APPENDIX-1

Statement showing the objections of the stake holders/public, CESC's response and the Commission's Views.

Objection relating to Tariff Issues	
Objections	**Replies by CESC**
1. The details for tariff revision furnished by the CESC are having inflated figures to justify the upward revision of electricity tariff for the FY19 and the CESC is in the habit of seeking revision every year without improving its efficiency.	There is a revenue deficit of Rs.762.23 Crore for FY19 as per the calculations based on realistic projections. Hence, the revision of tariff is essential.
Commission's Views: The reply furnished by CESC is noted and this issue has been suitably dealt with, in the relevant chapters of this Tariff Order.	
2. The CESC has manipulated the capex figures to claim higher finance cost, depreciation etc., in order to create a huge gap in its revenue.	The actual capex of FY17 is Rs.467.64 Crore and the cumulative progress of Capex for FY18 upto December, 2017 is Rs.71.58 Crore and the capex approved by the Commission for FY18 is Rs.552 Crores. The capital investment of Rs.972.25 Crore is proposed for FY19 towards achievement of the objectives of the proposed schemes in the ARR & ERC filing for FY19. All the Capex works will not be completed by FY19 and there will be spill over of works to an extent of 30 to 35 % for FY20 also.
Commission's Views: The reply furnished by CESC is noted and issue has been suitably dealt with in the relevant chapters of this Tariff Order.	

3.	In respect of NJY scheme a capex of Rs.127 Crore was incurred as against the Commission's approved capex of Rs.80 Crore in FY17. The reply given by CESC is that the excess capex of Rs.47.82 Crores was due to booking of bills in FY17 for the works completed in FY16.	The increase in capex during FY17 is due to booking of expenditure incurred under NJY. However, extra efforts were made to speed up the works and compared to FY16, the quantum of works executed during FY17 were more, resulting in additional capex which included bills of both FY16 and FY17.
Commission's Views: The reply furnished by CESC is noted.		
4.	The CESC is spending huge amount towards social obligation works such as service connection to Ganga Kalyana, water supply and lighting /power installations, regularisation of unauthorised IP sets and electrical works relating to Mahamastakabhishek. The Government of Karnataka, instead of burdening the consumers with such kind of expenditures, should have extended financial assistance to such works.	The CESC has stated that, it has to undertake various social obligation works such as arranging power supply to IP sets, water supply installations under Ganga Kalyana, providing infrastructure to IP sets, etc., as per the directions of the Government for which grants would be extended by the GoK.
Commission's Views: Reply furnished by CESC is noted..		
5.	The CESC has suffered a loss of Rs.7.08 Crore due to purchase of power from SRTPV plants, installed on Government buildings.	Energy Dept. Govt. of Karnataka has allocated Rs16.92 Crores to CESC as grant, out of the funds allocated to 13th Finance Commission and has directed to take up installation of solar roof top plants on selected Government buildings to encourage generation of electricity from such plants. Accordingly, CESC has identified total 580 Government buildings, out of

	which 200 X 1 KWp, 200 X 3 KWp, 150 X 5 KWp and 30 X 10 KWp are the different capacities of the SRTPV plants to be implemented.
Commission's Views: The reply furnished by the CESC is noted. The said project is being carried out by the grants provided by the Government and such energy generated on the Government buildings are not being paid but only accounted in the books at APPC rates. Hence, the question of incurring loss by the CESC does not arise.	
6. The CESC has not furnished the details of the failed distribution transformers during the last three financial years.	The details of failed distribution transformers have been furnished to the objector.
Commission's Views: Reply furnished by the CESC is noted.	
7. The CESC has not provided the data on power interruptions, energy loss and also revenue collected by way of fixed charges.	The details are furnished to the objector.
Commission's Views: Reply furnished by the CESC is noted. However, the Commission directs CESC to take action to reduce the interruptions and maintain reliable power supply to the consumers.	
8. The CESC has not provided the benefits accrued to the system by completion of NJY scheme. The benefits have to be translated into financial data and included in the ARR calculation for FY 19.	The details are furnished to the objector.
Commission's Views: The reply furnished by the CESC is noted.	
9. High cost and unplanned power purchase by the CESC has resulted in the financial loss.	Power purchase agreements (PPA) for energy purchases from all generators are approved by the Commission. The tariff for energy supplied by all generators is determined by the Commission and the CESC abides by the orders of the Commission issued

	from time to time.
Commission's Views: Reply furnished by the CESC is noted. The issue of power purchase has been suitably dealt with in the relevant chapters of this Tariff Order.	
10. The demand curve provided by CESC is not complying with the Commission's Order in respect of ToD.	The CESC is following the existing ToD tariff structure as in the Commission's Tariff Order 2017.
Commission's Views: The reply furnished by the CESC is noted. The Commission, with a view to encourage the Industrial consumers, has revised the ToD tariff suitably with incentives & dis-incentives as mentioned in the relevant chapters of this Tariff Order.	
11. Since FY17, the CESC has started earning profit after tax though in a meagre way. The profit after tax stands at Rs.58.25. Crores taking into account provision for taxes at Rs.25.75 Crore for FY19. The CESC has indicated a projected loss of Rs.762.23 Crores by carrying forward Rs.496.55 Crore of FY 17 and shown wrongly as deficit of FY16, carried forward for FY18. When it has not carried forward the deficit of previous financial year i.e., FY 16 to FY 17, then why it has carried forward the deficit of FY 17 to FY19, is not known. During FY15, the CESC has suffered a loss of Rs 15.61 cores and in FY16 earned a profit of Rs 40.27 and again a loss of Rs.456.54 Crore for FY16 and Rs.496.55 Crore for FY17. The CESC should have to analyse where it has gone wrong. The CESC has spent hundreds of Crores of Rupees in projects like NJY and saved millions of units by way of bringing down the AT&C to 13% from 16%. In spite of this, if it is suffering financial loss, increasing the tariff to cover the losses cannot be a remedy every time. The tariff hike requested	The CESC is creating regulatory assets for the difference between approved power purchase cost and the actual power purchase cost. This amounts to Rs.517.98 Crore during 2016-17. The net deficit of Rs.496.55 Crore is carried forward to 2018-19 for which ERC has been filed. The CESC accounts are audited by the Statutory Auditors and also C & AG's staff. Since the power purchase cost is uncontrollable, deficit exists and accordingly, the CESC has filed for Tariff hike.

by the CESC should be rejected.	
Commission's Views: The reply furnished by the CESC is noted. This issue has been suitably dealt with in the relevant chapter of this Tariff Order.	
12. Do not increase the tariff for LT 4(c)(i) and (ii) and HT5(b) categories and also retain the existing tariff for plantation consumers.	The tariff for various categories of consumers is determined by the Commission. The CESC abides by the Orders issued by the Commission.
Commission's Views: All the consumers would have to bear any increase in the input costs.	
13. The overall tariff increase of 17.129% plus fixed charges proposed for all categories will also result in inflation and thus, prices of all commodities will go up.	The CESC will abide by the Orders of the Commission in this regard.
Commission's Views: The reply furnished by the CESC is noted. The Commission considers the interest of the consumers as well as the ESCOMs in a balanced manner and determines the charges in the Tariff Order.	
14. Retain the existing tariff for Coffee / Tea Plantations LT-4(c)(i) (Below 10HP) and LT 4(c)(ii) (Above 10 HP) and to HT-3(b)(i) Irrigation and agriculture farms and Plantations.	The views of the Commission in the Tariff Order 2016 for CESC dated 30-03-2016, is as follows: "Coffee plantations have been given a special status as compared to other agricultural lands and therefore coffee planters cannot be treated on par with other agriculturists. Further, extending any subsidy to coffee plantations has to be decided by the State Government." The CESC abides by the Orders issued by the Commission from time to time.
Commission's Views: The reply furnished by the CESC is noted. Any increase in the expenditure has to be passed on to the consumers unless borne by the Government. Hence, the suggestion to retain the existing tariff is not acceptable.	

15. The Annual Revenue Requirement (ARR) is boosted up and projected high for the FY19 at Rs. 5042.12 Crore and the revenue receipts for FY19 are projected low at Rs. 4,279.89 Crores to arrive at a boosted up deficit of Rs. 762.23 Crore. After the Annual Accounts, the ARR is bound to go down and the revenue receipts should go up and after audit, there could be surplus.	The gap for every financial year is projected based on the existing tariff. The Power purchase cost is an uncontrollable expenditure due to which gap increases even after the tariff revision by the Commission. Each and every expenditure including income will be trued- up during Annual Performance Review which will be based on the audited Financial Statements.
Commission's Views: The reply furnished by the CESC is noted. The Commission has dealt with the matter suitably in relevant chapter of the Tariff Order.	
16. The arrears receivable from consumers, ESCOMs and other statutory institutions run into hundreds of Crores and if CESC makes serious attempts to recover them, there is no necessity of tariff increase and the ARR for the FY19 will be a surplus. Hence, the CESC should take steps to recover the arrears due from consumers and not resort to tariff increase.	The CESC has stated that, as it is accounting the income on accrual basis, the collection of arrears does not have any impact on revision of tariff. However, the CESC is making all efforts to recover the dues from consumers including statutory institutions (local bodies).
Commission's Views: The reply furnished by the CESC is acceptable. The CESC is directed to take up the issue of collection of arrears on top priority and collect arrears from the defaulters.	
17. The scheduled and unscheduled load shedding have affected daily agricultural operations affecting production in the plantations. The CESC should notify scheduled power cuts during maintenance schedule.	Clear instructions are issued to take necessary action to reduce uninterrupted power supply duration and to attend to all consumer complaints at the earliest. The employees are working round the clock to maintain uninterrupted power supply to consumers.

	Notifications are being issued in local newspapers in the event of any scheduled interruptions and the same is being regularly informed to the concerned consumers through SMS via Urjamitra App.
Commission's Views: The reply furnished by the CESC is noted. The CESC is directed to make all efforts to provide uninterrupted power to its consumers by taking up regular maintenance works on its distribution system. Also, in case of scheduled interruptions for maintenance works, etc., consumers should be informed about the same well in advance.	
18. During the harvest season in the coffee plantations from November to February, uninterrupted supply of power is necessary to operate the pulpers of coffee growers between 3 PM and 8 PM for processing of coffee. Supply of uninterrupted power is also necessary to coffee plantations during this period as the harvested coffee berries have to be processed immediately otherwise the harvested berries will deteriorate and growers will be put to great loss.	The CESC will issue suitable instructions to the concerned staff for maintenance of uninterrupted power supply to coffee plantations as requested.
Commission's Views: The reply furnished by the CESC is noted. The CESC is directed to make efforts to provide uninterrupted power to all its consumers by taking up regular maintenance works on its distribution system.	
19. The CESC should provide uninterrupted power to the agri feeders during the months of February and March.	At present, 7 hours of 3 phase power supply (4 hours during the daytime and 3 hours at night) is being provided to the agricultural feeders. Instructions have been issued for maintenance of uninterrupted power supply and to attend to all consumer complaints at the earliest. The CESC Engineers are working round the clock to maintain uninterrupted power

	supply.
Commission's Views: The reply furnished by the CESC is noted. The CESC is directed to supply uninterrupted power to its consumers by taking up regular maintenance works on its distribution system.	
20. The Government of Karnataka has exempted consumers including plantation growers using captive generators upto 500KVA from payment of Electricity tax. Earlier, electricity tax was exempted for all consumers. As supply of power to plantations is erratic and uninterrupted power is necessary, plantations have installed captive generators for their own use.	The CESC will abide by the Orders of the GoK.
Commission's Views: This is not a tariff issue. The issue of tax has to be decided by the GoK.	
21. The Awareness among the consumers on the CGRF mechanism should be increased and the complaints should be redressed within the time frame stipulated.	The district-wise consumer grievance forums have been revamped duly including members selected by the Commission also. Regular consumers' interaction meetings are being held throughout CESC to address the consumer grievances.
Commission's Views: The reply furnished by the CESC is noted. CESC should take up more intensified consumers awareness campaign.	
22. Financial statements and Auditor's Report for the period ending 31st March, 2017 (or at least as on 31.3.2016) should be published in the newspapers.	The audited annual accounts for FY17 & audited half yearly accounts have been included in the application for ERC and tariff filing for FY19 of CESC before the Commission. The same is available in the CESC's official website.
Commission's Views: The reply furnished by the CESC is acceptable. The stakeholders can view the audited accounts on the website of the CESC.	

23. The incentives being given for using alternative energy especially solar energy is too small and is required to be increased from the present level.	The CESC has executed 30 PPAs with solar project developers for 370 MW which includes land owning farmer scheme and also taluk- wise allotment. Further, the CESC has also executed PPA for 11% share of 2000 MW solar project at Pavagada Solar Park. The Commission has fixed the tariff for solar power including rooftop & small solar photo voltaic power plants. The CESC abides by the orders issued by the Commission.
Commission's Views: The reply of the CESC is noted. The suggestion for increase in incentives for solar power from the current level will lead to further increase in the tariff to all consumers.	
24. Tariff structure for light & power should be changed.	The tariff for various categories of consumers is determined by the Commission and the CESC abides by the Orders of the Commission.
Commission's Views: The present tariff structure is simpler and provides clarity. For any change in the present tariff structure adequate reasons should be provided.	
25. BWSSB is being charged under Tariff HT1 and more than 99% of the electrical power consumed by it is for the water supply & sewerage services. The Commission is requested to reject the tariff revision proposals of HT1 category.	The tariff for various categories of consumers is determined by the Commission. The CESC abides by the Orders of the Commission.
Commission's Views: The reply furnished by the CESC is noted. This issue has been suitably dealt with in the relevant chapter of this Tariff Order.	
26. The CESC has not submitted the Perspective Plan as required under the KERC Regulations.	The Perspective Plan for the period FY17 to FY21 has been submitted to

In the absence of the same, the tariff application deserves to be dismissed.	the Commission on 15-12-2015. The Perspective Plan contains sales forecast, capex and power procurement plan for FY17 to FY21.
Commission's Views: The reply furnished by the CESC is noted. However, the Commission directs CESC to revise the perspective plan every year based on the changed scenario of the completed year and submit the rolling plan to the Commission along with the Tariff filing.	
27. The power purchase cost as projected by the CESC over the last few years has always been on a higher side.	The CESC has prudently projected its expenditure and the same will be subject to truing up by the Commission.
Commission's Views: The reply furnished by the CESC is noted.	
28. The tariff revision proposed by the CESC is unjustified and not supported by sufficient data as required under the KERC Regulations. In the absence of sufficient data, this application is liable to be rejected.	The CESC has filed the APR for FY17 and ARR & revision of tariff for FY19 in accordance with the Regulations contained in chapter II of the KERC (Terms and Conditions for Determination of Tariff for Distribution and Retail Sale of Electricity) Regulations, 2006. It is quite conspicuous from the filing data that the CESC is finding the revenue gap. The same will be subject to truing up by the Commission. Hence, the contention of the petitioner is not correct.
Commission's Views: The reply furnished by the CESC is noted and this issue has also been suitably dealt with in the relevant chapters of this Tariff Order.	
29. The CESC has not complied with the directives/directions issued by this Commission.	The CESC is taking all efforts to comply with the directives issued by the Commission.

<table>
<tr><td colspan="2">Commission's Views: The reply of the CESC is noted. This issue has also been suitably dealt with in the Directives portion of this Tariff Order.</td></tr>
<tr><td>30. The CESC has not indicated steps taken for improvement of efficiency.</td><td>The CESC has made efforts for the improvement of the system. The Distribution losses of the CESC have reduced over the years as indicated below;

<table>
<tr><th>Year</th><th>Distribution loss in %</th></tr>
<tr><td>FY13</td><td>15.07</td></tr>
<tr><td>FY14</td><td>14.73</td></tr>
<tr><td>FY15</td><td>13.88</td></tr>
<tr><td>FY16</td><td>13.60</td></tr>
<tr><td>FY17</td><td>13.10</td></tr>
</table></td></tr>
<tr><td colspan="2">Commission's Views: The reply furnished by the CESC is noted. This issue has been suitably dealt with in the relevant chapter of this Tariff Order.</td></tr>
<tr><td>31. The approved consumption of HT2a category was 837.72 MU. But, actually achieved is 634.73 MU. Thus, consumption is less by 202.99 MU. This clearly indicates that the HT consumers have left Karnataka. This will adversely affect the Industry, in Karnataka.</td><td>The decrease in sales is not due to the HT consumers having left Karnataka, but, it is because of 17 industries have availed power on Open access. As on December, 2017, the total units availed on open access are 345.67 MU.</td></tr>
<tr><td colspan="2">Commission's Views: The reply furnished by the CESC is noted. However, the Commission suggests CESC to improve its operational efficiency and improve reliability of supply to retain the high revenue paying consumers.</td></tr>
<tr><td>32. Average cost of supply is Rs.5.96 per unit. But, IP sets are charged only at Rs.2.38 per unit and the difference amount of Rs.3.58 is in fact being recovered from other consumers through cross subsidization. That means a large part of the cost of unmetered free power (of 39 per cent) is being borne by the other consumers through cross subsidies,</td><td>As approved in Tariff Order 2017, the average cost of supply for FY18 is Rs. 6.18 per unit. For the BJ/KJ consumers up to 40 units and IP sets consumers up to 10HP, the rates are claimed as per the Commission determined Tariff. For BJ/KJ up to 40 units is charged at Rs. 6.18 per unit and IP sets up to 10 HP</td></tr>
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though the Govt. claims the burden is entirely on its account. This is a clear case of regularization of dues of the Govt.	is charged at Rs.5.36 per unit. The subsidy bills are submitted to GoK on regular basis for which GoK releases the subsidy on monthly basis. The details of subsidy demanded and subsidy released is already submitted in Page No. 79 & 80 of Tariff filing for APR for FY17.
Commission's Views: The reply furnished by the CESC is noted. This issue has been suitably dealt with, in the relevant chapter of this Tariff Order.	
33. For FY-19, ARR of Retail business is Rs.3727.68 Crore and ARR of Wires business is Rs.728.60 Crore. Total ARR is Rs.3456.28 Crore. Total revenue is Rs.4190.47. The gap will be Rs.265.68 Crore.	For FY-19, the CESC carries forward only Rs. 496.55 Crore and not the actual difference of Rs. 638.40 Crore, since power purchase cost is un-controllable expenses, it can be covered only through the tariff hike.
Commission's Views: This issue has been suitably dealt with, in the relevant chapter of this Tariff Order.	
34. The CESC has stated that the gap for FY19 is Rs.762.23 Crore (Rs.265.68 Crore for FY19 + Rs.496.55 Crore for FY17) and hence, it has requested the Commission to hike the tariff by 113 paise per unit for all categories of consumers. In the truing up for FY-17, it is mentioned that Rs.496.55 Crore will be recovered in FY19. Approved ARR was Rs. 3,382.14 Crore and actual ARR is Rs.4,015.32 Crore. Thus, the CESC has spent Rs.496.55 Crore more than the approved ARR. This excess amount is being asked to be recovered. While tariff filing, CESC shows less expenses and in truing up, it makes excess expenditure and recovers from the	The CESC is creating regulatory assets for the difference amount of approved and actual power purchase cost. During 2016-17, it is recognized Rs.638.40 Crore of additional regulatory asset computed towards the provisional gap expected to be considered by the Commission for recovery in subsequent years and reversal of Rs. 120.41 Crore created in FY16.

consumers. Any excess expenditure should be recovered from the Govt. and not from the consumers. This entire amount should be deleted from FY19 deficit of Rs.762.23 Crore.	
Commission's Views: This issue has been suitably dealt with in the relevant chapter of this Tariff Order.	
35. The CESC has to abide by the directives of the Commission, such as TOD, Timer Switches, independent feeders for Industries, Solar water heaters, Niranthara Jyoti, HVDS, Demand Side Management in Agriculture, Metering of DTCs, Energy Audit of 24 towns, Accidents, HT: LT Ratio, Reliability Index, Metering of IP sets, IP set Consumption, Implementation of Standards of Performance.	The CESC is implementing all the directives of the Commission. The details of compliances to the directives have been furnished in the Application for APR for FY17. Efforts are being made to reduce the interruptions and ensure quality power supply to all consumers.
Commission's Views: These issues have been suitable dealt with in the relevant chapter of the Tariff order.	
36. Separate tariff category for Small Scale Industries should be created and this tariff should be atleast Rs.1.00 less than other tariffs.	The CESC prays before the Commission to approve the application for ARR and revision of tariff for FY19.
Commission's Views: This issue has been suitably dealt with in relevant chapter of the Tariff Order.	
37. Madhuvanahalli and other areas in Chamrajanagar Taluk should be provided with quality power supply.	NJY feeder is already commissioned to Madhuvanahalli area. Efforts are being made to reduce the interruptions and ensure quality power supply to all consumers.
Commission's Views: The reply of the CESC is noted.	

38. Even though NJY work is completed, the rural areas are not being provided with 24X7 hours of power supply. Hence, a hike in tariff should not be allowed.	The NJY feeders are constructed to provide 24X7 hours of power supply to rural areas. Efforts are being made to reduce the interruptions and ensure quality power supply to all consumers.
Commission's Views: The reply furnished by the CESC is noted.	
39. Interruption of power supply to the healthy feeders is increasing. While taking up maintenance of other feeders, the healthy feeder crossing the faulty feeder is also switched off during the period. The same work could be carried out by switching off of GoS in the feeders, but, CESC is resorting to easy way of taking line clear of entire feeders.	In the case of some of the 11kV lines crossing each other in Madhuvanahalli area, the CESC is taking line clear for both the feeders during the maintenance works for ensuring safety.
Commission's Views: The reply furnished by the CESC is noted. The Commission directs CESC to improve its services to the consumers and reduce the duration of interruptions during the maintenance works so as to increase the available hours of power supply to the consumers.	