**

In FY-19, MESCOM has incurred an expenditure of Rs.0.39 Cr towards consumer relation activities as against the approved expenditure of Rs.0.50 Cr. In this regard, the expenditure breakup details are furnished below;

Sl. No.	Particulars	Amount in Rs.
1	Publication of consumer safety awareness information through 'Vajra Jawan Smaran Sanchike' released on Diamand jubillie celabration by Dakshina Kannada "D" Group Govt Employees Association, Mangaluru.	5000.00
2	Publication of consumer safety awareness information through Mega Media, (News Website )Mangaluru.	10000.00
3	Publication of consumer safety awareness information through Prajavani Kannada newspaper in Deepavali special addition	36750.00
4	Publication of consumer safety awareness information through Vijaya Karnataka newspaper in Deepavali special addition.	36750.00
5	Publication of consumer safety awareness information through 'Kannada Prabha' Kannada newspaper in Deepavali special addition	36750.00
6	Publication of consumer safety awareness information through 'Indian Express' newspaper in Deepavali special addition	36750.00
7	Publication of consumer safety awareness information through 'Vijayavani' Kannada newspaper in Deepavali special addition	36750.00
8	Publication of consumer safety awareness information through 'Prajavani' Kannada newspaper special addition	36750.00
9	Publication of consumer safety awareness information through 'Samyukth Karnataka' Kannada newspaper in Deepavali special addition	36750.00
10	Publication of consumer safety awareness information through 'Vishwavani' Kannada newspaper in Deepavali special addition	21000.00
11	Publication of consumer safety awareness information through "Indu Business Line" newspaper in Deepavali special addition	42000.00
12	Publication of consumer safety awareness information through "Karavali ale" newspaper special addition	15750.00
13	Publication of consumer safety awareness information through "Jayakiran" newspaper special addition	12600.00
14	Publication of consumer safety awareness information through "Financial Express" special addition	25200.00
15	Publication of consumer safety awareness information through 'Hosadigantha' Kannada newspaper in Deepavali special addition	36750.00
16	Publication of consumer safety awareness information through "Adike Pathrike" special Addition	10500.00
17	Publication of consumer safety awareness information through 'UVCE Payana smaran sanchike' published by University Vishweshwaraiah college of engineering,	25000.00

	Bangaluru	
18	Publication of consumer safety awareness information through 'Sanjevani' Kannada newspaer in Deepavali special addition	20000.00
19	Publication of consumer safety awareness information in Mangaluru Sangeethotsava 2018.	25000.00
20	Publication of Consumer safety awareness in 'Vishishtarigagi Vishishta Mela 2019' held at Mangaluru	50000.00
21	Publication of consumer safety awareness information through "Deccan Herald" newspaper special addition	47250.00
22	Publication of consumer safety awareness information through 'Lions Club Special bulletin' Mangaluru.	6000.00
23	Consumer safety awareness information through audio announcement in KSTRC Bus Stands.	611712.00
24	Consumer safety awareness information through audio announcement in KSTRC Bus Stands.	611712.00
25	Consumer safety awareness information through audio announcement in KSTRC Bus Stands.	611712.00
26	Consumer safety awareness information through audio announcement in KSTRC Bus Stands.	611712.00
27	Consumer safety awareness information through audio announcement in KSTRC Bus Stands.	611712.00
28	Expenditure incurred towards Consumer Education & awareness programmes conducted at Mangaluru Circle Office, Mangaluru	26336.00
29	Expenditure incurred towards Consumer Education & awareness programmes conducted at Udupi Circle Office, Mangaluru	87200.00
30	Expenditure incurred towards Consumer Education & awareness programmes conducted at Chikkamagaluru Circle Office, Mangaluru	14000.00
31	Expenditure incurred towards "Public communication meet" held at Kavoov Division Office (Consumer Education & awareness).	9082.00
32	Expenditure incurred towards "Public communication meet" held at Bantwal Division Office (Consumer Education & awareness).	35315.00
33	Expenditure incurred towards "Public communication meet" held at Udupi Division Office (Consumer Education & awareness).	8410.00
34	Expenditure incurred towards Consumer Education & awareness programmes conducted at Bhadravathi Division Office.	600.00
35	Publication of consumer safety awareness information through "Gram Samaja Abhiyana" and Consumer Education & awareness programmes held at Anavatti Sub-Division Office.	34630.00
36	Expenditure incurred towards Consumer Education & awareness programmes conducted at Chikkamagaluru Division Office.	8000.00
37	Expenditure incurred towards Consumer Education & awareness programmes conducted at Koppa Division Office.	49234.00
	Grand Total	3940667.00

**Subsidy Release during FY-19:**

Details of subsidy claims by MESCOM and releases by GoK during FY-19.

(Rs.in Cr)

Sl. No.	Particulars	MU	OB	Demand	Receipt	CB
1	Power supply to IP Sets of up to 10 HP (LT4a)	1630.05	486.03	867.33	601.50	751.86
2	Power supply to BJ/KJ upto 18 Units per month per Installations	37.31	-	27.24	27.24	-
3	Amount refunded in respect of IP Set payment made by farmers from 01.04.2001 to 31.03.2003	-	31.80	-	-	31.80
4	Old subsidy accounted as per GO No: EN 67 PSR 2017 BANGALORE Dated 31.07.2017	-	77.22	-	-	77.22
5	Gap to be paid by GOK for FY 2011-12 & FY 2012-13 as per KERC Truing-up Order	-	52.33	-	-	52.33
	<b>Total:</b>	<b>1667.36</b>	<b>647.38</b>	<b>894.57</b>	<b>628.74</b>	<b>913.21</b>

**Return on Equity:**

In the Tariff Order 2018, Hon'ble Commission has allowed the Return on Equity of Rs.121.67 Cr.

However, as per the provisions of Clause 3.9.1 of the KERC (Terms & Conditions for Determination of Tariff for Retail Sale of Electricity) Regulations the allowable Return on Equity works out to Rs.92.55 Cr, the computation details are as below.

(Return on Equity: Rs. in Crores)

Year	FY-18
Opening balance of paid up share capital	358.07
Share Deposit	105.13
Reserves & Surplus (#)	131.43
Less: Recapitalized Security Deposit	(-)26.00
<b>Total:</b>	<b>568.63</b>
Rate of ROE	15.50%
<b>RoE on opening equity of FY-18</b>	<b>88.14</b>
<b>ROE on equity infused during FY-18 (*)</b>	<b>4.41</b>
<b>Total ROE considered for APR</b>	<b>92.55</b>

(#) excluding Reserve for Material Cost Variance, Capital Reserve and Net worth Adjustments.

(\*) Return on equity for the additional equity received during FY-19:

Sl. No.	Govt. Order No. / Date	Amount (Rs.in Cr)	Actual date of receipt	No. of Months	ROE
1	EN_53_PSR_2018_Dt.22-05-2018	15.00	01-06-2018	10	1.94
2	EN_120_PSR_2018_Dt.10-08-2018	0.50	28-08-2018	7	0.05
3	EN_120_PSR_2018_Dt.10-08-2018	0.12	24-08-2018	7	0.01
4	EN_129_PSR_2018_Dt.30-08-2018	2.00	07-09-2018	6	0.16
5	EN_53_PSR_2018_Dt.10-09-2018	15.00	25-09-2018	6	1.16
6	EN_53_PSR_2018_Dt.17-10-2018	15.00	17-11-2018	4	0.78
7	EN_129_PSR_2018_Dt.17-10-2018	1.00	07-11-2018	4	0.05
8	EN_120_PSR_2018_Dt.31-10-2018	1.00	14-11-2018	4	0.05
9	EN_120_PSR_2018_Dt.31-10-2018	0.24	17-11-2018	4	0.01
10	EN_53_PSR_2018_Dt.25-01-2019	14.00	04-02-2019	1	0.18
11	EN_129_PSR_2018_Dt.25-01-2019	1.00	02-02-2019	1	0.01
12	EN_120_PSR_2018_Dt.25-01-2019	0.50	05-02-2019	1	0.01
13	EN_120_PSR_2018_Dt.25-01-2019	0.14	04-02-2019	1	-
	<b>Grand Total</b>	<b>65.50</b>			<b>4.41</b>



**Status of Debt Equity Ratio:**

Particulars	FY-19
GFA Closing Balance	2712.87
Debt	881.69
Equity	765.86
Normative Debt @ 70% of GFA	1899.01
Normative Equity @ 30% of GFA	813.86
<b>% of actual DEBT on GFA</b>	<b>32.50 %</b>
<b>% of actual EQUITY on GFA</b>	<b>28.23 %</b>

The details of equity infused by GOK in FY-20 (upto Sep) is furnished below;

**Equity received during FY-20 (upto Sep):**

Sl. No.	Govt. Order No. / Date	Amount	Actual date of receipt
1	EN_86_PSR_2018_Dt.13-06-2019	1.36	26-06-2019
2	EN_82_PSR_2018_Dt.13-06-2019	20.00	28-06-2019
3	EN_84_PSR_2018_Dt.14-06-2019	0.50	27-06-2019
4	EN_84_PSR_2018_Dt.14-06-2019	0.13	01-07-2019
5	EN_84_PSR_2018_Dt.19-09-2019	0.13	26-09-2019
6	EN_84_PSR_2018_Dt.19-09-2019	0.50	25-09-2019
7	EN_86_PSR_2018_Dt.19-09-2019	1.36	26-09-2019
8	EN_82_PSR_2018_Dt.23-09-2019	20.00	17-10-2019
	<b>Grand Total</b>	<b>43.98</b>	

**Other Income:**

As per the Annual Accounts for 2018-19, the income under the head 'Other Income' is Rs.111.24 Cr. However, as observed in the Tariff Order 2019, MESCOM has considered *Delayed Payment Charges from consumers* as tariff income. Hence, 'Other Income; reckoned for APR is as below;

Particulars	FY-19
'Other Income' as per Audited Annual Accounts for 2018-19	111.24
Less: 'Delayed Payment Charges from Consumers'	(35.40)
<b>'Other Income' considered for APR</b>	<b>75.84</b>

The above amount of Rs.75.84 Cr includes Rs.18.01 Cr relating to depreciation on the assets created out of consumers' contribution and Government grants.

In view of the above, for clarity, the estimated depreciation on the assets created out of Government grants and consumer contribution for the years FY-20 and FY-21 has been indicated separately in Format D-8 & D-15. Hence, for the years FY-20 and FY-21, MESCOM has considered Rs.57.83 Cr under ‘Other Income’ head which may kindly be taken to notice.

**To consider the Truing up result of previous year in the Truing up exercise of year under consideration.**

The Hon’ble commission is carrying out the Truing up exercise of the previous year/s annually since 2009 (25.11.2009) for the year 2007-08 onwards. The details of Trued up amount and the orders thereon are as under.

Sl. No	FY	The tariff order in which ARR was done	Net ARR as per APR order	Net revenue as per ARR order	Deficit (-) surplus (+)
1	2007-08	25.11.2009	942.69	900.58	-42.11
2	2008-09	25.11.2009	1141.93	1047.68	-94.26
3	2009-10	07.12.2010	1171.76	1175.25	3.50
4	2010-11	28.10.2011	1428.03	1347.65	-80.38
5	2011-12	06.05.2013	1529.70	1598.59	68.89
6	2012-13	12.05.2014	1997.31	1748.73	-248.57
7	2013-14	02.03.2015	1866.77	1952.77	86.00
8	2014-15	30.03.2016	2046.84	2191.35	144.51
9	2015-16	11.04.2017	2758.95	2363.21	-395.74
	<b>Total</b>		<b>14883.98</b>	<b>14325.81</b>	<b>-558.15</b>
10	2016-17	30.05.2018	3372.13	2818.30	-553.83
	<b>Total</b>		<b>18256.11</b>	<b>17144.11</b>	<b>-1111.98</b>

The Hon’ble Commission is carrying out the process of tariff revision and also the truing up exercise every year without considering previous year/s trued up amount in the truing up exercise of the year under consideration. This has resulted into under recovery of overall deficit resulting into loss to MESCOM.

While arriving at the ARR for any particular year Hon'ble KERC is considering revenue deficit of the year under APR at the point of time so that the deficit is recovered in the year for which ARR is approved. Hence the revenue recovered for this year will include the deficit of previous year also. Hence while carrying out the APR of this particular year, the revenue recovered in this year for previous year is required to be set aside (deducted) and net of the revenue has to be considered for APR. Alternatively, since Hon'ble KERC has considered the Gap of previous year as an expense while arriving at the ARR same amount can also be considered as a part of expense in the APR of the particular year instead of deducting the same from Revenue. By doing so, the actual gap of the year under APR can be arrived. Otherwise the revenue recovered for previous year will suppress the actual gap of the year under APR.

An appeal is made in the current filing for the APR to pass on the deficit of the earlier years from FY 2007-08 to 2015-16 to the extent of 558.15 crs (which includes the surplus as well as deficit of the relevant years making it to a net deficit as shown in Table-1 above) and also the deficit of FY 2016-17 to the extent of Rs. 553.83 Crs, totaling to Rs. 1111.98 Crs.

It is told in the Tariff Order 2018 that, as per the decisions of the Hon'ble ATE, True up of ARR once done cannot be re-opened at subsequent point of time. In this regard it is submitted that MESCOM is not requesting for reopening or redoing of the APR of the any earlier years for determination of the surplus or deficit of the respective years. MESCOM has already conceded for the APR results carried out by the Hon'ble Commission. The only appeal to the Hon'ble Commission is that, to pass on the result of APR of the respective years in the current APR to this Company. This is very evident from the records that though the Hon'ble Commission is taking into account the surplus or the deficit of the relevant year for determining the tariff for ensuing financial year, it has not passed the deficit or surplus, as it is considering the entire revenue as the revenue of the year under consideration for APR. It is very conspicuous from the APR format that, the gap figure of the previous year considered in the tariff determination is missing in the APR. This missing figure is the reason for not passing on of the gap of the previous/ earlier years.

It is prayed before the Hon'ble Commission to consider the trued up deficit balances to the extent of Rs. 1111.98 Crs in the truing up exercise of the FY 2018-19 which is under consideration in this appeal petition.

#### 4.2.3 Renewable Purchase Obligation (RPO) Compliance:

In the letter No.CEE /SLDC /SEE /TBC /EE-2 /AEE-4 /10217-23/Dt.25-09-2019, SLDC has furnished the finalized RPO compliance by ESCOMs for the year 2018-19, which have been extracted below for kind consideration of the Hon'ble Commission.

##### a. Non-solar RPO (Actuals for FY-19):

Sl. No.	Particulars	Quantum In MU	Cost Rs.in Cr
1.	Total power purchase quantum from all sources excluding Hydro-energy	3566.50	1999.64
2.	Non-Solar RE purchased under PPA route at Generic Tariff including Non-Solar RE purchased from KPCL	756.09	283.05
3.	Non-Solar RE purchased at APPC	-	-
4.	Non-Solar RE (Green Energy) sold to consumers	12.02	0.60
5.	Non-Solar RE purchased from other ESCOMs	-	-
6.	Non-Solar RE sold to other ESCOMs	-	-
7.	Banked non-solar RE purchased @ 85% of Generic Tariff.	-	-
8.	Total Non-Solar RE Purchased [1+2+3-4+5-6+7]	744.07	282.45
9.	Non-Solar RPO Target (%)	13%	
10.	<b>Non-Solar RPO Complied (%)</b>	<b>20.86%</b>	

##### b. Solar RPO (Actuals for FY-19):

Sl. No.	Particulars	Quantum In MU	Cost Rs.in Cr
1.	Total power purchase quantum from all sources excluding Hydro-energy	3566.50	1999.64
2.	Solar RE purchased under PPA route at Generic Tariff including Solar RE purchased from KPCL	524.59	278.68
3.	Solar RE purchased at APPC	-	-
4.	Solar RE (Green Energy) sold to consumers	-	-
5.	Solar RE purchased from other ESCOMs	-	-
6.	Solar RE sold to other ESCOMs	-	-
7.	Banked solar RE purchased @ 85% of Generic Tariff.	-	-
8.	Total Solar RE Purchased [1+2+3-4+5-6+7]	524.59	278.68
9.	Solar RPO Target (%)	6%	
10.	<b>Solar RPO Complied (%)</b>	<b>14.71%</b>	

4.4 Copy of the audited Annual Accounts for FY-19 and copy of the provisional unaudited half yearly accounts for FY-20 are enclosed as **Annexure-2** and **Annexure-3**.

**4.5 Capital Expenditure incurred during FY-19 is indicated below;**

In Tariff Order 2018, Hon'ble Commission has approved CAPEX of Rs.763.50 Cr for FY-19. However, the expenditure incurred in FY-19 is Rs.839.17 Cr which includes Rs.226.59 Cr relating to work orders sanctioned during previous years.

Rs. in Cr.					
Sl No	Particulars	Appd. in TO-2018	Actuals		
			Expd. relating to Work Orders sanctioned during FY-19	Expd. relating to Work Orders sanctioned during previous years	Total
1.	E&I Works (Addl. Transformers, Link-Lines, HT/LT Recondutoring)	150.00	40.71	59.33	100.03
2.	DTC Metering	0.25	-	18.44	18.44
3.	Replacement of MNR / DC & Electromagnetic meters by Static meters and providing SMC meter protection box wherever required.	5.00	0.88	0.41	1.30
4.	Replacement of faulty DTCs	5.00	25.99	3.44	29.43
5.	Service Connections	45.00	14.39	9.24	23.63
<b>6.</b>	<b><u>Rural Electrification (General)</u></b>				
a.	Electrification of Hamlets	2.00	-	-	-
b.	Energization of IP sets (including Ganga Kalyana)	75.00	25.35	16.35	41.70
c.	Kutir Jyothi	0.25	-	0.02	0.02
	<b>Sub-Total:</b>	<b>77.25</b>	<b>25.35</b>	<b>16.37</b>	<b>41.72</b>
<b>7.</b>	<b><u>Tribal Sub Plan</u></b>				
a.	Electrification of Tribal Colonies	1.50	-	0.41	0.41
b.	Energization of IP Sets	0.75	0.24	0.21	0.45
c.	Kutir Jyothi	0.05	-	0.01	0.01
	<b>Sub-Total:</b>	<b>2.30</b>	<b>0.24</b>	<b>0.63</b>	<b>0.87</b>

Sl No	Particulars	Appd. in TO-2018	Actuals		
			Expd. relating to Work Orders sanctioned during FY-19	Expd. relating to Work Orders sanctioned during previous years	Total
<b>8. Special Component Plan</b>					
a.	Electrification of S.C. Colonies	1.00	0.01	0.03	0.04
b.	Energization of IP sets	1.00	0.79	0.47	1.26
c.	Kutir Jyothi	0.10	-	0.01	0.01
	<b>Sub-Total:</b>	<b>2.10</b>	<b>0.80</b>	<b>0.51</b>	<b>1.31</b>
9.	Tools & Plants and Computers	5.00	8.07	0.03	8.10
10.	Civil Engineering Works	16.00	0.80	23.25	24.05
11.	33 kV Sub stations & Line works	37.50	0.39	19.66	20.05
<b>12. Schemes</b>					
a.	DDUGJY	170.00	246.27	41.07	287.34
b.	IPDS	63.00	116.97	-	116.97
c.	Providing infrastructure to regularized UIPs.	185.00	105.99	32.26	138.25
d.	Improvement works for Model Electricity Village	0.10	-	-	-
	<b>Sub-Total:</b>	<b>418.10</b>	<b>469.23</b>	<b>73.33</b>	<b>542.56</b>
13.	Solar Rooftop on MESCOM / Govt. Buildings	-	3.89	2.15	6.04
14.	Improvement works Model Sub Divisions	-	14.00	-	14.00
15.	SAUBHAGYA	-	7.64	-	7.64
	<b>GRAND TOTAL:</b>	<b>763.50</b>	<b>612.38</b>	<b>226.79</b>	<b>839.17</b>

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