

**Tariff Order**  
**on Approval of Business Plan and**  
**Multi Year Tariff Petition**  
**For**  
**Power Transmission Corporation of**  
**Uttarakhand Ltd.**  
**For**  
**First Control Period**  
**(FY 2013-14 to FY 2015-16)**

**May 06, 2013**

**Uttarakhand Electricity Regulatory Commission**  
**1<sup>st</sup> Floor, Institution of Engineers (I) Building,**  
**Near I.S.B.T., Saharanpur Road, Clementown, Dehradun**



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**Before**  
**UTTARAKHAND ELECTRICITY REGULATORY COMMISSION**

**Petition No.: 17 of 2012**

**Petition No.: 05 of 2013**

**and**

**Petition No.: 08 of 2013**

**In the Matter of:**

Petition filed by Power Transmission Corporation of Uttarakhand Limited for approval of its Business Plan for the first Control Period from FY 2013-14 to FY 2015-16,

**AND**

**In the Matter of:**

Petition filed by Power Transmission Corporation of Uttarakhand Limited for determination of Multi Year Tariff for the first Control Period from FY 2013-14 to FY 2015-16

**AND**

**In the Matter of:**

Petition filed by Power Transmission Corporation of Uttarakhand Limited for determination of provisional Annual Revenue Requirement for the Associated Transmission System for Bhilangana III Power Station for FY 2011-12 and FY 2012-13

**BY**

**In the Matter of:**

Power Transmission Corporation of Uttarakhand Limited,  
Vidyut Bhawan, Near I.S.B.T. Crossing, Saharanpur Road, Majra, Dehradun-248002

.....Petitioner

**Coram**

<b>Shri Jag Mohan Lal</b>	<b>Chairman</b>
<b>Shri C. S. Sharma</b>	<b>Member</b>
<b>Shri K. P. Singh</b>	<b>Member</b>

**Date of Order : May 06, 2013**

Section 64 (1) read with Section 61 and 62 of the Electricity Act, 2003 (hereinafter referred to as "Act") requires Generating Companies and the Licensees to file an application for determination of tariff before the Appropriate Commission in such manner and along with such fee as may be

specified by the Appropriate Commission through Regulations. In compliance with the above provisions of the Act and Regulation 9(1) and Regulation 11(1) of UERC (Terms and Conditions for Determination of Tariff) Regulations, 2011, Power Transmission Corporation of Uttarakhand Limited (hereinafter referred to as “PTCUL” or “Licensee” or “Petitioner”) filed separate Petitions for the approval of its Business Plan for the first Control period from FY 2013-14 to FY 2015-16 (Petition No. 05 of 2013 hereinafter referred to as “Business Plan Petition”) and Multi Year Tariff Petition (Petition No. 08 of 2013 hereinafter referred to as the “MYT Petition”) on December 31, 2012. PTCUL in its Business Plan Petition, has submitted the Capital Investment Plan, Financing Plan, and trajectory of performance parameters for the first Control Period. Further, through the MYT Petition, PTCUL has submitted the detailed calculations of its projected Aggregate Revenue Requirement for the first Control Period from FY 2013-14 to FY 2015-16 as per the Uttarakhand Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2011 (UERC Tariff Regulations, 2011). Through the MYT Petition, the Petitioner has also requested for final true up for FY 2004-05 to FY 2010-11 based on audited accounts and provisional true up for FY 2011-12 in accordance with Uttarakhand Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2004.

The Business Plan Petition filed by PTCUL had certain infirmities/deficiencies which were informed to PTCUL vide Commission’s letter no. UERC/6/TF/Misc. App. No. 53 of 2012/12-13/1405 dated January 14, 2013 and PTCUL was directed to rectify the said infirmities in the Petition and submit certain additional information necessary for admission of the Business Plan Petition. PTCUL vide its letter no. 135/ MD/PTCUL/ UERC dated January 21, 2013 submitted most of the information sought by the Commission. Based on the submissions dated January 21, 2013 by PTCUL, the Commission vide its Order dated February 1, 2013, provisionally admitted the Petition for further processing subject to the condition that PTCUL shall furnish any further information/clarifications as deemed necessary by the Commission during the processing of the Petition and provide such information and clarifications to the satisfaction of the Commission within the time frame, as may be stipulated by the Commission, failing which the Petition would be treated as deemed returned.

Further, the MYT Petition filed by PTCUL also had certain infirmities/deficiencies. The Commission, accordingly, vide its letter no. UERC/6/TF/Misc. App. No. 53 of 2012/12-13/1403 dated January 14, 2013 directed PTCUL to rectify these infirmities/deficiencies and to submit

certain additional information necessary for admission of the MYT Petition. PTCUL vide its letter no. 134/MD/PTCUL/UERC dated January 21, 2013 submitted most of the information sought by the Commission. Based on the submissions dated January 21, 2013 by PTCUL, the Commission vide its Order dated February 1, 2013 provisionally admitted the MYT Petition, with the condition that PTCUL shall furnish any further information/clarifications as deemed necessary by the Commission during the processing of the Petition and provides such information and clarifications to the satisfaction of the Commission within the time frame, as may be stipulated by the Commission, failing which the Petition would be treated as deemed returned.

This Order, accordingly, relates to the Business Plan Petition and the Multi Year Tariff (MYT) Petition filed by PTCUL for approval of Business Plan and determination of Aggregate Revenue Requirement and Multi Year Tariff for the first Control Period from FY 2013-14 to FY 2015-16 as well as true up for FY 2004-05 to FY 2011-12, and is based on the original as well as all the subsequent submissions made by PTCUL during the course of the proceedings.

Tariff determination being the most vital function of the Commission, it has been the practice of the Commission in the past many Tariff Orders, to detail the procedure and explain the principles followed by it in the determination of tariffs. Accordingly, in the present Order also, in line with past practices, the Commission has tried to detail the procedure and principles followed by it while approving the Business Plan and determining the ARR and Tariff of PTCUL. The Annual Transmission Charges (ATC) of PTCUL are to be recovered from the beneficiaries, which is only UPCL at present. As entire ATC for PTCUL is paid for by UPCL, it has been the endeavour of the Commission in past also, to issue Tariff Orders for PTCUL concurrently with the issue of Order on retail Tariff for UPCL, so that UPCL is able to honour the payment liability towards Transmission Charges of PTCUL. For the sake of convenience and clarity, this Order has further been divided into following Chapters:

- Chapter 1 – Background and Procedural History
- Chapter 2 – Petitioner's Submissions and Proposals
- Chapter 3 – Stakeholders' Responses & Petitioner's Comments
- Chapter 4 – Commission's Approach
- Chapter 5 – Commission's Analysis, Scrutiny and Conclusion on Business Plan for the

first Control Period

Chapter 6 – Commission’s Analysis, Scrutiny and Conclusion on Truing up and MYT for the first Control Period

Chapter 7 – Commission’s Directives



# 1 Background and Procedural History

In accordance with the provisions of the Uttar Pradesh Reorganization Act 2000 (Act 29 of 2000), enacted by the Parliament of India on August 25, 2000, the State of Uttaranchal came into existence on November 9, 2000. Section 63(4) of the above Reorganization Act allowed the Government of Uttaranchal (hereinafter referred to as “GoU” or “State Government”) to constitute a State Power Corporation at any time after the creation of the State. GoU, accordingly, established the Uttaranchal Power Corporation Limited (UPCL) under the Companies Act, 1956, on February 12, 2001 and entrusted it with the business of **transmission and distribution** in the State. Subsequently, from April 1, 2001, all works pertaining to the transmission, distribution and retail supply of electricity in the area of Uttaranchal were transferred from UPPCL to UPCL, in accordance with the Memorandum of Understanding dated March 13, 2001, signed between the Governments of Uttaranchal and Uttar Pradesh.

Meanwhile, Electricity Act 2003 was enacted by the Parliament of India on June 10, 2003, which mandated separate licenses for transmission and distribution activities. In exercise of powers conferred under sub-section 4 of Section 131 of the Electricity Act 2003, the Government of Uttarakhand, therefore, through transfer scheme dated May 31, 2004, first vested all the interests, rights and liabilities related to Power Transmission and Load Dispatch of “Uttaranchal Power Corporation Limited” into itself and, thereafter, re-vested them into a new company, i.e. “Power Transmission Corporation of Uttaranchal Limited”, now “Power Transmission Corporation of Uttarakhand Limited” after change of name of the State. The State Government, further vide another notification dated May 31, 2004 declared Power Transmission Corporation of Uttarakhand as the State Transmission Utility (STU) responsible for undertaking, amongst others, the following main functions:

- a) To undertake transmission of electricity through intra-State transmission system.
- b) To discharge all functions of planning and co-ordination relating to intra-State transmission system.
- c) To ensure development of an efficient, co-ordinated and economical system of intra-State transmission lines.
- d) To provide open access.

A new company in the State was thus, created to look after the functions of intra-State Transmission and Load Dispatch, w.e.f. May 31, 2004. In view of re-structured function of UPCL and creation of a separate company for looking after the transmission related works, the Commission amended the earlier 'Transmission and Bulk Supply License' granted to 'Uttarakhand Power Corporation Limited' and Transmission license was vested on PTCUL for carrying out transmission related works in the State vide Commission's Order dated June 9, 2004.

In exercise of power conferred to it under Section 61 of the Electricity Act, 2003, and all other powers enabling it in this behalf, the Commission notified the UERC (Terms and conditions for Determination of Tariff) Regulations, 2011 in December 2012.

As mentioned earlier also, in accordance with the provisions of the Electricity Act, 2003 and Regulation 9(1) and Regulation 11(1) of the UERC Tariff Regulations, 2011, Transmission Licensees are required to submit Business Plan Petition and MYT Petition for determination of Aggregate Revenue Requirement. As per Regulations 9(1) and 9(3) of the UERC Tariff Regulations, 2011, the Business Plan Petition was required to be submitted on or before May 31, 2012 so that the same was approved by the Commission prior to filing of the MYT Petition. In this regard, PTCUL vide letter no. 1005/MD/PTCUL/UERC dated June 06, 2012 requested time extension of sixty days for submission of Business Plan. In reply the Commission vide its letter no. UERC/6/TF/151/2012/472 dated June 11, 2012 accepted the request and allowed sixty days time w.e.f. May 31, 2012 for filing the Business plan. PTCUL, vide its letter no. 1390/MD/PTCUL/UERC dated July 31, 2012 submitted the Business Plan in line with Regulation 9(1)(b) of the UERC Tariff Regulations, 2011. The Commission observed some deficiency in the Business Plan submitted by PTCUL and, accordingly, vide letter no. UERC/6/TF/12-12/2012/748 dated August 21, 2012 directed PTCUL to remove the deficiencies observed in the Business Plan. Further, PTCUL vide letter no. 1803/Dir.(Projects)/PTCUL/Business Plan dated September 10, 2012 submitted its reply. However, the Commission found that the reply did not address the issues raised and, accordingly, the Commission vide letter no. UERC/6/TF-151/2012-13/2012/885 dated September 14, 2012 again directed PTCUL to remove the deficiencies and re-submit the Business Plan. PTCUL vide letter no. 1941/MD/PTCUL/UERC dated November 5, 2012 again requested for time extension upto December 31, 2012 for submission of Business Plan Petition after removing the discrepancies. The Commission vide letter no. UERC/6/TF-151/2012-13/2012/1105 dated November 12, 2012 rejected the request made by PTCUL to grant time extension till December 31, 2012 for re-submitting the

Business Plan and, accordingly, directed PTCUL to submit the Business Plan latest by November 30, 2012. Further PTCUL vide letter no. 2028/MD/PTCUL/UERC dated November 21, 2012 requested the Commission to allow submission of Business Plan by December 15, 2012. The Commission vide letter no. UERC/6/TF-165/12-13/2012/1155 dated November 30, 2012 accepted the request and directed it to submit Business Plan alongwith MYT Petition latest by December 15, 2012. PTCUL vide letter no. 2215/MD/PTCUL/UERC dated December 19, 2012 again requested the Commission to allow time extension for submission of Business Plan and MYT Petition by December 31, 2012. The Commission vide letter no. UERC/6/TF-151/12-13/2012/1285 dated December 21, 2012 granted last opportunity to PTCUL to submit Business Plan and MYT Petition by December 31, 2012.

Above narrative clearly brings out that inspite of the repeated reminders and extensions given by the Commission PTCUL delayed the submission of the Business Plan Petition and the same was submitted on December 31, 2012 along with the MYT Petition and, thus, the Business Plan could not be approved prior to filing of the MYT Petition. Further, as per Regulation 11(1) of UERC Tariff Regulations, 2011 the MYT Petition was required to be filed latest by November 30, 2012. PTCUL has submitted the MYT Petition for determination of Transmission Tariff for the first Control Period from FY 2013-14 to FY 2015-16 on December 31, 2012.

As the Business Plan Petition and the MYT Petition have been submitted together on December 31, 2012, the Commission is of the view that in case the Petition for Business Plan is processed & approved first by the Commission, and thereafter, the Petitioner is asked to submit the revised MYT Petition, it would delay the Tariff determination process for the first Control Period by around 6-8 months.

The Hon'ble ATE in its Judgment in OP No. 1 of 2011 dated November 11, 2011 has directed the State Commissions to ensure the timely determination of Tariff for the utilities. The relevant excerpts from the mentioned Judgement are reproduced below:

*"65. In view of the analysis and discussion made above, we deem it fit to issue the following directions to the State Commissions:*

*...*

*(ii) It should be the endeavour of every State Commission to ensure that the tariff for the financial year is decided before 1st April of the tariff year. For example, the ARR & tariff for the financial year 2011-12 should be decided before 1st April, 2011. The State Commission could*

*consider making the tariff applicable only till the end of the financial year so that the licensees remain vigilant to follow the time schedule for filing of the application for determination of ARR/tariff.*

*(iii) In the event of delay in filing of the ARR, truing-up and Annual Performance Review, one month beyond the scheduled date of submission of the petition, the State Commission must initiate suo-moto proceedings for tariff determination in accordance with Section 64 of the Act read with clause 8.1 (7) of the Tariff Policy.*

*..."*

In view of the above Judgment, and to ensure the timely Tariff Determination, the Commission, perforce is processing the Business Plan Petition and MYT Petition simultaneously and, accordingly, the Commission has decided to club the Petitions for approval of Business Plan and Multi Year Tariff and is issuing this single Order on approval of Business Plan and Multi Year Tariff. **However, Commission would like to caution the Petitioner that such delays in future filing of APR and truing up petition during this control period would be dealt with as per Hon'ble APTEL's directions. Furthermore, this would be treated as non-compliance of relevant provisions of various regulations and may entail appropriate punitive action against the Petitioner.**

The Business Plan Petition and the MYT Petition were provisionally admitted by the Commission vide two separate Orders dated February 1, 2013 subject to the condition that PTCUL shall furnish any further information/clarifications as deemed necessary by the Commission during the processing of the Petition and provide such information and clarifications to the satisfaction of the Commission, within the time frame as may be stipulated by the Commission, failing which the Petition would be treated as deemed returned on the due date for last information sought by the Commission. The Commission would then proceed to dispose-off the matter as it deems fit based on the information available with it. The Commission, through its above Admittance Orders dated February 1, 2013 to provide transparency to the process of tariff determination and to give all stakeholders an opportunity to submit their objections/suggestions/comments on the proposals of the Transmission Licensee, also directed PTCUL to publish the salient points of its proposals in the leading newspapers. The salient points of the proposal were published by the Petitioner in the following newspapers:

**Table 1.1: Publication of Notice**

S.No.	Newspaper Name	Date Of Publication
1	Amar Ujala	February 07, 2013
2	Dainik Jagran	February, 07, 2013
3	Hindustan Times	February 08, 2013
4	Times of India	February 08, 2013

Through above notice, stakeholders were requested to submit their objections/suggestions/comments latest by March 15, 2013 (copy of the notice is enclosed at **Annexure 1**). The Commission received in all 5 numbers of objections/suggestions/comments in writing on the Petitions filed by PTCUL for the first Control Period from FY 2013-14 to FY 2015-16. The list of stakeholders who have submitted their objections/suggestions/comments in writing is enclosed at **Annexure-2**.

The Commission on its own initiative also sent copies of salient points of tariff proposals to members of the State Advisory Committee and the State Government. The salient points of the tariff proposals submitted by PTCUL were also made available on the website of the Commission, i.e. [www.uerc.gov.in](http://www.uerc.gov.in). The Commission also organized a meeting with the members of the Advisory Committee on April 3, 2013, wherein, detailed deliberations were held with the members of the Advisory Committee on various issues linked with the Business Plan Petition and MYT Petition filed by PTCUL for the first Control Period from FY 2013-14 to FY 2015-16.

Further, for direct interaction with all stakeholders and public at large, the Commission also organized public hearings on the proposals filed by the Petitioner at the following places in the State of Uttarakhand.

**Table 1.2: Schedule of Hearing**

S. No	Place	Date
1	Ranikhet	March 14, 2013
2	Rudrapur	March 15, 2013
3	Dehradun	March 18, 2013
4	New Tehri	March 20, 2013

The list of participants who attended the Public Hearing is enclosed at **Annexure-3**.

The objections/suggestions/comments, as received from the stakeholders through mail/post as well as during the course of public hearing were sent to the Petitioner for its response. All the issues as raised by the stakeholders and Petitioner's response on the same are detailed in Chapter 3 of this Order. In this context, it is also to underline that while finalizing this Order, the Commission has, as far as possible, tried to address the issues raised by the stakeholders.

Meanwhile, based on scrutiny of the Business Plan Petition and the MYT Petition, the

Commission vide its letter nos. UERC/6/TF/Misc. App No. 53 of 2012/12-13/1403, UERC/6/TF/Misc. App No. 53 of 2012/12-13/1405 dated January 14, 2013 and in the Technical Validation Session held on February 19, 2013 pointed out certain data gaps in the Petitions and sought following additional information/clarifications from the Petitioner:

**Business Plan Petition**

- Submission of revised Business Plan Petition for the first Control Period from FY 2013-14 to FY 2015-16 instead of FY 2012-13 to FY 2016-17 in accordance with the provisions of UERC Tariff Regulations, 2011.
- Scheme wise Cost and Time over run for all the schemes along with the justification and also the copies of the proposals sent to the financial institutions for approval of cost overruns.
- Submission of Transmission Loss reduction trajectory in accordance with UERC Tariff Regulations, 2011.
- Status of actual capital expenditure as on December 31, 2012 for all the existing schemes proposed to be capitalised during first Control Period from FY 2013-14 to FY 2015-16 and also during FY 2012-13.
- Details of receipt and repayments of loans received under various schemes since creation of PTCUL.
- Details of the proposed Capital Expenditure during the first Control Period including cost benefit analysis, justification of the scheme, expected cost, capital structure, capitalisation schedule, and financing plan.
- Preparedness to execute the Capital works proposed and Plan for monitoring the progress of execution of Capex Schemes during first Control Period in terms of Orders placed and funds tie-up.
- Submission of detailed HR Plan detailing out the recruitment strategy, hiring and training plan, training and development plan, etc.
- Submission of status of Capital Expenditure in terms of percentage of works that has been completed, list of activities that have been completed and that are yet to be

completed along with target date of completion.

- Submission of impact of various factors that led to increase in cost and time overruns of various existing Schemes.

### **MYT Petition**

- Submission of justification for the increase in actual O&M expenses as against the O&M expenses approved by the Commission in previous Tariff Orders for FY 2004-05 to FY 2011-12.
- Submission of capitalisation policy from FY 2004-05 to FY 2011-12.
- Submission of Scheme-wise details of assets capitalized from FY 2004-05 to FY 2011-12 along with the financing thereof.
- Break-up of employee expenses from FY 2007-08 to FY 2011-12, showing arrears paid towards implementation of VIth Pay Commission's recommendations separately.
- Actual arrears assessed on implementation of Sixth Pay Commission and payment made in FY 2009-10, FY 2010-11 and FY 2011-12 on this account.
- Submission of Monthly Trial Balance from FY 2004-05 to FY 2011-12 and as on December 31, 2012.
- Submission of scheme wise details of assets capitalised during FY 2011-12 and FY 2012-13 along with clearance certificates of Electrical Inspector.
- Submission of methodology of projecting year wise employee expenses for the first Control Period.
- Details of number of employees working as on March 31, 2012, October 31, 2012 and employees retiring during the balance months of FY 2012-13 and during the first Control Period.
- Submission of the methodology of allocation of employee expenses between UITP and Non-UITP schemes.
- Submission of approach adopted for projecting Guarantee Fee for the first Control Period, corresponding calculations, Government Order regarding payment of

guarantee fee and details of loans on which Government Guarantee has been extended.

- Submission of justification for steep increase in A&G expenses for FY 2012-13 as compared to FY 2011-12 and break-up of miscellaneous expenses under A&G expenses.
- Submission of copy of Indian Income Tax Return Verification (ITRV) Form for assessment year FY 2012-13 as a supporting document for the tax paid.
- Submission of rationale for the escalation rate considered for projecting the year wise Capacity Handled (MW) for the first Control Period.
- Submission of Scheme wise impact of cost and time over-run segregated into factors entirely attributable to PTCUL, factors beyond control of PTCUL, situations not covered by above two conditions on affidavit for prudence check of the Commission.
- Submission of year wise Depreciation on Opening Block of GFA, Depreciation for Additional Capitalisation from FY 2004-05 onwards and Fixed Assets Register.

So as to have better clarity on the data filed by the Petitioner and to remove inconsistency in the data, a Technical Validation Session (TVS) was also held with the Petitioner's officers on February 19, 2013, for further deliberations on certain critical issues related to Business Plan Petition and MYT Petition filed by PTCUL for the first Control Period from FY 2013-14 to FY 2015-16. Minutes of above Technical Validation Session were sent to the Petitioner vide Commission's letter no. UERC/6/TF/Petition No. 05 & 08 of 2013/12-13/2013/1585 dated February 21, 2013, for its response.

Most of the information as desired by the Commission above was submitted by PTCUL vide its letter no. 445/MD/PTCUL/UERC dated February 28, 2013. On further examination of the Petition, certain other additional information was sought by the Commission vide its letter no. UERC/6/TF/Petition No. 05&08 of 2013/12-13/2013/1709 dated March 11, 2013, letter no. UERC/6/TF/Petition No. 05&08 of 2013/12-13/2013/1757 dated March 25, 2013 and reply to same was submitted by PTCUL vide its letter no. 651/MD/PTCUL/UERC dated March 20, 2013, letter no. 762/MD/PTCUL/UERC dated April 1, 2013 and letter no. 792/MD/PTCUL/UERC dated April 5, 2013. The second Technical Validation Session (TVS) was held with the Petitioner's officers on



April 3, 2013, for further deliberations on replies submitted vide its letter dated April 1, 2013 and information submitted to the Expert Committee appointed by the Commission for examining the time and cost overruns of capital expenditure under various Schemes capitalised during FY 2004-05 to FY 2010-11. Minutes of second Technical Validation Session were sent to the Petitioner vide Commission's letter no. UERC/6/TF/Petition No. 05 & 08 of 2013/12-13/2013/51 dated April 5, 2013. The submissions made by PTCUL in the Petition as well as in additional submissions have been discussed by the Commission at appropriate places in the Order along with the Commission's view on the same.

The Commission in its Order dated November 24, 2011 while approving capital investment of REC-IV Scheme had excluded the following Projects namely 220 kV Chamba – Ghansali Line, 220 kV D/C Bhilangana-III (Ghuttu) – Ghansali Line and 1 No. Bay at 220 kV S/s Chamba from REC-IV Scheme which form Associated Transmission System of Bhilangana-III SHP. PTCUL in its ARR & Tariff Petition for FY 2012-13, had requested for approval of ARR for Associated Transmission System of Bhilangana-III SHP and the Commission vide its letter dated March 23, 2012 directed the Petitioner as under:

*“... Considering the request of licensee that completion of formalities/procedures under PoC mechanism, may take a longer time, the Commission directs PTCUL to submit a proposal in the form of Petition for determination of provisional ARR/transmission charges for these transmission assets in accordance with the Regulations of the Commission for recovery of the same from the beneficiary generator till transmission charges are decided by CERC under PoC mechanism.”*

Thereafter, PTCUL vide letter no. 703/MD/PTCUL/UERC dated April 30, 2012 filed a Petition for determination of provisional ARR for FY 2011-12 & FY 2012-13 for the Associated Transmission System for Bhilangana SHP. PTCUL also filed a Petition vide letter dated April 17, 2012 seeking investment approval for 220 kV S/s at Ghansali. The Commission reiterated its earlier decision with regard to the transmission system including the aforesaid sub-station at Ghansali associated with Bhilangana-III SHP and directed PTCUL vide letter dated September 18, 2012 to include these four schemes namely 220 kV D/C Bhilangana-III (Ghuttu) - Ghansali line, 220 kV S/s Ghansali, 220 kV S/C Chamba-Ghansali line & 01 No. 220 kV bay at 220 kV S/s Chamba and submit a separate petition for seeking investment approval in accordance with the CBR.

The Commission vide its Order dated April 29, 2013 has considered that the two Projects, viz. 220 kV Chamba – Ghansali Line and 1 No. Bay at 220 kV S/s Chamba under system strengthening having UPCL as the sole beneficiary. Further, 220 kV Ghuttu – Ghansali Line would be used to evacuate power from Bhilangana-III SHP. These projects have been energised in FY 2011-12. The Commission, accordingly, has considered the capitalisation of 220 kV Chamba – Ghansali Line and 1 No. Bay at 220 kV S/s Chamba under REC-IV Scheme in FY 2011-12 for truing up purposes. Further, the Commission has determined the ARR of 220 kV Ghuttu – Ghansali Line separately for FY 2011-12, FY 2012-13 and for the first Control Period as detailed in Section 6.3 of the Order which shall be recovered from the beneficiaries in accordance with the Order dated April 29, 2013.

## **2 Petitioner's Submissions and Proposals**

This Chapter gives a brief summary of PTCUL's original submissions for the approval of the Business Plan and Multi Year Tariff for the first Control Period from FY 2013-14 to FY 2015-16. The contents of this Chapter are based on the original submissions of the Petitioner and do not incorporate changes in information and data as submitted subsequently by the Petitioner. Additional submissions made by PTCUL have been considered by the Commission only under Chapter 5 & Chapter 6, i.e. Commission's Analysis, Scrutiny and Conclusion on Business Plan & Commission's Analysis, Scrutiny and Conclusion on Truing up of FY 2010-11 & FY 2011-12 & MYT for the first Control Period.

The Petitioner has filed the Business Plan Petition for approval of its Business Plan for FY 2013-14 to FY 2015-16 and separate MYT Petition for the determination of ARR for the first Control Period from FY 2013-14 to FY 2015-16 on December 31, 2012. Through its MYT Petition, PTCUL has also requested for final truing up for FY 2004-05 to FY 2010-11 and provisional truing up for FY 2011-12.

### **2.1 Business Plan**

The Petitioner in its Business Plan has submitted the capital investment plan and the trajectory of the performance parameters for the first Control Period from FY 2013-14 to FY 2015-16. The Petitioner in its Business Plan has submitted that it handles the load from the following sources of Generation:

- State Generating Stations
- Allocation from Central Sector Generating Stations
- Independent Power Producers (IPPs)
- Captive Power Plants
- Renewable Power integration

The Petitioner submitted that the power evacuation from the following new Generating Stations, which are proposed to be commissioned during 12<sup>th</sup> Five Year Plan, is proposed through its Transmission system:

**Table 2.1: Generating Stations proposed for evacuation of Power through PTCUL**

S. No.	Project	Developer	Proposed Capacity (MW)
1	Lata Tapovan	NTPC	171
2	Tapovan Vishnugad	NTPC	520
3	Singoli Bhatwari	L&T	99
4	Phatabyung	Lanco	76
5	Srinagar	GVK	330
6	Badrinath (Alaknanda)	GMR	300
7	Gama gas based	Gama Infrapop	225
8	Gas based at Kashipur	UJVNL & GAIL	350
9	Gas based at Haridwar	UJVNL & GAIL	350
10	Beta gas based	Beta Infratech	225
11	Sravanthi gas based	Sravanthi Energy Pvt. Ltd.	225
12	Bagasse based	Lakshmi Sugar Mills Corporation Ltd.	20
13	Vyasi	UJVNL	120
14	Lakhwar	UJVNL	300
15	Bawala Nandprayag	UJVNL	300
16	Nandprayag Langrasu	UJVNL	100
17	Tamaklata	UJVNL	250
18	Devsari	SJVNL	252
19	Naitwar Mori	SJVNL	60
20	Jakhol Sankri	SJVNL	51
21	Kotilibhel 1A	NHPC	195
22	Small Hydro Power Projects (Aggregate)	UJVNL	60
23	Projects in planning and development stage (Aggregate)	UJVNL	125
<b>Total</b>			<b>4704</b>

The Petitioner submitted that it is in the process of strengthening its Transmission System (132 kV & above) to meet the load growth requirement of Uttarakhand and also for evacuation of power from various Generating Stations proposed to be commissioned in Uttarakhand. The Petitioner submitted that in the 11<sup>th</sup> Five Year Plan (FY 2007-08 to FY 2011-12) its Transmission Network has been suitable for load requirement of 1300 MW of the State Discom as well as capacity to handle power of 1832 MW within Uttarakhand. The Petitioner submitted that after implementation of transmission projects in the 12<sup>th</sup> Five Year Plan duration (FY 2012-13 to FY 2016-17), its Transmission Network would be capable to handle over 2000 MW of power requirement of the State Discom as well as evacuation of power from new generating projects of 4519 MW expected to be commissioned in 12<sup>th</sup> Five Year Plan.

The Petitioner in its Business Plan has submitted the Physical Targets for the first Control Period as shown in the Table below:

**Table 2.2: Proposed Physical Targets**

S. No.	Item	Unit	Control Period		
			FY 2013-14	FY 2014-15	FY 2015-16
1	132 kV Substation	No./MVA	2/80	1/150	2/120
2	220 kV Substation	No./MVA	1/640	2/380	2/150
3	400 kV Substation	No./MVA	1/705	0/0	1/630
4	132 kV Line	Ckt km	6.00	188.00	60.00
5	220 kV Line	Ckt km	24.00	260.6	10.40
6	400 kV Line	Ckt km	0.00	70.00	304.00
	<b>Total No. of S/s MVA</b>		<b>4/1425</b>	<b>3/530</b>	<b>5/900</b>
	<b>Total Ckt km</b>		<b>30.00</b>	<b>518.60</b>	<b>374.40</b>

## 2.1.1 Capital Expenditure and Capitalisation Plan

### 2.1.1.1 Capital Investment Schemes

The Petitioner submitted the details of ongoing and proposed capital investment Schemes for the first Control Period from FY 2013-14 to FY 2015-16 as discussed in the following sub-sections:

#### 2.1.1.1.1 REC Old Scheme

The Petitioner submitted that 23 Projects were envisaged under REC Old Scheme with an estimated cost of Rs. 165.75 Crore at a Debt/Equity ratio of 84:16. The Petitioner submitted that Debt amount was sanctioned from REC and Equity was contributed by Govt. of Uttarakhand (GoU). The Petitioner submitted that out of 23 Projects, 17 Projects have already been completed, 4 Projects have been deleted and remaining 2 Projects are nearing completion. The Petitioner submitted that after actual survey and based on revised quantum of work, the total cost of remaining 19 Projects was revised to Rs. 304.66 Crore and additional loan was sanctioned from REC resulting in the overall Debt/Equity ratio of 75.50:24.50. The Petitioner submitted the status of REC Old Scheme and the ongoing Projects under this Scheme as shown in the Tables below:

Table 2.3: Status of REC Old Scheme	
Particulars	No.
Completed Projects which have been considered by the Commission	17
Ongoing Projects	2
Deleted Projects	4
<b>Total</b>	<b>23</b>

**Table 2.4: REC Old Scheme - Ongoing Projects**

S. No.	Year	Project	Actual/proposed Completion Date	Project Cost (Rs. Crore)	Revised Cost (Rs. Crore)
1	FY 2012-13	Construction of 132 kV Srinagar-Satpuli Line	Feb-13	14.276	54.23
2	FY 2014-15	Construction of 132 kV Double Circuit Line Srinagar-Shimli & LILO of 132 kV Substation Srinagar	Jun-14	22.26	89.51

**2.1.1.1.2 REC New Scheme**

The Petitioner submitted that 22 Projects were planned under REC New Scheme with a total capital outlay of Rs. 217.56 Crore at Debt/Equity ratio of 100:0. The Petitioner submitted that Debt amount was sanctioned from REC. The Petitioner submitted that out of 22 Projects, 14 Projects have already been completed, 2 Projects have been deleted and remaining 6 Projects are nearing completion. The Petitioner submitted the status of REC New Scheme and the ongoing Projects under this Scheme as shown in the Tables below:

**Table 2.5: Status of REC New Scheme**

Particulars	No.
Completed Projects which have been considered by the Commission	14
Ongoing Projects	6
Deleted Projects	2
<b>Total</b>	<b>22</b>

**Table 2.6: REC New Scheme - Ongoing Projects**

S. No.	Year	Project	Actual/proposed Completion Date	Project Cost (Rs. Crore)
1	FY 2012-13	Construction of 132 kV Bay Ranikhet-Pithoragarh	Sep-12	1.68
2	FY 2012-13	LILO of 132 kV Almora - Pithoragarh line at 220 kV S/s at Pithoragarh (Power Grid)	Mar-13	5.46
3	FY 2013-14	Construction of 132 kV S/s Srinagar-II	Jun-13	19.77
4	FY 2013-14	Construction of SLDC at Rishikesh and 2 Nos. Sub SLDC at Kashipur and Dehradun and its associated communication network civil works	Jun-13	16.11*
5	FY 2014-15	132 kV S/C Ranikhet - Bageshwar line on D/C tower for 132 kV S/s at Bageshwar	Jun-14	25.90
6	FY 2014-15	Construction of 132 kV S/s Bageshwar	Jun-14	13.93

*\*The Project Cost was Rs. 51.92 Crore, however, as per the revised estimates the expenditure envisaged is only Rs. 16.11 Crore over the plan period.*

### 2.1.1.1.3 REC-IV Scheme

The Petitioner submitted that 23 Projects were planned under REC-IV Scheme with a total capital outlay of Rs. 236.44 Crore at Debt/Equity ratio of 70:30. The Petitioner submitted that out of 23 Projects, 8 Projects have already been completed, 6 Projects have been deleted and remaining 9 Projects are nearing completion. The Petitioner submitted that the Projects under REC-IV Scheme cater to its requirements of meeting increased load demand, increasing reliability of power supply and for making ring main system at Dehradun. The Petitioner submitted the status of REC-IV Scheme and the ongoing Projects under this Scheme as shown in the Tables below:

**Table 2.7: Status of REC-IV Scheme**

Particulars	No.
Completed Projects which have been considered by the Commission	8
Ongoing Projects	9
Deleted Projects	6
<b>Total</b>	<b>23</b>

**Table 2.8: REC-IV Scheme - Ongoing Projects**

S. No.	Year	Project	Actual/ proposed Completion Date	Project Cost (Rs. Crore)
1	FY 2012-13	132 kV S/s Sitarganj (SIDCUL) 80 MVA	Oct-12	18.04
2	FY 2012-13	132 kV DC Line from 132 kV S/s Sidcul to 132 kV Sitarganj Kicha line	Oct-12	8.997
3	FY 2012-13	132 kV Purkul - Bindal Link Line (11.5 km)	Mar-13	5.24
4	FY 2012-13	LILO of 220 kV Khodri-Rishikesh Line at 220 kV Dehradun	Mar-13	1.09
5	FY 2013-14	220 kV S/s Dehradun (320 MVA) involving works of (2x160 MVA of 220/132 and 2x40 MVA of 132/33 kV)	Jun-13	51.73
6	FY 2013-14	LILO of 132 kV Purkul - Dhalipur line at 220 kV Dehradun (2.5 km)	Jun-13	0.80
7	FY 2013-14	LILO of 132 kV Kulhal - Mazra line at 220 kV Dehradun	Jun-13	0.80
8	FY 2013-14	132 kV S/s Haridwar Road Dehradun (80 MVA)	Jun-13	24.93
9	FY 2013-14	LILO of 132 kV Mazra - Rishikesh Line at 132 kV Dehradun	Jun-13	1.74

### 2.1.1.1.4 REC-V Scheme

The Petitioner submitted that 5 Projects were planned under REC-V Scheme with a total capital outlay of Rs. 137.94 Crore at Debt/Equity ratio of 70:30. Petitioner submitted that out of 5 Projects, 2 Projects have already been completed, and remaining 3 Projects are nearing completion. The Petitioner submitted that the Projects under REC-V Scheme cater to its requirements of increasing reliability of power supply to industries and for making ring main system at Dehradun.

The Petitioner submitted the status of ongoing Projects under REC-V Scheme as shown in the Table below:

**Table 2.9: REC-V Scheme – Ongoing Projects**

S. No.	Year	Project	Actual/proposed Completion Date	Project Cost (Rs. Crore)
1	FY 2012-13	2 No. 132 kV Bay at 132 kV S/s Purkul & Bindal	Jan-13	1.91
2	FY 2012-13	2 No. 220 kV Bay at 400 kV S/s Kashipur	Jan-13	5.48
3	FY 2012-13	220 kV DC Line from 400 kV Kashipur S/s to 220 kV Mahuakheraganj (10 km)	Mar-13	15.45

#### 2.1.1.1.5 PFC Scheme

The Petitioner submitted that 4 Projects were planned under PFC Scheme with a total capital outlay of Rs. 688.58 Crore at Debt/Equity ratio of 70:30. The Petitioner submitted that Debt is being funded by Power Finance Corporation and counterpart Equity contribution is being given by GoU. The Petitioner submitted that out of 4 Projects, 1 Project has already been completed, and remaining 3 Projects are proposed to be completed by FY 2016-17.

The Petitioner submitted that it had already filed a Petition for Commission's approval of Capital Investment towards PFC Scheme and the Order in this matter is awaited. The Petitioner submitted that the Commission has not approved the capitalisation of completed Project (LILO of 220 kV Roshnabad-Roorkee Line at 400 kV S/s Puhana) as the investment approval had not been obtained and requested the Commission to consider the capitalisation of the said Project from the date of Commercial Operation and make necessary adjustments in future Tariff Orders.

The Petitioner submitted that the projects under PFC Scheme facilitate the pooling of power till the designated pooling points for transfer of power to beneficiaries outside the State. The Petitioner submitted the ongoing Projects under PFC Scheme as shown in the Table below:

**Table 2.10: PFC Scheme –Ongoing Projects**

S. No.	Year	Project	Actual/proposed Completion Date	Project Cost (Rs. Crore)
1	FY 2014-15	220 kV GIS S/s Rudrapur (Brahmwari)	Jun-14	118.87
2	FY 2014-15	220 kV DC Line Rudrapur (Brahmwari)-Srinagar Line	Jun-14	156.55
3	FY 2016-17	400 kV DC Pipalkoti-Karanprayag-Srinagar line	Jun-16	405.72



#### 2.1.1.1.6 Asian Development Bank (ADB) Scheme

The Petitioner submitted that 7 Projects are planned under ADB Scheme with a total capital outlay of Rs. 1630.93 Crore (originally envisaged at Rs. 1464.28 Crore) with financial support from ADB. The Petitioner submitted that the financial support of ADB would be routed through GoU and there would be no direct financial interface with ADB. The Petitioner submitted that the capital structure is such that 63% of capital would be funded through grant from GoU, 7% of capital through GoU Loan (at an interest rate of 9%) and balance 30% through GoU Equity. The Petitioner submitted that all the 7 projects are proposed to be completed during the first Control Period from FY 2013-14 to FY 2015-16. The Petitioner submitted that the Projects under ADB Scheme facilitate the pooling of power till the designated pooling points for transfer of power to beneficiaries outside the State. The Petitioner submitted the status of Projects under ADB Scheme as shown in the Table below:

**Table 2.11: ADB Scheme - Ongoing Projects**

S. No.	Project	Actual/proposed Completion Date	Project Cost (Rs. Crore)
1	400 kV S/s Srinagar (400/220 kV - 2x315 MVA; 220/132 kV - 2x160 MVA)	Sep-13	172.08
2	220 kV Tapovan – Joshimath	Mar-14	33.47
3	400 kV D.C. Vishnugad - Kuwari Pass (Pipalkoti) Line and 400 kV D.C. Srinagar 400 kV S/s - Srinagar Power House (HEP) (ADB) and LILO of 400 kV D/C Muzaffarnagar-Vishnuprayag Line at Pipalkoti	Jun-14	103.14
4	220 kV Joshimath - Pipalkoti Line	Jun-14	88.25
5	2 nos. 400 kV Bay at 400 kV Kashipur	Dec-14	10.42
6	400 kV GIS S/s Pipalkoti	Jun-15	235.55
7	400 kV Srinagar-Kashipur Line	Mar-16	988.02

#### 2.1.1.1.7 System Improvement Schemes

The Petitioner submitted that 2 Projects with a total capital outlay of Rs. 11.415 Crore with Debt/Equity ratio of 90:10 are being executed. The Petitioner submitted that Debt portion of capital expenditure was provided by Rural Electrification Corporation and Equity was provided by GoU. The Petitioner submitted that more schemes are at DPR stage and are expected to be commissioned during the first Control Period from FY 2013-14 to FY 2015-16. The Petitioner submitted the details of System Improvement Schemes as shown in the Table below:

**Table 2.12: System Improvement Schemes at DPR stage**

S. No.	Scheme	Actual/proposed Completion Date	Project Cost (Rs. Crore)
1	Increasing capacity of 400/220 kV Rishikesh S/s from 2x240 MVA to 1x240+1x315 MVA	Dec-13	12.50
2	Increasing capacity of 220/33 kV Pantnagar S/s (2x50 MVA)	May-14	13.00
3	Increasing capacity of 132/33 kV Bazpur S/s from 2x40 MVA to 1x40 MVA + 1x80 MVA)	Jun-14	12.00
4	Increasing capacity of 132/33 kV Kathgodam S/s from 1x40 MVA to 2x40 MVA	Jun-14	4.50
5	Increasing capacity of 132/33 kV Bhowali S/s from 2x15 MVA to 2x15+1x20 MVA	Jun-14	4.50
6	Increasing capacity of 132/33 kV Almora S/s from 2x20 MVA to 3x20 MVA	Jun-14	3.00
7	Increasing capacity of 220/132 kV SIDCUL Haridwar S/s from 2x100 MVA to 2x160 MVA	Dec-14	20.00
8	132/33 kV Khatima II S/s of 2x40 MVA	Dec-15	20.00
9	220/33 kV GIS Puhana S/s 2x50 MVA	Sep-15	70.00
10	LILO of 132 kV Khatima-Sitarganj line (PGCIL) at Khatima II	Dec-15	7.00

**2.1.1.1.8 Other Schemes funded by REC**

The Petitioner submitted that certain capital expenditure Schemes under the nomenclatures of REC-VI, REC-VII, REC-VIII, REC-IX and REC-X have been envisaged to be executed during the first Control Period from FY 2013-14 to FY 2015-16. The Petitioner submitted that the capital structure of such Schemes would be such that 70% of capital would be funded by loan from REC and remaining 30% through GoU equity. The details of other Schemes funded by REC as submitted by the Petitioner are shown in the Table below:

**Table 2.13: Other Schemes funded by REC**

S. No.	Scheme	Project	Actual/proposed Completion Date	Project Cost (Rs. Crore)
1	REC-VI	220 kV Pirankaliyar S/s (50 MVA)	Jun-15	34.64
2		220 kV Pirankaliyar S/s associated lines		
3	REC-VII	132 kV S/s Lohaghat (40 MVA)	Jun-15	64.38
4		132 kV S/C Lohaghat-Pithoragarh		
5	REC-VIII	220 kV DC Lakhwar Dehradun and its LILO at Vyasi and Mori on Twin Zebra	Apr-16	65.18
6	REC-IX	Stringing of 2nd Circuit of Berhani-Pantnagar Line	Mar-13	8.74
7		1 No. 220 kV Bay at Pantnagar	Dec-12	2.73
8	REC-X	220 kV S/s Ghansali (60 MVA)	Dec-14	122.65

**2.1.1.1.9 Planned Schemes**

The Petitioner submitted that certain capital expenditure Schemes are at DPR Stage. The Petitioner submitted that financial tie-ups with PFC/REC shall be done after the preparation of their DPRs. The Petitioner submitted that for the purpose of Business Plan projections, it has considered the capital investment of those Schemes proposed to be completed during the first

Control Period from FY 2013-14 to FY 2015-16. The Planned Schemes submitted by the Petitioner are shown in the Table below:

**Table 2.14: Planned Schemes at DPR Stage**

S. No.	Scheme	Actual/proposed Completion Date	Project Cost (Rs. Crore)
1	220 kV Almora GIS	Jun-16	87.50
2	220 kV Almora-Pithoragarh Line	Jun-16	165.00
3	220/33 kV S/s Selaqui GIS (Dehradun)	Jun-16	65.00
4	220/33 kV S/s IIP Harawala (Dehradun)	Jun-16	65.00
5	LILO of 220 kV S/C of Khodri-Dehradun Line at 220 KV S/s Selaqui approximate 6 km. (Dehradun)	Jun-16	11.52
6	LILO of 220 kV S/C of Rishikesh-Dehradun Line at 220 kV S/s IIP Harawala approximate 5 km. (Dehradun)	Jun-16	9.60
7	400/220 kV Karanprayag GIS	Nov-17	350.00
8	220 kV D/C Devsari-Karanprayag Line on Twin Zebra	Nov-17	50.00

#### 2.1.1.1.10 Progress of GIS Substations

The Petitioner submitted that it has decided to construct GIS Substations where space is constraint. The Petitioner submitted that GIS substation offers the following advantages over AIS substation:

- Land development cost is very less due to lesser space requirement for substation.
- Maintenance cost is very less as compared to AIS as all switching devices are operated in SF6 insulating medium.
- GIS substation increases the availability and reliability of power system as all parts of GIS are inside the close metallic enclosure and not affected by environment.
- In GIS substation automation system can be easily installed due to its modular design. This type of substation can be operated from remote end and reduces the operation cost.
- Due to smaller size of substation the earth cutting and tree cutting (in case of hilly region having trees) involved is very less, hence, good for environment point of view.
- The life of GIS equipment is very high as compared to AIS equipment. All internal components of GIS are guaranteed for maintenance free service of minimum 10 years.

The Petitioner submitted the status of implementation of GIS substations as shown in the Table below:

**Table 2.15: Progress of GIS S/s**

S. No.	Substation	Status
1	220 kV GIS Brahmwari	Awarded to M/s Siemens Ltd. in August, 2012; Completion period is 24 months from date of LOA; Construction work in progress.
2	220 kV GIS Ghansali	Price bid evaluation in progress
3	400 kV GIS Pipalkoti	Tendering in progress

### 2.1.1.2 Classification of Schemes into UITP and Non-UITP

The Petitioner submitted that Government of Uttarakhand (GoU) has signed MoUs with Central Sector Generation Companies and IPPs for development of Hydro Power Projects in the State. The Petitioner submitted that Uttarakhand Integrated Transmission Projects (UITP) was planned under the aegis of Central Electricity Authority (CEA) for power evacuation from the new Generation Capacity being developed in the four major river basins of Uttarakhand namely, Alaknanda basin, Bhagirathi basin, Yamuna basin and Sharda basin. The Petitioner submitted that the Integrated Transmission Project was conceived as an integrated and optimal development of intra-State Transmission System to pool power from several Hydro Generating Stations in Uttarakhand at designated pooling points for development of Inter-State Transmission Network from thereon to deliver power to beneficiaries outside the State. The Petitioner submitted that UITP would involve constructing a system comprising of 22 Nos. Transmission lines of 400/220/132 kV, 8 Nos. of new Substations and Substation extension to evacuate power from the Hydro Generating Stations to the pooling point in Kashipur, Pithoragarh and Dehradun.

The Petitioner submitted that the Schemes classified into UITP are those Intra-State Transmission Lines which are to be used by Generating Companies for Inter-State transfer of power and the Schemes classified into Non-UITP are those intra-State Transmission Lines used for transfer of power to beneficiaries within the State (currently, only UPCL).

The Petitioner submitted the classification of Capital Expenditure Schemes being undertaken/proposed to be undertaken during first Control Period as shown in the Table below:

**Table 2.16: Capital Expenditure Schemes submitted by the Petitioner**

S. No	Scheme	Project	UITP/ Non-UITP	Actual/ Proposed completion date	Project Cost (Rs. Crore)
1	PFC	400 kV D/C Kuwaripass (Pipalkoti)-Karanprayag-Srinagar line (approx 92.21 km)	UITP	Jun-16	405.72
2		220 kV D/C HEP - Rudrapur (Baramwari) - Srinagar line (approx 110 km).	UITP	Jun-14	156.55
3		220 kV GIS S/s Brahmwari (2 x 50 MVA)	UITP	Jun-14	118.87
4	ADB	400 kV S/s Srinagar	UITP	Sep-13	172.08
5		400 kV D.C. Vishnugad - Kuwari Pass (Pipalkoti) Line and 400 kV D.C. Srinagar 400 kV S/s - Srinagar Power House (HEP) (ADB) and LILO of 400 kV D/C Muzaffarnagar-Vishnuprayag Line at Pipalkoti	UITP	Jun-14	103.14
6		220 kV Tapovan - Joshimath	UITP	Mar-14	33.47
7		220 kV Joshimath - Pipalkoti Line	UITP	Jun-14	88.25
8		400 kV GIS S/s Pipalkoti	UITP	Jun-15	235.55
9		400 kV Srinagar-Kashipur Line	UITP	Mar-16	988.02
10		2 nos. 400 kV Bay at 400 kV Kashipur	UITP	Dec-14	10.42
11	REC Old	Construction of 132 kV Srinagar-Satpuli Line	Non-UITP	Feb-13	54.23
12		Construction of 132 kV Double Circuit Line Srinagar-Shimli & LILO of 132 kV Substation Srinagar	Non-UITP	Jun-14	89.51
13	REC New	Construction of 132 kV Bay Ranikhet-Pithoragarh	Non-UITP	Sep-12	1.68
14		LILO of 132 kV Almora - Pithoragarh line at 220 kV S/s at Pithoragarh (Power Grid)	Non-UITP	Mar-13	5.46
15		Construction of 132 kV S/s Srinagar-II	Non-UITP	Jun-13	19.77
16		132 kV S/C Ranikhet - Bageshwar line on D/C tower for 132 kV S/s at Bageshwar	Non-UITP	Jun-14	25.90
17		Construction of 132 kV S/s Bageshwar	Non-UITP	Jun-14	13.93
18		Construction of SLDC at Rishikesh and 2 Nos. Sub SLDC at Kashipur and Dehradun and its associated communication network civil works	Non-UITP	Jun-13	16.11
19	REC-IV	18 Nos. 33 kV Bay	Non-UITP	-	2.73
20		132 kV Bay at Kichha	Non-UITP	Feb-12	0.67
21		132 kV Purkul - Bindal Link Line (11.5 km)	Non-UITP	Mar-13	5.24

**Table 2.16: Capital Expenditure Schemes submitted by the Petitioner**

S. No	Scheme	Project	UITP/ Non-UITP	Actual/ Proposed completion date	Project Cost (Rs. Crore)
22		132 kV S/s Sitarganj (SIDCUL) 80 MVA	Non-UITP	Oct-12	18.04
23		132 kV DC Line from 132 kV S/s Sidcul to 132 kV Sitarganj Kicha line	Non-UITP	Oct-12	8.997
24		220 kV S/s Dehradun (320 MVA)	Non-UITP	Jun-13	51.73
25		LILO of 220 kV Khodri-Rishikesh Line at 220 kV Dehradun	Non-UITP	Mar-13	1.09
26		LILO of 132 kV Purkul - Dhalipur line at 220 kV Dehradun (2.5 km)	Non-UITP	Jun-13	0.80
27		LILO of 132 kV Kulhal - Mazra line at 220 kV Dehradun	Non-UITP	Jun-13	0.80
28		132 kV S/s Haridwar Road Dehradun (80 MVA)	Non-UITP	Jun-13	24.93
29		LILO of 132 kV Mazra - Rishikesh Line at 132 kV Dehradun	Non-UITP	Jun-13	1.74
30		2 No. 132 kV Bay at 132 kV S/s Purkul & Bindal	Non-UITP	Jan-13	1.91
31	REC-V	220 kV DC Line from 400 kV Kashipur S/s to 220 kV Mahuakheraganj (10 km)	Non-UITP	Mar-13	15.45
32		2 No. 220 kV Bay at 400 kV S/s Kashipur	Non-UITP	Jan-13	5.48
33		220 kV Pirankaliyar	Non-UITP	Jun-15	34.64
34	REC-VI	220 kV Pirankaliyar S/s associated lines	Non-UITP		
35	REC-VII	132 kV S/s Lohaghat	Non-UITP	Jun-15	64.38
36		132 kV S/C Lohaghat-Pithoragarh	Non-UITP		
37	REC-VIII	220 kV DC Lakhwar Dehradun and its LILO at Vyasi and Mori on Twin Zebra	Non-UITP	Apr-16	65.18
38	REC-IX	Stringing of 2nd Circuit of Berhani-Pantnagar Line	Non-UITP	Mar-13	8.74
39		1 No. 220 kV Bay at Pantnagar	Non-UITP	Dec-12	2.73
40	REC-X	220 kV S/s Ghansali (100 MVA)	Non-UITP	Dec-14	122.65
41	Planned (Schemes at DPR Stage)	400/220 kV Karanprayag GIS	UITP	Nov-17	350.00
42		220 kV D/C Devsari-Karanprayag Line on Twin Zebra	UITP	Nov-17	50.00
43		220 kV Almora GIS	UITP	Jun-16	87.50
44		220 kV Almora-Pithoragarh Line	UITP	Jun-16	165.00
45		220/33 kV S/s Selaqui GIS (Dehradun)	Non-UITP	Jun-16	65.00
46		220/33 kV S/s IIP Harawala (Dehradun)	Non-UITP	Jun-16	65.00

**Table 2.16: Capital Expenditure Schemes submitted by the Petitioner**

S. No	Scheme	Project	UITP/ Non-UITP	Actual/ Proposed completion date	Project Cost (Rs. Crore)
47		LILO of 220 kV S/C of Khodri-Dehradun Line at 220 kV S/s Selaqui approximate 6 km. (Dehradun)	Non-UITP	Jun-16	11.52
48		LILO of 220 kV S/C of Rishikesh-Dehradun Line at 220 kV S/s IIP Harawala approximate 5 km. (Dehradun)	Non-UITP	Jun-16	9.60
49	System Improvement	220 kV S/s Roorkee by 220/33 kV, 2x50 MVA Transformers alongwith 220 kV & 33 kV bays	Non-UITP	Dec-12	11.42
50		Increasing capacity of 400/220 kV Rishikesh S/s from 2x240 MVA to 1x240+1x315 MVA	Non-UITP	Dec-13	12.50
51		Increasing capacity of 220/33 kV Pantnagar S/s (2x50 MVA)	Non-UITP	May-14	13.00
52		Increasing capacity of 132/33 kV Bazpur S/s from 2x40 MVA to 1x40 MVA + 1x80 MVA)	Non-UITP	Jun-14	12.00
53		Increasing capacity of 132/33 kV Kathgodam S/s from 1x40 MVA to 2x40 MVA	Non-UITP	Jun-14	4.50
54		Increasing capacity of 132/33 kV Bhowali S/s from 2x15 MVA to 2x15+1x20 MVA	Non-UITP	Jun-14	4.50
55		Increasing capacity of 132/33 kV Almora S/s from 2x20 MVA to 3x20 MVA	Non-UITP	Jun-14	3.00
56		Increasing capacity of 220/132 kV SIDCUL Haridwar S/s from 2x100 MVA to 2x160 MVA	Non-UITP	Dec-14	20.00
57		132/33 Khatima II S/s of 2x40 MVA	-	Dec-15	20.00
58		220/33 GIS Puhana S/s 2x50 MVA	-	Sep-15	70.00
59		LILO of 132 kV Khatima-Sitarganj line (PGCIL) at Khatima II	-	Dec-15	7.00

The Petitioner has submitted the year wise phasing of Capital Investment as shown in the Table below:

**Table 2.17: Proposed Year wise Capital Investment for the first Control Period (Rs. Crore)**

Scheme	Control Period			
	FY 2013-14	FY 2014-15	FY 2015-16	Total
Non-UITP Schemes	210.12	277.42	101.98	589.52
UITP Schemes	385.69	1040.83	826.08	2252.60
<b>Total</b>	<b>595.81</b>	<b>1318.25</b>	<b>928.05</b>	<b>2842.12</b>

### 2.1.2 HR Plan

The Petitioner submitted that it has reviewed its organisational structure in light of changing business needs to strengthen the functions like Regulatory, Commercial, Engineering, Legal, Human Resources and Finance & Accounts and it has developed a detailed manpower planning process defined with adequate focus on short, medium and long term needs. The Petitioner submitted the projections of net additions to the employee work force for the first Control Period as shown in the Table below:

**Table 2.18: Proposed net additions to employee work force during the first Control Period**

Particulars	Control Period		
	FY 2013-14	FY 2014-15	FY 2015-16
Net addition to employee work force	383	72	105

The Petitioner submitted that it has undertaken some key initiatives like Employees' Suggestion Scheme (ESS), Grievance Redressal Scheme (GRS) on the human resource front to address the key issues in Human Resources. The Petitioner submitted that it has implemented the recommendations of 6<sup>th</sup> Pay Commission with retrospective effect from April 01, 2006. The Petitioner submitted that as per its Training Policy, efforts are made to impart an average 5 day training per employee during each year. The Petitioner submitted the list of training programs proposed to be undertaken during FY 2013-14 and FY 2014-15. The Petitioner submitted that the projected annual training expenses would be Rs. 1.00 Crore for FY 2013-14 and FY 2014-15. At the end of each year, Training in-charge would review the training plan w.r.t. training needs executed, feed backs of training reviewed, training needs not fulfilled during the year and reasons thereof. The Petitioner submitted that after identifying the gaps, fresh training needs will be identified as per organizational requirement and budgeting would be revised if required. The Petitioner also submitted the details of the proposed number of employees identified for training along with the proposed training expenses for FY 2013-14 and FY 2014-15.

### 2.1.3 Transmission Loss Improvement

The Petitioner submitted that it has less than 2% Transmission Losses. The Petitioner submitted that its system comprises of 440 kV, 220 kV and 132 kV Transmission Lines and percentage losses increase with increase in line length and percentage losses are higher at lower voltage levels. The Petitioner submitted that best efforts are being made to achieve low Transmission Loss levels. The Petitioner submitted that Loss reduction beyond the current level



entirely depends on the users of the Transmission Network.

#### **2.1.4 Future Business Plan**

The Petitioner submitted that the current Business Plan explicitly takes into account only issues related to the electricity generation side and not from the demand side. The Petitioner further submitted that issues related to demand side is also equally important for designing efficient transmission system. The Petitioner submitted that approximate demand forecasts of UPCL would allow it to design its transmission system to serve the load within the State and evacuate the balance outside the State. The Petitioner proposed to develop the following during the next financial year:

- Manpower to implement and operationalise the investments.
- Procedure for assessment of Demand and Energy requirements involving Long Term forecasting of Demand (MW) and Energy requirement for efficient projections of capital investment and manpower augmentation for enhancement of Transmission system.
- Short Term forecasting of Demand (MW) and Energy requirement for efficient System Operation for better capital productivity of the investments.
- Supply forecasting in conjunction with Demand forecasting for secure and economic development of Transmission system.
- Making SLDC operational by Standardisation of Energy Accounting/Transmission Accounting procedures and Standardisation of Scheduling and Despatch procedures.

#### **2.1.5 Business Plan and MYT for SLDC**

The Commission in the Tariff Order for FY 2012-13 dated April 04, 2012 directed the Petitioner to file a separate Petition for SLDC while filing the Business Plan and MYT Petition for the first Control Period. However, the Petitioner has not filed separate Petitions for SLDC. Instead, the Petitioner in its Business Plan Petition has submitted the following timelines for separating SLDC function from Transmission business:

- Complete operationalization of infrastructure at SLDC – September 2013.
- Submission of “Procedures for Energy and Transmission Accounting” to the

Commission – February 2013.

- Submission of “Procedure for Scheduling and Despatch (including generation from new and renewable sources)” to the Commission – February 2013.

## **2.2 MYT Petition**

### **2.2.1 Final Truing-up of FY 2004-05 to FY 2010-11 and Provisional Truing-up of FY 2011-12**

The Petitioner requested for final truing up of ARR from FY 2004-05 to FY 2010-11 based on audited accounts and provisional truing up of FY 2011-12 based on the accounts approved by the Statutory Auditor. The Petitioner submitted that as per UERC Tariff Regulations, 2011, true-up/review of previous years prior to FY 2013-14 for Transmission Licensee would be governed by UERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2004 and UERC (Terms and Conditions for Truing Up of Tariff) Regulations, 2008 as amended from time to time. The Petitioner submitted that it has prepared the final true-up of FY 2004-05 to FY 2010-11 and provisional true-up of FY 2011-12 in compliance to the same.

The Petitioner submitted that the true up Petition for FY 2004-05 to FY 2010-11 based on audited accounts had been submitted along with the tariff petition for FY 2012-13. The Commission, on observing certain discrepancies in the amount of assets capitalised, directed the Petitioner to file the truing up Petition after reconciliation of asset capitalisation figures alongwith the MYT Petition for the first Control Period. The Petitioner submitted that the reconciliation had been undertaken and the report of independent Chartered Accountant firm regarding the same has been submitted alongwith the MYT Petition. The Petitioner has requested for final truing up of FY 2004-05 to FY 2010-11 based on audited accounts and provisional true up of FY 2011-12 based on annual accounts approved by the Statutory Auditor.

#### **2.2.1.1 Opening Value of Gross Fixed Assets and Additional Capitalisation**

The Petitioner submitted that the Commission had fixed the opening value of GFA as on March 31, 2003 at Rs. 126.34 Crore against the value of Rs. 263.39 Crore assigned in the provisional transfer scheme. The Petitioner submitted that Government of Uttarakhand (GoU) by an Order no. 117/I(2)/2011-05/19/2002 dated April 27, 2012 has approved the value of GFA of Rs. 1058.18 Crore taken by UPCL in its accounts as on November 9, 2001. The Petitioner submitted that, accordingly, it has considered the opening assets of Rs. 263.39 Crore assigned to it in the transfer scheme. The

Petitioner submitted that in compliance to the Commission's earlier directives, it had completed the reconciliation of scheme wise capital cost and the report of the independent Chartered Accountant firm has been submitted to the Commission along with the Business Plan. The Scheme wise GFA for FY 2004-05 to FY 2011-12 submitted by the Petitioner is shown in the Table below:

**Table 2.19: Classification of GFA balance among major Schemes (Rs. Crore)**

Particulars	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
<b>Opening Value</b>	<b>263.39</b>	<b>267.47</b>	<b>295.50</b>	<b>392.94</b>	<b>524.78</b>	<b>557.76</b>	<b>612.81</b>	<b>690.94</b>
<b>Additions in the year</b>								
REC Old Scheme	3.21	18.86	0.00	4.61	0.00	0.02	45.28	44.54
NABARD Scheme	0.00	0.00	69.15	93.12	27.87	42.88	12.16	49.41
REC New Scheme	0.00	0.00	0.00	30.89	2.90	9.66	20.84	24.32
REC-IV Scheme	0.00	0.00	0.00	0.00	0.00	0.00	20.67	22.64
REC-V Scheme	0.00	0.00	0.00	0.00	0.00	0.00	0.00	67.14
Other Than Schemes	0.91	1.31	1.34	1.30	2.20	2.71	2.20	16.32
Deposit Works	0.00	8.92	28.31	2.09	0.00	0.00	0.00	42.00
Less: Deletion of Assets	0.03	1.07	1.36	0.16	0.00	0.23	23.03	16.40
<b>Total Net Additions</b>	<b>4.08</b>	<b>28.02</b>	<b>97.44</b>	<b>131.84</b>	<b>32.98</b>	<b>55.05</b>	<b>78.13</b>	<b>249.96</b>
<b>Closing Value</b>	<b>267.47</b>	<b>295.50</b>	<b>392.94</b>	<b>524.78</b>	<b>557.76</b>	<b>612.81</b>	<b>690.94</b>	<b>940.91</b>

### 2.2.1.2 Depreciation

The Petitioner submitted that depreciation has been calculated at the rates prescribed by UERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2004 considering the opening value of Gross Fixed Assets and pro-rata depreciation has been computed on the assets capitalised during the year. The Petitioner submitted that depreciation towards assets created out of consumer contribution and grants, deposit works has not been considered for the computation of eligible depreciation in accordance with Regulation 18(1)(a) of UERC Tariff Regulations, 2004. The Petitioner sought true-up of Rs. 111.45 Crore towards depreciation for FY 2004-05 to FY 2011-12. The year wise Depreciation submitted by the Petitioner for FY 2004-05 to FY 2011-12 is shown in the Table below:

**Table 2.20: Depreciation for true-up of FY 2004-05 to FY 2011-12 (Rs. Crore)**

Particulars	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
<b>Depreciation</b>	<b>8.38</b>	<b>7.90</b>	<b>9.81</b>	<b>12.92</b>	<b>14.90</b>	<b>15.90</b>	<b>17.75</b>	<b>23.89</b>

### 2.2.1.3 Return on Equity (RoE)

The Petitioner submitted that RoE has been computed in accordance with Regulation 20 of UERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2004 for FY 2004-05 to FY 2011-12. The Petitioner submitted that average of opening and closing equity for the

respective year has been considered for computing RoE. The year wise RoE submitted by the Petitioner for FY 2004-05 to FY 2011-12 is shown in the Table below:

**Table 2.21: Return on Equity for true-up of FY 2004-05 to FY 2011-12 (Rs. Crore)**

Particulars	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Return on Equity	0.07	0.50	1.94	4.58	6.59	7.79	9.95	15.14

#### 2.2.1.4 Interest and Finance Charges

The Petitioner sought truing up of Rs. 142.87 Crore towards Interest and Finance expenses on long term loans for the period FY 2004-05 to FY 2011-12. The year wise interest and finance charges submitted by the Petitioner for the years FY 2004-05 to FY 2011-12 are shown in the Table below:

**Table 2.22: Return on Equity for true-up of FY 2004-05 to FY 2011-12 (Rs. Crore)**

Particulars	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Interest and Finance Charges	0.00	0.00	10.38	16.08	22.25	26.99	30.31	36.87

#### 2.2.1.5 Operation & Maintenance (O&M) expenses

The Petitioner submitted that O&M expenses comprise of Employee expenses, Repair and Maintenance (R&M) expenses, and Administrative and General (A&G) expenses and these are largely uncontrollable in nature. The Petitioner submitted that due to the uncontrollable nature of these expenses, these expenses should be allowed as per audited accounts. The year wise O&M expenses submitted by the Petitioner for FY 2004-05 to FY 2011-12 is shown in the Table below:

**Table 2.23: O&M expenses for true-up of FY 2004-05 to FY 2011-12 (Rs. Crore)**

Particulars	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
R&M expenses	5.84	6.17	8.39	7.81	9.91	12.25	11.75	18.03
Employee expenses	12.28	15.25	16.74	30.12	31.09	33.97	37.69	45.94
A&G expenses	1.04	4.99	5.60	10.07	8.76	9.24	12.76	14.82
<b>Total O&amp;M expenses</b>	<b>19.16</b>	<b>26.41</b>	<b>30.74</b>	<b>48.00</b>	<b>49.76</b>	<b>55.46</b>	<b>62.20</b>	<b>78.79</b>

#### 2.2.1.6 Interest on Working Capital (IWC)

The Petitioner submitted that working capital has been computed in accordance with Regulation 21 of UERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2004. The Petitioner submitted that rate of interest adopted for calculating IWC has been the same as approved by the Commission in the Tariff Orders for the respective years. The year wise IWC submitted by the Petitioner for FY 2004-05 to FY 2011-12 is shown in the Table

below:

**Table 2.24: Interest on Working Capital for true-up of FY 2004-05 to FY 2011-12 (Rs. Crore)**

Particulars	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
<b>Computation of Working Capital</b>								
O&M expenses of one month	1.60	2.20	2.56	4.00	4.15	4.62	5.18	6.57
Spare (1% of historical cost)	2.84	3.28	4.45	6.04	6.73	7.69	8.93	11.96
Receivable (2 months)	3.98	5.13	7.16	13.00	14.45	12.64	16.96	22.15
<b>Working Capital</b>	<b>8.42</b>	<b>10.61</b>	<b>14.18</b>	<b>23.04</b>	<b>25.33</b>	<b>24.94</b>	<b>31.07</b>	<b>40.68</b>
Interest Rate	10.25%	10.25%	10.25%	10.25%	10.25%	12.25%	11.75%	13.25%
<b>Interest on Working Capital</b>	<b>0.86</b>	<b>1.09</b>	<b>1.45</b>	<b>2.36</b>	<b>2.60</b>	<b>3.06</b>	<b>3.65</b>	<b>5.39</b>

### 2.2.1.7 Non-Tariff Income

The Petitioner requested the Commission to allow the Non Tariff Income as per the audited accounts. The year wise Non Tariff Income submitted by the Petitioner for FY 2004-05 to FY 2011-12 is shown in the Table below:

**Table 2.25: Non-Tariff Income for true-up of FY 2004-05 to FY 2011-12 (Rs. Crore)**

Particulars	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
<b>Non-Tariff Income</b>	<b>0.79</b>	<b>2.30</b>	<b>1.79</b>	<b>2.70</b>	<b>0.51</b>	<b>2.87</b>	<b>1.09</b>	<b>2.35</b>

### 2.2.1.8 Summary of year wise Gap

The year wise revenue gap submitted by the Petitioner for FY 2004-05 to FY 2011-12 is shown in the Table below:

**Table 2.26: Summary of year wise revenue Gap for FY 2004-05 to FY 2011-12 (Rs. Crore)**

Particulars	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
O&M expenses	19.16	26.41	30.74	48.00	49.76	55.46	62.20	78.79
Depreciation	8.38	7.90	9.81	12.92	14.90	15.90	17.75	23.89
Interest and Finance charges	0.00	0.00	10.38	16.08	22.25	26.99	30.31	36.87
Return on Equity	0.07	0.50	1.94	4.58	6.59	7.79	9.95	15.14
Interest on Working Capital	0.86	1.09	1.45	2.36	2.60	3.06	3.65	5.39
Fringe Benefit Tax	0.00	0.05	0.00	0.00	0.00	0.00	0.00	0.00
Prior Period expenses	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Expenditure</b>	<b>28.48</b>	<b>35.96</b>	<b>54.32</b>	<b>83.95</b>	<b>96.10</b>	<b>109.18</b>	<b>123.85</b>	<b>160.08</b>
Non Tariff Income	0.79	2.30	1.79	2.70	0.51	2.87	1.09	2.35
Revenue from wheeling	23.90	30.77	42.98	78.02	86.71	75.81	101.74	132.93
<b>Total Revenue</b>	<b>24.69</b>	<b>33.07</b>	<b>44.77</b>	<b>80.72</b>	<b>87.22</b>	<b>78.68</b>	<b>102.83</b>	<b>135.27</b>
<b>Revenue Gap</b>	<b>3.79</b>	<b>2.89</b>	<b>9.55</b>	<b>3.23</b>	<b>8.87</b>	<b>30.50</b>	<b>21.02</b>	<b>24.81</b>

### 2.2.1.9 Carrying Cost on Under-Recovered Amounts

The Petitioner submitted that the Commission should allow the carrying cost on the under-recovered amount computed as a result of the truing up exercise as such amounts are in the nature of deferred payments. Further, Petitioner submitted that in accordance with the Hon'ble ATE's

Judgment in Appeal No. 117 of 2008 filed by Reliance Infrastructure Ltd.- Distribution Business- (RInfra-D) against the MERC's Order dated June 4, 2008 on APR Petition for FY 2007-08, Hon'ble ATE ruled as under:

*"47. As the MERC Regulations deploy the Short Term Prime Lending Rate of State Bank of India for working out interest on Working Capital there is no reason why the same yardstick is not used when it comes to applying interest rate on deferred payments. The licensee shall have to arrange the amount of deferred payment in the same way as the Working Capital. We, therefore, direct the Commission to allow Short Term Prime Lending Rate of SBI for deferred payments and incorporate the same while carrying out the truing up exercise for the year 2008-09."*

In this regard, Petitioner submitted that the carrying cost has been computed yearly on the under-recovered amount considering the applicable State Bank of India (SBI) PLR rate as approved by the Commission in the previous Tariff Orders for FY 2004-05 to FY 2012-13 towards Interest on Working Capital.

**Table 2.27: Computation of Revenue Gap with Carrying Cost (Rs. Crore)**

Particulars	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Total Gap for the year	3.79	2.89	9.55	3.23	8.87	30.50	21.02	24.81	
Interest Rate	10.25%	10.25%	10.25%	10.25%	10.25%	12.25%	11.75%	13.25%	13.25%
Cost including Carrying Cost for FY 2004-05 Gap	3.99	4.40	4.85	5.34	5.89	6.61	7.39	8.37	9.48
Cost including Carrying Cost for FY 2005-06 Gap		3.04	3.35	3.69	4.07	4.57	5.11	5.78	6.55
Cost including Carrying Cost for FY 2006-07 Gap			10.04	11.07	12.2	13.7	15.31	17.33	19.63
Cost including Carrying Cost for FY 2007-08 Gap				3.39	3.74	4.2	4.69	5.31	6.02
Cost including Carrying Cost for FY 2008-09 Gap					9.33	10.47	11.7	13.25	15.01
Cost including Carrying Cost for FY 2009-10 Gap						32.37	36.17	40.96	46.39
Cost including Carrying Cost for FY 2010-11 Gap							22.26	25.21	28.55
Cost including Carrying Cost for FY 2011-12 Gap								26.45	29.95
<b>Total Gap (including Carrying Cost)</b>									<b>161.58</b>
<b>Total Gap without Carrying Cost</b>									<b>104.66</b>
<b>Total Carrying Cost</b>									<b>56.92</b>

#### 2.2.1.10 Summary of Truing up of FY 2004-05 to FY 2011-12

The Petitioner submitted the truing up for the period FY 2004-05 to FY 2011-12 as Rs. 161.58 Crore including carrying cost as shown in the Table below:

**Table 2.28: Summary of Truing up of FY 2004-05 to FY 2011-12 (Rs. Crore)**

Particulars	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	Total
Revenue Gap for the year	3.79	2.89	9.55	3.23	8.87	30.50	21.02	24.81	104.66
Carrying Cost up to FY 2012-13									56.92
<b>Total Revenue Gap including Carrying Cost</b>									<b>161.58</b>

### 2.2.2 Review of Aggregate Revenue Requirement (ARR) for FY 2012-13

The Petitioner in its Petition has proposed to review the ARR for FY 2012-13 based on the revision in opening GFA as per the transfer scheme finalised by the Order No. 117/I(2)/2011-05/19/2002 dated April 27, 2012 in which Government of Uttarakhand has approved the value of GFA of Rs. 1058.18 Crore taken by UPCL in its accounts as on November 9, 2001. The Petitioner proposed the capital expenditure and capitalisation for FY 2012-13 in line with the Business Plan projections. The proposed Capital Expenditure and Capitalisation for FY 2012-13 submitted by the Petitioner is shown in the Table below:

**Table 2.29: Revised Capital Expenditure and Capitalisation for FY 2012-13 (Rs. Crore)**

Particulars	Actual for April-September 2012 (as per Trial Balance)	Proposed for FY 2012-13
Capital Expenditure	51.13	120.57
Capitalisation	3.11	141.92

The revised estimates of components of ARR for FY 2012-13 submitted by the Petitioner have been detailed in the following MYT section of the Order and, hence, are not dealt again in this Section. The Petitioner submitted that the Revenue Gap on account of revised ARR for FY 2012-13 is Rs. 66.68 Crore.

### 2.2.3 Aggregate Revenue Requirement (ARR) for the first Control Period for Intra-State Transmission System

#### 2.2.3.1 Abstract of Aggregate Revenue Requirement (ARR) of PTCUL

For the first Control period, the Petitioner has projected the ARR for Intra-State Transmission System. Various components of ARR as projected by the Petitioner for the first Control Period are shown in the Table below:

**Table 2.30: ARR of Intra-State Transmission System for the Control Period (Rs. Crore)**

Particulars	FY 2012-13 (Provisional)	Control Period		
		FY 2013-14 (Proposed)	FY 2014-15 (Proposed)	FY 2015-16 (Proposed)
Depreciation	46.72	58.44	65.17	70.79
Interest on Loan	52.10	68.55	76.13	91.88
Return on Equity	30.81	39.16	47.81	58.25
Operation and Maintenance Expenses				
Employee Expenses	58.32	79.11	89.78	102.65
R&M Expenses	29.00	32.44	41.44	45.97
A&G Expenses	14.27	20.29	26.74	33.65
Guarantee Fees	5.10	5.52	7.39	7.87
Interest on Working Capital	8.52	10.99	12.97	15.01
<b>Net Expenditure</b>	<b>244.84</b>	<b>314.51</b>	<b>367.43</b>	<b>426.07</b>
Less: Non Tariff Income	1.24	1.30	1.37	1.44
<b>Aggregate Revenue Requirement (ARR)</b>	<b>243.60</b>	<b>313.21</b>	<b>366.06</b>	<b>424.63</b>

### 2.2.3.2 ARR of intra-State Transmission System for the first Control Period

#### 2.2.3.2.1 Gross Fixed Asset (GFA)

The Petitioner submitted that the Commission had fixed the opening value of GFA as on March 31, 2003 at Rs. 126.34 Crore against the value of Rs. 263.17 Crore assigned in the provisional transfer scheme. The Petitioner submitted that Government of Uttarakhand (GoU) by an Order No. 117/I(2)/2011-05/19/2002 dated April 27, 2012 has approved the value of GFA as Rs. 1058.18 Crore taken by UPCL in its accounts as on November 9, 2001. The Petitioner submitted that, accordingly, it has considered the opening assets of Rs. 263.17 Crore assigned to it in the transfer scheme. The Petitioner submitted that it has considered the GFA balances in line with its audited accounts for FY 2010-11 and provisional accounts for FY 2011-12.

The movement of GFA balances along with the Scheme wise classification submitted by the Petitioner is shown in the Table 2.19.

The means of financing as per debt equity ratio of various schemes submitted by the Petitioner is shown in the Table below:

**Table 2.31: Means of Finance of each Scheme**

Scheme	Debt	Equity	Total
REC Old	75.50%	24.50%	100.00%
NABARD	78.00%	22.00%	100.00%
REC New	100.00%	0.00%	100.00%
REC IV	70.00%	30.00%	100.00%
REC V	70.00%	30.00%	100.00%
Other than Schemes	70.00%	30.00%	100.00%



The Scheme wise Debt and Equity as on April 1, 2012 submitted by the Petitioner is shown in the Table below:

**Table 2.32: Opening Debt and Equity as on April 1, 2012 (Rs. Crore)**

Particulars	Equity	Debt	Grant	Total
Opening Value	0.00	0.00	0.00	0.00
<b>Additions in the year</b>				
GFA assigned in the Transfer Scheme	79.01	184.37	0.00	263.38
REC Old Scheme	28.55	87.97	0.00	116.52
NABARD Scheme	64.81	229.79	0.00	294.6
REC New Scheme	0.00	88.62	0.00	88.62
REC-IV Scheme	12.99	30.32	0.00	43.31
REC-V Scheme	20.14	47.00	0.00	67.14
Other than Schemes	8.49	19.81	0.00	28.29
Deposit Works	0.00	0.00	81.32	81.32
Less: Deletion of Assets	12.68	29.60	0.00	42.28
<b>Closing Value</b>	<b>201.31</b>	<b>658.27</b>	<b>81.32</b>	<b>940.91</b>

The scheme wise GFA projections for the first Control Period submitted by the Petitioner are shown in the Table below:

**Table 2.33: Proposed Gross Fixed Assets and Capitalisation of intra-State Transmission System (Rs. Crore)**

Particulars	FY 2012-13 (Provisional)			Control Period					
				FY 2013-14 (Proposed)		FY 2014-15 (Proposed)		FY 2015-16 (Proposed)	
	At the beginning of the year	Additions during the year	At the end of the year	Additions during the year	At the end of the year	Additions during the year	At the end of the year	Additions during the year	At the end of the year
Old Assets	221.11	-	221.11	-	221.11	-	221.11	-	221.11
REC Old Scheme	116.52	54.23	170.75	0.00	170.75	89.51	260.26	0.00	260.26
NABARD Scheme	294.60	0.00	294.60	0.00	294.60	0.00	294.60	0.00	294.60
REC New Scheme	88.62	7.14	95.76	35.88	131.63	39.83	171.46	0.00	171.46
REC-IV Scheme	43.31	34.84	78.15	80.01	158.15	0.00	158.15	0.00	158.15
REC-V Scheme	67.14	22.84	89.98	0.00	89.98	0.00	89.98	0.00	89.98
REC-VI Scheme	0.00	0.00	0.00	0.00	0.00	0.00	0.00	34.64	34.64
REC-VII Scheme	0.00	0.00	0.00	0.00	0.00	0.00	0.00	64.38	64.38
REC-VIII Scheme	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
REC-IX Scheme	0.00	11.47	11.47	0.00	11.47	0.00	11.47	0.00	11.47
REC-X Scheme	0.00	0.00	0.00	0.00	0.00	122.65	122.65	0.00	122.65
Planned Schemes to be funded by PFC/REC	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Grants, Deposit Works, etc.	81.32	0.00	81.32	0.00	81.32	0.00	81.32	0.00	81.32
Other Than Schemes (System Improvement)	28.29	11.42	39.71	12.50	52.21	84.00	136.21	70.00	206.21
<b>Total</b>	<b>940.91</b>	<b>141.92</b>	<b>1082.83</b>	<b>128.38</b>	<b>1211.21</b>	<b>335.99</b>	<b>1547.20</b>	<b>169.02</b>	<b>1716.22</b>

**2.2.3.2.2 Depreciation**

The Petitioner submitted that Depreciation for the first Control Period has been calculated on the opening GFA for the respective years considering the rates prescribed in UERC Tariff Regulations, 2011. The Petitioner submitted that pro-rata depreciation has been calculated for assets which are in operation for part of the year. The Petitioner submitted that average rate of 5.28% has been considered for computing the depreciation. The projection of Depreciation for the first Control Period submitted by the Petitioner is shown in the Table below:

**Table 2.34: Proposed Depreciation of intra-State Transmission (Rs. Crore)**

Particulars	FY 2012-13 (Provisional)	Control Period		
		FY 2013-14 (Proposed)	FY 2014-15 (Proposed)	FY 2015-16 (Proposed)
Old Assets	11.67	11.67	11.67	11.67
REC Old Scheme	6.39	9.25	12.80	13.98
NABARD Scheme	15.56	15.56	15.56	15.56
REC New Scheme	4.70	5.72	7.51	8.03
REC-IV Scheme	3.07	8.08	9.14	9.14
REC-V Scheme	3.80	5.00	5.00	5.00
REC-VI Scheme	0.00	0.00	0.00	1.37
REC-VII Scheme	0.00	0.00	0.00	2.55
REC-VIII Scheme	0.00	0.03	0.04	0.04
REC-IX Scheme	0.04	0.64	0.64	0.64
REC-X Scheme	0.00	0.99	1.32	1.32
Planned Schemes to be funded by PFC/REC	0.00	0.00	0.00	0.00
Grants, Deposit Works, etc.	0.00	0.00	0.00	0.00
Other Than Schemes (System Improvement)	1.49	1.49	1.49	1.49
<b>Total</b>	<b>46.72</b>	<b>58.44</b>	<b>65.17</b>	<b>70.79</b>

**2.2.3.2.3 Return on Equity (RoE)**

The Petitioner submitted that it has considered Return on Equity on equity portion of the capitalised assets. The Petitioner submitted that considering the opening equity and planned capitalisation, the Return on Equity for the first Control Period has been projected as shown in the Table below:

**Table 2.35: Proposed Return on Equity of intra-State Transmission (Rs. Crore)**

Particulars	FY 2012-13 (Provisional)			Control Period								
				FY 2013-14 (Proposed)			FY 2014-15 (Proposed)			FY 2015-16 (Proposed)		
	Opening Equity	Additions	Closing Equity	Opening Equity	Additions	Closing Equity	Opening Equity	Additions	Closing Equity	Opening Equity	Additions	Closing Equity
Old Assets	66.33	-	66.33	66.33	-	66.33	66.33	-	66.33	66.33	-	66.33
REC Old Scheme	28.55	13.29	41.83	41.83	0.00	41.83	41.83	21.93	63.76	63.76	0.00	63.76
NABARD Scheme	64.81	0.00	64.81	64.81	0.00	64.81	64.81	0.00	64.81	64.81	0.00	64.81
REC New Scheme	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
REC-IV Scheme	12.99	10.45	23.44	23.44	24.00	47.45	47.45	0.00	47.45	47.45	0.00	47.45
REC-V Scheme	20.14	6.85	26.99	26.99	0.00	26.99	26.99	0.00	26.99	26.99	0.00	26.99
REC-VI Scheme	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10.39	10.39
REC-VII Scheme	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	19.31	19.31
REC-VIII Scheme	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
REC-IX Scheme	0.00	3.44	3.44	3.44	0.00	3.44	3.44	0.00	3.44	3.44	0.00	3.44
REC-X Scheme	0.00	0.00	0.00	0.00	0.00	0.00	0.00	36.80	36.80	36.80	0.00	36.80
Planned Schemes to be funded by PFC/REC	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Grants, Deposit Works, etc.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Than Schemes (System Improvement)	8.49	3.42	11.91	11.91	3.75	15.66	15.66	25.20	40.86	40.86	21.00	61.86
<b>Total Eligible Equity</b>	<b>201.31</b>	<b>37.45</b>	<b>238.77</b>	<b>238.77</b>	<b>27.75</b>	<b>266.52</b>	<b>266.52</b>	<b>83.92</b>	<b>350.44</b>	<b>350.44</b>	<b>50.71</b>	<b>401.15</b>
Rate of Return			14.00%			15.50%			15.50%			15.50%
Return on Opening Equity			28.18			37.01			41.31			54.32
Pro-rata Return on Equity portion of assets capitalised during the year			2.62			2.15			6.50			3.93
<b>Total RoE</b>			<b>30.81</b>			<b>39.16</b>			<b>47.81</b>			<b>58.25</b>

**2.2.3.2.4 Interest and Finance Charges**

The Petitioner submitted that the new Capital Expenditure during the first Control Period has been assumed to be undertaken at a normative debt : equity ratio of 70:30 in accordance with UERC Tariff Regulations, 2011. However, in case of Old REC scheme, the debt equity ratio has been considered at 74.5:24.5. Further, the New REC scheme has been considered to be funded entirely by the debt. The Petitioner submitted that it has considered the following interest rates for computation of Interest on Long Term Loans:

**Table 2.36: Proposed Interest Rates for intra-State Transmission System for the Control Period**

Scheme	Interest Rate
REC Old Scheme	12.00%
REC New Scheme	12.00%
REC-IV Scheme	12.00%
REC-V Scheme	12.00%
REC-VI Scheme	12.00%
REC-VII Scheme	12.00%
REC-IX Scheme	12.00%
Planned Schemes	12.50%

The Petitioner submitted that Outstanding Normative Loan has been worked out in accordance with UERC Tariff Regulations, 2011 by deducting the cumulative repayment admitted by the Commission from the Gross Normative Loan. The Petitioner submitted that normative repayment for each year has been considered equal to the depreciation for that year. The Petitioner submitted that after considering the accumulated depreciation assigned in the transfer scheme and the depreciation allowed in various Tariff Orders, cumulative normative repayment has been worked out. The projection of Interest Charges for the first Control Period submitted by the Petitioner is shown in the Table below:

**Table 2.37: Proposed Interest Charges of intra-State Transmission (Rs. Crore)**

Particulars	FY 2012-13 (Provisional)	Control Period		
		FY 2013-14 (Proposed)	FY 2014-15 (Proposed)	FY 2015-16 (Proposed)
Opening Normative Loan	452.32	510.07	552.27	739.17
Addition during the year	104.47	100.63	252.06	118.31
Normative repayment during the year	46.72	58.44	65.17	70.79
Closing Loan balance	510.07	552.27	739.17	786.69
Interest Charged to Capital (Interest During Construction)	14.38	12.86	15.89	8.03
<b>Interest Charged to Revenue</b>	<b>52.10</b>	<b>68.55</b>	<b>76.13</b>	<b>91.88</b>

As regards the financing charges, Petitioner submitted that Guarantee Fee is payable on Loans for which Government of Uttarakhand has given guarantee and it has calculated the same on the outstanding loan balances. The Guarantee Fee payable during the first Control Period submitted by the Petitioner is shown in the Table below:

**Table 2.38: Proposed Guarantee Fee of intra-State Transmission System (Rs. Crore)**

Particulars	FY 2012-13 (Provisional)	Control Period		
		FY 2013-14 (Proposed)	FY 2014-15 (Proposed)	FY 2015-16 (Proposed)
Outstanding Loan balance	510.07	552.27	739.17	786.69
<b>Projected Guarantee Fee</b>	<b>5.10</b>	<b>5.52</b>	<b>7.39</b>	<b>7.87</b>

#### 2.2.3.2.5 Operation & Maintenance (O&M) Expenses

The Operation & Maintenance (O&M) expenses comprises of Employee expenses, A&G expenses and Repairs and Maintenance (R&M) expenses. The Petitioner submitted that as per UERC Tariff Regulations, 2011 the O&M expenses for the first year of the first Control Period will be approved by the Commission taking into account the actual O&M expenses for last 5 years till base year (FY 2011-12) subject to prudence check and any other factors considered appropriate by the Commission. The Petitioner's submissions with respect to each of the elements of O&M

expenses are given below:

#### 2.2.3.2.5.1 Employee expenses

The Petitioner submitted that as per the methodology specified in UERC Tariff Regulations, 2011, employee expenses for a particular year of the first Control Period is linked to average increase in CPI for immediately preceding 3 years and Growth Factor for that particular year. The Petitioner submitted that the average increase in CPI indices for immediately preceding 3 years is 10.58%. Further, the Petitioner submitted that it has prepared elaborate additional employee recruitment projections for the plan period. It has projected that the net additions to the employee work force would be 383 employees in FY 2013-14, 72 employees in FY 2014-15 and 105 employees in FY 2015-16. Accordingly, based on the increase in CPI indices and projected cost of additional manpower for the respective years of the first Control Period, it has projected the employee expenses for the first Control Period. The projection of employee expenses submitted by the Petitioner for the first Control Period is shown in the Table below:

**Table 2.39: Proposed Employee expenses of intra-State Transmission System (Rs. Crore)**

Particulars	FY 2012-13 (Provisional)	Control Period		
		FY 2013-14 (Proposed)	FY 2014-15 (Proposed)	FY 2015-16 (Proposed)
Employee expenses	58.32	79.11	89.78	102.65

#### 2.2.3.2.5.2 Repair and Maintenance (R&M) expenses

The Petitioner submitted that as per the methodology specified in UERC Tariff Regulations, 2011, Repair and Maintenance expenses for a particular year of the first Control Period is linked to average increase in WPI for immediately preceding 3 years. The Petitioner submitted that the Repair and Maintenance expenses approved by the Commission in the last 3 financial years have been in the range of 2.09% to 2.49% of the approved opening GFA of the respective year and hence, it has considered Repair and Maintenance expenses to be 2.50% of the opening GFA for the respective years of first Control Period. The Petitioner submitted that the average increase in WPI indices for immediately preceding 3 years has been 7.14%. The Petitioner submitted that the Repair and Maintenance expenses considered at 2.50% of opening GFA have been escalated at 7.14% to offset the effect of inflation. The projection of Repair and Maintenance expenses submitted by the Petitioner for the first Control Period is shown in the Table below:

**Table 2.40: Proposed R&M expenses of intra-State Transmission System (Rs. Crore)**

Particulars	FY 2012-13 (Provisional)	Control Period		
		FY 2013-14 (Proposed)	FY 2014-15 (Proposed)	FY 2015-16 (Proposed)
Opening GFA	1082.83	1211.21	1547.20	1716.22
2.50% of GFA	27.07	30.28	38.68	42.91
<b>Projected R&amp;M expenses (escalated @ 7.14%)</b>	<b>29.00</b>	<b>32.44</b>	<b>41.44</b>	<b>45.97</b>

**2.2.3.2.5.3 Administrative and General (A&G) expenses**

The Petitioner submitted that as per the methodology specified in UERC Tariff Regulations, 2011, Administrative and General expenses for a particular year of the first Control Period are linked to average increase in WPI for immediately preceding 3 years. The Petitioner submitted that the approved Administrative and General expenses for FY 2012-13 in the Tariff Order dated April 04, 2012 have been escalated annually by WPI index of 7.14% and an adhoc provision of Rs. 5.00 crore has been considered for each year of the first Control Period to arrive at the projected Administrative and General expenses for each year of the first Control Period. The projection of Administrative and General expenses submitted by the Petitioner for the first Control Period is shown in the Table below:

**Table 2.41: Proposed A&G expenses of intra-State Transmission System (Rs. Crore)**

Particulars	FY 2012-13 (Approved in Tariff Order dtd. April 4, 2012)	Control Period		
		FY 2013-14 (Proposed)	FY 2014-15 (Proposed)	FY 2015-16 (Proposed)
<b>A&amp;G expenses</b>	<b>14.27</b>	<b>20.29</b>	<b>26.74</b>	<b>33.65</b>

**2.2.3.2.5.4 Total Operation and Maintenance (O&M) expenses**

The total O&M expenses submitted by the Petitioner for the first Control Period are shown in the Table below:

**Table 2.42: Proposed O&M expenses of intra-State Transmission System (Rs. Crore)**

Particulars	FY 2012-13 (Provisional)	Control Period		
		FY 2013-14 (Proposed)	FY 2014-15 (Proposed)	FY 2015-16 (Proposed)
Employee expenses	58.32	79.11	89.78	102.65
R&M expenses	29.00	32.44	41.44	45.97
A&G expenses	14.27	20.29	26.74	33.65
<b>Total O&amp;M expenses</b>	<b>101.59</b>	<b>131.84</b>	<b>157.96</b>	<b>182.26</b>

**2.2.3.2.6 Interest on Working Capital (IWC)**

The Petitioner submitted that the payments received from UPCL would be subject to the provisions of tax deducted at source under Section 194 J of the Income Tax Act as the payment for

transmission and wheeling charges are considered as 'fees for technical services'. According to the existing provisions of Section 194J, 10% TDS is the applicable charge. This would lead to certain cash flow deferment as 10% tax would be withheld by UPCL while making payment of transmission charges to PTCUL. However, since the normative working capital is provided to PTCUL as per the framework of the regulations, it will tide over the cash flow issue on this account.

The Petitioner further submitted that the Interest on Working Capital has been worked out on normative basis and is based on norms specified in Regulations 34(2) of UERC Tariff Regulations, 2011. The Petitioner submitted that the rate of interest has been considered to be 13.25% for computation of IWC, which has been approved by the Commission for FY 2012-13 in the Tariff Order dated April 04, 2012. The projection of Interest on Working Capital submitted by the Petitioner for the first Control Period is shown in the Table below:

**Table 2.43: Proposed Interest on Working Capital for intra-State Transmission System (Rs. Crore)**

Particulars	FY 2012-13 (Provisional)	Control Period		
		FY 2013-14 (Proposed)	FY 2014-15 (Proposed)	FY 2015-16 (Proposed)
<b>Computation of Working Capital</b>	-	-	-	-
O&M expenses of one month	8.47	10.99	13.16	15.19
Maintenance Spares	15.24	19.78	23.69	27.34
Two months receivables	40.60	52.20	61.01	70.77
<b>Working Capital</b>	<b>64.31</b>	<b>82.96</b>	<b>97.87</b>	<b>113.30</b>
Interest Rate	13.25%	13.25%	13.25%	13.25%
<b>Interest on Working Capital</b>	<b>8.52</b>	<b>10.99</b>	<b>12.97</b>	<b>15.01</b>

#### 2.2.3.2.7 Non-Tariff Income

The Petitioner submitted that for the purpose of projections in the Business Plan, it has considered annual escalation of 5% on the approved Non-Tariff Income of Rs. 1.24 crore for FY 2012-13 in the Tariff Order dated April 4, 2012.

#### 2.2.3.2.8 Annual Transmission Charges

The Petitioner submitted that the ARR in respect of intra-State Transmission is recoverable from UPCL, the sole beneficiary at present. The Petitioner submitted that the payments shall be subject to adjustment, if any other beneficiary uses its system, by an amount equal to charges payable by that beneficiary. The Petitioner submitted that in case any charges is recoverable from beneficiaries other than UPCL, the same should be refunded to UPCL within one month after close of the financial year.

The Annual Transmission Charges for the first Control Period submitted by the Petitioner is shown in the Table below:

**Table 2.44: Proposed Annual Transmission Charges of intra-State Transmission (Rs. Crore)**

Particulars	FY 2012-13 (Provisional)	Control Period		
		FY 2013-14 (Proposed)	FY 2014-15 (Proposed)	FY 2015-16 (Proposed)
Depreciation	46.72	58.44	65.17	70.79
Interest on Loan	52.10	68.55	76.13	91.88
Return on Equity	30.81	39.16	47.81	58.25
Operation and Maintenance Expenses				
Employee Expenses	58.32	79.11	89.78	102.65
R&M Expenses	29.00	32.44	41.44	45.97
A&G Expenses	14.27	20.29	26.74	33.65
Guarantee Fees	5.10	5.52	7.39	7.87
Interest on Working Capital	8.52	10.99	12.97	15.01
<b>Net Expenditure</b>	<b>244.84</b>	<b>314.51</b>	<b>367.43</b>	<b>426.07</b>
Less: Non Tariff Income	1.24	1.30	1.37	1.44
<b>Aggregate Revenue Requirement (ARR)</b>	<b>243.60</b>	<b>313.21</b>	<b>366.06</b>	<b>424.63</b>

## 2.2.4 Transmission Tariff of intra-State Transmission System for the first Control Period

The Petitioner submitted that the Generation Capacity estimated to be handled by its intra-State Transmission System for FY 2012-13 is 1960 MW. The Petitioner submitted that it has considered an annual growth rate of 9% for projecting the Generation Capacity to be handled by its System. The Petitioner submitted that UPCL is the sole beneficiary of its intra-State Transmission Network. The Petitioner submitted that total Annual Transmission Charges would be recovered in 12 monthly instalments from UPCL. The Petitioner submitted that if a new beneficiary uses its Transmission Network, Transmission Charges would be charged in proportion of the allotted Capacity. The Petitioner submitted that the computation of monthly Transmission Charge would be done as per the formula approved by the Commission in UERC Tariff Regulations, 2011. The projection of Transmission Tariff submitted by the Petitioner for the first Control Period is shown in the Table below:

**Table 2.45: Proposed Transmission Tariff of intra-State Transmission Network**

Particulars	FY 2013-14	FY 2014-15	FY 2015-16
ARR (Rs. Crore)	313.21	366.06	424.63
Gap on account of revised ARR for FY 2012-13	66.68		
<b>Adjusted ARR (Rs. Crore)</b>	<b>379.89</b>	<b>366.06</b>	<b>424.63</b>
Monthly Transmission Charges (Rs. Crore)	31.66	30.51	35.39
Total Capacity Handled (MW)	2136	2329	2538
<b>Transmission Tariff (Rs./MW/month)</b>	<b>148180</b>	<b>130997</b>	<b>139410</b>



### 2.2.5 ARR of UITP Schemes for the Control Period

The Petitioner submitted that Uttarakhand has a huge hydro power plant potential and such huge development of Hydro Power Plants needs to be encouraged through a transmission pricing mechanism which allows the generators to have a seamless access to the pan-India market. This can be facilitated by adapting the Point of Connection (PoC) mechanism at the State level. This is critical for states like Uttarakhand because:

- i. The mechanism allows sharing of burden of transmission charges between generators and beneficiaries – both inter-state and intra-state.
- ii. The Hydro power plant development in a basin happens in stages, whereas the transmission investment is made taking into consideration the future development also. Hence, there is a need to adopt a mechanism which obviates the burden of transmission charges on initial investors in generation.

The Petitioner further submitted that PTCUL has instituted a study of alternative PoC mechanisms that can be adopted at the level of the State and yet be integrated with the mechanism adopted by CERC.

The Petitioner further, submitted that the PoC mechanism adopted by CERC requires identification of state-owned lines which are being utilized for transfer of inter-state power. The charges for such lines will be reimbursed by the CTU after PTCUL signs Revenue Sharing Agreement (RSA) – which has been approved by CERC- with the CTU. However, for this purpose the ARR of the assets being used for transfer of inter-state power needs to be approved by the Commission. Such an approval will allow PTCUL to charge for the intra-state lines being used by generators for inter-state transfer of power.

The Petitioner submitted that it will submit the computations of PoC mechanisms for consideration of the Commission alongwith the proposed regulations on the subject. The Petitioner submitted that it has computed the ARR for such Lines and associated Transmission System which would facilitate it to charge for intra-State Lines being used by Generators for inter-State transfer of Power and to charge for the use of these Lines to inter-State consumers through CTU in accordance with PoC mechanism adopted by CERC.

**2.2.5.1 Abstract of Aggregate Revenue Requirement (ARR) for UITP Schemes**

For the first Control period, the Petitioner has projected the ARR for UITP Schemes. Various components of ARR as estimated by the Petitioner for the first Control Period are shown in the Table below:

**Table 2.46: ARR of UITP Schemes for the first Control Period (Rs. Crore)**

Particulars	FY 2012-13 (Provisional)	Control Period		
		FY 2013-14 (Proposed)	FY 2014-15 (Proposed)	FY 2015-16 (Proposed)
Depreciation	1.03	3.76	19.86	28.03
Advance Against Depreciation	1.13	-	-	-
Interest on Loan	2.86	7.91	40.56	56.10
Return on Equity	1.84	5.87	27.80	41.80
Operation and Maintenance Expenses	0.65	4.06	11.98	32.27
Guarantee Fees	1.50	4.11	11.04	15.57
Interest on Working Capital	0.22	0.71	2.89	4.94
<b>Aggregate Revenue Requirement (ARR)</b>	<b>9.24</b>	<b>26.43</b>	<b>114.13</b>	<b>178.73</b>

**2.2.5.2 Gross Fixed Asset (GFA)**

The Petitioner submitted that the opening GFA has been considered from the latest ARR filings made by it in respect of Associated Transmission System of Bhilangana III for FY 2012-13. The Petitioner submitted that based on the capital expenditure of Schemes under UITP, capital cost of such Schemes and expected commissioning schedule, the Gross Fixed Asset for each year of the first Control Period has been projected. The projection of GFA submitted by the Petitioner for the first Control Period is shown in the Table below:

**Table 2.47: Proposed Gross Fixed Assets of UITP Schemes (Rs. Crore)**

Particulars	FY 2012-13 (Provisional)			Control Period					
				FY 2013-14 (Proposed)		FY 2014-15 (Proposed)		FY 2015-16 (Proposed)	
	At the beginning of the year	Additions during the year	At the end of the year	Additions during the year	At the end of the year	Additions during the year	At the end of the year	Additions during the year	At the end of the year
REC-IV Scheme	39.37	0.00	39.37	0.00	39.37	0.00	39.37	0.00	39.37
PFC Schemes	0.00	0.00	0.00	0.00	0.00	275.42	275.42	0.00	275.42
ADB Schemes	0.00	0.00	0.00	205.55	205.55	201.81	407.36	1223.57	1630.93
Planned Schemes to be funded by PFC/REC	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>39.37</b>	<b>0.00</b>	<b>39.37</b>	<b>205.55</b>	<b>244.92</b>	<b>477.23</b>	<b>722.15</b>	<b>1223.57</b>	<b>1945.72</b>

### 2.2.5.3 Depreciation

The Petitioner submitted that Depreciation for each year of the first Control Period has been calculated on the opening GFA of that year considering the rates prescribed by the Commission in UERC Tariff Regulations, 2011. The Petitioner submitted that the pro-rata depreciation has been calculated for assets in operation for part of the year. The Petitioner submitted that average rate of 5.28% has been considered for computing the depreciation. The Petitioner submitted that in accordance with Regulation 29 of UERC Tariff Regulations, 2011, it has deducted the proportionate depreciation from ADB Scheme related capital additions that have been created out of Grants. The projection of Depreciation submitted by the Petitioner for the first Control Period is shown in the Table below:

**Table 2.48: Proposed Depreciation of UITP Schemes (Rs. Crore)**

Particulars	FY 2012-13 (Provisional)	Control Period		
		FY 2013-14 (Proposed)	FY 2014-15 (Proposed)	FY 2015-16 (Proposed)
REC-IV Scheme	1.03	2.08	2.08	2.08
PFC Schemes	0.00	0.00	10.91	14.54
ADB Schemes	0.00	4.54	18.57	30.84
Planned Schemes to be funded by PFC/REC	0.00	0.00	0.00	0.00
Less: Depreciation on ADB assets created out of grants	0.00	2.86	11.70	19.43
<b>Total</b>	<b>1.03</b>	<b>3.76</b>	<b>19.86</b>	<b>28.03</b>

### 2.2.5.4 Advance Against Depreciation (AAD)

The Petitioner submitted that AAD for FY 2012-13 has been projected in accordance with Regulation 19 of Uttarakhand Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2004. The Petitioner submitted that no AAD has been claimed for the first Control Period as the depreciation rates have been revised in the Tariff Regulations, 2011 and AAD has been dispensed with. The AAD for FY 2012-13 submitted by the Petitioner is shown in the Table below:

**Table 2.49: AAD for FY 2012-13 towards UITP Schemes (Rs. Crore)**

Particulars	FY 2012-13
1/10 th of the Loan(s)	2.62
Repayment of Loan(s) as considered for working out Interest on Loan	2.62
<b>Minimum of the above</b>	<b>2.62</b>
Less: Depreciation during the year	1.03
<b>(A)</b>	<b>1.59</b>
Cumulative repayment of the Loan(s) as considered for working out Interest on Loan	2.62
Less: Cumulative Depreciation	1.49
<b>(B)</b>	<b>1.13</b>
<b>Advance Against Depreciation (Minimum of A &amp; B)</b>	<b>1.13</b>

### 2.2.5.5 Return on Equity (RoE)

The Petitioner submitted that Return on Equity has been calculated on the equity component of the capitalised assets. The Petitioner submitted that the rate of return for FY 2012-13 has been considered to be 14% in accordance with Uttarakhand Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2004 and for the first Control Period to be 15.50% in accordance with UERC Tariff Regulations, 2011. The projection of Return on Equity submitted by the Petitioner for the first Control Period is shown in the Table below:

**Table 2.50: Proposed Return on Equity of UITP Schemes (Rs. Crore)**

Particulars	FY 2012-13 (Provisional)	Control Period		
		FY 2013-14 (Proposed)	FY 2014-15 (Proposed)	FY 2015-16 (Proposed)
Opening Equity	39.45	72.15	187.89	493.84
Additions	32.70	115.74	305.95	244.50
Closing Equity	72.15	187.89	493.84	738.34
Rate of Return	14.00%	15.50%	15.50%	15.50%
<b>Return on Equity</b>	<b>1.84</b>	<b>5.87</b>	<b>27.80</b>	<b>41.80</b>

### 2.2.5.6 Interest and Finance Charges

The Petitioner submitted that the new Capital Expenditure during the first Control Period has been assumed to be undertaken at a normative debt : equity ratio of 70:30 in accordance with UERC Tariff Regulations, 2011. The Petitioner submitted that it has considered the following interest rates for computation of Interest on Long Term Loans:

**Table 2.51: Interest Rates for UITP Schemes for the first Control Period**

Scheme	Interest Rate
REC IV (Bhilaganga III)	11.50%
PFC	12.50%
ADB	3.00%
REC-VIII	12.00%
REC-X	12.00%
Planned Schemes	12.50%

The projection of Interest on Loan submitted by the Petitioner for the first Control Period is shown in the Table below:

**Table 2.52: Proposed Interest Charges of UITP Schemes (Rs. Crore)**

Particulars	FY 2012-13 (Provisional)	Control Period		
		FY 2013-14 (Proposed)	FY 2014-15 (Proposed)	FY 2015-16 (Proposed)
Opening Loan	72.42	149.59	410.89	1103.65
Receipts during the year (including Interest During Construction)	79.79	269.95	734.88	581.58
Repayments during the year	2.62	8.64	42.13	127.82
Closing Loan	149.59	410.89	1103.65	1557.41
Interest During Construction (included above)	7.67	20.10	41.39	76.39
<b>Interest charged to revenue</b>	<b>2.86</b>	<b>7.91</b>	<b>40.56</b>	<b>56.10</b>

As regards the finance charges, the Petitioner submitted that Guarantee Fee is payable on Loans for which Government of Uttarakhand has given guarantee and it has been calculated on the outstanding loan balances. The Guarantee Fee payable during the first Control Period submitted by the Petitioner is shown in the Table below:

**Table 2.53: Proposed Guarantee Fee of UITP Schemes (Rs. Crore)**

Particulars	FY 2012-13 (Provisional)	Control Period		
		FY 2013-14 (Proposed)	FY 2014-15 (Proposed)	FY 2015-16 (Proposed)
Outstanding Loan balance	149.59	410.89	1103.65	1557.41
<b>Projected Guarantee Fee</b>	<b>1.50</b>	<b>4.11</b>	<b>11.04</b>	<b>15.57</b>

#### 2.2.5.7 Operation & Maintenance (O&M) Expenses

The Petitioner submitted that UERC Tariff Regulations, 2011 do not prescribe any norms towards O&M expenses in respect of new Transmission Assets. The Petitioner submitted that the O&M norms have no distinction between the assets of intra-State Transmission and inter-State Transmission. The Petitioner submitted that for the purpose of Business Plan, it has projected O&M expenses inclusive of Employee expenses, Repair and Maintenance expenses and Administrative and General expenses to be 1.50% of Gross Fixed Assets. The Petitioner submitted that the figure so arrived for each year of the first Control Period has been escalated by last 3 year average increase in CPI to arrive at O&M expenses for corresponding year of the first Control Period. The projection of O&M expenses submitted the Petitioner for the first Control Period is shown in the Table below:

**Table 2.54: Proposed O&M expenses of UITP Schemes (Rs. Crore)**

Particulars	FY 2012-13 (Provisional)	Control Period		
		FY 2013-14 (Proposed)	FY 2014-15 (Proposed)	FY 2015-16 (Proposed)
Closing GFA	39.37	244.92	722.15	1945.72
1.50% of GFA	0.59	3.67	10.83	29.19
CPI Index	10.58%	10.58%	10.58%	10.58%
<b>O&amp;M expenses</b>	<b>0.65</b>	<b>4.06</b>	<b>11.98</b>	<b>32.27</b>

### 2.2.5.8 Interest on Working Capital (IWC)

The Petitioner submitted that the Interest on Working Capital has been worked out on normative basis and is based on the norms specified in Regulations 34(2) of UERC Tariff Regulations, 2011. The Petitioner submitted that the rate of interest has been considered to be 13.25% for computation of IWC, which has been approved by the Commission for FY 2012-13 in the Tariff Order dated April 04, 2012. The projection of Interest on Working Capital submitted by the Petitioner for the first Control Period is shown in the Table below:

**Table 2.55: Proposed Interest on Working Capital of UITP Schemes (Rs. Crore)**

Particulars	FY 2012-13 (Provisional)	Control Period		
		FY 2013-14 (Proposed)	FY 2014-15 (Proposed)	FY 2015-16 (Proposed)
<b>Computation of Working Capital</b>				
O&M expenses of one month	0.05	0.34	1.00	2.69
Maintenance Spares	0.10	0.61	1.80	4.84
Two months receivables	1.54	4.40	19.02	29.79
<b>Working Capital</b>	<b>1.69</b>	<b>5.35</b>	<b>21.82</b>	<b>37.32</b>
Interest Rate	13.25%	13.25%	13.25%	13.25%
<b>Interest on Working Capital</b>	<b>0.22</b>	<b>0.71</b>	<b>2.89</b>	<b>4.94</b>

### 2.2.5.9 Annual Transmission Charges for UITP Schemes

The Petitioner submitted that the charges for UITP assets would be recovered through the Point of Connection mechanism as adopted under CERC (Sharing of Inter State Transmission Charges and Losses) Regulations, 2010. The Petitioner submitted that under these Regulations, such assets would be declared as deemed ISTS assets. The Petitioner submitted that the recovery of charges for deemed ISTS assets would be made by the Central Transmission Utility (CTU) consequent to execution of Revenue Sharing Agreement with the CTU.

The projection of Annual Transmission Charges of UITP Schemes for the first Control Period submitted by the Petitioner is shown in the Table below:

**Table 2.56: Proposed Annual Transmission Charges of UITP Schemes (Rs. Crore)**

Particulars	FY 2012-13 (Provisional)	Control Period		
		FY 2013-14 (Proposed)	FY 2014-15 (Proposed)	FY 2015-16 (Proposed)
Depreciation	1.03	3.76	19.86	28.03
Advance Against Depreciation	1.13	-	-	-
Interest on Loan	2.86	7.91	40.56	56.10
Return on Equity	1.84	5.87	27.80	41.80
Operation and Maintenance Expenses	0.65	4.06	11.98	32.27
Guarantee Fees	1.50	4.11	11.04	15.57
Interest on Working Capital	0.22	0.71	2.89	4.94
<b>Aggregate Revenue Requirement (ARR)</b>	<b>9.24</b>	<b>26.43</b>	<b>114.13</b>	<b>178.73</b>

### **3 Stakeholder's Responses and Petitioner's Comments**

The Commission has received suggestions/objections on the PTCUL's Business Plan Petition and Multi Year Tariff Petition for the first Control Period from FY 2013-14 to FY 2015-16. List of stakeholders who have submitted their Objections/Suggestions/Comments in writing are given at **Annexure-2** and the respondents who have raised the issues in the public hearings are enclosed at **Annexure-3**. The Commission has further obtained replies from PTCUL on the objections/suggestions/comments received from the stakeholders. For the sake of clarity, the objections raised by the stakeholders and response of the Petitioner have been consolidated and summarised issue wise. In the subsequent Chapters of this Order, the Commission has kept in view the objections/suggestions/comments of the stakeholders and reply of the Petitioner while deciding the ARR for PTCUL.

#### **3.1 Tariff Increase**

##### **3.1.1 Stakeholder's Comment**

Shri S. P. Joshi submitted that UJVN Ltd. has proposed 16% increase in Tariff, PTCUL has proposed 9% increase in Tariff and UPCL has proposed 50% increase in Tariff and requested to clarify whether the increase in Tariff of electricity consumers of the State would be 50%, 16% and 9% or 50% in total. Shri S. P. Joshi also submitted that as UPCL is using PTCUL's Lines, PTCUL proposing to increase Tariff might be due to UPCL not paying its bills to PTCUL. Shri S. P. Joshi also submitted that a separate Committee should be formed to monitor the receivables.

Shri Pratap Singh, President, Vasant Vihar Members Welfare Association, Dehradun submitted that PTCUL's proposal to increase the Tariff by 9% should be carefully scrutinized. He also submitted that there has to be uniformity in increase in Tariff of UJVNL, PTCUL and UPCL and the increase in Tariff should not be left to the free will of the Utilities. He submitted that the recommendations of 13<sup>th</sup> Central Finance Commission and third State Finance Commission of Uttarakhand may be referred to for increase in Tariff.

##### **3.1.2 Petitioner's Response**

PTCUL submitted that the objections raised by Shri S.P. Joshi do not pertain to it and hence, reply is not being submitted.

PTCUL submitted that all expense parameters of ARR have been computed as per UERC Tariff Regulations, 2011. PTCUL submitted that a detailed Business Plan has been submitted that includes scheme wise/project wise capitalization of schemes and a MYT Petition for year wise ARR for the Control Period FY 2013-14 to FY 2015-16. PTCUL submitted that the ARR claimed for each year of the Control Period is based on realistic assumptions and past expenditure.

### **3.1.3 Commission's Views**

The Commission would like to clarify that the Commission has analysed each element of Business Plan and ARR for the first Control Period from FY 2013-14 to FY 2015-16 in accordance with Uttarakhand Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2011 and as per the Regulations, only legitimate costs are allowed to be recovered from the consumers.

The Commission would also like to clarify that the ARR and, hence, the Transmission Tariff approved for PTCUL for ensuing year, i.e. FY 2013-14 is considered as Intra-State Transmission Charges in UPCL's ARR. Hence, the impact of increase in tariff of PTCUL gets factored as part of retail supply tariff determination for UPCL.

## **3.2 Project Cost**

### **3.2.1 Stakeholder's Comment**

Shri Pankaj Gupta, President, M/s Industries Association of Uttarakhand Industries Association of Uttarakhand submitted that PTCUL has been escalating the Project Cost and the Capital Costs of all the completed Projects requires detailed examination.

### **3.2.2 Petitioner's Response**

PTCUL submitted that it has been claiming genuine Project Cost as per its annual accounts and transfer scheme notified on May 31, 2004 and it has no intention of escalating the project cost. PTCUL submitted that its ARR has been computed in accordance with UERC Tariff Regulations, 2011.

### **3.2.3 Commission's Views**

As regards the approval of Project Cost for the Petitioner, the Commission is guided by the



notified Regulations from time to time and in the absence of complete details of cost and time over-run alongwith reasons, the Commission has been approving the Project Cost of the Petitioner as the minimum of the approved Cost and actual cost incurred by the Petitioner. Despite repeated directives of the Commission to submit the justification for time and cost overruns of various Schemes, the Petitioner has not submitted the information required by the Expert Committee constituted by the Commission to examine the time and cost over-run of completed schemes.

### **3.3 Gross Fixed Assets**

#### **3.3.1 Stakeholder's Comment**

Shri Pankaj Gupta, President, M/s Industries Association of Uttarakhand submitted that UERC in its previous Tariff Orders have fixed GFA at Rs. 108.26 Crore and directed PTCUL to get the transfer scheme finalized for revision of opening GFA. He further submitted that PTCUL has again proposed to revise the opening Gross Fixed Assets to Rs. 263.17 Crore without finalisation of the transfer scheme. In this regard, he requested the Commission to continue with the same opening GFA at Rs. 108.26 Crore as fixed in the previous Tariff Orders.

#### **3.3.2 Petitioner's Response**

PTCUL submitted that Government of Uttarakhand has approved the value of Rs. 1058.18 Crore taken by UPCL in its accounts as on November 9, 2001 and hence, the transmission assets of PTCUL has been revised to Rs. 263.39 Crore. PTCUL submitted that the GFA amount of Rs. 263.39 Crore is as per the transfer scheme and the audited annual accounts of PTCUL.

#### **3.3.3 Commission's Views**

The Commission has discussed its approach in detail towards value of Original Fixed Assets considered for tariff determination in the subsequent Chapters.

### **3.4 Capitalisation of New Assets**

#### **3.4.1 Stakeholder's Comment**

Shri Pankaj Gupta, President, M/s Industries Association of Uttarakhand submitted that the Commission should continue with the same approach of approving the schemes capitalised by allowing only the minimum of approved cost and the actual cost as per the audit report submitted

by the Petitioner as this year PTCUL has again not submitted the reasons for cost and time over-run of the projects and also has not taken the approval of the schemes from the Commission.

### **3.4.2 Petitioner's Response**

PTCUL submitted that the major reasons of the cost and time overruns, project-wise has been submitted to the Commission. PTCUL further submitted that the reasons for time and cost overruns were uncontrollable in nature and, therefore, not attributable to PTCUL.

### **3.4.3 Commission's Views**

As elaborated in Chapter 4 of the Order, the Commission would like to clarify that as Expert Committee is in the process of examining the capital expenditure of the schemes including the time and cost over-run, the Commission has adopted the same approach, as taken in the previous Tariff Orders, for approving the capital cost for individual schemes on the basis of minimum of actual/revised estimates costs and approved costs as per DPRs (Detailed Project Reports) for all the schemes.

## **3.5 Major Repair and Maintenance (R&M) Expenses**

### **3.5.1 Stakeholder's Comment**

Shri Pankaj Gupta, President, M/s Industries Association of Uttarakhand submitted that all major R&M works cannot be expected to be recurring in nature like the normal R&M works and will yield benefit to PTCUL for long terms. He also submitted that such expenses should be capitalized. He submitted that all such expenses should be approved from UERC before they are incurred.

### **3.5.2 Petitioner's Response**

PTCUL submitted that as per the accounting standards, the recording of expenses is undertaken in the matter detailed by the objector.

### **3.5.3 Commission's Views**

The Commission, in this regard, would like to clarify that R&M expenses incurred by the Petitioner is allowed only after due prudence check while carrying out the truing up of expenses

and only legitimate expenses required for operation and maintenance is allowed and no expenses of capital nature is allowed as revenue expenditure under R&M expenses.

### **3.6 Return on Equity on Capital Assets created out of PDF Funds**

#### **3.6.1 Stakeholder's Comment**

Shri Pankaj Gupta, President, Industries Association of Uttarakhand submitted that the Commission should follow its earlier approach of not allowing Return on Equity on the assets created out of PDF Funds.

#### **3.6.2 Petitioner's Response**

PTCUL submitted that it has proposed Return on Equity as per UERC Tariff Regulations, 2011. PTCUL submitted that post unbundling, it has been operating as a separate legal and commercial entity and hence, if no return on equity is allowed in the Tariff, it would not be able to generate any cash accruals and would continue to remain dependant for any equity investment in the transmission projects on the Government of Uttarakhand.

#### **3.6.3 Commission's Views**

The Commission in its previous Tariff Orders had not allowed any return on equity provided by GoU through PDF for reasons spelt out in the said Orders. This issue has been addressed by the Commission in subsequent Chapters.

### **3.7 Carrying Cost of deficit till FY 2012-13**

#### **3.7.1 Stakeholder's Comment**

Shri Pankaj Gupta, President, Industries Association of Uttarakhand submitted that non-finalization of GFA is due to the delay on account of PTCUL and hence, no carrying cost should be allowed when the GFA is finalized by the Commission.

#### **3.7.2 Petitioner's Response**

PTCUL submitted that it has claimed carrying cost as per UERC (Terms and Conditions of Truing up of Tariff) Regulations, 2008. PTCUL submitted that the under recovered amount

computed as a result of truing up exercise are in the nature of deferred payments & requires additional funding by the utility. PTCUL submitted that the carrying cost enables the utility to service funding of such deferred payments and, hence, it has proposed the carrying cost on the revenue gap of the past years.

### **3.7.3 Commission's Views**

The Commission will deal with the issue of carrying cost while carrying out the final truing up of expenses and revenue for previous years, i.e. from FY 2004-05 to FY 2011-12.

## **3.8 Abnormal increase in expenses**

### **3.8.1 Stakeholder's Comment**

Shri Pankaj Gupta, President, Industries Association of Uttarakhand submitted that PTCUL has projected abnormal increase in expenses and the same would result in Tariff Shock.

### **3.8.2 Petitioner's Response**

PTCUL submitted that the projection of each element of ARR has been detailed in the Tariff Petition. PTCUL further submitted that the projections for the Control Period have been made as per provision of UERC Tariff Regulations, 2011.

### **3.8.3 Commission's Views**

The approval of each element of ARR for the Control Period has been dealt in detail in subsequent sections of the Order.

## **3.9 Frequent Grid Failures**

### **3.9.1 Stakeholder's Comment**

Shri Pankaj Gupta, President, M/s Industries Association of Uttarakhand submitted that the grid failure is a serious matter and the Commission should direct PTCUL to provide the reasons for grid failures in the past. He further submitted that PTCUL should take steps to avoid such failures in the future.

### **3.9.2 Petitioner's Response**

PTCUL submitted that the availability factor of its Transmission System for FY 2011-12 was 99.1%. PTCUL submitted that the availability of its Transmission System has been one of the most efficient among the utilities in the country. PTCUL submitted that it was awarded the prestigious "Gold Shield" for FY 2009-10 in the category of "Transmission System Availability" by Ministry of Power, Government of India. PTCUL submitted that its loss levels for the past years have been below 2%. PTCUL submitted that there has been only one failure during FY 2011-12.

### **3.9.3 Commission's View**

In compliance with the conditions of licence, PTCUL is required to submit a report to the Commission within 15 days in the event of any "Major Incident". The Commission had issued directions to PTCUL in this matter in its Tariff Order for FY 2012-13.

## **3.10 Higher actual costs**

### **3.10.1 Stakeholder's Comment**

Shri Pankaj Gupta, President, M/s Industries Association of Uttarakhand submitted that the actual expenditures of all the utilities are relatively higher than the cost approved by the Commission in its Tariff Orders and in the truing up exercise, the utilities request the Commission to accept the actual cost as pass through in the ensuing year and the same approach can also be seen in this year tariff petition also.

### **3.10.2 Petitioner's Response**

PTCUL submitted that the primary reason for higher expenses is non-consideration of cost of assets transferred to PTCUL at the time of unbundling of UPCL's transmission and distribution business. PTCUL submitted that as per the transfer scheme, the original cost of the transmission assets transferred to PTCUL was Rs. 263.39 Crore as against Rs. 108.26 Crore considered by the Commission in the Tariff Orders. PTCUL submitted that this has resulted in under projection of depreciation, interest on loans and return on equity in the past years. PTCUL submitted that by an Order No. 117/I(2)/2011-05/19/2002 dated April 27, 2012, Government of Uttarakhand has approved the value of GFA of Rs. 1058.18 Crore taken by UPCL in its accounts as on November 9,

2001. PTCUL submitted that accordingly, in the true-up petition, opening assets of Rs. 263.39 Crore assigned to PTCUL in the transfer scheme has been considered leading to higher than approved ARR.

### **3.10.3 Commission's View**

The Commission, in this regard, would like to clarify that the actual expenses submitted by the Petitioner are examined in detail while carrying out the truing up of expenses and revenue based on actual figures and truing up is carried out only after due prudence check, and therefore, only legitimate expenses are allowed.

## **3.11 O&M Expenses**

### **3.11.1 Stakeholder's Comment**

Shri Pankaj Gupta, President, M/s Industries Association of Uttarakhand submitted that the significant increase in employee cost is not justifiable. The Commission must issue the same directive to PTCUL as issued to UPCL for getting proper manpower study for assessing the correct estimate of the manpower requirement both in terms of number as well as mix.

M/s Asahi India Glass Ltd., Roorkee submitted that PTCUL has projected very high R&M and A&G expenses. M/s Asahi India Glass Ltd., Roorkee submitted that there must be proper methodology for computation of annual escalation factor in O&M expenses.

### **3.11.2 Petitioner's Response**

PTCUL submitted that it has reviewed its organizational structure in light of the changing business needs and particularly to strengthen the functions such as Regulatory, Commercial, Engineering, Legal, Human Resources and Finance & Accounts and has developed a detailed manpower planning process defined with adequate focus on short, medium and long term needs. PTCUL further submitted that the current manpower of PTCUL is inadequate for performing day to day operations and hence, has proposed to add further manpower to fill in the vacant posts. PTCUL submitted that it would make all endeavors for efficient operation of the system along with increase in productivity of its employees.

PTCUL submitted that all expense parameters of ARR have been computed as per UERC

Tariff Regulations, 2011. PTCUL submitted that a detailed Business Plan has been submitted that includes scheme wise/project wise capitalization of schemes. PTCUL submitted that details of scheme wise capitalized interest have been provided in the formats submitted along with the Petition. PTCUL submitted that the basis of projection of R&M and A&G expenses is the audited accounts for FY 2011-12 and actual expenditure for FY 2012-13. PTCUL submitted that escalation as per recent inflation rate has been considered in line with the provisions of UERC Tariff Regulations, 2011. PTCUL submitted that all cost expenses claimed in the Petition for the Control Period are in line with UERC Tariff Regulations, 2011.

### **3.11.3 Commission's Views**

The Commission, in this regard, would like to clarify that actual Employee, R&M and A&G expenses submitted by the Petitioner as part of truing up of expenses and revenue based on actual figures are approved only after due prudence check, and therefore, only legitimate expenses are allowed. As regards projection of O&M expenses, the Commission has estimated O&M expenses for each year of the Control Period in accordance with the UERC Tariff Regulations 2011. The detailed methodology adopted by the Commission for approving various elements of O&M expenses is elaborated in subsequent sections of the Order.

### **3.12 Views of State Advisory Committee**

During the State Advisory Committee meeting held on March 20, 2012, the Members made the following suggestions:

- Members opined that PTCUL is raising same issues again in its subsequent ARR and Tariff Petitions on which the Commission has already taken the decision and given its ruling in the previous Tariff Orders. Members requested the Commission to issue the suitable directions to PTCUL for not raising the issues again which have been settled by the Commission and in case PTCUL still raises those issues in its Petition, the Petition should be rejected.
- Return on PDF should not be allowed as PDF has been financed out of money contributed by the consumers. Hence, if return and depreciation are allowed on the assets financed through PDF, it would tantamount to loading the cost on the consumers twice.

- Actual expenses claimed by the Company are found to have exceeded the expenses approved by the Commission, without any justification regarding the increase.
- Truing up of FY 2004-05 to FY 2011-12 at one go might result in huge financial burden on the consumers.
- The justification submitted by PTCUL for loss reduction is not reasonable.

### **Commission's View**

The Commission agrees with the views of the State Advisory Committee members that PTCUL is raising same issues again in its subsequent ARR and Tariff Petitions on which the Commission has taken the decision and given its ruling in the previous Tariff Orders. **In this regard, the Commission directs the Petitioner not to raise such issues again in the subsequent ARR and Tariff Petitions on which the Commission has already taken the decision and given its ruling in the previous Tariff Orders, failing which, the Commission may reject the Petition upfront.**



## **4 Commission's Approach**

### **4.1 General**

It had been the approach of the Commission to detail the principles and practices adopted by it in determining the various elements of the ARR of PTCUL in the previous Tariff Orders. Continuing with the past practice, the Commission has tried to explain its approach under the present Chapter for this Order on Approval of Business Plan and MYT Petition of PTCUL for the first Control Period from FY 2013-14 to FY 2015-16.

### **4.2 Statutory Requirement**

Section 64 of the Act requires the licensees to file an application for determination of tariff under Section 62 in such manner and accompanied by such fee as may be specified through Regulations by the appropriate Commission. Section 61 of the Act, further requires appropriate Commission to specify the terms and conditions for determination of tariff in accordance with the provisions of the Act. The Act also provides that while framing Regulations, the Commission shall be guided by, amongst other things, the principles & methodologies specified by the Central Commission, the National Electricity Policy and the Tariff Policy.

In light of the above provisions of the Act, the Commission had notified the Uttarakhand Electricity Regulatory Commission (Terms & Conditions for Determination of Tariff) Regulations, 2011 (hereinafter referred as UERC Tariff Regulations, 2011) on December 19, 2011. The above Regulations are valid till March 31, 2016. For the purposes of this Tariff Order, the Commission shall be guided by the above Regulations. The different expense items of the ARR as filed by the Petitioner for the first Control Period from FY 2013-14 to FY 2015-16 shall, accordingly, be analyzed in the light of above Tariff Regulations under Chapter 6. UERC Tariff Regulations, 2011 stipulates the cost plus approach with sharing of gains and losses on account of controllable and uncontrollable factors for determination of tariff. The Commission, in accordance with UERC Regulations, 2011, has broadly followed the approach stipulated in UERC Tariff Regulations, 2011 for this Order on Business Plan and MYT Petition filed by PTCUL for the first Control Period from FY 2013-14 to FY 2015-16.

### 4.3 Multi Year Tariff Framework

UERC Tariff Regulations, 2011 specifies that

#### *“5. Multi-year Framework*

*The Commission shall adopt multi year tariff framework for approval of ARR and expected revenue from tariffs and charges for the control period. The multiyear tariff framework shall be based on the following: -*

- a) Business plan submitted by the applicant for the entire control period for the approval of the Commission prior to the beginning of the control period;*
- b) Applicant's forecast of expected ARR for each year of the control period, based on reasonable assumptions and financial & operational principles/parameters laid down under these Regulations submitted alongwith the MYT petition for determination of Aggregate Revenue Requirement and Tariffs for first year of the control period;*
- c) Trajectory for specific parameters as may be stipulated by the Commission based on submissions made by the Licensee, actual performance data of the Applicants and performance achieved by similarly placed utilities;*
- d) Annual review of performance shall be conducted vis-à-vis the approved forecast and categorization of variations in performance into controllable factors and uncontrollable factors;*
- e) Sharing of excess profit or loss due to controllable and uncontrollable factors as per provisions of these Regulations.*

.....

### **8. Determination of Baseline**

*The baseline values (operating and cost parameters) for the base year of the control period shall be determined by the Commission based on historical data, latest audited accounts, estimates for the relevant year and prudence check as may be applied by the Commission:*

*Provided that in case of substantial difference between the estimates earlier provided /*

*considered for determination of baseline values and the actual audited accounts, the Commission may re-determine the baseline values for the base year suo-moto or on an application filed by the Applicant."*

In accordance with the provisions of above Regulations, the Commission has approved the Aggregate Revenue Requirement of the Petitioner for the first Control Period from FY 2013-14 to FY 2015-16.

#### **4.4 Business Plan for the first Control Period**

Regulation 9 and Regulation 10 of UERC Tariff Regulations, 2011 specifies that

##### ***"9. Business Plan***

*(1) An Applicant shall submit, under affidavit and as per the UERC (Conduct of Business) Regulations, 2004, a Business Plan by May 31, 2012, for the Control Period of three (3) financial years from April 1, 2013 to March 31, 2016,*

*.....*

*b) The Business Plan for the Transmission Licenses shall be for the entire control period and shall, interalia, contain-*

*(i) Capital investment plan which should be commensurate with load growth and quality improvement proposed in the business plan. The investment plan should also include yearly phasing of capital expenditure alongwith the source of funding, financing plan and corresponding capitalisation schedule. The system augmentation/expansion plan to be submitted as a part of Capital Investment Plan by the Transmission Licensee shall be consistent with the load growth forecast/ generation evacuation requirement during the control period. Further, the Capital Investment Plan shall be in conformity with the plans made by the CEA/ CTU/ STU/ Distribution Licensee.*

*(ii) The appropriate capital structure of each scheme proposed and cost of financing (interest on debt) and return on equity, terms of the existing loan agreements, etc;*

*(iii) Transmission loss reduction trajectory for each year of the control period, including details of the measures proposed to be taken for achieving the target loss.*

*.....*

## **10. Specific Trajectory for Certain Variables**

*(1) The Commission shall stipulate a trajectory for certain variables having regard to the past performance:*

*Provided that the variables for which a trajectory shall be stipulated, shall include but not limited to,*

*.....*

*b) In case of Transmission Licensee:*

*Transmission losses, transmission system availability, etc.*

*.....*

*Provided further that this trajectory should provide for sharing of gains and losses with the consumers on account of superior and inferior performance as against the targets defined;*

*Provided further that the Commission shall review the trajectory at the beginning of each Control Period and consider the performance achieved by the licensee/Generating Company during the last Control Period*

*(2) The trajectory stipulated by the Commission in accordance with these Regulations shall be incorporated by the applicant in its MYT Petition.*

In accordance with the provisions of above Regulations and the submissions of the Petitioner, the Commission has approved the Capital Expenditure Plan, Capitalisation Plan and Specific Trajectory for Certain Variables for the first Control Period in the approval of Business Plan of the Petitioner. The Commission's analysis in the approval of Business Plan of the Petitioner for the first Control Period has been detailed in Chapter 5 of this Order.

## **4.5 Truing up of Past Year Expenses**

UERC (Terms and Conditions for Truing Up of Tariff) Regulations, 2008 provides that-

*“(1)The Commission shall undertake a review of actual levels of expenses, revenues and operational parameters in a financial year vis-à-vis the approved levels in the relevant Tariff*

*Order for that financial year either on a Petition moved by the concerned licensee/generating company or suo-moto. While doing so, the Commission after considering the reasons for these variations may permit carrying forward of financial impact of the same to the extent approved by the Commission to the following year(s). This exercise shall be called truing up exercise.*

*(2) Truing up exercise for a financial year shall normally be carried out along with Tariff determination exercise(s) taken up after the close of that financial year.*

*(3) Truing up can be done either based on provisional or audited data and can also be taken up for one or more items separately as deemed necessary by the Commission. No further true up shall normally be done after a truing up exercise based on audited data has been carried out."*

In accordance with the provisions of the above Regulations, the Commission has already carried out a provisional truing up exercise from FY 2004-05 to FY 2009-10 in its previous Tariff Orders based on the provisional accounts submitted by PTCUL for the above financial years. The Commission in its Order dated May 10, 2011 directed the Petitioner to file the Petition seeking final truing up of expenses for FY 2004-05 to FY 2008-09 based on audited accounts alongwith the ARR Petition for FY 2012-13.

In its filing for FY 2012-13, PTCUL sought final truing up from FY 2004-05 to FY 2010-11 based on the audited accounts for the respective years. PTCUL submitted that opening GFA value as on June 1, 2004 is revised from Rs. 108.26 Crore to Rs. 263.17 Crore and the consequent effect on the tariff needs to be allowed in truing up for FY 2004-05 to FY 2010-11. Based on the analysis of the audited accounts submitted by PTCUL for FY 2004-05 to FY 2010-11, the Commission observed that there was a significant difference in the amount of asset capitalisation mentioned in the Physical progress Report and balance sheets submitted alongwith the ARR/Tariff Petition for FY 2012-13. The Commission in its Order dated April 4, 2012 on approval of ARR and Tariff for FY 2012-13 observed that it may not be appropriate to carry out the final truing up from FY 2004-05 to FY 2010-11 until the year wise capitalisation figures submitted as part of physical progress report are reconciled with the asset capitalisation figures in the audited accounts and the Expert Committee constituted by the Commission completes the exercise of examining in detail, the reasons for time and cost overruns of capital expenditure under various Schemes during FY 2004-05 to FY 2010-11. The Commission directed the Petitioner to file the truing up Petition seeking final true up of expenses for FY 2004-05 to FY 2010-11 based on the audited accounts and after reconciliation of asset capitalisation figures along with the MYT Petition for the first control period.

PTCUL in its MYT Petition for the first Control Period has sought final truing up of expenses and revenue from FY 2004-05 to FY 2010-11 and provisional truing up for FY 2011-12. The transfer scheme of UPCL has not yet been finalised by GoU. The Order of GoU referred to by PTCUL is merely a letter to MD, UPCL to complete all the admn. and legal formalities before the transfer scheme is approved. Further, the transfer scheme has to be notified by GoU which is still pending.

PTCUL has submitted that in compliance to the Commission's directives in Tariff Order dated April 6, 2010, it has submitted the report of Independent Chartered Accountant firm on Scheme wise audit of value of transmission assets capitalised since November 9, 2001 along with the Business Plan. Based on the analysis of the reconciliation statement submitted by PTCUL, the Commission has observed that the amount of additional capitalisation towards various Projects/Schemes considered by PTCUL in each year from FY 2004-05 to FY 2010-11 is different from the capitalisation of various Projects/Schemes considered by the Commission in previous Tariff Orders while carrying out the provisional truing up. The Commission has also observed that PTCUL has capitalised certain schemes in its Accounts in FY 2011-12, which were actually energised, put to use and have been considered by the Commission in previous Tariff Orders as capitalised in past years from FY 2004-05 to FY 2010-11. During the Second TVS, the Commission asked PTCUL to clarify this aspect to which PTCUL has submitted that it had actually energised these Schemes in the past years itself but their capitalisation could not be accounted in those years and, hence, these have been accounted in annual accounts in FY 2011-12. The Commission shall take an appropriate view on this issue during the final truing up of FY 2004-05 to FY 2011-12.

Further, the Commission observed that despite repeated directives, PTCUL has not submitted the desired information required by the Expert Committee constituted by the Commission to examine in detail, the reasons for time and cost over-runs of capital expenditure under various Schemes capitalised during the period FY 2004-05 to FY 2010-11 as detailed in Chapter 6. The Commission is of the view that it may not be appropriate to carry out the final truing up from FY 2004-05 to FY 2010-11 until the issue of cost and time over run under various schemes during the period FY 2004-05 to FY 2010-11 is finalised and any truing up carried out without proper analysis of cost and time over run under various schemes will remain as provisional truing up. As the provisional truing up till FY 2009-10 has already been carried out by the Commission in previous Tariff Orders, the Commission in this Order has approved the provisional truing up of

expenses and revenue for FY 2010-11 and FY 2011-12. The Commission is of the view that the inordinate delay in submission of the information, required by the Expert Committee, by PTCUL is not acceptable either in the interest of the consumers of the State or PTCUL itself. This Committee was constituted in July 2011 and have been in correspondence with Petitioner since then. Even after passage of almost 2 years, even the basic details have not been furnished. Large scale variations have been observed in equipment cost in various schemes for which no justifications have been proffered. Even the completed cost of the same scheme undergoes sea change in different submissions. The Commission has a distinct impression that Petitioner is either on purpose or unwittingly has impeded the work of the Committee. The Commission will like to caution the Petitioner that continuance of this activity will be detrimental to his own financial health. **The Commission therefore, directs PTCUL to ensure that all required information be submitted to the Committee within 6 months of this order so that the Expert Committee could expedite the examination of capital cost of the Schemes capitalised during the period FY 2004-05 to FY 2010-11.** The Commission based on the analysis of the detailed information to be submitted by PTCUL will approve the completed Capital Cost for the schemes capitalised during FY 2004-05 to FY 2010-11 and consider the impact of the same as part of Annual Performance Review for FY 2013-14. The Petitioner may please note carefully that Commission intends to proceed and finalise this issue based on whatever they can submit within abovesaid time limit.

#### 4.6 Capital Cost of Transferred Assets

The Commission has discussed in detail its approach towards fixing of Opening Capital Cost in respect of PTCUL in its Tariff Order dated October 21, 2009. In the said Order, in respect of delay in finalization of the Transfer Scheme, it had been observed by the Commission that:

*"The reason for this disinterest seems to be the caveat being put every year in the ARR and Tariff Petitions of UPCL and PTCUL that financial impact of finalization of transfer scheme should be allowed by the Commission as and when it takes place."*

It had been further elaborated by the Commission in the above Order that it would be very difficult to capture and pass on the entire financial impact due to change in the values of opening assets and liabilities on finalization of transfer scheme in a single tariff year. After highlighting the consequence of non-finalization of the Transfer Scheme, the Commission had also directed PTCUL as follows:

*"The Petitioner is, therefore, directed to approach the State Government for early finalization of the transfer scheme and to provide them all necessary details/assistance in this regard. The Petitioner is directed to submit a report on steps taken by it and the status of transfer scheme within 3 months of the issuance of this tariff order."*

The Commission in its Tariff Order dated April 6, 2010 had observed that no concrete steps have been taken by PTCUL and had directed the Petitioner as under:

*"The Commission accordingly directs PTCUL, one more time, to get the Transfer Scheme finalized within the ensuing financial year. The Commission would further like to warn PTCUL that sufficient time has already elapsed and if they do not make sincere efforts now they may eventually lose any past claims due to redetermination of GFA in future."*

The Commission in its Tariff Order dated April 4, 2012 had further directed the Petitioner as under:

*"As the Transfer Scheme has not been finalised so far, the Commission is constrained to adopt the same value for opening Gross Fixed Assets as already approved by it in the previous Tariff Orders. The Commission further, directs PTCUL to make sincere and all out efforts for getting the Transfer Scheme finalized within the ensuing financial year."*

PTCUL has submitted that Govt. of Uttarakhand vide its Order No. 117/(I)(2)/2011-05/19/2002 dated April 27, 2012 had approved the value of GFA of Rs. 1058.18 Crore taken by UPCL in its accounts as on November 9, 2001. PTCUL has submitted that it has accordingly, considered the opening value of assets of Rs. 263.39 Crore as assigned to it in the Transfer Scheme. The Commission is of the view that the Transfer Scheme cannot be considered as finalised based on the documentary evidence submitted by PTCUL as it is only a letter to UPCL from Government of Uttarakhand and not a proper notification on finalisation of Transfer Scheme. The Commission is of the view that the Petitioner has not been heeding to the directives issued to it by the Commission in this regard. The Commission is of the view that the inordinate delay on the part of the Petitioner despite repeated directives is not acceptable in the best interest of the consumers of the State. **The Commission, if satisfied that there is lack of sincere effort on part of the Petitioner to get the Transfer Scheme finalised within a reasonable time limit might not consider any further revision in capital cost of transferred asset in the interest of the Consumers of the State. Hence, the Commission directs the Petitioner to expedite its efforts for getting the Transfer Scheme**



**finalised within six months from the date of this Order.** For this Order, as basic premises on which previous orders were issued remains unchanged, no change in opening GFA is being considered.

#### **4.7 Multi Year Tariff for the first Control Period**

Regulation 11 of UERC Tariff Regulations, 2011 specifies that :

***"11. MYT Petition for the Control Period***

*(1) The applicant shall submit under affidavit and as per the UERC (Conduct of Business) Regulations, 2004, the forecast of Aggregate Revenue Requirement and expected revenue from tariff for each year of the Control Period, accompanied by fees applicable, latest by 30th November of the year previous to the start of the Control Period in the format prescribed by the Commission.*

*(2) Forecast of Aggregate Revenue Requirement for each of the financial year of the Control Period*

*a) For projecting different components of Aggregate Revenue Requirement for each financial year of the Control Period Applicant shall develop a mathematical model. For this purpose applicant may utilize suitable macro-economic variables, market indexes, past year's growth trends etc. Applicant shall further submit a soft copy of the above model with all the formulas and linkages along with its MYT petition and petition for Annual Performance Review and Tariff determination.*

.....

*(3) Forecast of expected revenue from tariff and charges*

*a) The applicant shall develop mathematical model for projecting the expected revenue from tariff and charges based on the following:*

.....

*(ii) In the case of a Transmission Licensee, based on prevailing transmission tariffs as on the date of making the application and estimates of transmission capacity allocated*

*to Transmission System Users which includes Open Access Customers for each financial year of the Control Period;*

.....

*(4) After examining the application, the Commission shall either-*

*a) Pass an order approving the forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges for the Control Period, subject to such modifications and conditions as it may specify in the said Order; or*

.....

*(5) In its MYT Order, the Commission shall specify the variables comprised in the Aggregate Revenue Requirement and expected revenue from tariff and charges of the applicant that shall be reviewed by the Commission as part of the Annual Performance Review;*

*Provided that such variables shall be limited to the major items of cost and revenue forecast of the applicant that in the Commission's opinion could have a material impact on the cost of supply of electricity to consumers in the State over the Control Period:*

*Provided further that the variables, as may be stipulated by the Commission under Regulations below, shall form part of the Annual Performance Review, unless exempted by the Commission from such review in its Order."*

In accordance with the provisions of the above Regulations, the Commission has reviewed the forecast of Aggregate Revenue Requirement for the first Control Period based on the MYT Petition of the Petitioner. The Commission's Analysis on the MYT Petition for the first Control Period has been detailed in Chapter 6 of this Order. The approach adopted by the Commission on some of the key issues while approving the ARR for the first Control Period is summarised below:

#### **4.7.1 Depreciation on assets created through grants/subsidies**

The principles to be followed for calculating the depreciation and the rates applicable for it have clearly been spelt out under the UERC Tariff Regulations, 2011. Regulation 29(1) of the above Regulations, however, provides as under:

*“(1) The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission.*

*Provided that the depreciation shall not be allowed on assets funded through Consumer Contribution and Capital Subsidies/Grants.*

*(2) The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset.*

*...*

*(5) Depreciation shall be calculated annually based on Straight Line Method and at rates specified in Appendix - II to these Regulations.*

*Provided that, the remaining depreciable value as on 31st March of the year closing after a period of 12 years from date of commercial operation shall be spread over the balance useful life of the assets.*

*(6) In case of the existing projects, the balance depreciable value as on 1.4.2013 shall be worked out by deducting the cumulative depreciation as admitted by the Commission upto 31.3.2013 from the gross depreciable value of the assets. The difference between the cumulative depreciation recovered and the depreciation so arrived at by applying the depreciation rates as specified in these Regulations corresponding to 12 years shall be spread over the remaining period upto 12 years. The remaining depreciable value as on 31st March of the year closing after a period of 12 years from date of commercial operation shall be spread over the balance life.*

*(7) Depreciation shall be chargeable from the first year of commercial operation. In case of commercial operation of the asset for part of the year, depreciation shall be charged on pro rata basis.”*

Accordingly, the above Regulations do not allow depreciation on that part of an asset or on such asset of a whole which has been created through Government grants, consumer contribution or capital subsidy. The same is in accordance with the provisions of Accounting Standard-12, which deals with Accounting of Government Grants. In line with the above provision of UERC Tariff Regulations, 2011, the Commission has not considered those assets or part of those assets which

have been created through Government grants, consumer contribution or capital subsidy for the purposes of estimating the depreciation. The detailed methodology of the same has been explained in Chapter 6 of the Order.

#### **4.7.2 Return on Equity**

The principles to be followed for calculating the Return on Equity have been clearly spelt out under the UERC Tariff Regulations, 2011. Regulation 27 of the above Regulations provides as under:

*“(1) Return on equity shall be computed on the equity base determined in accordance with Regulation 22.*

*Provided that, Return on Equity shall be allowed on amount of allowed equity capital for the assets put to use at the commencement of each financial year.*

*(2) Return on equity shall be computed on at the rate of 15.5% for Generating Stations, Transmission Licensee and SLDC and at the rate of 16% for Distribution Licensee on a post-tax basis.*

*Provided that in case of generation and transmission projects commissioned on or after 1st April, 2013, an additional Return of 0.5% shall be allowed if such projects are completed within the timeline as specified in Appendix - I to these Regulations.”*

In accordance with the above Regulations, the Commission has calculated the Return on Equity for each year of the first Control Period from FY 2013-14 to FY 2015-16. Here again as per past practice and for reasons detailed in Chapter 6, Return on equity is not being allowed on funds reviewed by the Petitioner from PDF. The detailed methodology of the same has been explained in Chapter 6 of the Order.

#### **4.7.3 Interest and Finance Charges**

The principles to be followed for calculating the Interest and Finance Charges have been clearly spelt out under the UERC Tariff Regulations, 2011.

Regulation 22(1) specifies as under:

*“For a project declared under commercial operation on or after 1.4.2013, debt-equity ratio shall be*

70:30. Where equity employed is more than 30%, the amount of equity for the purpose of tariff shall be limited to 30% and the balance amount shall be considered as normative loan. Where actual equity employed is less than 30%, the actual equity would be used for determination of Return on Equity in tariff computations."

Regulation 28 of the above Regulations provides as under:

*"(1) The loans arrived at in the manner indicated in Regulation 22 shall be considered as gross normative loan for calculation of interest on loan.*

*(2) The normative loan outstanding as on 1.4.2013 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2013 from the gross normative loan.*

*(3) The repayment for each year of the Control Period shall be deemed to be equal to the depreciation allowed for that year.*

.....

*(5) The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each year applicable to the project:*

.....

*(6) The interest on loan shall be calculated on the normative average loan of the year by applying the weighted average rate of interest.*

....."

In accordance with the above Regulations, the Commission has calculated the Interest and Finance Charges for each year of the first Control Period from FY 2013-14 to FY 2015-16. The detailed methodology of the same has been explained in Chapter 6 of the Order.

#### **4.7.4 O&M expenses**

O&M expenses comprises of Employee Expenses, A&G Expenses and R&M Expenses, i.e. expenditure on staff, administration and repairs and maintenance etc. For estimating the O&M expenses for the first Control Period, Regulation 65 of UERC Tariff Regulations, 2011 provides as

below:

“.....

(2) The O&M expenses for the first year of the Control Period will be approved by the Commission taking into account the actual O&M expenses for last five years till Base Year subject to prudence check and any other factors considered appropriate by the Commission.

(3) The O&M expenses for the  $n$ th year and also for the year immediately preceding the Control Period, i.e. 2012-13, shall be approved based on the formula given below:-

$$O\&M_n = R\&M_n + EMP_n + A\&G_n$$

Where –

- $O\&M_n$  – Operation and Maintenance expense for the  $n$ th year;
- $EMP_n$  – Employee Costs for the  $n$ th year;
- $R\&M_n$  – Repair and Maintenance Costs for the  $n$ th year;
- $A\&G_n$  – Administrative and General Costs for the  $n$ th year;

(4) The above components shall be computed in the manner specified below:

$$EMP_n = (EMP_{n-1}) \times (1+G_n) \times (CPI_{inflation})$$

$$R\&M_n = K \times (GFA_{n-1}) \times (WPI_{inflation}) \text{ and}$$

$$A\&G_n = (A\&G_{n-1}) \times (WPI_{inflation}) + Provision$$

Where –

- $EMP_{n-1}$  – Employee Costs for the  $(n-1)$ th year;
- $A\&G_{n-1}$  – Administrative and General Costs for the  $(n-1)$ th year;
- Provision: Cost for initiatives or other one-time expenses as proposed by the Transmission Licensee and approved by the Commission after prudence check.

- “K” is a constant specified by the Commission in %. Value of K for each year of the control period shall be determined by the Commission in the MYT Tariff order based on Transmission Licensee's filing, benchmarking of repair and maintenance expenses, approved repair and maintenance expenses vis-à-vis GFA approved by the Commission in past and any other factor considered appropriate by the Commission;
- CPIinflation – is the average increase in the Consumer Price Index (CPI) for immediately preceding three years;
- WPIinflation – is the average increase in the Wholesale Price Index (WPI) for immediately preceding three years;
- GFAn-1 - Gross Fixed Asset of the Transmission Licensee for the n-1th year;
- Gn is a growth factor for the nth year. Value of Gn shall be determined by the Commission in the MYT tariff order for meeting the additional manpower requirement based on Transmission Licensee's filings, benchmarking and any other factor that the Commission feels appropriate:

(5) *Provided that repair and maintenance expenses determined shall be utilised towards repair and maintenance works only.”*

The O&M expenses for FY 2013-14 has been projected taking into account the actual O&M expenses for last five years till base year FY 2011-12, i.e. from FY 2007-08 to FY 2011-12. The O&M expenses for remaining years of the Control Period have been calculated in accordance with the methodology specified in the above Regulations. The detailed methodology of the same has been explained in Chapter 6 of the Order.

#### **4.7.5 Interest on Working Capital**

The principles to be followed for calculating the Interest on Working Capital have been clearly spelt out under the UERC Tariff Regulations, 2011. Regulation 34(2) of the above Regulations provides as under:

*“Transmission:*

*a) The Transmission Licensee shall be allowed interest on the estimated level of working capital for the financial year, computed as follows:*

*(i) Operation and maintenance expenses for one month;*

*(ii) Maintenance spares @ 15% of operation and maintenance expenses; and*

*(iii) Two month equivalent of the expected revenue from transmission charges at the prevailing tariffs;"*

In accordance with the above Regulations, the Commission has calculated the Interest on Working Capital for each year of the first Control Period from FY 2013-14 to FY 2015-16. The detailed methodology of the same has been explained in Chapter 6 of the Order.



## 5 Commission's Analysis, Scrutiny & Conclusion on Business Plan for the first Control Period from FY 2013-14 to FY 2015-16

In accordance with Regulation 9 and Regulation 10 of UERC Tariff Regulations, 2011, the Petitioner submitted the Business Plan for the first Control Period from FY 2013-14 to FY 2015-16. The Petitioner in its Business Plan Petition and subsequent submissions has submitted the Capital Expenditure Plan, Capitalisation Plan, Human Resources Plan and Transmission Loss improvement trajectory for the first Control Period from FY 2013-14 to FY 2015-16. Further, the Commission in this Order has considered only the Non-UITP Schemes as the assets created in UITP Schemes are considered to be deemed ISTS assets and the recovery of charges for deemed ISTS assets would be made by the Central Transmission Utility (CTU) consequent to execution of Revenue Sharing Agreement with the CTU.

### 5.1 Capital Expenditure Plan

The Capital Expenditure of various Schemes during the first Control Period from FY 2013-14 to FY 2015-16 submitted by the Petitioner has been detailed in Chapter 2 of the Order. The summary of Capital Expenditure Plan submitted by the Petitioner is shown in the Table below:

**Table 5.1: Summary of Capital Expenditure Plan submitted by PTCUL  
(Rs. Crore)**

S. No.	Scheme	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
1	REC Old	8.38	23.99	15.88	0.00
2	REC New	15.87	40.54	9.00	0.00
3	REC IV	45.28	46.65	0.00	0.00
4	REC V	15.43	0.00	0.00	0.00
5	REC VI	0.00	10.40	18.00	6.24
6	REC VII	0.00	7.93	33.41	23.04
7	REC VIII	0.00	0.00	19.70	15.48
8	REC IX	11.47	0.00	0.00	0.00
9	REC X	7.00	20.00	95.24	0.00
10	Planned Schemes	0.00	0.00	0.00	43.22
11	System Improvement	17.12	60.62	86.20	14.00
	<b>Total</b>	<b>120.55</b>	<b>210.13</b>	<b>277.43</b>	<b>101.98</b>

The Scheme wise Capital Expenditure submitted by the Petitioner is shown in the Table below:

**Table 5.2: Scheme wise Capital Expenditure submitted by PTCUL (Rs. Crore)**

S. No	Name of Project	Commission In-principle approval	Schedule/ Actual Date of Completion	Estimated Cost	Approved Cost	Revised Cost	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
		Yes/No		(Rs. Crore)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)
<b>A</b>	<b>REC Old Scheme</b>									
1	132 kV Srinagar II Satpuli Line	-	Feb-13	14.28	-	54.23	4.26	0.00	0.00	0.00
2	132 kV Srinagar Simli Double Circuit Line & LILO of 132 kV S/s Srinagar	-	Jun-14	22.26	-	89.51	4.12	23.99	15.88	0.00
	<b>Sub-Total</b>						<b>8.38</b>	<b>23.99</b>	<b>15.88</b>	<b>0.00</b>
<b>B</b>	<b>REC New Scheme</b>									
1	132 kV Bay Ranikhet-Pithoragarh	Yes	Sep-12	2.48	2.48	1.68	1.09	0.00	0.00	0.00
2	LILO of 132 kV Almora - Pithoragarh line at 220 kV S/s at Pithoragarh (Power Grid)	Yes	Mar-13	4.02	4.02	5.46	4.40	0.00	0.00	0.00
3	132 kV S/s Srinagar-II	Yes	Jun-13	21.69	21.69	19.77	9.42	2.56	0.00	0.00
4	132 kV S/c Raniket - Bageshwar line on D/C tower for 132 kV S/s at Bageshwar	Yes	Jun-14	18.79	18.79	25.90	0.10	22.60	2.38	0.00
5	132 kV S/s Bageshwar	Yes	Jun-14	15.41	15.41	13.93	0.25	5.00	6.62	0.00
6	SLDC at Rishikesh and 2 Nos. Sub SLDC at Kashipur and Dehradun and its associated network civil works	Yes	Jun-13	51.92	51.92	16.11	0.61	10.38	0.00	0.00
	<b>Sub-Total</b>						<b>15.87</b>	<b>40.54</b>	<b>9.00</b>	<b>0.00</b>
<b>C</b>	<b>REC-IV scheme</b>									
1	132 kV DC Line from 132 kV S/s Sidcul to 132 kV Sitarganj Kicha Line	Yes	Oct-12	3.81	5.71	9.00	4.40	0.00	0.00	0.00
2	LILO of 220 kV Khodri-Rishikesh Line at 220 kV Dehradun	Yes	Mar-13	1.09	1.75	1.09	1.09	0.00	0.00	0.00
3	132 kV Purkul - Bindal Link Line (11.5 km)	Yes	Mar-13	3.67	5.96	5.24	4.23	0.00	0.00	0.00
4	220 kV S/s Dehradun (320 MVA)	Yes	Jun-13	57.32	85.73	51.73	20.00	26.56	0.00	0.00
5	LILO of 132 kV Purkul - Dhalipur line at 220 kV Dehradun (2.5 km)	Yes	Jun-13	0.80	1.28	0.80	0.75	0.05	0.00	0.00
6	LILO of 132 kV Kulhal - Mazra line at 220 kV Dehradun	Yes	Jun-13	0.80	1.28	0.80	0.55	0.26	0.00	0.00
7	132 kV S/s Haridwar Road Dehradun (80 MVA)	Yes	Jun-13	24.93	28.09	24.93	4.00	19.78	0.00	0.00
8	LILO of 132 kV Mazra - Rishikesh Line at 132 kV Dehradun	Yes	Jun-13	-	6.20	1.74	1.74	0.00	0.00	0.00

**Table 5.2: Scheme wise Capital Expenditure submitted by PTCUL (Rs. Crore)**

S. No	Name of Project	Commission In-principle approval	Schedule/ Actual Date of Completion	Estimated Cost	Approved Cost	Revised Cost	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
		Yes/No		(Rs. Crore)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)
9	132 kV Sitargunj (SIDCUL) 80 MVA	Yes	Oct-12	17.00	23.54	18.04	8.52	0.00	0.00	0.00
	<b>Sub-Total</b>						<b>45.28</b>	<b>46.65</b>	<b>0.00</b>	<b>0.00</b>
<b>D</b>	<b>REC-V Scheme</b>									
1	2 No. 132 kV Bay at 132 kV S/s Purkul & Bindal	Yes	Jan-13	-	2.10	1.91	0.71	0.00	0.00	0.00
2	220 kV DC Line from 400 kV Kashipur S/s to 220 kV Mahuakheranganj	Yes	Mar-13	15.45	18.15	15.45	10.24	0.00	0.00	0.00
3	2 No. 220 kV Bay at 400 kV S/s Kashipur	Yes	Jan-13	-	6.02	5.48	4.48	0.00	0.00	0.00
	<b>Sub-Total</b>						<b>15.43</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>E</b>	<b>REC-VI Scheme</b>									
1	220 kV Pirankaliyar S/s and associated lines	Yes	Jun-15	34.64	49.79	34.64	0.00	10.40	18.00	6.24
	<b>Sub-Total</b>						<b>0.00</b>	<b>10.40</b>	<b>18.00</b>	<b>6.24</b>
<b>F</b>	<b>REC-VII Scheme</b>									
1	132 kV S/s Lonaghat and associated lines	Yes	Jun-15	64.38	103.76	64.38	0.00	7.93	33.41	23.04
	<b>Sub-Total</b>						<b>0.00</b>	<b>7.93</b>	<b>33.41</b>	<b>23.04</b>
<b>G</b>	<b>REC-VIII Scheme</b>									
1	220 kV DC Lakhwar Dehradun and its LILO at Vyasi and Mori on Twin Zebra	Yes	Apr-16	65.18	98.45	98.45	0.00	0.00	19.70	15.48
	<b>Sub-Total</b>						<b>0.00</b>	<b>0.00</b>	<b>19.70</b>	<b>15.48</b>
<b>H</b>	<b>REC-IX Scheme</b>									
1	Stringing of 2nd Circuit of Berhani-Pantnagar Line	Yes	Mar-13	8.74	11.48	8.74	8.74	0.00	0.00	0.00
2	1 No. 220 kV Bay at Pantnagar	Yes	Dec-12	2.73		2.73	2.73	0.00	0.00	0.00
	<b>Sub-Total</b>						<b>11.47</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>I</b>	<b>REC-X Scheme</b>									
1	220 kV S/s Ghansali (100 MVA)	Yes	Dec-14	122.65	0.00	122.65	7.00	20.00	95.24	0.00
	<b>Sub-Total</b>						<b>7.00</b>	<b>20.00</b>	<b>95.24</b>	<b>0.00</b>
<b>J</b>	<b>Planned Schemes (DPRs yet to be submitted)</b>									
1	220/33 kV S/s Selaqui GIS (Dehradun)	No	Jun-16	65.00	-	65.00	0.00	0.00	0.00	21.36
2	220/33 kV S/s IIP Harawala (Dehradun)	No	Jun-16	65.00	-	65.00	0.00	0.00	0.00	6.43
3	LILO of 220 kV S/C of Khodri-Dehradun Line at 220 kV S/s Selaqui	No	Jun-16	11.52	-	11.52	0.00	0.00	0.00	8.42

**Table 5.2: Scheme wise Capital Expenditure submitted by PTCUL (Rs. Crore)**

S. No	Name of Project	Commission In-principle approval	Schedule/ Actual Date of Completion	Estimated Cost	Approved Cost	Revised Cost	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
		Yes/No		(Rs. Crore)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)
	approximate 6 km. (Dehradun)									
4	LILO of 220 kV S/C of Rishikesh-Dehradun Line at 220 kV S/s IIP Harawala approximate 5 km (Dehradun)	No	Jun-16	9.60	-	9.60	0.00	0.00	0.00	7.01
	<b>Sub-Total</b>						<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>43.22</b>
<b>K</b>	<b>System Improvement</b>									
1	220 kV S/s Roorkee by 220/33 kV, 2x50 MVA Transformers along with 220 kV & 33 kV bays	No	Dec-12	11.42	-	11.42	11.42	0.00	0.00	0.00
2	Increasing capacity of 400/220 kV Rishikesh S/s from 2x240 MVA to 1x240+1x315 MVA	No	Dec-13	12.50	-	12.50	0.00	12.50	0.00	0.00
3	Increasing capacity of 220/33 kV Pantnagar S/s (2x50 MVA)	No	May-14	13.00	-	13.00	1.30	5.68	6.02	0.00
4	Increasing capacity of 132/33 kV Bazpur S/s from 2x40 MVA to 1x40 MVA + 1x80 MVA	No	Jun-14	12.00	-	12.00	1.20	8.58	2.23	0.00
5	Increasing capacity of 132/33 kV Kathgodam S/s from 1x40 MVA to 2x40 MVA	No	Jun-14	4.50	-	4.50	0.45	2.54	1.51	0.00
6	Increasing capacity of 132/33 kV Bhowali S/s from 2x15 MVA to 2x15 + 1x20 MVA	No	Jun-14	4.50	-	4.50	0.45	2.54	1.51	0.00
7	Increasing capacity of 132/33 kV Almora S/s from 2x20 MVA to 3x20 MVA	No	Jun-14	3.00	-	3.00	0.30	1.32	1.39	0.00
8	Increasing capacity of 220/132 kV SIDCUL Haridwar S/s from 2x100 MVA to 2x160 MVA	No	Dec-14	20.00	-	20.00	2.00	5.23	12.77	0.00
9	132/33 Khatima II S/s of 2x40 MVA	No	Dec-15	20.00	-	20.00	0.00	12.78	7.22	0.00
10	220/33 kV GIS Puhana S/s 2x50 MVA	No	Sep-15	70.00	-	70.00	0.00	6.00	50.00	14.00
11	LILO of 132 kV Khatima-Sitarganj line (PGCIL) at Khatima II	No	Dec-15	7.00	-	7.00	0.00	3.45	3.55	0.00
	<b>Sub-Total</b>						<b>17.12</b>	<b>60.62</b>	<b>86.20</b>	<b>14.00</b>
	<b>Total</b>						<b>120.55</b>	<b>210.13</b>	<b>277.43</b>	<b>101.98</b>

The Commission has analysed the submission of the Petitioner. The approach adopted by the Commission for the purpose of approval of Capital Expenditure Plan of the Petitioner for the first Control Period is as summarised below:

- A. Schemes in-principle approved by the Commission - For the Schemes, which have been accorded in principle approval for Capital Expenditure, the Commission has considered the lower of Approved Cost and Revised Cost as submitted by the Petitioner for all such schemes for the purpose of approval of Capital Expenditure Plan of the Petitioner for the first Control Period.
- B. Schemes yet to be approved by the Commission - The Schemes for which the in-principle approval is yet to be accorded by the Commission, the Commission has considered those schemes, which are proposed to be capitalised within the Control Period. The Commission has not considered the schemes for which in principle approval of Capital Expenditure has not been accorded and are proposed to be capitalised beyond the Control Period. For the Schemes which have been not accorded in principle approval for Capital Expenditure and are proposed to be capitalised within the Control Period, the Commission while approving the Capital Expenditure has considered the lower of Estimated Cost and Revised Cost as submitted by the Petitioner.

With this approach, the Commission has also considered the System Improvement Schemes which have not been accorded in-principle approval for Capital Expenditure but are proposed to be capitalised within the Control Period as the Commission is of the view that the schemes proposed for System Improvement will result in improving the reliability of transmission network and hence in turn the quality of supply to the consumers. However, the Commission has not considered the Planned Schemes which are at DPR Stage as these Schemes have not been accorded in-principle approval and are proposed to capitalised beyond the Control Period.

The Commission has considered the year wise capital expenditure for each scheme on pro-rata basis based on the approved capital expenditure and capital expenditure proposed by the Petitioner for the respective scheme.

The summary of Capital Expenditure approved by the Commission for the first Control Period is shown in the Table below:

**Table 5.3: Summary of Scheme wise approved Capital Expenditure (Rs. Crore)**

S. No.	Scheme	FY 2013-14	FY 2014-15	FY 2015-16
1	REC Old	5.97	3.95	0.00
2	REC New	34.37	8.35	0.00
3	REC IV	44.20	0.00	0.00
4	REC V	0.00	0.00	0.00
5	REC VI	10.40	18.00	6.24
6	REC VII	7.93	33.41	23.04
7	REC VIII	0.00	19.70	15.48
8	REC IX	0.00	0.00	0.00
9	REC X	20.07	95.56	0.00
10	Planned Schemes	0.00	0.00	0.00
11	System Improvement	60.61	86.19	14.00
	<b>Total</b>	<b>183.54</b>	<b>265.16</b>	<b>58.76</b>

The Scheme wise Capital Expenditure approved by the Commission is shown in the Table below:

**Table 5.4: Scheme wise Capital Expenditure approved by the Commission (Rs. Crore)**

S. No	Name of Project	Commission In-principle approval	Schedule/ Actual Date of Completion	Estimated Cost	Approved Cost	Revised Cost	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
		Yes/No		(Rs. Crore)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)
<b>A</b>	<b>REC Old Scheme</b>									
1	132 kV Srinagar II Satpuli Line	-	Feb-13	14.28	-	54.23	1.12	0.00	0.00	0.00
2	132 kV Srinagar Simli Double Circuit Line & LILO of 132 kV S/s Srinagar	-	Jun-14	22.26	-	89.51	1.02	5.97	3.95	0.00
	<b>Sub-Total</b>						<b>2.15</b>	<b>5.97</b>	<b>3.95</b>	<b>0.00</b>
<b>B</b>	<b>REC New Scheme</b>									
1	132 kV Bay Ranikhet-Pithoragarh	Yes	Sep-12	2.48	2.48	1.68	0.95	0.00	0.00	0.00
2	LILO of 132 kV Almora - Pithoragarh line at 220 kV S/s at Pithoragarh (Power Grid)	Yes	Mar-13	4.02	4.02	5.46	3.24	0.00	0.00	0.00
3	132 kV S/s Srinagar-II	Yes	Jun-13	21.69	21.69	19.77	9.47	2.57	0.00	0.00
4	132 kV S/c Raniket - Bageshwar line on D/C tower for 132 kV S/s at Bageshwar	Yes	Jun-14	18.79	18.79	25.90	0.07	16.40	1.73	0.00
5	132 kV S/s Bageshwar	Yes	Jun-14	15.41	15.41	13.93	0.25	5.00	6.62	0.00
6	SLDC at Rishikesh and 2 Nos. Sub SLDC at Kashipur and Dehradun and its associated network civil works	Yes	Jun-13	51.92	51.92	16.11	0.61	10.40	0.00	0.00
	<b>Sub-Total</b>						<b>14.59</b>	<b>34.37</b>	<b>8.35</b>	<b>0.00</b>

**Table 5.4: Scheme wise Capital Expenditure approved by the Commission (Rs. Crore)**

S. No	Name of Project	Commission In-principle approval	Schedule/ Actual Date of Completion	Estimated Cost	Approved Cost	Revised Cost	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
		Yes/No		(Rs. Crore)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)
<b>C</b>	<b>REC-IV scheme</b>									
1	132 kV DC Line from 132 kV S/s Sidcul to 132 kV Sitarganj Kicha Line	Yes	Oct-12	3.81	5.71	9.00	2.07	0.00	0.00	0.00
2	LILO of 220 kV Khodri-Rishikesh Line at 220 kV Dehradun	Yes	Mar-13	1.09	1.75	1.09	1.09	0.00	0.00	0.00
3	132 kV Purkul - Bindal Link Line (11.5 km)	Yes	Mar-13	3.67	5.96	5.24	3.95	0.00	0.00	0.00
4	220 kV S/s Dehradun (320 MVA)	Yes	Jun-13	57.32	85.73	51.73	20.10	26.70	0.00	0.00
5	LILO of 132 kV Purkul - Dhalipur line at 220 kV Dehradun (2.5 km)	Yes	Jun-13	0.80	1.28	0.80	0.75	0.05	0.00	0.00
6	LILO of 132 kV Kulhal - Mazra line at 220 kV Dehradun	Yes	Jun-13	0.80	1.28	0.80	0.55	0.26	0.00	0.00
7	132 kV S/s Haridwar Road Dehradun (80 MVA)	Yes	Jun-13	24.93	28.09	24.93	3.48	17.19	0.00	0.00
8	LILO of 132 kV Mazra - Rishikesh Line at 132 kV Dehradun	Yes	Jun-13	-	6.20	1.74	1.74	0.00	0.00	0.00
9	132 kV Sitarganj (SIDCUL) 80 MVA	Yes	Oct-12	17.00	23.54	18.04	8.52	0.00	0.00	0.00
	<b>Sub-Total</b>						<b>42.25</b>	<b>44.20</b>	<b>0.00</b>	<b>0.00</b>
<b>D</b>	<b>REC-V Scheme</b>									
1	2 No. 132 kV Bay at 132 kV S/s Purkul & Bindal	Yes	Jan-13	-	2.10	1.91	0.71	0.00	0.00	0.00
2	220 kV DC Line from 400 kV Kashipur S/s to 220 kV Mahuakheranganj	Yes	Mar-13	15.45	18.15	15.45	10.81	0.00	0.00	0.00
3	2 No. 220 kV Bay at 400 kV S/s Kashipur	Yes	Jan-13	-	6.02	5.48	3.63	0.00	0.00	0.00
	<b>Sub-Total</b>						<b>15.14</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>E</b>	<b>REC-VI Scheme</b>									
1	220 kV Pirankaliyar S/s and associated lines	Yes	Jun-15	34.64	49.79	34.64	0.00	10.40	18.00	6.24
	<b>Sub-Total</b>						<b>0.00</b>	<b>10.40</b>	<b>18.00</b>	<b>6.24</b>
<b>F</b>	<b>REC-VII Scheme</b>									
1	132 kV S/s Lonaghat and associated lines	Yes	Jun-15	64.38	103.76	64.38	0.00	7.93	33.41	23.04
	<b>Sub-Total</b>						<b>0.00</b>	<b>7.93</b>	<b>33.41</b>	<b>23.04</b>
<b>G</b>	<b>REC-VIII Scheme</b>									
1	220 kV DC Lakhwar Dehradun and its LILO at Vyasi and Mori on Twin Zebra	Yes	Apr-16	65.18	98.45	98.45	0.00	0.00	19.70	15.48
	<b>Sub-Total</b>						<b>0.00</b>	<b>0.00</b>	<b>19.70</b>	<b>15.48</b>
<b>H</b>	<b>REC-IX Scheme</b>									

**Table 5.4: Scheme wise Capital Expenditure approved by the Commission (Rs. Crore)**

S. No	Name of Project	Commission In-principle approval	Schedule/ Actual Date of Completion	Estimated Cost	Approved Cost	Revised Cost	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
		Yes/No		(Rs. Crore)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)
1	Stringing of 2nd Circuit of Berhani-Pantnagar Line	Yes	Mar-13	8.74	11.48	8.74	8.74	0.00	0.00	0.00
2	1 No. 220 kV Bay at Pantnagar	Yes	Dec-12	2.73		2.73	2.73	0.00	0.00	0.00
	<b>Sub-Total</b>						<b>11.47</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>I</b>	<b>REC-X Scheme</b>									
1	220 kV S/s Ghansali (100 MVA)	No	Dec-14	122.65	0.00	122.65	7.02	20.07	95.56	0.00
	<b>Sub-Total</b>						<b>7.02</b>	<b>20.07</b>	<b>95.56</b>	<b>0.00</b>
<b>3</b>	<b>Planned Schemes (DPRs yet to be submitted)</b>									
1	220/33 kV S/s Selaqui GIS (Dehradun)	No	Jun-16	65.00	-	65.00	0.00	0.00	0.00	0.00
2	220/33 kV S/s IIP Harawala (Dehradun)	No	Jun-16	65.00	-	65.00	0.00	0.00	0.00	0.00
3	LILO of 220 kV S/C of Khodri-Dehradun Line at 220 kV S/s Selaqui approximate 6 km. (Dehradun)	No	Jun-16	11.52	-	11.52	0.00	0.00	0.00	0.00
4	LILO of 220 kV S/C of Rishikesh-Dehradun Line at 220 kV S/s IIP Harawala approximate 5 km (Dehradun)	No	Jun-16	9.60	-	9.60	0.00	0.00	0.00	0.00
	<b>Sub-Total</b>						<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>K</b>	<b>Other System Improvement works</b>									
1	220 kV S/s Roorkee by 220/33 kV, 2x50 MVA Transformers along with 220 kV & 33 kV bays	No	Dec-12	11.42	-	11.42	11.42	0.00	0.00	0.00
2	Increasing capacity of 400/220 kV Rishikesh S/s from 2x240 MVA to 1x240+1x315 MVA	No	Dec-13	12.50	-	12.50	0.00	12.50	0.00	0.00
3	Increasing capacity of 220/33 kV Pantnagar S/s (2x50 MVA)	No	May-14	13.00	-	13.00	1.30	5.68	6.02	0.00
4	Increasing capacity of 132/33 kV Bazpur S/s from 2x40 MVA to 1x40 MVA + 1x80 MVA	No	Jun-14	12.00	-	12.00	1.20	8.57	2.23	0.00
5	Increasing capacity of 132/33 kV Kathgodam S/s from 1x40 MVA to 2x40 MVA	No	Jun-14	4.50	-	4.50	0.45	2.54	1.51	0.00
6	Increasing capacity of 132/33 kV Bhowali S/s from 2x15 MVA to 2x15 + 1x20 MVA	No	Jun-14	4.50	-	4.50	0.45	2.54	1.51	0.00
7	Increasing capacity of 132/33 kV Almora S/s from 2x20 MVA to 3x20 MVA	No	Jun-14	3.00	-	3.00	0.30	1.32	1.39	0.00
8	Increasing capacity of 220/132 kV SIDCUL Haridwar S/s from 2x100 MVA to 2x160 MVA	No	Dec-14	20.00	-	20.00	2.00	5.23	12.77	0.00



**Table 5.4: Scheme wise Capital Expenditure approved by the Commission (Rs. Crore)**

S. No	Name of Project	Commission In-principle approval	Schedule/ Actual Date of Completion	Estimated Cost	Approved Cost	Revised Cost	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
		Yes/No		(Rs. Crore)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)
9	132/33 Khatima II S/s of 2x40 MVA	No	Dec-15	20.00	-	20.00	0.00	12.78	7.22	0.00
10	220/33 kV GIS Puhana S/s 2x50 MVA	No	Sep-15	70.00	-	70.00	0.00	6.00	50.00	14.00
11	LILO of 132 kV Khatima-Sitarganj line (PGCIL) at Khatima II	No	Dec-15	7.00	-	7.00	0.00	3.45	3.55	0.00
	<b>Sub-Total</b>						<b>17.11</b>	<b>60.61</b>	<b>86.19</b>	<b>14.00</b>
	<b>Total</b>						<b>109.74</b>	<b>183.54</b>	<b>265.16</b>	<b>58.76</b>

## 5.2 Capitalisation Plan

The Petitioner submitted the Capitalisation of various Schemes during the first Control Period from FY 2013-14 to FY 2015-16. The summary of Capitalisation submitted by the Petitioner is shown in the Table below:

**Table 5.5: Summary of Capitalisation submitted by the Petitioner (Rs. Crore)**

S.No.	Scheme	FY 2013-14	FY 2014-15	FY 2015-16
1	REC Old	0.00	89.51	0.00
2	REC New	35.88	39.83	0.00
3	REC IV	80.00	0.00	0.00
4	REC VI	0.00	0.00	34.64
5	REC VII	0.00	0.00	64.38
6	REC VIII	0.00	0.00	0.00
7	REC IX	0.00	0.00	0.00
8	REC X	0.00	122.65	0.00
9	Planned Schemes	0.00	0.00	0.00
10	System Improvement	12.50	84.00	70.00
	<b>Total</b>	<b>128.38</b>	<b>335.99</b>	<b>169.02</b>

The Commission analysed the Capitalisation of various Schemes submitted by the Petitioner during the first Control Period from FY 2013-14 to FY 2015-16. The Commission in its earlier Tariff Orders for the Petitioner observed that the Petitioner has been capitalising the assets without obtaining the clearance certificate from Electrical Inspector. Further, the Commission in its previous Tariff Order took a view that the capitalisation of the Petitioner would be considered only on fulfilment of stipulations under UERC (Conduct of Business) Regulations, Licensee Conditions and

the Indian Electricity Rules 1956. UERC (Conduct of Business Regulations) stipulate that the prior approval of the Commission is required for capital cost and financing plan before taking up a project. The Indian Electricity Rules 1956 mandates that no supply of energy will commence at high or extra high voltage without the approval of the Electrical Inspector.

The Commission observed that some of the Schemes proposed to be capitalised have not been accorded in principle approval by the Commission for Capital Expenditure. Also, the Electrical Inspector Certificate shall be issued only after the completion of the scheme. Hence, the Commission for the purpose of approval of Business Plan has considered the capitalisation for each year of the Control Period based on the approved total Capital Expenditure. However, during the Annual Performance Review/Truing-up exercise, the Commission shall consider the Capitalisation of only those Schemes which fulfill the conditions as stipulated by the Commission. The approach adopted by the Commission for the purpose of approval of total Capitalisation of the Petitioner for the first Control Period for the purpose of approval of Business Plan is detailed below:

The Commission analysed the trends of amount capitalised by the Petitioner as percentage of the sum of opening Capital Work in Progress (CWIP) and Capital Expenditure for the past 5 years from FY 2007-08 to FY 2011-12 based on the audited accounts submitted by the Petitioner. The same is shown in the Table below:

**Table 5.6: Capitalisation as % of sum of opening CWIP and Capital Expenditure (Rs. Crore)**

Particulars	FY 2007-08 (Actuals)	FY 2008-09 (Actuals)	FY 2009-10 (Actuals)	FY 2010-11 (Actuals)	FY 2011-12 (Actuals)
Opening CWIP (A)	329.02	289.13	323.32	263.17	299.83
Additional Capital Expenditure during the year (B)	91.76	66.26	79.62	164.47	91.77
Capitalisation (C)	131.66	32.07	139.76	127.80	251.70
Closing CWIP (D = A+B-C)	289.13	323.32	263.17	299.83	139.90
Capitalisation as % of opening CWIP + Additional capital expenditure (C/(A+B))	31.29%	9.02%	34.69%	29.89%	64.27%
<b>5 year average</b>					<b>33.83%</b>

The Commission observed that the amount capitalised by the Petitioner during the past five years is in the range of 9.02%-64.27% of opening CWIP + Capital Expenditure during the year. Further, as discussed in detail in Section 4 of the Order, the Commission observed that the amount capitalised in FY 2011-12 as percentage of opening CWIP + Additional Capital Expenditure during the year is on a higher side as PTCUL has capitalised certain schemes in this financial year which were not capitalised in the previous years but were put to use. The Commission has considered the

average of such percentage arrived in the above step for the past 5 years from FY 2007-08 to FY 2011-12 for projecting the Capitalisation during the first Control Period, i.e. from FY 2013-14 to FY 2015-16.

The year-wise total Capitalisation for the first Control Period from FY 2013-14 to FY 2015-16 projected by the Commission is shown in the Table below:

**Table 5.7: Projection of Capitalisation for the first Control Period (Rs. Crore)**

Particulars	FY 2013-14	FY 2014-15	FY 2015-16
Opening CWIP (A)	165.18	230.75	328.13
Additional Capital Expenditure during the year (B)	183.54	265.16	58.76
Capitalisation ( $C=33.83\% \times (A+B)$ )	117.98	167.77	130.89
Closing CWIP ( $D=A+B-C$ )	230.75	328.13	256.00

The projection of total Capitalisation approved by the Commission for the first Control Period is shown in the Table below:

**Table 5.8: Approved Capitalisation for the first Control Period (Rs. Crore)**

Particulars	FY 2013-14	FY 2014-15	FY 2015-16
Capitalisation	117.98	167.77	130.89

### 5.2.1 Scheme wise Capitalisation

The approach adopted by the Commission for projecting the Scheme wise Capitalisation for the first Control Period is detailed below:

The Commission projected the Capitalisation of Other system improvement works separately for each year of the Control Period based on the average proportion of Capitalisation of other system improvement works out of total additional capitalisation during the past years. The Commission considered the balance capitalisation under the remaining Schemes.

The summary of projected Gross Fixed Assets (GFA) approved by the Commission for the first Control Period is shown in the Table below:

**Table 5.9: GFA approved by the Commission (Rs. Crore)**

Particulars	FY 2013-14	FY 2014-15	FY 2015-16
Opening Value	654.29	772.27	940.04
<b>Additions in the year</b>			
REC Old Schemes	110.62	157.30	122.72
NABARD Schemes			
REC New Schemes			
REC-IV scheme			
REC-V Scheme			
PFC-Capital R&M works			
REC IX			
Deposit Works	0.00	0.00	0.00
APDRP	0.00	0.00	0.00
Other than Schemes	7.36	10.47	8.17
<b>Total Additions during the year</b>	<b>117.98</b>	<b>167.77</b>	<b>130.89</b>
Less Deletions during the year	0.00	0.00	0.00
<b>Closing Value</b>	<b>772.27</b>	<b>940.04</b>	<b>1070.93</b>

### 5.3 Capital Structure

Regulation 22 of UERC Tariff Regulations specify that :

*“(1) For a project declared under commercial operation on or after 1.4.2013, debt-equity ratio shall be 70:30. Where equity employed is more than 30%, the amount of equity for the purpose of tariff shall be limited to 30% and the balance amount shall be considered as normative loan. Where actual equity employed is less than 30%, the actual equity would be used for determination of Return on Equity in tariff computations.*

*(2) In case of Generating Company, Transmission Licensee, Distribution Licensee, or SLDC where investments have been made prior to 1.4.2013, Debt: Equity Ratio shall be as approved by the Commission in the previous Orders.”*

The Petitioner submitted the means of finance as shown in the Table below:

**Table 5.10: Means of Finance submitted by the Petitioner**

Scheme	Debt	Equity
REC Old Scheme	75.50%	24.50%
NABARD Scheme	78.00%	22.00%
REC New Scheme	100.00%	0.00%
REC IV	70.00%	30.00%
REC V	70.00%	30.00%
Other than Schemes	70.00%	30.00%

Further, the Petitioner submitted that Schemes under Internal resources have been financed completely through internal resources generated from other income.

The Commission has noted the submission of the Petitioner in this regard.

#### 5.4 Specific Trajectory for Variables

In accordance with Regulation 10 of UERC Tariff Regulations, 2011, the Commission stipulated a trajectory for the following variables:

##### (i) *Transmission Losses*

The Commission in its Tariff Order for FY 2008-09 directed the Petitioner as follows:

*"The Petitioner is hereby directed to devise and develop, in consultation with the beneficiary, a suitable infrastructure and mechanism, for collection and collation of information required for calculation of voltage-wise losses in various parts and availability, in accordance with the Regulations and submit a report thereon within a period of three months from this Order."*

The Commission further in its Tariff order for FY 2012-13 directed the Petitioner as follows:

*"The Commission, therefore, once again directs the Petitioner to devise and develop, in consultation with the beneficiary, a suitable infrastructure and mechanism, for collection and collation of information required for calculation of voltage-wise losses in various parts and availability, in accordance with the Regulations and submit a report thereon within a period of three months from this Order."*

The Commission observed that despite repeated directives by the Commission, the Petitioner has not submitted the compliance in its filings for the first Control Period. The Petitioner is hereby cautioned that non compliance to the Commission's directives within the stipulated time frame would not be in the best interest of the consumers of the State as well as the Petitioner. **The Commission, therefore, once again directs the Petitioner to devise and develop, in consultation with the beneficiary, a suitable infrastructure and mechanism, for collection and collation of information required for calculation of voltage-wise losses in various parts and availability, in accordance with the Regulations and submit a report thereon within a period of three months from this Order.**

The Petitioner in its Business Plan Petition submitted the target Transmission Loss levels for each year of the first Control Period from FY 2013-14 to FY 2015-16. The Commission observed that the Petitioner has submitted Transmission Loss level of 1.84% for FY 2013-14, 1.82% for FY 2014-15 and 1.80% for FY 2015-16. The Commission on being justified that the Transmission Loss levels submitted by the Petitioner are within the reasonable limit has approved the Transmission Loss levels for the first Control Period as submitted by the Petitioner for the purpose of approval of the Business Plan. The Commission shall take an appropriate view during the truing up exercise based on the actual Transmission Loss levels of the Petitioner.

(i) **Auxiliary Energy Consumption in the sub-station**

In accordance with Regulation 64(i) of UERC Tariff Regulations, 2011, the charges for auxiliary Energy Consumption in the sub-station for the purpose of air-conditioning, lighting, technical consumption, etc. shall be borne by the Petitioner and are included in normative operation and maintenance expenses.

(ii) **Transmission System Availability**

Regulation 64(ii) of UERC Tariff Regulations, 2011 specifies the Target Availability for recovery of full transmission charges. Accordingly, the Commission has approved the Target Availability for recovery of full Transmission Charges for each year of the first Control Period from FY 2013-14 to FY 2015-16 as below:

- a) AC System – 98%
- b) HVDC bi-pole links – 92%
- c) HVDC back-to-back stations – 95%

**The Commission directs the Petitioner to submit the Availability of its AC System, HVDC bi-pole links and HVDC back-to-back stations separately during the truing up exercise.**

## **5.5 Human Resources Plan**

In accordance with Regulation 9(2) of UERC Tariff Regulations, 2011, the Petitioner submitted the details in respect of its manpower planning for the first Control Period from FY 2013-14 to FY 2015-16. The Petitioner submitted that during FY 2012-13, 33 officers have been recruited

and recruitment against 107 posts of various cadres of Class III employees is proposed. The Petitioner further submitted that the recruitment against this proposed recruitment of 107 posts has not taken place in FY 2012-13. The detail of number of employees for each year of the Control Period submitted by the Petitioner is shown in the Table below:

**Table 5.11: Detail of number of employees submitted by the Petitioner**

Particulars	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Opening number of employees	867	965	1151	1201
Retirement during the year	42	39	32	37
Employees joined during the year	33	-	-	-
Proposed additional recruitment	107	225	82	96
Closing number of employees	<b>965</b>	<b>1151</b>	<b>1201</b>	<b>1260</b>

The Commission has analysed the submission of the Petitioner. As the Petitioner submitted that the recruitment against 107 posts in FY 2012-13 has not taken place, the Commission has considered the recruitment against these 107 posts in FY 2013-14. Further, the Commission has considered the recruitment of 225 employees proposed in FY 2013-14 to be done in FY 2014-15 and the recruitment of 82 employees proposed in FY 2014-15 to be done in FY 2015-16. The man power status considered by the Commission for the first Control Period is shown in the Table below:

**Table 5.12: Man power status considered by the Commission for the first Control Period**

Particulars	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Opening number of employees	867	858	926	1119
Retirement during the year	42	39	32	37
Recruitment during the year	33	107	225	178
Closing number of employees	<b>858</b>	<b>926</b>	<b>1119</b>	<b>1260</b>

The Commission directs the Petitioner to submit the Grade wise employee status during the Annual Performance Review/truing up exercise.

## **6 Commission's Analysis, Scrutiny & Conclusion on Truing up of FY 2010-11, FY 2011-12 and MYT for the first Control Period from FY 2013-14 to FY 2015-16**

### **6.1 Truing up of FY 2010-11 and FY 2011-12**

#### **6.1.1 Value of Opening Assets and Additional Capitalisation**

The Commission in its Tariff Order for FY 2012-13 dated April 4, 2012 approved the opening value of GFA for PTCUL as Rs. 146.14 Crore as on May 31, 2004. As the Transfer Scheme has not yet been finalised, the Commission finds no reason to revisit this issue for reasons elaborated in Chapter 4.

In its Tariff Order dated April 4, 2012, the Commission had directed the Petitioner as under:

*"The Commission directs the Petitioner to file the truing up Petition seeking final true up of expenses for FY 2004-05 to FY 2010-11 based on the audited accounts and after reconciliation of asset capitalisation figures alongwith the MYT Petition for the first control period."*

Accordingly, the Petitioner in its MYT Petition included truing up for FY 2004-05 to FY 2011-12 and had submitted the project wise details of assets capitalised in its accounts. As discussed in Chapter 4 of the Order, based on the analysis of the reconciliation statement submitted by PTCUL, the Commission observed that the amount of capitalisation towards various Projects/Schemes considered by PTCUL in each year from FY 2004-05 to FY 2010-11 is different from the capitalisation of various Projects/Schemes considered by the Commission in previous Tariff Orders while carrying out the provisional truing up. The Commission also observed that PTCUL has capitalised certain schemes in its Accounts in FY 2011-12, which were actually energised, put to use and have been considered by the Commission as capitalised in past years from FY 2004-05 to FY 2010-11. During the Second TVS, the Commission asked PTCUL to clarify this aspect and PTCUL submitted that it had actually incurred the expenditure on those projects in the past years itself and these projects were energized and put to use also in the past years, however, for some reasons, the projects could not be capitalized in the accounts in those years and after carrying out the reconciliation they have been capitalized in the annual accounts for FY 2011-12. The Commission observed that out of additional capitalization claimed in FY 2011-12, many of the schemes have been energised and put to use in the past years right from FY 2004-05. The Petitioner is a company



established under Statutory Laws and should follow the applicable guidelines/ rules/ regulations of the Accounting Processes. Such irrational submission by the Petitioner raises serious concerns about the Accounting policies of the Petitioner, due to which the Commission is unable to carry out proper prudence check, which in turn is delaying the process of final truing up of past years and may result in increasing burden on the consumers of the State in future.

It appears that there is a serious lack of coordination among the Projects department and Accounts department of the Petitioner Company. The Petitioner's claim of capitalization in FY 2011-12 for those Schemes capitalized in past years from FY 2004-05 complicates the process of not only determination of the Project Cost but also the timing of capitalization as the same would impact not only the treatment of interest on loans as well as depreciation on these assets. The issues pertaining to whether depreciation has to be allowed from the date, an asset is put to use or from the date of capitalization of the asset in the accounts and whether the interest till the asset is capitalized has to be treated as interest during construction or interest subsequent to the asset being put to use is to be treated as revenue interest will have to be addressed during the final truing up exercise. The Commission for the purpose of this Order has taken the capitalization of the assets as per the accounts. The Commission shall take an appropriate view on the issue during the final truing up of FY 2004-05 to FY 2011-12.

Further, the Commission in the Tariff Order for FY 2011-12 decided to constitute an Expert Committee to examine in detail, the reasons for time and cost over-runs of various Capital Expenditure Schemes, impact of time over-runs on Capital Cost and for proper identification of various factors leading to time and cost over-runs into controllable and un-controllable factors. However, as detailed in Chapter 4 of this Order, PTCUL is yet to submit the detailed information sought by the Committee.

The Committee on examination of the information submitted by the Petitioner was of the view that complete information has not been submitted by PTCUL which may be utilized to validate the capital investment schemes in question. PTCUL has not submitted information of all the projects capitalised under REC I & III (Old REC), NABARD & REC II Schemes till date. The information submitted by the PTCUL is not only incomplete but also inconsistent. The status of information submitted by the Petitioner was apprised to its officers during the two Technical Validation sessions held in the Commission on 19.02.2013 & 03.04.2013 respectively.

**The Petitioner is directed to ensure compliance of instructions given in Section-4 in this regard.**

Further, as discussed in Chapter 4 of the Order, the Commission for the purpose of this Order has considered the minimum of the approved cost and the actual cost of the project as per the reconciliation of assets submitted by the Petitioner. Further, as the approved Project Cost for some of the Schemes such as REC Old, NABARD and REC New does not include Interest During Construction, the Commission in addition to approved Project Cost has also considered the Interest During Construction.

In the subsequent paras, the Commission has discussed the approved cost as per the DPR vis-à-vis actual cost as per the submission of the Petitioner incurred till date of assets capitalised under different schemes.

#### **6.1.2 REC-I & III Scheme (Also referred to as REC-Old Scheme)**

The Petitioner submitted that initially 23 schemes were envisaged under old REC Schemes with an estimated cost of Rs. 165.75 Crore out of which 3 schemes were later on deleted. The loan amount sanctioned from REC was Rs. 139.43 Crore against the total project cost of Rs. 165.75 Crore with a Debt:Equity Ratio of 84:16 and counterpart funding of equity was provided by the Government of Uttarakhand. The Petitioner also submitted that on account of actual survey and based on revised quantum of work, the total cost of remaining 20 schemes was revised to Rs. 304.66 Crore. REC sanctioned an additional loan of Rs. 110.80 Crore in the Debt:Equity ratio of 70:30 to meet the increased cost, thereby, revising the overall Debt:Equity Ratio to 75.50:24.50. Out of the 20 schemes, 9 schemes have been taken to be capitalized upto March, 2012 and balance 11 schemes are still not completed.

The project-wise original approved cost as per the DPR and the actual cost submitted by the Petitioner and the capitalization considered by the Commission for truing up purposes till FY 2011-12, i.e. actual capitalisation upto March, 2012, as per the approach defined in Chapter 4 and reconciliation statement submitted by the Petitioner is given in the following Table:

**Table 6.1: Capitalisation considered for REC Old Schemes (Rs. Crore)**

Year	Project	Approved Cost as per DPR	As per PTCUL's submission	Audited Expenditure	IDC considered by the Commission additional to Approved Cost	Total Cost Approved by the Commission
FY 2004-05	1 Increasing capacity of 132 kV sub-station Haldwani	4.62	3.06	1.26	-	1.26
	2 LILO of 220 kV Rishikesh-Muzzaffarnagar line at 220 kV Sub-station Roorkee	0.15	0.01	0.01	-	0.01
	3 Increasing capacity of 220 kV sub-station Chamba	2.69	2.56	1.94	-	1.94
	<b>Sub-Total</b>	<b>7.46</b>	<b>5.63</b>	<b>3.21</b>	<b>-</b>	<b>3.21</b>
FY 2005-06	4 Construction of 220 kV Substation Roorkee	13.28	19.18	17.07	2.22	15.5
	<b>Sub-Total</b>	<b>13.28</b>	<b>19.18</b>	<b>17.07</b>	<b>2.22</b>	<b>15.50</b>
FY 2007-08	5 Increasing Capacity of 220 kV Substaion Maneri Bhali-I	2.69	2.50	2.50	-	2.50
	<b>Sub-Total</b>	<b>2.69</b>	<b>2.50</b>	<b>2.50</b>	<b>-</b>	<b>2.50</b>
FY 2010-11	6 Construction of 220 kV Single Circuit Maneri Bhali-II to Rishikesh Line	33.36	52.65	52.65	5.98	39.34
	7 Construction of bay at 220 kV S/s Rishikesh for 220 kV Maneri Bhali-II	0.96	0.66	0.66	-	0.66
	<b>Sub-Total</b>	<b>34.32</b>	<b>53.31</b>	<b>53.31</b>	<b>5.98</b>	<b>40.00</b>
FY 2011-12	8 Construction of 132 kV Substation Satpuli	7.27	7.95	7.95	0.68	7.95
	9 Construction of 132 kV Satpuli-Kotdwar line	12.93	38.83	18.53	1.76	14.7
	<b>Sub-Total</b>	<b>20.20</b>	<b>46.78</b>	<b>26.48</b>	<b>2.44</b>	<b>22.65</b>
	<b>Total</b>	<b>77.95</b>	<b>127.40</b>	<b>102.57</b>	<b>10.64</b>	<b>83.86</b>

It is observed, though the scheme have been completed in a particular year, but PTCUL in its accounts have considered capitalisation of the scheme spread over more than one year. As discussed earlier, the Commission at this stage has considered the capitalisation of the schemes as per reconciliation with accounts submitted by PTCUL and the Commission will again review this aspect while carrying out the final truing up of previous years from FY 2004-05 to FY 2011-12. The Commission for the purpose of this Order has also approved the additional capitalisation of those Schemes already capitalised in past years subject to total capitalisation limited to lower of actual and approved cost. The additional capitalisation approved by the Commission is shown in the Table below:

**Table 6.2: Additional Capitalisation considered for REC Old Scheme (Rs. Crore)**

S. No.	Project	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	Total
1	Increasing capacity of 132 kV substation Haldwani	-	1.79	-	-	-	-	-	-	1.79
2	Increasing capacity of 220 kV substation Chamba	-	-	-	-	-	-	-	0.62	0.62
3	Construction of 220 kV Single Circuit Maneri Bhali-II to Rishikesh Line	-	-	-	-	-	-	-	0.00	0.00
		-	1.79	-	-	-	-	-	0.62	2.41

### 6.1.3 NABARD Scheme

There were 15 projects under the NABARD Scheme with an original cost of Rs. 225.93 Crore for which NABARD had sanctioned a loan of Rs. 176.45 Crore. However, the revised project cost as approved by NABARD for various projects under the scheme is Rs. 304.71 Crore. The works have been completed in all the 15 projects. The capitalisation towards the NABARD scheme has also been considered by the Commission in the previous Tariff Orders.

The project-wise original approved cost as per the DPR and the actual cost submitted by the Petitioner and the capitalization considered by the Commission for truing up purposes till FY 2011-12, i.e. actual capitalisation upto March, 2012, as per the approach defined in Chapter 4 and reconciliation statement submitted by the Petitioner is given in the following Table:

**Table 6.3: Capitalisation considered for NABARD Scheme (Rs. Crore)**

Year	Project	Approved Cost as per DPR	Cost as per PTCUL's submission	Audited Expenditure	IDC considered by the Commission in addition to approved Cost	Total Cost Approved by the Commission
FY 2006-07	1 132 kV Sub-station Ramnagar	6.97	9.32	6.24	-	6.24
	2 LILO of 132 kV Double Ckt. Kalagarh-Kashipur-I Line at Ramnagar Sub-station	4.86	6.00	5.51	0.36	5.22
	3 400 kV Sub-station Kashipur	84.89	121.75	57.39	-	57.39
	<b>Sub-Total</b>	<b>96.72</b>	<b>137.07</b>	<b>69.14</b>	<b>0.36</b>	<b>68.85</b>
FY 2007-08	4 132 kV Substation Ranikhet	6.69	11.44	8.85	0.24	6.93
	5 132 kV Almora Ranikhet Line	3.59	8.58	6.24	0.13	3.72
	6 132 kV Substation Bhagwanpur	7.99	11.41	9.70	0.34	8.33
	7 LILO of 132 kV Double Ckt. Roorkee Saharanpur-I for Bhagwanpur 132 kV Substation	1.09	3.95	2.77	0.03	1.12
	8 LILO of 132 kV Double Ckt. Roorkee Nahtaur-I Line at Mangalore	1.63	1.78	3.03	0.05	1.68
	9 LILO of 132 kV Double Ckt. Kalagarh Kashipur-II Line at Jaspur 132 kV Substation	0.37	0.44	0.58	-	0.37
	10 132 kV Substation Rudrapur	9.49	13.97	11.96	0.27	9.76
	11 132 kV Substation Jaspur	7.91	11.75	2.38	0.31	2.38
	<b>Sub-Total</b>	<b>38.76</b>	<b>63.32</b>	<b>45.51</b>	<b>1.37</b>	<b>34.29</b>
FY 2008-09	12 132 kV Substation Sitaraganj	8.68	15.37	16.00	0.32	9.00
	<b>Sub-Total</b>	<b>8.68</b>	<b>15.37</b>	<b>16.00</b>	<b>0.32</b>	<b>9.00</b>
FY 2009-10	13 LILO of 400 kV Rishikesh-Moradabad Line for 400 kV substation Kashipur	39.29	70.78	19.85	-	19.85
	14 132 kV Substation Mangalore	7.99	11.26	11.89	0.24	8.23
	15 132 kV Sitaraganj-Kiccha Line	3.19	7.05	10.20	0.08	3.27
	<b>Sub-Total</b>	<b>50.47</b>	<b>89.09</b>	<b>41.94</b>	<b>0.32</b>	<b>31.35</b>
<b>Total</b>		<b>194.63</b>	<b>304.85</b>	<b>172.59</b>	<b>2.37</b>	<b>143.49</b>

It is observed, though the scheme have been completed in a particular year, but PTCUL in its accounts have considered capitalisation of the scheme spread over more than one year. **It has been observed that in certain cases 50% cost of a line has been capitalised in one year and balance in another year. It is irrational as half of the line cannot be put to use which is a prerequisite for capitalisation. It also suggests that the process of cost capturing and process of capitalisation followed by the Petitioner is not correct. The Commission directs the Petitioner to get the entire gamut examined and take necessary corrective steps. As discussed earlier, the Commission at this stage has considered the capitalisation of the schemes as per reconciliation with**

account statement submitted by PTCUL and the Commission will again review this aspect while carrying out the final truing up of previous years from FY 2004-05 to FY 2011-12. The Commission for the purpose of this Order has approved the additional capitalisation of those Schemes capitalised in past years subject to total capitalisation limited to lower of actual and approved cost. The additional capitalisation approved by the Commission is shown in the Table below:

**Table 6.4: Additional Capitalisation considered NABARD Scheme (Rs. Crore)**

S. No.	Project	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	Total
1	132 kV Substation Ramnagar	0.04	0.09	-	-	0.60	0.73
2	LILO of 132 kV Double Ckt. Kalagarh-Kashipur-I Line at Ramnagar Substation	0.00	0.00	-	-	0.00	0.00
3	400 kV Substation Kashipur	27.50	0.00	0.00	0.00	0.00	27.50
4	132 kV Substation Ranikhet	-	0.00	-	-	0.00	0.00
5	132 kV Almora Ranikhet Line	-	0.00	-	-	0.00	0.00
6	132 kV Substation Bhagwanpur	-	0.00	-	-	0.00	0.00
7	LILO of 132 kV Double Ckt. Roorkee Saharanpur-I for Bhagwanpur 132 kV Substation	-	0.00	-	-	0.00	0.00
8	132 kV Substation Jaspur	-	5.54	-	-	-	5.54
9	LILO of 132 kV Double Ckt. Kalagarh Kashipur-II Line at Jaspur 132 kV Substation	-	0.00	-	-	-	0.00
10	132 kV Substation Rudrapur	-	0.00	-	-	0.00	0.00
11	LILO of 400 kV Rishikesh-Moradabad Line for 400 kV substation Kashipur	-	-	-	10.92	8.52	19.44
12	132 kV Substation Mangalore	-	-	-	-	0.00	0.00
13	132 kV Substation Sitaraganj	-	-	-	-	0.00	0.00
	<b>Total</b>	<b>27.54</b>	<b>5.63</b>	<b>0.00</b>	<b>10.92</b>	<b>9.12</b>	<b>53.21</b>

The Petitioner, during the tariff exercise for FY 2009-10 submitted that it was facing difficulty in making payment of entire amount due on account of repayment of NABARD loan and would continue to face the same in the initial 5 years of repayment since the existing tariff was not adequate to meet its obligations on this account. The Petitioner submitted that it has approached PFC for sanction of loan to meet out the repayment obligations during the first five years of loan repayment.

Continuing with the approach adopted in the Tariff Order for FY 2012-13, the Commission while carrying out the provisional truing up for FY 2010-11 and FY 2011-12 has considered additional receipts from PFC for gap funding of NABARD Scheme which have been dealt with while calculating interest charges of the Petitioner.

#### **6.1.4 REC-II Scheme (Also referred to as REC New Scheme)**

The Petitioner submitted that it had drawn up a capital outlay of Rs. 217.56 Crore for 22 schemes under the REC New scheme for which REC granted the approval to fund the entire cost of the schemes. The Petitioner also submitted that out of 22 schemes, 2 schemes have been deleted and 14 schemes have already been completed and the remaining 6 schemes are in advanced stages of completion. This scheme has the in-principle approval of the Commission for Rs. 221.02 Crore against Rs. 217.56 Crore submitted by the Petitioner.

The Petitioner submitted that LILO of 132 kV Rishikesh-Srinagar Line at 132 kV sub-station Srinagar-II has been completed and was energised on December 31, 2011 and submitted the clearance from Electrical Inspector. The Commission after scrutiny of Electrical Inspector Certificate has allowed the capitalisation of this Scheme in FY 2011-12.

The project-wise original approved cost as per the DPR and the actual cost submitted by the Petitioner and the capitalization considered by the Commission for truing up purpose till FY 2011-12, i.e. actual capitalisation upto March, 2012, as per the approach defined in Chapter 4 and reconciliation statement submitted by the Petitioner is given in the following Table:

**Table 6.5: Capitalisation considered for REC New Scheme (Rs. Crore)**

Year	Project	Approved Cost	Cost as per PTCUL's submission	Audited Expenditure	IDC considered by the Commission additional to Approved Cost	Total Cost Approved by the Commission
FY 2007-08	1 LILO of 132 kV Kashipur Jaspur line at 400 kV S/s Kashipur*	1.03	1.80	1.28	0.00	1.03
	2 LILO of 132 kV Kashipur Ramnagar line at 400 kV S/s Kashipur	0.34	0.58	0.83	0.00	0.34
	3 LILO of 132 kV Kiccha Pantnagar Line at Rudrapur	1.71	1.88	1.39	0.00	1.39
	4 Augmentation of 132/33 kV Mazra Substation	6.28	6.26	5.57	0.00	5.57
	5 Augmentation of 132/33 kV Purkul Substation	2.58	2.45	2.18	0.00	2.18
	6 Construction of 4 Nos. 132 KV Bay at 132 kV S/s Kotdwar	4.30	4.03	3.05	0.00	3.05
	7 132 kV Substation Laksar	13.22	11.52	9.76	0.00	9.76
	8 LILO of 132 kV Roorkee - Nehtaur - I line for 132 kV S/s Laskar	0.34	0.58	0.54	0.01	0.35
	9 LILO of 132 kV Dohana -Khatima line at 132 kV S/s Sitarganj*	8.55	7.40	6.29	0.00	6.29
	<b>Sub-Total</b>	<b>38.35</b>	<b>36.50</b>	<b>30.89</b>	<b>0.01</b>	<b>29.96</b>
FY 2008-09	10 Upgradation of 132/66/33 kV Haldwani Sub-station	2.92	3.07	2.90	0.00	2.90
	<b>Sub-Total</b>	<b>2.92</b>	<b>3.07</b>	<b>2.90</b>	<b>0.00</b>	<b>2.90</b>
FY 2009-10	11 132 kV line from 400 kV sub-station Kashipur to Bazpur	5.64	6.09	9.66	2.30	7.94
	<b>Sub-Total</b>	<b>5.64</b>	<b>6.09</b>	<b>9.66</b>	<b>2.30</b>	<b>7.94</b>
FY 2010-11	12 220 kV S/C Barhani - Pantnagar line	19.50	17.67	9.69	0.00	9.69
	13 220 kV Kashipur - Barhani D/C line	17.93	9.58	9.72	0.00	9.72
	<b>Sub-Total</b>	<b>37.43</b>	<b>27.25</b>	<b>19.41</b>	<b>0.00</b>	<b>19.41</b>
FY 2011-12	14 LILO 132 kV Rishikesh-Srinagar Line at 132 kV substation Srinagar	1.20	1.05	0.96	0.00	0.96
	<b>Sub-Total</b>	<b>1.20</b>	<b>1.05</b>	<b>0.96</b>	<b>0.00</b>	<b>0.96</b>
<b>Total</b>		<b>85.55</b>	<b>73.96</b>	<b>63.82</b>	<b>2.31</b>	<b>61.17</b>

It is observed, though the scheme have been completed in a particular year, but PTCUL in its accounts have considered capitalisation of the scheme spread over more than one year. As discussed earlier, the Commission at this stage has considered the capitalisation of the schemes as per reconciliation with accounts statement submitted by PTCUL and the Commission will again review this aspect while carrying out the final truing up of previous years from FY 2004-05 to FY 2011-12. The Commission for the purpose of this Order has approved the additional capitalisation of those Schemes capitalised in past years subject to total capitalisation limited to lower of actual and approved cost. The additional capitalisation approved by the Commission is shown in the Table below:



**Table 6.6: Additional Capitalisation considered for REC New Scheme (Rs. Crore)**

S. No.	Project	FY 2010-11	FY 2011-12	Total
1	LILO of 132 kV Kashipur Ramnagar line at 400 kV S/s Kashipur	-	0.00	0.00
2	LILO of 132 kV Kiccha Pantnagar Line at Rudrapur	-	0.17	0.17
3	Augmentation of 132/33 kV Mazra Substation	-	0.69	0.69
4	Augmentation of 132/33 kV Purkul Substation	-	0.27	0.27
5	Construction of 4 Nos. 132 kV Bay at 132 kV S/s Kotdwar	-	0.98	0.98
6	132 kV Substation Laksar	-	1.76	1.76
7	LILO of 132 kV Roorkee - Nehtaur - I line for 132 kV S/s Laskar	-	0.00	0.00
8	132 kV line from 400 kV sub-station Kashipur to Bazpur	0.00	-	0.00
9	220 kV S/C Barhani - Pantnagar line	-	9.81	9.81
10	220 kV Kashipur - Barhani D/C line	-	6.83	6.83
11	LILO of 132 kV Kashipur Jaspur line at 400 kV S/s Kashipur	-	0.00	0.00
12	LILO of 132 kV Dohana -Khatima line at 132 kV S/s Sitarganj	-	1.11	1.11
<b>Total</b>		<b>0.00</b>	<b>21.62</b>	<b>21.62</b>

#### 6.1.5 REC-IV Scheme

Total 15 schemes having a total capital outlay of Rs. 189.76 Crore were planned under REC-IV Scheme with a Debt/Equity Ratio of 70:30.

The Petitioner submitted that the following Schemes have been capitalised in FY 2011-12:

- i) 18 No. 33 kV Bay.
- ii) 132 kV Bay at Kicha.

However, the Petitioner has not submitted the Electrical Inspector certificates for the above Schemes. Furthermore, PTCUL was asked to submit the details of the assets capitalised in its accounts for FY 2011-12, and these projects have not been capitalised in the accounts and hence, the Commission has not considered the capitalisation of these projects.

Further, the Commission in its Order dated November 24, 2011 on Approval of Capital Investment of REC-IV has observed as under:

*"7. With regard to the integrated transmission projects, within the scheme, which are proposed to be developed for evacuation of power from the Generators for sale of electricity outside the State cannot be considered in the system strengthening schemes proposed by the Petitioner. The transmission/wheeling charges for these dedicated lines and sub-stations used only for evacuation*

*of such power shall be borne by the beneficiary generators in accordance with UERC (Tariff and Other Terms for Supply of Electricity from Renewable Energy Sources and non-fossil fuel based Co-generating Stations) Regulations, 2010 and UERC (Terms & Conditions of Intra-State Open Access) Regulations, 2010. However, in case of more than 50% of the total power carried through such system is inter-state power and the system is duly certified by RPC, then these lines shall be non ISTS or deemed inter-state lines in accordance with the provisions of the Electricity Act, 2003 and CERC (Sharing of Inter-state Transmission charges and losses) Regulations, 2010 read with various Removal of Difficulty Order of CERC issued under the aforesaid Regulations...."*

Accordingly, the Commission had excluded the following Projects from REC-IV Scheme:

1. 220 kV Chamba - Ghansali Line.
2. 220 kV Ghuttu - Ghansali Line.
3. 1 No. Bay at 220 kV S/s Chamba.

However, the Commission in its latest Order dated April 29, 2013 has considered that the two Projects, viz. 220 kV Chamba – Ghansali Line and 1 No. Bay at 220 kV S/s Chamba have UPCL as the sole beneficiary. These Schemes have been energised in FY 2011-12. The Commission, accordingly, has considered the capitalisation of 220 kV Chamba – Ghansali Line and 1 No. Bay at 220 kV S/s Chamba under REC-IV Scheme in FY 2011-12 for truing up purpose. Further, the Commission has determined the ARR of 220 kV Ghuttu – Ghansali Line separately for FY 2011-12, FY 2012-13 and for the first Control Period as detailed in Section 6.3 of the Order which shall be recovered from the beneficiaries in accordance with the Order dated April 29, 2013.

The project-wise original approved cost as per the DPR and the actual cost submitted by the Petitioner and the capitalization considered by the Commission for truing up purposes till FY 2011-12, i.e. actual capitalisation upto March, 2012, as per the approach defined in Chapter 4 and reconciliation statement submitted by the Petitioner is given in the following Table:

**Table 6.7: Capitalisation considered for REC IV Schemes (Rs. Crore)**

Year	Project		Total Cost Approved by the Commission	Cost approved by REC	Actual Expenditure
FY 2010-11	1	132 kV bay for RBNS Sugar Mill at 132 kV S/s Gagnoli, Laksar	0.80	0.94	0.80
	2	132 kV line for RBNS Sugar Mill to Laksar (4.3 km.)	1.11	1.81	1.11
	3	Stringing of 132 kV 2nd ckt of Sitarganj - Kicha Line	2.24	2.30	2.24
		<b>Sub-Total</b>	<b>4.15</b>	<b>5.05</b>	<b>4.15</b>
FY 2011-12	4	220 kV Chamba-Ghansali Line	17.90	23.89	17.90
	5	1 No. Bay at 220 kV S/s Chamba	2.21	1.34	2.21
		<b>Sub-Total</b>	<b>20.11</b>	<b>-</b>	<b>20.11</b>
<b>Total</b>			<b>24.26</b>	<b>30.28</b>	<b>24.26</b>

#### 6.1.6 REC-V Scheme

The REC-V Scheme approved by the Commission consisted of 5 Schemes with a total capital outlay of Rs. 150.69 Crore out of which REC had approved a capital cost of Rs. 137.94 Crore having Debt/Equity ratio of 70:30.

The project-wise original approved cost as per the DPR and the actual cost submitted by the Petitioner and the capitalization considered by the Commission till FY 2011-12, i.e. actual capitalisation upto March, 2012, as per the approach defined in Chapter 4 and reconciliation statement submitted by the Petitioner is given in the following Table:

**Table 6.8: Capitalisation considered for REC-V Scheme (Rs. Crore)**

Year	Projects		Cost as per the DPR	Cost approved by REC	Audited Expenditure	Cost approved by Commission	Date of Energisation
FY 2011-12	1	220 kV sub-station Mahuakheraganj	119.87	110.90	50.25	50.25	25-Nov-11
	2	LILO of 132 kV Kashipur-Thakurdwara line at 220/132 kV sub-station at Mahuakheraganj	4.55	3.86	2.78	2.78	24-Nov-11
<b>Total</b>			<b>124.42</b>	<b>114.76</b>	<b>53.04</b>	<b>53.04</b>	

#### 6.1.7 Other than Schemes

The Petitioner in the reconciliation statement has submitted the details of Other than Schemes capitalised from FY 2004-05 to FY 2010-11. Further, the Petitioner submitted capitalisation

of Rs. 33.00 Crore in FY 2011-12 under Capital R&M works. The Petitioner submitted that these works have been financed by PFC. From the Memorandum of Agreement with PFC submitted by the Petitioner, the Commission observed that against a capital outlay of Rs. 37.35 Crore, PFC has sanctioned a loan of Rs. 26.14 Crore and, accordingly, the Debt-Equity ratio works out to be 70:30. The Petitioner submitted that the equity part for these Capital R&M works have been sourced through internal resources. The Commission for the purpose of truing up, has considered the capitalisation of Other than Schemes submitted by the Petitioner.

**Table 6.9: Capitalisation of Other than Schemes (Rs. Crore)**

Year	Capitalisation (Rs. Crore)
FY 2004-05	0.91
FY 2005-06	1.31
FY 2006-07	1.34
FY 2007-08	1.30
FY 2008-09	2.20
FY 2009-10	2.71
FY 2010-11	2.20
FY 2011-12	33.00

#### 6.1.8 GFA including Additional Capitalisation

Considering the asset capitalisation under various schemes, the year-wise GFA including the value of works capitalized as considered by the Commission is given in the Table below:

**Table 6.10: GFA including Additional Capitalisation (Rs. Crore)**

Particulars	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Opening Value	146.14	150.23	176.68	273.83	371.33	391.05	432.82	486.48
<b>Additions in the year</b>								
REC Old Schemes	3.21	17.29	-	2.50	-	-	40.01	23.27
NABARD Schemes	-	-	68.86	61.81	14.62	31.35	10.92	9.13
REC New Schemes	-	-	-	29.96	2.90	7.94	19.42	22.58
REC-IV scheme	-	-	-	-	-	-	4.15	20.11
REC-V Scheme								53.04
PFC-Capital R&M works								33.06
Deposit Works	-	8.92	28.31	2.09	-	-	-	23.02
Other than Schemes	0.91	1.31	1.34	1.30	2.20	2.71	2.20	-
<b>Total Additions during the year</b>	<b>4.12</b>	<b>27.53</b>	<b>98.51</b>	<b>97.66</b>	<b>19.73</b>	<b>42.00</b>	<b>76.69</b>	<b>184.20</b>
Less Deletions during the year	0.03	1.07	1.36	0.16	0.00	0.23	23.03	16.40
<b>Closing Value</b>	<b>150.23</b>	<b>176.68</b>	<b>273.83</b>	<b>371.33</b>	<b>391.05</b>	<b>432.82</b>	<b>486.48</b>	<b>654.29</b>

#### 6.1.9 Financing of Capital Assets

Regulation 15(5) of the UERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2004 on financing of projects, stipulates that:

“(5) (a) In case of all projects, debt-equity ratio as on the date of commercial operation shall be 70:30 for determination of tariff. Where equity employed is more than 30%, the amount of equity for the purpose of tariff shall be limited to 30% and the balance amount shall be considered as the normative loan.

Provided that in case of the projects where actual equity employed is less than 30%, the actual debt and equity shall be considered for determination of tariff.

(b) The debt and equity amounts arrived at in accordance with clause (a) shall be used for calculating interest on loan, return on equity, Advance Against Depreciation and Foreign Exchange Rate Variation.”

The Table below shows the means of financing, which is similar as considered by the Commission in the previous Tariff Orders for different schemes. The final view on financing would be taken during final truing up for the period 2004-05 to FY 2011-12.

**Table 6.11: Means of Finance for Capitalisation**

Scheme	Grant	Loan	Equity	Total
REC Old Scheme	-	82%	18%	100%
NABARD Scheme	-	81%	19%	100%
REC New Scheme	-	100%	-	100%
REC IV	-	70%	30%	100%
REC V	-	70%	30%	100%
Other Works (Normative)	-	70%	30%	100%

Based on the above, the Commission has determined the debt and equity components for FY 2010-11 and FY 2011-12 which works out as given below:

**Table 6.12: Details of Financing for Capitalisation (Rs. Crore)**

S. No	Particulars	FY 2010-11					FY 2011-12				
		Cap. Res.	Grant	Loan	Equity	Total	Cap. Res.	Grant	Loan	Equity	Total
1	Opening Value	120.90	39.32	227.18	45.42	432.82	97.87	39.32	292.62	56.67	486.48
2	<b>Additions in the year</b>										
i	REC Old Schemes	-	0.00	32.78	7.22	40.01	-	0.00	19.07	4.20	23.27
ii	NABARD Schemes	-	0.00	8.80	2.12	10.92	-	0.00	7.35	1.77	9.13
iii	REC New Schemes	-	-	19.42	-	19.42	-	0.00	22.58	0.00	22.58
iv	REC-IV scheme	-	0.00	2.90	1.24	4.15	-	0.00	14.08	6.03	20.11
v	REC V scheme	-	-	-	-	-	-	0.00	37.12	15.91	53.04
vi	PFC -Capital R&M works	-	-	-	-	-	-	0.00	23.14	9.92	33.06
3	Grants	-	-	-	-	-	-	-	-	-	-
4	Deposit Works	-	-	-	-	-	-	23.02	0.00	0.00	23.02
5	Other than Schemes	-	0.00	1.54	0.66	2.20	-	0.00	0.00	0.00	-
	<b>Total Additions during the year</b>	-	-	65.44	11.25	76.69	-	23.02	123.35	37.83	184.20
	Less Deletions during the year	23.03	-	-	-	23.03	16.40	-	-	-	16.40
	<b>Closing Value</b>	97.87	39.32	292.62	56.67	486.48	81.47	62.34	415.97	94.51	654.29

#### **6.1.10 Depreciation**

Regulation 18 of the UERC (Terms & Conditions for Determination of Transmission Tariff) Regulations, 2004 stipulates as follows:

*“(1) For the purpose of tariff, depreciation shall be computed in the following manner, namely:*

*(a) The value base for the purpose of depreciation shall be the historical cost, excluding capital subsidy/grant, of the asset capitalised.*

*(b) Depreciation shall be calculated annually based on straight line method over the useful life of the asset and at the rates prescribed in Appendix I to these regulations.*

*The residual life of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the historical capital cost of the asset. Land is not a depreciable asset and its cost shall be excluded from the capital cost while computing 90% of the historical cost of the asset. The historical capital cost of the asset shall include additional capitalisation on account of Foreign Exchange Rate Variation up to 31.3.2004 already allowed by the Central or State Government/Commission.*

*(c) Depreciation shall be chargeable from the first year of operation. In case of operation of the asset for part of the year, depreciation shall be charged on pro-rata basis.”*

The Petitioner has submitted that it has computed depreciation as per the rates provided in the Regulations. Since, for various reasons as recorded in the previous Tariff Orders, the capitalization as allowed by the Commission differs from the capitalization as claimed by the Petitioner, the Commission has been allowing depreciation on the gross block at the beginning of the year at the weighted average rate. The Commission for the purpose of this Order has considered full depreciation on opening GFA and depreciation for half year on additions during the year for FY 2010-11 and FY 2011-12, as reconciliation statement submitted by the Petitioner depicts that the Assets have been Capitalised not only at the beginning of the year but also during the year. The Commission shall take into consideration the same aspect during the final truing up of FY 2004-05 to FY 2011-12. For the purpose of provisional truing up of FY 2010-11 and FY 2011-12, the Commission has considered the same weighted average rate of 2.99% based on the weighted average rate considered by the Commission in its previous Order. The Commission in accordance with the Regulations has not computed depreciation on assets created out of Deposit Works.

Accordingly, depreciation approved by the Commission for FY 2010-11 and FY 2011-12 works out to Rs. 12.91 Crore and Rs. 15.78 Crore respectively, against the Petitioner's claim of Rs. 17.75 Crore and Rs. 23.89 Crore. The Summary of Depreciation charges for FY 2010-11 and FY 2011-12 is shown in the Table below:

**Table 6.13: Depreciation Charges approved by the Commission for FY 2010-11 (Rs. Crore)**

Particulars	FY 2010-11						
	Opening GFA (A)	Grants (B)	Depreciable opening GFA (C=A-B)	Additions during the year (D)	Grants (E)	Depreciable GFA of additions (F=D-E)	Depreciation (2.99% x (C+F/2))
<b>Old Assets</b>	120.90	0.00	120.90	0.00	0.00	0.00	3.61
<b>Additions</b>							
REC Old Schemes	45.40	0.00	45.40	40.01	0.00	40.01	1.96
NABARD Schemes	176.64	0.00	176.64	10.92	0.00	10.92	5.44
REC New Schemes	40.80	0.00	40.80	19.42	0.00	19.42	1.51
REC-IV scheme	0.00	0.00	0.00	4.15	0.00	4.15	0.06
REC-V Scheme	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PFC-Capital R&M works	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deposit Works	39.32	39.32	0.00	0.00	0.00	0.00	0.00
Other than Schemes	9.77	0.00	9.77	2.20	0.00	2.20	0.32
<b>Total</b>	<b>432.82</b>	<b>39.32</b>	<b>393.50</b>	<b>76.69</b>	<b>0.00</b>	<b>76.69</b>	<b>12.91</b>

**Table 6.14: Depreciation Charges approved by the Commission for FY 2011-12 (Rs. Crore)**

Particulars	FY 2011-12						
	Opening GFA (A)	Grants (B)	Depreciable opening GFA (C=A-B)	Additions during the year (D)	Grants (E)	Depreciable GFA of additions (F=D-E)	Depreciation (2.99% x (C+F/2))
<b>Old Assets</b>	97.87	0.00	97.87	0.00	0.00	0.00	2.93
<b>Additions</b>							
REC Old Schemes	85.40	0.00	85.40	23.27	0.00	23.27	2.90
NABARD Schemes	187.56	0.00	187.56	9.13	0.00	9.13	5.74
REC New Schemes	60.22	0.00	60.22	22.58	0.00	22.58	2.14
REC-IV scheme	4.15	0.00	4.15	20.11	0.00	20.11	0.42
REC-V Scheme	0.00	0.00	0.00	53.04	0.00	53.04	0.79
PFC-Capital R&M works	0.00	0.00	0.00	33.06	0.00	33.06	0.49
Deposit Works	39.32	39.32	0.00	23.02	23.02	0.00	0.00
Other than Schemes	11.97	0.00	11.97	0.00	0.00	0.00	0.36
<b>Total</b>	<b>486.48</b>	<b>39.32</b>	<b>447.17</b>	<b>184.20</b>	<b>23.02</b>	<b>161.18</b>	<b>15.78</b>

### 6.1.11 Advance against Depreciation

Regulation 19 of the UERC (Terms & Conditions for Determination of Transmission Tariff) Regulations, 2004 stipulates as follows:

*“In addition to allowable depreciation, the transmission licensee shall be entitled to an advance against depreciation, computed in the manner given hereunder.*

*AAD = Loan repayment amount as per regulation 17 subject to a ceiling of 1/10th of loan amount as per regulation 15(5) minus depreciation as per schedule.*

*Provided that Advance Against Depreciation shall be permitted only if the cumulative repayment up to a particular year exceeds the cumulative depreciation up to that year;*

*Provided further that Advance Against Depreciation in a year shall be restricted to the extent of difference between cumulative repayment and cumulative depreciation up to that year.*

*On repayment of entire loan, the remaining depreciable value shall be spread over the balance useful life of the asset.”*

The Petitioner has not claimed the advance against depreciation for FY 2010-11 and FY 2011-12.

The Commission has considered Regulation 19 of UERC Tariff Regulations, 2004 for working out the allowable Advance Against Depreciation (AAD). The Commission has considered the loans corresponding to capitalised GFA under each scheme as detailed above in the financing portion irrespective of actual loans. The Commission noted that due to moratorium available on repayments of the loans taken under different schemes, the actual repayment is linked with the date of release of the loan tranche irrespective of actual date of capitalisation of asset created. Since the Commission is considering loans only on the date of capitalisation for working out interest, it can allow repayments only after the loan is recognized upon capitalisation of asset. Accordingly, for those tranches of loan where the actual repayment starts on or after the date of capitalisation, the Commission has considered actual repayments and for tranches of loan where repayments starts before the date of capitalisation, repayments have been assumed to start from the date of loan capitalisation over the approved loan tenure. The repayments have, therefore, been taken as lower of the two, i.e. normative repayments after the date of capitalisation and actual repayments due as per the drawl schedule. On the basis of the above, the Commission has worked the advance against depreciation for FY 2010-11 and FY 2011-12 as Rs. 18.05 Crore and Rs. 21.67 Crore respectively. The details of the advance against depreciation approved by the Commission for FY 2010-11 and FY 2011-12 are shown in the Table below:



**Table 6.15: Advance Against Depreciation charges approved by the Commission (Rs. Crore)**

S. No.	Particulars	FY 2010-11	FY 2011-12
1	1/10th of the Loan	30.96	44.10
2	Repayment of the Loan(s) as considered for working out interest on Loan	31.70	37.45
3	<b>Minimum of the above</b>	<b>30.96</b>	<b>37.45</b>
4	Less: Depreciation during the year	12.91	15.78
5	(A) = 3 - 4	18.05	21.67
6	Cumulative Repayment of the Loan(s) as considered for working out Interest on Loan	<b>107.43</b>	<b>144.87</b>
7	Less: Cumulative Depreciation	60.79	76.56
8	(B) = 6 - 7	46.64	68.31
9	<b>Advance Against Depreciation (Minimum of A &amp; B)</b>	<b>18.05</b>	<b>21.67</b>

### 6.1.12 Interest on Loans & Finance Charges

Regulation 17(1) of UERC (Terms & Conditions for Determination of Transmission Tariff) Regulations, 2004 stipulates as follows:

*“Interest on loan capital shall be computed loan-wise including on loans arrived at in the manner indicated in regulation 15(5)”.*

The Commission has worked out the Interest and Finance Charges considering the loan amount corresponding to the assets capitalised in each year based on the approved means of finance. The Petitioner has not submitted the details of Scheme wise Interest paid in FY 2010-11 and FY 2011-12 despite being asked by the Commission. Hence, the Commission has considered Interest rates for estimating interest for FY 2010-11 and FY 2011-12 on the loans from financial institutions at the rates considered by the Commission in the Tariff Order for FY 2012-13. The correction of rate of interest would be carried out during the final truing up exercise. The rate of interest for Capital R&M works funded by PFC has been taken as 11.75% as per the Memorandum of Agreement submitted by the Petitioner. The repayment of loans for working out the interest on REC loans – Old REC, New REC, REC-IV, REC-V have been taken as lower of the normative repayments after the date of capitalisation worked out by the Commission and actual repayments due as per drawl schedule. For normative loans considered for funding of other Schemes, the Commission has considered a weighted average interest rate of other long term loans for that particular year and a normative repayment period of 10 years. The Commission has also computed interest on loan disbursed by PFC for shortfall of NABARD Loan to the extent required in accordance with the approach adopted in the previous Tariff Orders for FY 2009-10, FY 2010-11, FY 2011-12, and FY

2012-13.

Based on the loans and repayment considered and interest rates adopted by the Commission, the interest amount for FY 2010-11 and FY 2011-12 has been calculated, which works out to Rs. 17.12 Crore for FY 2010-11 and Rs. 25.77 Crore for FY 2011-12 against the Petitioner's claim of Rs. 30.31 Crore and Rs. 36.87 Crore for FY 2010-11 and FY 2011-12 respectively. The details of the same are given in the Tables given below:

**Table 6.16: Interest Charges approved by the Commission for FY 2010-11  
(Rs. Crore)**

S.No.	Source	Opg balance			Receipts during the year	Repayments during the year	Closing Balance			Rate of Interest	Interest
		Cumulative loan	Cumulative repayment	Net Loan			Cumulative loan	Cumulative repayment	Net Loan		
1	Old REC	37.20	18.40	18.80	32.78	3.72	69.98	22.12	47.86	11.01%	3.67
2	NABARD	142.34	52.74	89.61	8.80	23.18	151.14	75.92	75.23	6.59%	5.43
3	New REC	40.80	3.29	37.51	19.42	4.08	60.22	7.37	52.85	12.04%	5.44
4	REC IV	-	-	-	2.90	-	2.90	-	2.90	13.78%	0.20
5	REC V	-	-	-	-	-	-	-	-	-	-
6	Others	6.84	1.30	5.54	1.54	0.68	8.38	1.98	6.39	9.08%	0.54
	<b>Sub-Total</b>	<b>227.18</b>	<b>75.73</b>	<b>151.45</b>	<b>65.44</b>	<b>31.66</b>	<b>292.62</b>	<b>107.39</b>	<b>185.24</b>	-	<b>15.28</b>
7	PFC Gap Funding Loan	11.47	-	11.47	8.94	-	20.41	-	20.41	11.50%	1.83
	<b>Total</b>	<b>238.65</b>	<b>75.73</b>	<b>162.92</b>	<b>74.39</b>	<b>31.66</b>	<b>313.04</b>	<b>107.39</b>	<b>205.65</b>	-	<b>17.12</b>

**Table 6.17: Interest Charges approved by the Commission for FY 2011-12  
(Rs. Crore)**

S. No.	Source	Opg balance			Receipts during the year	Repayments during the year	Closing Balance			Rate of Interest	Interest
		Cumulative loan	Cumulative repayment	Net Loan			Cumulative loan	Cumulative repayment	Net Loan		
1	Old REC	69.98	22.12	47.86	19.07	7.00	89.05	29.12	59.93	11.01%	5.93
2	NABARD	151.14	75.92	75.23	7.35	23.18	158.50	99.09	59.41	6.59%	4.44
3	New REC	60.22	7.37	52.85	22.58	6.02	82.80	13.39	69.41	12.04%	7.36
4	REC IV	2.90	-	2.90	14.08	0.29	16.98	0.29	16.69	13.78%	1.35
5	REC V	-	-	-	37.12	-	37.12	-	37.12	11.00%	2.04
6	PFC-Capital R&M works	-	-	-	23.14	-	23.14	-	23.14	10.75%	1.24
7	Others	8.38	1.98	6.39	-	0.84	8.38	2.82	5.56	10.06%	0.60
	<b>Sub-Total</b>	<b>292.62</b>	<b>107.40</b>	<b>185.24</b>	<b>123.35</b>	<b>37.33</b>	<b>415.97</b>	<b>144.71</b>	<b>271.26</b>	-	<b>22.97</b>
8	PFC Gap Funding Loan	20.42	-	20.41	8.06	0.13	28.48	0.13	28.35	11.50%	2.80
	<b>Total</b>	<b>313.04</b>	<b>107.40</b>	<b>205.65</b>	<b>131.41</b>	<b>37.45</b>	<b>444.45</b>	<b>144.84</b>	<b>299.61</b>	-	<b>25.77</b>

The Commission has also computed the guarantee fee to be paid by the Petitioner on the outstanding loan. The Petitioner has considered the guarantee fee as part of A&G expenses. However, the same should be considered as financing charges and should be included in interest

and financing charges. The guarantee fee is payable on the loans for which the GoU has given guarantee and is calculated on the outstanding balance of loan at the end of the year.

The Petitioner, on being asked to submit the basis of Guarantee Fee payable to GoU, has enclosed an Order dated 15.09.2000 of GoUP. Earlier, the financial institutions used to insist on Government Guarantee considering the poor financial situation of the erstwhile State Electricity Boards or the precarious health and inefficient working of Discoms. Now that a separate Transmission Company has been formed whose transmission charges are determined by the Commission based on the principles specified in the Regulations and recovery of the same is envisaged from the beneficiary which are few in numbers, in PTCUL's case, the only beneficiary is UPCL. Hence, securing funds from the financial institutions should not be difficult for PTCUL. **Accordingly, PTCUL is directed to negotiate with the financial institutions not to insist on Government guarantee.**

The Petitioner has claimed guarantee fee of Rs. 1.34 Crore and Rs. 1.56 Crore for FY 2010-11 and FY 2011-12 respectively. However, it appears that the Petitioner has claimed the entire amount of guarantee fee as revenue expenditure. In this regard, the Commission in its Tariff Order for FY 2012-13 has held as under:

*"Further, it has been observed that the Petitioner has claimed the entire amount of guarantee fee as revenue expenditure. The guarantee fee charged is towards the loan amount used to acquire or construct a new asset. Hence, in accordance with the Accounting Standard (AS)-16, it should have been capitalised as part of the cost of the asset and only when the asset had been put to use or capitalised, then the same should have been considered as revenue expenditure. The relevant extract of AS-16 is reproduced hereunder:*

*"Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalised as part of the cost of that asset."*

*Since, the value of capital assets of PTCUL needs scrutiny/examination, for reasons discussed in this Order, accordingly, the Commission has provisionally allowed the guarantee fee on the outstanding loan amount claimed by the Petitioner for FY 2012-13. Necessary corrections will be made during the truing up exercise of FY 2012-13. Hence, the Commission allows a guarantee fee of Rs. 3.93 Crore for FY 2012-13."*

Accordingly, continuing with the same approach, the Commission has worked out the guarantee fee as 1% of the closing balance of REC Old, NABARD and REC IV Scheme and the guarantee fee works out to Rs. 1.26 Crore for FY 2010-11 and Rs. 1.36 Crore for FY 2011-12 against the Petitioner's claim of Rs. 1.34 Crore for FY 2010-11 and Rs. 1.56 Crore for FY 2011-12. Accordingly, the Interest and Finance Charges works out to Rs. 18.38 Crore for FY 2010-11 and Rs. 27.13 Crore for FY 2011-12 against the Petitioner's claim of Rs. 31.65 Crore for FY 2010-11 and Rs. 38.43 Crore for FY 2011-12.

#### **6.1.13 Return on Equity**

The Petitioner has submitted that the equity base has been calculated on the basis of scheme-wise equity contributions. The Petitioner has submitted that average of opening and closing equity has been considered for computation of Return on Equity.

The Commission has not been allowing Return on Equity on funds deployed by GoU out of PDF fund for various reasons recorded in the previous Tariff Orders. The Commission would like to point out that unlike other funds available with the Government, collected through taxes and duties, PDF is a dedicated fund created in accordance with the provisions of the PDF Act passed by the GoU. PDF Act and Rules made there-under, further, clearly indicate that money available in this fund has to be utilized for the purposes of development of generation and transmission assets. The money for the purpose of this fund is collected by the State Government through cess imposed on the electricity generated by State Hydro Generating Stations which are more than 10 years old. The cost of such cess is further passed on to UPCL and which in turn recovers the same from ultimate consumers of electricity through tariffs. The money available in this fund is, accordingly, provided by the consumers of electricity in the State and is, accordingly, their money. In this connection, it needs to be highlighted that in case Commission allows returns on such money invested by the Government it would tantamount to double loading on consumers, first for financing the equity and then for servicing the same, i.e. first in the form of cess and, thereafter, in the form of return allowed to utilities/licensees as both these form part of respective utilities/licensees ARR and would ultimately be recovered from the final consumers of electricity through tariffs.

In this regard, UJVN Limited had in its MYT Petition for the Control Period had submitted that Power Development Fund, in past, has been funded through contribution from, State Government under Section 5 of the PDF Act, in addition to being funded by the Cess on Hydro

Generation. However, the same was not substantiated by UJVN Limited and it failed to provide any of the documentary evidence by way of related Vidhan sabha's resolution or the State Government's Order. At this point of time it would be difficult to give credence to this contention. The Commission recognising that this issue has substantial financial implication mainly on the return on equity of assets created out of this fund and it will require examination. Keeping this in view, the Commission has decided to give another opportunity to the Petitioner also to bring up evidence in support of this contention that this fund, also included the contributions made by the State Government and if so, the extract thereof. For the present, practise of not permitting return on equity on the fund utilised out of PDF assistance is being continued. **The Petitioner is directed to bring up the above mentioned evidence within 6 month of the date of Order. The Commission shall take a final view in the matter in the 1st APR of the control period.**

Further, regarding the return on assets inherited from UPCL, it would be relevant to take note of the submission of the Petitioner in previous Petitions that pending finalisation of its transfer scheme, its equity has not been ascertained by GoU and on finalisation of the capital structure, as part of the finalized Transfer Scheme, the Petitioner would approach the Commission for claiming Return on Equity on the transfer value of equity funds. Further, this issue is linked to the finalisation of the transfer scheme not only between UPCL and PTCUL but also between UPPCL and UPCL. Hence, unless the said transfer schemes are finalised and notified by the GoU, the Commission feels it appropriate to maintain status quo in the matter. Accordingly, the Commission has allowed the return on equity only on the opening normative equity of Rs. 2.93 Crore for FY 2010-11 and Rs. 3.59 Crore for FY 2011-12 which at the rate of 14% works out to Rs. 0.41 Crore for FY 2010-11 and Rs. 0.50 Crore for FY 2011-12 against the Petitioner's claim of Rs. 9.95 Core and Rs. 15.14 Crore respectively. The Return on Equity approved by the Commission is shown in the Table below:

**Table 6.18: Return on Equity approved by the Commission for FY 2010-11 and FY 2011-12 (Rs. Crore)**

Particulars	FY 2010-11			FY 2011-12		
	Approved in Tariff Order	Claimed	Approved on truing up	Approved in Tariff Order	Claimed	Approved on truing up
Equity base eligible for Return	0.96	-	2.93	1.11	-	3.59
Rate of Return	14%	14%	14%	14%	14%	14%
<b>Return on Equity</b>	<b>0.13</b>	<b>9.95</b>	<b>0.41</b>	<b>0.16</b>	<b>15.14</b>	<b>0.50</b>

#### **6.1.14 Operation and Maintenance (O&M) expenses**

The Commission, in its previous Orders, had adopted a different approach from that specified in the Tariff Regulations of the Commission for determining the O&M expenses of the Petitioner keeping in view the fact that the implementation of Sixth Pay Commission's Recommendations has not only considerably increased the salary and allowances of employees but also altered the structure of pay scales. The Commission in the Tariff Orders for FY 2009-10, FY 2010-11, FY 2011-12 and FY 2012-13 had, accordingly, considered the three elements of the O&M expenses, i.e. Employee expenses, R&M expenses and Administrative and General expenses separately. The Commission, for the purposes of this Order also has considered the same approach for truing up the O&M expenses of the Petitioner. Accordingly, for realistic assessment of O&M expenses for FY 2010-11 and FY 2011-12, the Commission asked the Petitioner to submit the details of actual employee expenses (salary details) excluding arrears on account of implementation of VI pay Commission's report. The Petitioner was also asked to submit the details of actual arrears assessed on implementation of Sixth Pay Commission's report and payment made during FY 2009-10, FY 2010-11 and FY 2011-12 on this account which has been considered as part of Employee expenses for FY 2010-11 and FY 2011-12.

The submissions of the Petitioner and the approach adopted by the Commission for approving the various components of O&M expenses for FY 2010-11 and FY 2011-12 are discussed below.

#### **6.1.15 Employee Expenses**

Employee expenses of the Petitioner are basically linked to the Government approved scales and allowances and the Petitioner has no control over it. It has to pay its employees the salary and allowances as approved by the Government from time to time. Most of the components of this expense, therefore, need to be allowed at actual.

For approving the employee expenses for FY 2010-11 and FY 2011-12, the Commission first analysed the employee cost for employees submitted by the Petitioner. However, on analysis of the information submitted by the Petitioner, the Commission observed that the actual salary details submitted by the Petitioner were inclusive of the Sixth Pay Commission arrears. Thus, for arriving at the basic salaries for FY 2010-11 and FY 2011-12, the Commission considered the actual salary details excluding arrears of Sixth Pay Commission submitted by the Petitioner. Further, the

Petitioner was asked to submit the total year wise provisions made in its Accounts for payment of arrears of VI Pay Commission during FY 2006-07 to FY 2009-10 and the year wise payments made during FY 2009-10 to FY 2011-12 on account of the same. The Petitioner submitted that provision of Rs. 8.55 Crore and Rs. 5.27 Crore has been made in FY 2007-08 and FY 2008-09 respectively. The Petitioner also submitted that payments of Rs. 6.49 Crore in FY 2009-10, Rs. 4.14 Crore in FY 2010-11 and Rs. 2.32 Crore in FY 2011-12 have been made towards arrears of Sixth Pay Commission.

The Commission accepts the Petitioner's claim of Rs. 37.68 Crore for employee expenses for FY 2010-11 based on the audited accounts, which is inclusive of payments made towards arrears of Sixth Pay Commission.

The Commission observed that the Petitioner in its Petition has claimed Rs. 2.07 Crore in FY 2011-12 on account of arrears of Sixth Pay Commission which was also corroborated with the accounts submitted by the Petitioner for the said Financial Year whereas in the subsequent submission, Rs. 2.32 Crore was submitted as payment made towards arrears of Sixth Pay Commission. **The Petitioner is hereby cautioned to ensure consistency in its submissions as such discrepancies would delay the regulatory process and also directs to reconcile the two sets of figures.** The Commission will take a final view on the same during the final truing up of these years. The Commission observed from the accounts submitted by the Petitioner for FY 2011-12 that the payment made towards arrears of VI Pay Commission has only been Rs. 2.07 Crore.

The Commission observed that the annual accounts for FY 2011-12 submitted by the Petitioner does not depict the employee expenses capitalised. The Petitioner was asked to submit the gross employee expenses and net employee expenses for FY 2011-12. The Petitioner submitted the gross employee expenses for FY 2011-12 as Rs. 51.28 Crore and net employee expenses as Rs. 45.93 Crore. The Commission considered the net employee expenses as per the audited accounts for FY 2011-12 which is Rs. 45.93 Crore.

Accordingly, the Commission has allowed the Petitioner's claim of Rs. 37.68 Crore and Rs. 45.93 Crore for FY 2010-11 and FY 2011-12 respectively. The following Table shows the summary of the trued up employee expenses for FY 2010-11 and FY 2011-12:

**Table 6.19: Employee expenses approved by the Commission for FY 2010-11 and FY 2011-12 (Rs. Crore)**

Particulars	FY 2010-11			FY 2011-12		
	Approved in Tariff Order	Claimed	Approved on truing up	Approved in Tariff Order	Claimed	Approved on truing up
Salaries	21.85	16.47	16.47	25.61	22.80	22.80
Additional Pay/Dearness Allowance (DA)	9.29	8.44	8.44	15.25	10.72	10.72
Other Allowances & Relief	2.45	2.23	2.23	2.05	2.37	2.37
Interim Relief/Wage Revision	0.00	0.00	0.00	0.00	0.00	0.00
Honorarium/Overtime	0.00	0.00	0.00	0.30	0.00	0.00
Statutory Bonus/ Ex-Gratia	0.00	0.25	0.25	0.00	0.25	0.25
Director's remuneration	0.00	0.00	0.00	0.00	0.00	0.00
<b>Sub Total</b>	<b>33.58</b>	<b>27.39</b>	<b>27.39</b>	<b>43.21</b>	<b>36.14</b>	<b>36.14</b>
<b>Other Costs</b>						
Medical Expenses Reimbursement	0.00	0.43	0.43	0.27	0.35	0.35
Travelling Allowance (conveyance Allowance)	0.00	0.00	0.00	0.00	0.00	0.00
Leave Travel Assistance	0.00	0.00	0.00	2.07	0.00	0.00
Earned Leave Encashment	2.61	1.60	1.60	3.38	2.40	2.40
Payment Under Workman's Compensation and Gratuity	0.00	0.00	0.00	0.00	0.00	0.00
Subsidised Electricity to Employees	0.00	0.00	0.00	0.00	0.00	0.00
Any Other Item	0.00	3.26	3.26	0.05	3.61	3.61
Staff Welfare Expenses	0.00	0.00	0.00	0.06	0.00	0.00
<b>Sub Total</b>	<b>2.61</b>	<b>5.29</b>	<b>5.29</b>	<b>5.83</b>	<b>6.36</b>	<b>6.36</b>
<b>Contribution to Terminal Benefits</b>						
Provident Fund Contribution		0.23	0.23	6.91	0.25	0.25
Contribution towards PF Fund	5.26	1.60	1.60	0.00	1.89	1.89
Any Other Items		3.58	3.58	0.00	4.56	4.56
<b>Sub Total</b>	<b>5.26</b>	<b>5.41</b>	<b>5.41</b>	<b>6.91</b>	<b>6.70</b>	<b>6.70</b>
<b>Grand Total</b>	<b>41.45</b>	<b>38.09</b>	<b>38.09</b>	<b>55.94</b>	<b>49.20</b>	<b>49.20</b>
Employee expenses capitalized	5.56	4.55	4.55	9.26	5.34	5.34
<b>Net Employee expenses (E-F)</b>	<b>35.89</b>	<b>33.54</b>	<b>33.54</b>	<b>46.69</b>	<b>43.86</b>	<b>43.86</b>
Arrears of VI Pay Commission	4.6	4.14	4.14	4.86	2.07	2.07
Less: Salary for UITP Projects	0.00	0.00	0.00	2.34	0.00	0.00
<b>Net Charged to Revenue</b>	<b>40.49</b>	<b>37.68</b>	<b>37.68</b>	<b>49.21</b>	<b>45.93</b>	<b>45.93</b>

**6.1.16 Repairs and Maintenance Expenses**

The Petitioner has claimed the actual R&M expenses as per the audited accounts for FY 2010-11 and FY 2011-12 for truing up of respective years. The Commission observed that the actual R&M expenses for FY 2010-11 are higher by 8.59% as compared to the approved expenses in Tariff Order for FY 2010-11 and for FY 2011-12, higher by 30.35% as compared to the approved expenses in Tariff Order for FY 2011-12. The Petitioner was asked to submit the justification for huge increase in R&M expenses of FY 2011-12 as compared to the approved expenses in Tariff Order for FY 2011-12. The Petitioner submitted that the transmission assets transferred to it during unbundling were very old resulting in higher costs towards maintenance activities and due to the uncertainty in determination of maintenance activities, the R&M expenses should be considered as uncontrollable.



The Petitioner further submitted that R&M activities in the State are largely dependent on external conditions in the State like amount of snowfall, temperature, etc. The Petitioner also submitted that the increase in R&M expenses in FY 2011-12 is on account of large addition in gross fixed assets during FY 2010-11 and FY 2011-12. The Petitioner submitted that Rs. 351 Crore of GFA has been added during FY 2010-11 and FY 2011-12 as against Rs. 677 Crore since inception. The Petitioner submitted that large addition in GFA resulted in increase of R&M expenses for FY 2011-12 under the head "lines and cable network".

The Commission is of the view that denial of R&M expenses already incurred by the Petitioner would hamper the quality of service and might adversely affect the consumers of the State. Hence, for the purpose of truing up of R&M expenses for FY 2010-11 and FY 2011-12, the Commission has considered the actual R&M expenses as per the annual accounts submitted by the Petitioner. However, the Commission does not agree with the submission of the Petitioner that R&M expenses are uncontrollable. The Commission has been approving the R&M expenses for the Petitioner in the Tariff Orders in accordance with the Regulations which provide for suitable escalation factor for R&M expenses year on year. The Commission also advises the Petitioner to exercise control over its R&M expenses. The management should realise the utility of such expenditure before approving the same. **The Commission cautions the Petitioner that it is expected to exercise efficiency and economy in spending the money and that it would allow only such expenses which were uncontrollable based on the prudence check. The Commission, therefore, directs the Petitioner to carry out a benchmarking study of R&M expenses as percentage of closing Gross Fixed Assets of previous year, i.e. FY 2012-13 duly considering the R&M expenses of Transmission Utilities in other States of India, with the geographical conditions similar to the State of Uttarakhand and submit the same alongwith the truing up Petition for FY 2012-13.**

Accordingly, the Commission has allowed the Petitioner's claim of Rs. 11.75 Crore and Rs. 18.03 Crore for FY 2010-11 and FY 2011-12 respectively. The following Table shows the summary of the trued up R&M expenses for FY 2010-11 and FY 2011-12:

**Table 6.20: R&M expenses approved by the Commission for FY 2010-11 and FY 2011-12 (Rs. Crore)**

Particulars	FY 2010-11			FY 2011-12		
	Approved in Tariff Order	Claimed	Approved on truing up	Approved in Tariff Order	Claimed	Approved on truing up
Plant and Machinery	8.31	6.95	6.95	9.21	9.58	9.58
Building	0.54	1.31	1.31	1.54	2.34	2.34
Civil Works	0.11	0.00		0.29	0.00	
Hydraulic Works	0.00	0.00	0.00	0.00	0.00	0.00
Lines, Cables, Networks etc.	1.86	3.49	3.49	2.78	6.10	6.10
Vehicles	0.00	0.00	0.00	0.01	0.00	0.00
Furniture and Fixtures	0.00	0.00	0.00	0.00	0.00	0.00
Office Equipments	0.00	0.00	0.00	0.00	0.00	0.00
Station supplies	0.00	0.00	0.00	0.00	0.00	0.00
Other Credits to R&M Charges	0.00	0.00	0.00	0.00	0.01	0.01
<b>Total</b>	<b>10.82</b>	<b>11.75</b>	<b>11.75</b>	<b>13.83</b>	<b>18.03</b>	<b>18.03</b>

**6.1.17 Administrative and General Expenses**

The Petitioner claimed A&G expenses of Rs. 12.76 Crore for FY 2010-11 and Rs. 14.82 Crore for FY 2011-12. The Commission observed that for FY 2011-12, the Petitioner in its Petition has prorated A&G expenses under various heads in proportion of the claimed A&G expenses for FY 2010-11. The Commission is of the view that such a practice by the Petitioner does not provide a clear picture for comparison vis-a-vis the expenses as per approved expenses in Tariff Order. The Commission advises the Petitioner to maintain consistency in its submissions. The Commission for the purpose of truing up has considered the A&G expenses for FY 2010-11 and FY 2011-12 as per the annual accounts submitted by the Petitioner.

Further, the Commission has not considered guarantee fee as part of the A&G expenses as claimed by the Petitioner as it should be considered as part of Interest and Finance Charges and has, accordingly, reduced the amount of guarantee fee claimed by the Petitioner for FY 2010-11 and FY 2011-12. This issue has already been dealt with by the Commission in Section 6.1.12 of the Order.

Accordingly, for FY 2010-11, from the claimed Gross A&G expenses of Rs. 13.99 Crore, the Commission has reduced the Guarantee Fee of Rs. 1.34 Crore and has allowed the Gross A&G expenses of Rs. 12.64 Crore. Further, the Commission observed that the A&G expenses capitalised in FY 2010-11 is Rs. 1.22 Crore as against Rs. 0.46 Crore approved in Tariff Order for FY

2010-11. Accordingly, after reducing the capitalised expenses from the Gross A&G expenses approved by the Commission, the Commission has allowed net A&G expenses of Rs. 11.42 Crore against Rs. 12.76 Crore claimed by the Petitioner.

The annual accounts for FY 2011-12 do not depict the expense under the head License Fee. The Petitioner in its submission, submitted that License Fee is booked in the accounts under the Accounting Group Code carrying a nomenclature of "Fees and Subscription".

Further the Commission asked the Petitioner to submit the details of License Fee paid for FY 2011-12. The Petitioner submitted that Rs. 5.86 Crore has been paid as License Fee for FY 2011-12. The Commission has considered the License Fee as Rs. 5.86 Crore for FY 2011-12 out of Rs. 6.13 Crore under the head Fees and Subscription and the balance as other regular subscriptions other than License Fee payable to the Commission and, accordingly, approved Rs. 6.13 Crore under the head Fees and Subscription.

Further, the Commission observed that the annual accounts for FY 2011-12 submitted by the Petitioner do not depict the A&G expenses capitalised. The Petitioner was asked to submit the gross A&G expenses and net A&G expenses in FY 2011-12. The Petitioner submitted the gross A&G expenses for FY 2011-12 as Rs. 16.24 Crore and net A&G expenses as Rs. 14.82 Crore. Again, the Commission observed that the Petitioner submitted gross A&G expenses for FY 2011-12 as Rs. 16.24 Crore in its Petition and as Rs. 16.28 Crore in subsequent submission. **The Commission cautions the Petitioner to ensure consistency in its submission as such inconsistency would lead to unnecessary delays in the regulatory process.** The Commission considered the Petitioner's submission in the Petition. The Commission considered the Net A&G expenses for FY 2011-12 as Rs. 14.82 Crore as per audited accounts and capitalised expenses as Rs. 1.42 Crore as submitted by the Petitioner.

Further, the Commission observed that the A&G expenses capitalised actually in FY 2010-11 and FY 2011-12 of Rs. 1.22 Crore and Rs. 1.42 Crore is less than the amount considered by the Commission in its Order for the respective years which were based on the Petitioner's submissions. The Commission after observing the A&G expenses capitalised from FY 2004-05 to FY 2011-12 finds it necessary to scrutiny the A&G expenses capitalised. **Hence, the Commission directs the Petitioner to submit the capitalisation policy of its A&G expenses along with the Petition for truing up of FY 2012-13.**

Accordingly, the Commission has allowed the Gross A&G expenses of Rs. 13.26 Crore for FY FY 2011-12 based on the accounts of the Petitioner after deducting the guarantee fee claimed by it against the Petitioner's claim of Rs. 14.82 Crore. The following Table shows the summary of the trued up A&G expenses for FY 2010-11 and FY 2011-12:

**Table 6.21: A&G expenses approved by the Commission for FY 2010-11 and FY 2011-12 (Rs. Crore)**

Item	FY 2010-11			FY 2011-12		
	Approved in Tariff Order	Claimed	Approved on truing up	Approved in Tariff Order	Claimed	Approved on truing up
Rent, Rates & Taxes	0.58	0.23	0.23	0.46	0.27	0.37
Insurance	0.01	0.01	0.01	0.01	0.01	0.00
Telephone postage & Telegrams	0.50	0.48	0.48	0.46	0.56	0.45
Legal Charges	0.08	0.28	0.28	0.05	0.32	0.04
Audit Fees	0.20	0.17	0.17	0.25	0.20	0.16
Consultancy Charges	0.36	0.00	0.00	0.56	0.00	0.39
Technical Fees	0.00	0.00	0.00	0.20	0.00	#
License Fee	4.56	5.37	5.37	5.65	6.24	#
Conveyance & Travelling	0.89	1.86	1.86	0.83	2.16	0.46
Electricity & water charges	0.01	0.09	0.09	0.11	0.11	0.10
Printing & Stationery	0.13	0.19	0.19	0.13	0.22	0.25
Advertisement	0.65	0.26	0.26	0.61	0.30	0.64
Fees & Subscription	0.05	1.09	1.09	0.00	1.26	6.13
Training Expenses	0.07	0.00	0.00	1.98	0.00	1.80
Security Charges	0.00	0.00	0.00	0.61	0.00	2.39
Guarantee Fee	0.00	1.34	0.00	0.00	1.56	0.00
Misc/Other expenses	2.01	2.61	2.61	1.70	3.03	1.49
<b>Total expenses</b>	<b>10.10</b>	<b>13.99</b>	<b>12.64</b>	<b>13.61</b>	<b>16.24</b>	<b>14.68</b>
Less : Capitalised	0.46	1.22	1.22	4.14	1.42	1.42
<b>Net charged to Revenue</b>	<b>9.64</b>	<b>12.76</b>	<b>11.42</b>	<b>9.47</b>	<b>14.82</b>	<b>13.26</b>

#included in Fees & Subscription

#### 6.1.18 O&M Expenses

The total O&M expenses claimed and approved for FY 2010-11 and FY 2011-12 based on the discussion above are given in the following Table:

**Table 6.22: O&M expenses approved by the Commission for FY 2010-11 and FY 2011-12 (Rs. Crore)**

Particulars	FY 2010-11			FY 2011-12		
	Approved in Tariff Order	Claimed	Approved on truing up	Approved in Tariff Order	Claimed	Approved on truing up
Gross Employee expenses	35.89	33.54	33.54	44.35	43.86	43.86
Arrears of VI Pay Commission	4.60	4.14	4.14	4.86	2.07	2.07
Total Employee expenses	40.49	37.68	37.68	49.21	45.93	45.93
R&M expenses	10.83	11.75	11.75	13.83	18.03	18.03
A&G expenses	9.64	11.42*	11.42	9.47	13.26*	13.26
Add: for Capitalisation in previous year	0.72	-	-	1.52	-	-
<b>Total O&amp;M expenses</b>	<b>61.68</b>	<b>60.85</b>	<b>60.85</b>	<b>74.03</b>	<b>77.22</b>	<b>77.22</b>

\*excluding Guarantee Fee claimed

#### 6.1.19 Interest on Working Capital

Regulation 21 of UERC (Terms & Conditions for determination of Transmission Tariff) Regulations, 2004 states that interest on Working Capital should be calculated as under:

“Working Capital shall cover:

- Operation and Maintenance expenses for one month;
- Maintenance spares @ 1% of the historical cost escalated @ 6% per annum from the date of commercial operation (in case of PTCUL's transmission system transferred from UPPCL, historical cost shall be the cost as on the date of unbundling of UPSEB to be escalated @ 6% p.a. thereafter), and
- Receivables equivalent to two months of transmission charges calculated on target availability level.

(2) Rate of interest on working capital shall be on normative basis and shall be equal to the short-term Prime Lending Rate of State Bank of India as on 1.4.2004 or on 1st April of the year in which the project or part thereof, as the case may be, is declared under commercial operation, whichever is later. The interest on working capital shall be payable on normative basis notwithstanding that the transmission licensee has not taken working capital loan from any outside agency.”

The Petitioner submitted that the Interest on Working Capital has been submitted in accordance with the provisions of the Regulations, considering the rate of Interest as considered by

the Commission in the Tariff Orders for FY 2010-11 and FY 2011-12 for computation of Interest on Working Capital.

#### **6.1.20 One Month O&M Expenses**

The annual O&M expenses approved by the Commission are Rs. 60.85 Crore for FY 2010-11 and Rs. 77.22 Crore for FY 2011-12. Based on the approved O&M expenses, one month's O&M expenses works out to Rs. 5.07 Crore for FY 2010-11 and Rs. 6.44 for FY 2011-12.

#### **6.1.21 Maintenance Spares**

The Commission has considered the maintenance spares on the basis of the relevant Regulations on the historical cost as well as on the additional capitalisation, which works out to Rs. 6.31 Crore for FY 2010-11 and Rs. 8.22 Crore for FY 2011-12.

#### **6.1.22 Receivables**

The Commission has approved the receivables for two months based on the trued up Annual Transmission Charges of Rs. 113.06 Crore for FY 2010-11 and Rs. 148.79 Crore for FY 2011-12, which works out to Rs. 18.84 Crore for FY 2010-11 and Rs. 24.80 Crore for FY 2011-12.

Based on the above, the total working capital requirement of the Petitioner for FY 2010-11 works out to Rs. 30.23 Crore and for FY 2011-12 works out to be Rs. 39.45 Crore. The Commission has considered the SBI PLR of 11.75% as on April 1, 2010 for FY 2010-11 and 13.25% as on April 1, 2011, as the rate at which interest on working capital would be allowed in accordance with the principle adopted in the previous Tariff Orders, and, accordingly, the interest on working capital works out to Rs. 3.55 Crore for FY 2010-11 and Rs. 5.23 Crore for FY 2011-12 against the Petitioner's claim of Rs. 3.65 Crore and Rs. 5.39 Crore respectively. The interest on working capital for FY 2010-11 and FY 2011-12 approved by the Commission is shown in the Table below:

**Table 6.23: Interest on Working Capital approved by the Commission for FY 2010-11 and FY 2011-12 (Rs. Crore)**

Particulars	FY 2010-11			FY 2011-12		
	Approved in Tariff Order	Claimed	Approved on truing up	Approved in Tariff Order	Claimed	Approved on truing up
O&M expenses for one month	5.14	5.18	5.07	6.17	6.57	6.44
Maintenance Spares	6.87	8.93	6.31	8.07	11.96	8.22
Receivables (2 months)	16.96	16.96	18.84	21.37	22.15	24.80
<b>Working Capital</b>	<b>28.97</b>	<b>31.07</b>	<b>30.23</b>	<b>35.61</b>	<b>40.68</b>	<b>39.45</b>
Rate of Interest	11.75%	11.75%	11.75%	11.75%	13.25%	13.25%
<b>IWC</b>	<b>3.40</b>	<b>3.65</b>	<b>3.55</b>	<b>4.18</b>	<b>5.39</b>	<b>5.23</b>

### 6.1.23 Non-Tariff Income

The Petitioner submitted its non-tariff income for FY 2010-11 as Rs. 1.09 Crore and for FY 2011-12 as Rs. 2.35 Crore. In absence of any yardstick for estimating the non-tariff income of the Petitioner, the Commission accepts the same for FY 2010-11 and FY 2011-12.

### 6.1.24 Annual Transmission Charges (ATC) for FY 2010-11 and FY 2011-12

The component-wise break-up of Annual Transmission Charges approved by the Commission for FY 2010-11 and FY 2011-12 is given in the Table below:

**Table 6.24: Annual Transmission Charges for FY 2010-11 and FY 2011-12 (Rs. Crore)**

Particulars	FY 2010-11			FY 2011-12		
	Approved in Tariff Order	Claimed	Approved on truing up	Approved in Tariff Order	Claimed	Approved on truing up
Net O&M expenses	61.68	60.85	60.85	74.03	77.22	77.22
Interest charges	14.86	30.31	17.12	20.12	36.87	25.77
Depreciation	12.92	17.75	12.91	14.40	23.89	15.78
Guarantee Fee	-	1.34	1.26	0.49	1.56	1.36
Advance Against Depreciation	10.47	-	18.05	17.71	-	21.67
Interest on Working Capital	3.40	3.65	3.55	4.18	5.39	5.23
Reasonable Return	0.13	9.95	0.41	0.16	15.14	0.50
<b>Net Expenditure</b>	<b>103.47</b>	<b>123.85</b>	<b>114.15</b>	<b>131.08</b>	<b>160.07</b>	<b>147.54</b>
Less: Non-Tariff Income	1.73	1.09	1.09	2.86	2.35	2.35
True up of FY 2009-10				3.60		3.60
<b>Aggregate Revenue Requirement (ARR)</b>	<b>101.74</b>	<b>122.76</b>	<b>113.06</b>	<b>131.82</b>	<b>157.72</b>	<b>148.79</b>
<b>Gap(+)/Surplus(-)</b>			<b>11.32</b>			<b>16.97</b>

#### **6.1.25 Carrying Cost of Deficit**

The Petitioner has claimed an amount of Rs. 56.92 Crore as carrying cost on deficit for truing up claimed by it for the period FY 2004-05 to FY 2011-12. However, for reasons already discussed, the Commission has carried out the provisional truing up for FY 2010-11 and FY 2011-12 only which results in overall gap of Rs. 28.28 Crore. Regulation 4(4) of UERC (Terms and Conditions for Truing Up of Tariff) Regulations, 2008 specifies as under:

*"The Commission may allow carrying cost of such variations which shall be limited to the interest rate approved for working capital borrowings."*

Hence, in accordance with the Regulation quoted above, the Commission will allow the carrying cost on the net gap for FY 2010-11 and FY 2011-12 to be recovered alongwith the ARR of FY 2013-14 at the rate of Short term Prime Lending Rate of SBI considered for allowing interest on working capital. Thus, the carrying cost allowable to the Petitioner works out to Rs. 7.83 Crore which would be recovered alongwith the net gap of Rs. 28.28 Crore in the ARR for FY 2013-14. Hence, total recovery of Rs. 36.11 Crore, due to the impact of truing up for FY 2010-11 and FY 2011-12, would be recovered in FY 2013-14.

#### **6.1.26 Transmission Losses**

The Petitioner submitted the Transmission Losses for FY 2010-11 as 1.83% and for FY 2011-12 as 1.88%.

The Commission in Para 5.12 of its Tariff Order for FY 2008-09 had directed the Petitioner as under:

*"The Petitioner is hereby directed to devise and develop, in consultation with the beneficiary, a suitable infrastructure and mechanism, for collection and collation of information required for calculation of actual auxiliary consumption in substations, voltage-wise losses in various parts and availability, in accordance with the Regulations and submit a report thereon within a period of three months from this Order."*

The Commission in its previous Tariff Orders had pointed out that the Petitioner has not complied with the direction and has not submitted any information in this regard and the Petitioner was directed to submit the report within a period of three months from the Order. However, the Commission has taken note of the information submitted by the Petitioner in this regard which has



been found to be inadequate. The Commission had directed the Petitioner to submit calculation of substation wise actual auxiliary consumption, voltage-wise losses in various parts and availability, however, the Petitioner has not submitted the information on voltage-wise transmission losses. **The Commission, therefore, once again directs the Petitioner to devise and develop a suitable infrastructure and mechanism, for collection and collation of information required for calculation of voltage-wise losses in various parts and system availability in accordance with the Regulations and submit a report thereon within a period of three months from this Order.**

#### **6.1.27 Target Availability**

As per the UERC (Terms and conditions for determination of Transmission Tariff) Regulations 2004, the Petitioner is entitled to full recovery of Annual Transmission Charges only if it achieves target availability of 98% for its AC system and in case the Availability is less than 98%, the recovery of ATC gets reduced to that extent on pro-rata basis. The Commission vide its letter no. 1296/UERC/08/59 dated December 12, 2008 had directed the Petitioner to submit transmission availability report for each month within 7 days of each month in prescribed formats both in hard copy and soft copy. The Commission in its Tariff Order for FY 2011-12 had observed that the Petitioner had adopted an inconsistent approach towards submission of the report and was not submitting the transmission availability reports to the Commission in accordance with the directives. The Petitioner has, since April 2011 started submitting the month wise availability reports to the Commission. The Petitioner vide its letter dated April 20, 2011 informed the Commission that its annual system Availability during FY 2010-11 was 99.14%. Also, the Petitioner in its Petition submitted that its annual system Availability during FY 2011-12 was 99.14%.

Since UPCL, the main beneficiary, has not raised any objections related to the availability of the transmission system of PTCUL, the Commission is approving the recovery of full Annual Transmission Charges.

### **6.2 MYT for the first Control Period from FY 2013-14 to FY 2015-16**

#### **6.2.1 Capitalisation in FY 2012-13**

#### **6.2.2 REC-I & III Scheme (Also referred to as REC-Old Scheme)**

The Commission in its Tariff Order for FY 2012-13, while disallowing the capitalisation of

some of the Schemes had observed as under:

*“The Commission has, accordingly, not considered the capitalisation of the three projects under REC Old Scheme for FY 2012-13, due to the reasons stated below:*

- i) Construction of 132 kV Sub-station at Simli- Due to under utilisation of the sub-station capacity as the associated 132 kV D/C Srinagar to Simli line has not been completed.*
- ii) Construction of 132 kV D/C Srinagar-II to Satpuli Line – Due to the line not being complete and also due to the absence of Clearance Certificate from the Electrical Inspector.*
- iii) Construction of 132 kV D/C Line Srinagar-II to Simli and LILO of Rishikesh - Srinagar Line at 132 kV Srinagar-II sub-station - Due to the line not being complete and also due to the absence of Clearance Certificate from the Electrical Inspector.”*

The Petitioner has submitted that the construction of Srinagar-II to Satpuli Line has been completed on September 2, 2012 and the clearance of Electrical Inspector was obtained on November 19, 2012. The Petitioner further submitted that the line was energised at 132 kV voltage by tapping it with 132 kV Satpuli-Kotdwar line for testing on February, 25, 2012. The Petitioner further submitted that the Line is not being energised currently due to non-availability of 132 kV Circuit Breaker in its bay at 132 kV S/s Satpuli and non-completion of 132 kV bay at under construction 400/220/132 kV S/s Srinagar. Hence, the Commission has not considered the capitalisation of this Scheme. As regards the other two Schemes, the Commission has not considered the capitalisation for those Schemes for the same reasons as observed in the Tariff Order for FY 2012-13. However, the Commission has considered these projects to be pending for capitalisation and has accordingly, treated them as part of CWIP to be capitalised during the MYT period. Further, capitalisation of these Schemes would be considered during the truing up exercise subject to the fulfilment of provisions of Act/Rules by the Petitioner.

### **6.2.3 REC-II Scheme (Also referred to as REC New Scheme)**

The Petitioner submitted that Construction of 132 kV Bay at Ranikhet-Pithoragarh has been completed in September, 2012. However, as the Petitioner has not submitted the Electrical Inspector Certificate for this Scheme, the Commission has not considered the Capitalisation of this Scheme. However, the Commission has considered this project to be pending for capitalisation and has, accordingly, treated it as part of CWIP to be capitalised during the MYT period.

#### 6.2.4 REC-IV Scheme

The Petitioner submitted that 132 kV DC Line from 132 kV S/s Sidcul to 132 kV Sitarganj Kicha Line have been capitalised in FY 2012-13.

Since, the Petitioner has not submitted the Electrical Inspector certificates for the above Scheme, hence, the Commission has not considered the capitalisation of this Scheme. However, the Commission has considered this project to be pending capitalisation and has, accordingly, treated it as part of CWIP to be capitalised during the MYT period.

#### 6.2.5 REC-IX Scheme

The REC-IX Scheme approved by the Commission consisted of a Scheme namely "*Stringing of Second Circuit of 220 kV Double Circuit line on single Zebra conductor from Berhani to Pantnagar and Construction of 01 No. 220 kV Bay at 220 kV Sub-Station Pantnagar*" with a total capital outlay of Rs. 11.48 Crore out of which REC had approved a capital cost of Rs. 8.74 Crore having Debt/Equity ratio of 70:30.

The Petitioner submitted that this Scheme has been energised on January 31, 2013 and Electrical Inspector Certificate has been received. The Commission after scrutiny of the Electrical Inspector Certificate submitted by the Petitioner observed that the certificate is only for the Line and not the bay. Further, the Commission also observed from the submission of the Petitioner that the construction work of bay is in progress. Hence, the Commission has not allowed the capitalisation of REC-IX Scheme. However, the Commission has considered these projects to be pending for capitalisation and has, accordingly, treated them as part of CWIP to be capitalised during the MYT period.

**Table 6.25: GFA considered by the Commission for FY 2012-13 (Rs. Crore)**

Particulars	Amount
Opening GFA	654.29
Additions in the year	0.00
<b>Closing GFA</b>	<b>654.29</b>

#### 6.2.6 GFA and additional Capitalisation

The Commission in Section 5.2 of the Order while approving the Business Plan has approved the Capital Expenditure and Capitalisation for the Control Period. The GFA approved by the Commission for the first Control Period is given below:

**Table 6.26: GFA approved by the Commission (Rs. Crore)**

Particulars	FY 2013-14	FY 2014-15	FY 2015-16
<b>Opening Value</b>	<b>654.29</b>	<b>772.27</b>	<b>940.04</b>
<b>Additions in the year</b>			
REC Old Schemes	110.62	157.30	122.72
NABARD Schemes			
REC New Schemes			
REC-IV scheme			
REC-V Scheme			
PFC-Capital R&M works			
REC IX			
Deposit Works	0.00	0.00	0.00
APDRP	0.00	0.00	0.00
Other system strengthening Schemes	7.37	10.47	8.17
<b>Total Additions during the year</b>	<b>117.98</b>	<b>167.77</b>	<b>130.89</b>
Less Deletions during the year	0.00	0.00	0.00
<b>Closing Value</b>	<b>772.27</b>	<b>940.04</b>	<b>1070.93</b>

The Commission would like to clarify that as the Commission is approving the ARR of PTCUL for each year of the Control Period in this Order, the Commission has considered the capitalisation of schemes for projecting the ARR for each year of the Control Period. However, in case the actual capitalisation in any year is lower or higher than the capitalisation considered by the Commission in this Order, the impact of same will be considered while carrying out the truing up for the respective year. The reduction or increase in capital related expenses such as interest, depreciation, etc. on account of reduction or increase in actual asset capitalisation as compared to capitalisation considered by the Commission in this Order will not be treated as reduction or increase in expenses on account of controllable factors and complete impact thereof will be considered.

Furthermore, the Commission would like to draw the attention of the Petitioner to Rule 63 of the Indian Electricity Rule, 1956 which stipulates as under:

*“63. Approval by Inspector-*

*(1) Before making an application to the Inspector for permission [to commence or recommence supply after an installation has been disconnected for one year and above] at high or extra-high voltage to any person, the supplier shall ensure that the high or extra-high voltage electric supply lines or apparatus belonging to him are placed in position, properly joined and duly completed and examined. The supply of energy shall not be commenced by the supplier unless and until the Inspector is satisfied that the provisions of rules 65 to 69 both inclusive have been complied with and the approval in writing of the Inspector have been obtained by him...”*

Thus, Rule 63 clearly mandates that no supply of energy will commence at high or extra-high voltage without obtaining the approval of the Electrical Inspector so as to ensure safety of life and assets. The Commission cannot jeopardise the safety by relaxing the provisions of the Act/Rules. The Petitioner cannot charge its lines/substations before getting approval of the Inspector, hence, there is no question of allowing capitalisation of any assets which is not cleared by the Electrical Inspector. **Hence, the Petitioner is also directed to energise/capitalise the HT/EHT works only after obtaining clearance by the Electrical Inspector.** The Commission has so far allowed capitalisation of the assets, right from the date on which it was charged/capitalised irrespective of the fact that clearances from Inspector have been received at a later date. **The Petitioner is hereby cautioned to take note of the same, as the Commission, for the MYT period, would be recognising the capitalisation of any asset from the date of clearances obtained from the Electrical Inspector.**

It also needs to be borne in mind that the requirement primarily is that the asset is put to use. Energising a line without associated bay or part capitalisation of a line or substation will not be allowed to be added to that capital base. Liabilities associated with an asset will be allowed to be serviced only when such asset has been integrated with the existing network and has commenced rendering service required of it.

#### 6.2.7 Capital Structure

Regulation 22 of UERC Tariff Regulations, 2011 specify that :

*“(1) For a project declared under commercial operation on or after 1.4.2013, debt-equity ratio shall be 70:30. Where equity employed is more than 30%, the amount of equity for the purpose of tariff shall be limited to 30% and the balance amount shall be considered as normative loan. Where actual equity employed is less than 30%, the actual equity would be used for determination of Return on Equity in tariff computations.*

*(2) In case of Generating Company, Transmission Licensee, Distribution Licensee, or SLDC where investments have been made prior to 1.4.2013, Debt: Equity Ratio shall be as approved by the Commission in the previous Orders.”*

As detailed in Section 5.2, the Commission has considered an overall approved Capitalisation for each year of the Control Period and from the same, Other system strengthening

Schemes have been segregated separately and the balance Capitalisation has been considered under the Schemes funded by Financial Institutions. The Commission in line with its earlier approach has considered the debt-equity ratio of 70:30 for Other system strengthening Schemes. For the balance capitalisation considered under the said Schemes, the Commission has considered the weighted average debt-equity ratio of such schemes considering the additional capitalisation in the past years. Accordingly, the Commission has determined the debt and equity components as given below:

**Table 6.27: Approved Means of Finance for the FY 2013-14 (Rs. Crore)**

Particulars	Cap. Res.	Grant	Loan	Equity	Total
<b>Opening Value</b>	<b>81.47</b>	<b>62.34</b>	<b>415.97</b>	<b>94.51</b>	<b>654.29</b>
<b>Additions in the year</b>					
REC Old Schemes	0.00	0.00	90.43	20.18	110.62
NABARD Schemes	0.00				
REC New Schemes	0.00				
REC-IV scheme	0.00				
REC V scheme	0.00				
PFC –Capital R&M works	0.00				
REC IX	0.00				
Other system strengthening Schemes		0.00	5.16	2.21	7.37
<b>Total Additions during the year</b>	<b>0.00</b>	<b>0.00</b>	<b>95.59</b>	<b>22.39</b>	<b>117.98</b>
Less Deletions during the year	0.00	0.00	0.00	0.00	0.00
<b>Closing Value</b>	<b>81.47</b>	<b>62.34</b>	<b>511.56</b>	<b>116.90</b>	<b>772.27</b>

**Table 6.28: Approved Means of Finance for FY 2014-15 (Rs. Crore)**

Particulars	Cap. Res.	Grant	Loan	Equity	Total
<b>Opening Value</b>	<b>81.47</b>	<b>62.34</b>	<b>511.56</b>	<b>116.90</b>	<b>772.27</b>
<b>Additions in the year</b>					
REC Old Schemes	0.00	0.00	128.60	28.70	157.30
NABARD Schemes	0.00				
REC New Schemes	0.00				
REC-IV scheme	0.00				
REC V scheme	0.00				
PFC –Capital R&M works	0.00				
REC IX	0.00				
Other system strengthening Schemes		0.00	7.33	3.14	10.47
<b>Total Additions during the year</b>	<b>0.00</b>	<b>0.00</b>	<b>135.93</b>	<b>31.84</b>	<b>167.77</b>
Less Deletions during the year	0.00	0.00	0.00	0.00	0.00
<b>Closing Value</b>	<b>81.47</b>	<b>62.34</b>	<b>647.49</b>	<b>148.74</b>	<b>940.04</b>

**Table 6.29: Approved Means of Finance for FY 2015-16 (Rs. Crore)**

Particulars	Cap. Res.	Grant	Loan	Equity	Total
<b>Opening Value</b>	<b>81.47</b>	<b>62.34</b>	<b>647.49</b>	<b>148.74</b>	<b>940.04</b>
<b>Additions in the year</b>					
REC Old Schemes	0.00	0.00	100.33	22.39	122.72
NABARD Schemes	0.00				
REC New Schemes	0.00				
REC-IV scheme	0.00				
REC V scheme	0.00				
PFC -Capital R&M works	0.00				
REC IX	0.00				
Other system strengthening Schemes		0.00	5.72	2.45	8.17
<b>Total Additons during the year</b>	<b>0.00</b>	<b>0.00</b>	<b>106.05</b>	<b>24.84</b>	<b>130.89</b>
Less Deletions during the year	0.00	0.00	0.00	0.00	0.00
<b>Closing Value</b>	<b>81.47</b>	<b>62.34</b>	<b>753.54</b>	<b>173.58</b>	<b>1070.93</b>

### 6.2.8 Depreciation

Regulation 29 of the UERC Tariff Regulations, 2011 stipulates as follows:

*“(1) The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission.*

*Provided that depreciation shall not be allowed on assets funded through Consumer Contribution and Capital Subsidies/Grants.*

*(2) The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset.*

...

*(5) Depreciation shall be calculated annually based on Straight Line Method and at rates specified in Appendix - II to these Regulations.*

*Provided that, the remaining depreciable value as on 31st March of the year closing after a period of 12 years from date of commercial operation shall be spread over the balance useful life of the assets.*

*(6) In case of the existing projects, the balance depreciable value as on 1.4.2013 shall be worked out by deducting the cumulative depreciation as admitted by the Commission upto 31.3.2013 from the gross depreciable value of the assets. The difference between the cumulative depreciation recovered and the depreciation so arrived at by applying the depreciation rates as specified in these Regulations corresponding to 12 years shall be spread over the remaining period upto 12 years.*

*The remaining depreciable value as on 31st March of the year closing after a period of 12 years from date of commercial operation shall be spread over the balance life.*

*(7) Depreciation shall be chargeable from the first year of commercial operation. In case of commercial operation of the asset for part of the year, depreciation shall be charged on pro rata basis."*

The Petitioner has submitted that depreciation for the Control Period has been calculated on the opening GFA for the respective years considering the rates prescribed in UERC Tariff Regulations, 2011. The Petitioner submitted that pro-rata depreciation has been calculated for assets which are in operation for part of the year. The Petitioner submitted that average rate of 5.28% has been considered for computing the depreciation.

The Commission asked PTCUL to confirm that cumulative depreciation as on 31.03.2013 allowed on all the assets is less than 90% of GFA, as assets cannot be depreciated beyond 90% of GFA in accordance with UERC (Terms and Conditions for determination of Tariff), Regulations, 2004. PTCUL in its reply confirmed that depreciation values in true up Petition have been calculated in accordance with the UERC (Terms and Conditions for determination of Distribution Tariff) Regulations 2004 and, therefore, depreciation for all assets is less than 90%. Pro-rata depreciation on assets capitalised during the year would not be admissible in case the asset is capitalised at the year end. Hence, to validate the same, pre-requisite would be the capitalisation policy as well as the fixed asset register showing the date of additions made in the assets during the year. **The Petitioner is once again directed to take note of the above pre-requisite and submit the same along with the next filing and also claim depreciation based on the rates specified in the Regulations for each class of asset.**

The Commission during the truing up of FY 2010-11 and FY 2011-12 has considered full depreciation on opening GFA and depreciation for half year on additions during the year for reasons recorded earlier. Similarly, for the purpose of approval of MYT, the Commission has considered full depreciation on opening GFA and depreciation for half year on additions during the year for each year of the Control Period. The Commission has considered average rate of 5.28% as specified by UERC Tariff Regulations, 2011. The Commission in accordance with the Regulations has not computed depreciation on assets created out of Deposit Works.

The depreciation rate and, accordingly, the depreciation expenses will be trued up by



applying the asset wise depreciation rate in accordance with the provisions of UERC Tariff Regulations, 2011 once the final truing up for previous years, i.e. from FY 2004-05 to FY 2011-12 is carried out and complete details of all schemes are available.

The Commission has allowed depreciation of Rs. 34.37 Crore, Rs. 41.91 Crore and Rs. 49.80 Crore for FY 2013-14, FY 2014-15 and FY 2015-16 respectively against the Petitioner's claim of Rs. 58.44 Crore, Rs. 65.17 Crore and Rs. 70.79 Crore respectively. The summary of Depreciation Charges for the Control Period for FY 2013-14 to FY 2015-16 as approved by the Commission is shown in the Table below:

**Table 6.30: Depreciation Charges approved by the Commission for FY 2013-14 (Rs. Crore)**

Particulars	Opening GFA (A)	Grants (B)	Depreciable opening GFA (C=A-B)	Additions during the year (D)	Grants (E)	Depreciable GFA of additions (F=D-E)	Depreciation (5.28% x C+(F/2))
Old Assets	81.47	0.00	81.47	0.00	0.00	0.00	4.30
Additions							
REC Old Schemes	498.51	0.00	498.51	110.62	0.00	110.62	29.24
NABARD Schemes							
REC New Schemes							
REC-IV scheme							
REC-V Scheme							
PFC-Capital R&M works							
REC IX							
Deposit Works	62.34	62.34	0.00	0.00	0.00	0.00	0.00
Other than Schemes	11.97	0.00	11.97	7.36	0.00	7.36	0.83
<b>Total</b>	<b>654.29</b>	<b>62.34</b>	<b>591.95</b>	<b>117.98</b>	<b>0.00</b>	<b>117.98</b>	<b>34.37</b>

**Table 6.31: Depreciation Charges approved by the Commission for FY 2014-15 (Rs. Crore)**

Particulars	Opening GFA (A)	Grants (B)	Depreciable opening GFA (C=A-B)	Additions during the year (D)	Grants (E)	Depreciable GFA of additions (F=D-E)	Depreciation (5.28% x C+(F/2))
Old Assets	81.47	0.00	81.47	0.00	0.00	0.00	4.30
Additions							
REC Old Schemes	609.12	0.00	609.12	157.30	-	157.30	36.31
NABARD Schemes							
REC New Schemes							
REC-IV scheme							
REC-V Scheme							
PFC-Capital R&M works							
REC IX							
Deposit Works	62.34	62.34	0.00	0.00	0.00	0.00	0.00
Other than Schemes	19.34	0.00	19.34	10.47	0.00	10.47	1.30
<b>Total</b>	<b>772.27</b>	<b>62.34</b>	<b>709.93</b>	<b>167.77</b>	<b>0.00</b>	<b>167.77</b>	<b>41.91</b>

**Table 6.32: Depreciation Charges approved by the Commission for FY 2015-16 (Rs. Crore)**

Particulars	Opening GFA (A)	Grants (B)	Depreciable opening GFA (C=A-B)	Additions during the year (D)	Grants (E)	Depreciable GFA of additions (F=D-E)	Depreciation (5.28% x C+(F/2))
Old Assets	81.47	0.00	81.47	0.00	0.00	0.00	4.30
<b>Additions</b>							
REC Old Schemes	766.42	0.00	766.42	122.72	0.00	122.72	43.71
NABARD Schemes							
REC New Schemes							
REC-IV scheme							
REC-V Scheme							
PFC-Capital R&M works							
REC IX							
Deposit Works	62.34	62.34	0.00	0.00	0.00	0.00	0.00
Other than Schemes	29.81	0.00	29.81	8.17	0.00	8.17	1.79
<b>Total</b>	<b>940.04</b>	<b>62.34</b>	<b>877.70</b>	<b>130.89</b>	<b>0.00</b>	<b>130.89</b>	<b>49.80</b>

### 6.2.9 Interest on Loans & Finance Charges

The Petitioner has submitted that outstanding normative loan has been worked out in accordance with UERC Tariff Regulations, 2011 by deducting the cumulative repayment admitted by the Commission from the Gross Normative Loan. The Petitioner submitted that normative repayment for each year has been considered equal to the depreciation for that year. The Petitioner submitted that after considering the accumulated depreciation assigned in the transfer scheme and the depreciation allowed in various Tariff Orders, cumulative normative repayment has been worked out.

As regards the financing charges, Petitioner submitted that Guarantee Fee is payable on Loans for which Government of Uttarakhand has given guarantee and it has calculated the same on the outstanding loan balances.

As per UERC Tariff Regulations, 2011, the Interest and Finance Charges shall be computed in the following manner:

*“(1) The loans arrived at in the manner indicated in Regulation 22 shall be considered as gross normative loan for calculation of interest on loan.*

*(2) The normative loan outstanding as on 1.4.2013 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2013 from the gross normative loan.*

*(3) The repayment for each year of the Control Period shall be deemed to be equal to the*

*depreciation allowed for that year.*

*(4) Notwithstanding any moratorium period availed by the Generating Company or the Transmission Licensee or the Distribution Licensee or the SLDC, as the case may be the repayment of loan shall be considered from the first year of commercial operation of the project and shall be equal to the annual depreciation allowed.*

*(5) The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each year applicable to the project:*

*Provided that if there is no actual loan for a particular year but normative loan is still outstanding, the last available weighted average rate of interest shall be considered:*

*Provided further that if the generating station or the transmission system or the distribution system, as the case may be, does not have actual loan, then the weighted average rate of interest of the generating company or the Transmission Licensee or the Distribution Licensee as a whole shall be considered.*

*(6) The interest on loan shall be calculated on the normative average loan of the year by applying the weighted average rate of interest."*

The Commission has worked out the Interest and Finance Charges considering the loan amount corresponding to the assets capitalised in each year based on the approved means of finance. Interest rates for estimating interest for the Control Period FY 2013-14 to FY 2015-16 on the loans from financial institutions have been taken as the actual rates submitted by the Petitioner for FY 2011-12 in its Petition. Rate of interest on normative loans have been considered as the weighted average rate of interest on actual loans. However, any variation in the interest due to change in rate of interest shall be considered while undertaking true up based on the Audited Accounts of the financial year. The repayment of loans has been considered as equivalent to the depreciation as worked out by the Commission on the approved GFA for the Control Period.

Based on the loans and repayment considered and interest rates adopted by the Commission, the interest for the Control Period has been calculated, the details of which are indicated in the Table given below:

**Table 6.33: Interest Charges approved by the Commission for FY 2013-14 (Rs. Crores)**

Sl. No.	Source	Opening balance	Loan Capitalised	Repayments	Closing Balance
1	REC Old Schemes	261.55	90.43	34.37	327.48
2	NABARD Schemes				
3	REC New Schemes				
4	REC-IV scheme				
5	REC V scheme				
6	PFC-Capital R&M works				
7	REC IX				
8	PFC Gap funding				
9	Other than Schemes	4.72	5.16		
	<b>Sub-total</b>	<b>266.26</b>	<b>95.59</b>	<b>34.37</b>	<b>327.48</b>
	Interest Rate				10.06%
	<b>Interest</b>				<b>29.87</b>

**Table 6.34: Interest Charges approved by the Commission for FY 2014-15 (Rs. Crore)**

Sl. No.	Source	Opening balance	Loan Capitalised	Repayments	Closing Balance
1	REC Old Schemes	327.48	128.60	41.91	421.50
2	NABARD Schemes				
3	REC New Schemes				
4	REC-IV scheme				
5	REC V scheme				
6	PFC-Capital R&M works				
7	REC IX				
8	PFC Gap funding				
9	Other than Schemes		7.33		
	<b>Sub-total</b>	<b>327.48</b>	<b>135.93</b>	<b>41.91</b>	<b>421.50</b>
	Interest Rate				10.06%
	<b>Interest</b>				<b>37.68</b>

**Table 6.35: Interest Charges approved by the Commission for FY 2015-16 (Rs. Crore)**

Sl. No.	Source	Opening balance	Loan Capitalised	Repayments	Closing Balance
1	REC Old Schemes	421.50	100.33	49.80	477.75
2	NABARD Schemes				
3	REC New Schemes				
4	REC-IV scheme				
5	REC V scheme				
6	PFC-Capital R&M works				
7	REC IX				
8	PFC Gap funding				
9	Other than Schemes		5.72		
	<b>Sub-total</b>	<b>421.50</b>	<b>106.05</b>	<b>49.80</b>	<b>477.75</b>
	Interest Rate				10.06%
	<b>Interest</b>				<b>45.24</b>

Thus, the Commission has approved a total interest expenses of Rs. 29.87 Crore, Rs 37.68 Crore and Rs 45.24 Crore for FY 2013-14, FY 2014-15, FY 2015-16 respectively against the Petitioner's claim of Rs. 68.55 Crore, Rs. 76.13 Crore and Rs. 91.88 Crore respectively.

For computation of Guarantee Fee, the Petitioner has claimed guarantee fee on the total outstanding loan. However, the Commission in line with the approach detailed in para 6.1.5, has worked out the aggregate closing balance of REC Old, NABARD and REC-IV Scheme based on the average loan capitalised and average loan repayment under these Schemes during these years. Accordingly, the Commission has considered Guarantee Fee as 1% of closing balance of those loans. The Guarantee Fee for the first Control Period works out as Rs 1.29 Crore, Rs 1.74 Crore and Rs 2.19 Crore for FY 2013-14, FY 2014-15 and FY 2015-16 respectively against the Petitioner's claim of Rs. 5.52 Crore, Rs. 7.39 Crore and Rs. 7.87 Crore respectively.

#### **6.2.10 Return on Equity**

The Petitioner submitted that it has considered Return on Equity portion of capitalised assets. The Petitioner submitted that considering the opening equity and planned capitalisation the Return on Equity for the Control Period has been computed.

As per UERC Tariff Regulations, 2011, the return of equity shall be computed on opening equity of the financial year as mentioned below:

*"(1) Return on equity shall be computed on the equity base determined in accordance with Regulation 22.*

*Provided that, Return on Equity shall be allowed on amount of allowed equity capital for the assets put to use at the commencement of each financial year.*

*(2) Return on equity shall be computed on at the rate of 15.5% for Generating Stations, Transmission Licensee and SLDC and at the rate of 16% for Distribution Licensee on a post-tax basis.*

*Provided that in case of generation and transmission projects commissioned on or after 1st April, 2013, an additional Return of 0.5% shall be allowed if such projects are completed within the timeline as specified in Appendix - I to these Regulations."*

In line with the approach in previous Tariff Orders, the Commission for the present has not allowed Return on equity on assets created out of PDF and transferred assets on unbundling. Based on the approved means of finance as detailed in Section 6.1.9 and 6.2.7, the Commission has worked out the Return on Equity on opening eligible equity base for each year of the Control Period at the rate of 15.50% in accordance with UERC Tariff Regulations, 2011. The Return on eligible opening equity base of Rs. 3.59 Crore for FY 2013-14, Rs. 5.80 Crore for FY 2013-14 and Rs. 8.94 Crore for FY 2015-16 works out as Rs. 0.56 Crore for FY 2013-14, Rs. 0.90 Crore for FY 2014-15 and Rs. 1.39 Crore for FY 2015-16 against the Petitioner's claim of Rs. 39.16 Crore, Rs. 47.81 Crore and Rs. 58.25 Crore. The Return on Equity approved by the Commission is shown in the Table below:

**Table 6.36: Return on Equity approved by the Commission (Rs. Crore)**

Particulars	FY 2013-14		FY 2014-15		FY 2015-16	
	Claimed	Approved	Claimed	Approved	Claimed	Approved
Opening Equity base eligible for Return	238.77	3.59	266.52	5.80	350.44	8.94
Equity portion of capitalised assets	27.75	-	83.92	-	50.71	-
Rate of Return	15.50%	15.50%	15.50%	15.50%	15.50%	15.50%
<b>RoE</b>	<b>39.16</b>	<b>0.56</b>	<b>47.81</b>	<b>0.90</b>	<b>58.25</b>	<b>1.39</b>

#### **6.2.11 Operation and Maintenance (O&M) expenses**

In accordance with the UERC Tariff Regulations, 2011, the O&M expenses for the Base Year shall be approved by the Commission taking into account the actual O&M expenses for last five years till the base year subject to prudence check and any other factors considered appropriate by the Commission. Accordingly, while projecting the O&M expenses for the Control Period for FY 2013-14 to FY 2015-16, the Commission has considered the actual data of the past five years, i.e. from FY 2007-08 to FY 2011-12.

Further for realistic assessment of O&M expenses for the Control Period for FY 2013-14 to FY 2015-16, the Commission asked the Petitioner to submit the details of actual employee expenses (salary details) excluding arrears on account of implementation of VI Pay Commission's recommendations, A&G expenses and R&M expenses for FY 2011-12 and for the first nine months of FY 2012-13, i.e. for the period from April 2012 to December 2012. The Petitioner was also asked to submit the details of actual arrears assessed on implementation of Sixth Pay Commission's report and payment made during FY 2009-10, FY 2010-11 and FY 2011-12 on this account which has been considered as part of Employee expenses.

From the submissions of the PTCUL, it can be seen that PTCUL is undertaking major capital works of about Rs. 2000 Crore during the Control Period under UITP Schemes which are considered as deemed ISTS assets and recovery of their charges would be made by CTU, and hence, the burden of associated costs, viz employee cost, R&M, A&G etc. of these works cannot be allowed to devolve on the consumers of the State. The Commission is of the view that creation of new assets would entail additional O&M expenses and, accordingly, the need arises to segregate these expenses. Further, considering the recruitment plan proposed by PTCUL in the Control Period it would not only be necessary to segregate the new employees into, pertaining to UITP and non-UITP related works as also to apportion the common expenses which would relate to both UITP as well as non-UITP works. **Hence, PTCUL is directed to maintain a separate account for UITP Schemes to ensure that no expenses related thereto do not devolve on the consumers in the State. Further, PTCUL is also directed to submit a methodology to segregate the expenses into UITP and non-UITP works within 3 months of the date of Order alongwith the Action Plan and the time frame in which the above directions will be complied by it.** However, the Commission for the purpose of this Order has considered that the entire resources of the Petitioner shall be utilised for non-UITP Schemes and has provisionally approved the O&M expenses for the first Control Period. The O&M expenses approved by the Commission for the Control Period shall be reviewed during the first Annual Performance Review based on the compliance of the Commission's directions reported by the Petitioner.

The Commission has calculated the annual growth in values of CPI (overall) for Industrial Workers and WPI (overall) based on the average of FY 2009-10 to FY 2011-12 and has considered the same for determination of indices during the base year and the Control Period. The summary of the same is provided in the table below:

**Table 6.37: Inflation considering CPI and WPI for 3 years**

Index	CPI	WPI
Avg. for last 3 years	8.75%	7.77%

The submissions of the Petitioner and the approach adopted by the Commission for approving the various components of O&M expenses for the Control Period of FY 2013-14 to FY 2015-16 are discussed below.

### **6.2.12 Employee Expenses**

Employee expenses of the Petitioner are basically linked to the Government approved scales and allowances and the Petitioner has no control over it. It has to pay its employees the salary and allowances as approved by the Government from time to time. Most of the components of this expense, therefore, need to be allowed at actual.

The Petitioner submitted that as per the methodology specified in UERC Tariff Regulations, 2011, employee expenses for a particular year of the Control Period is linked to average increase in CPI for immediately preceding 3 years and Growth Factor for that particular year. The Petitioner submitted that the average increase in CPI indices for immediately preceding 3 years is 10.58%.

Accordingly, based on increase in CPI indices and projected cost of additional manpower for the respective years of the Control Period, it has projected the employee expenses for the Control Period FY 2013-14 to FY 2015-16.

For estimating the employee expenses for the Control Period, the Commission first analysed the employee cost for existing employees of last five years for the period FY 2007-08 to FY 2011-12 based on the actual employee expenses as submitted in the Audited Accounts. However, on analysis of the employee expenses, the Commission observed that the employee expenses for FY 2012-13 as estimated in accordance with the provisions of UERC Regulations, 2011 based on the average of actual five years employee expenses is working out to be lower than the employee expenses approved for FY 2012-13 and also lower than the actual employee expenses for FY 2012-13. Therefore, for projecting Gross Employee Expenses and Capitalisation of Employee Expenses for FY 2012-13 and Control Period for FY 2013-14 to FY 2015-16, the Commission has considered the actual employee expenses for FY 2011-12 as base year for projecting the employee expenses for the Control Period.

Further, for computing the Growth factor, the Commission has considered the approved manpower status for the Control Period explained in Section 5.5 and worked out the growth factor based on the opening and closing number of employees. It has been observed that the Petitioner has projected an ambitious recruitment plan which the Commission doubts that the Petitioner would be able to recruit. From the details of number of working employees in PTCUL from FY 2006-07 to FY 2011-12, it has been observed that during FY 2007-08 the net addition in the number of employees was of 66 employees and in the remaining years the number of employees has actually reduced,



thereby implying that number of retirements exceeded the number of recruitment. The Commission recognizes the need of additional man power in PTCUL and has allowed recruitment to it as discussed in para 5.5 of the Order. However, if the actual addition to number of employees is lower than the number of employees addition considered in this Order, the impact of the same shall be adjusted while carrying out the truing up and will not be considered as reduction in Employee expenses on account of controllable factors.

Based on the above, the Growth Factor as per the Regulations works out as under:

**Table 6.38: Gn Factor approved for FY 2013-14 to FY 2015-16**

FY 2013-14	FY 2014-15	FY 2015-16
3.96%	10.42%	6.30%

The Commission has computed the net employee expense for the Control period after deducting the capitalisation of employee expenses for the Control period. For projecting the capitalisation of employee expenses for the Control Period, the Commission has considered the actual percentage of employee expenses capitalised in FY 2011-12 as 10.42%. Further, the Commission has considered the average increase in CPI for last three years as 8.75%. The following Table shows the summary of the projected and approved employee expenses for FY 2013-14 to FY 2015-16:

**Table 6.39: Employee expenses for FY 2013-14 to FY 2015-16 (Rs. Crore)**

Particulars	FY 2013-14		FY 2014-15		FY 2015-16	
	Projected	Approved	Projected	Approved	Projected	Approved
Employee Expenses	79.11	54.19	89.78	65.07	102.65	75.22

### 6.2.13 Repairs and Maintenance Expenses

The Petitioner submitted that Repair and Maintenance expenses has been considered as 2.50% of the opening GFA for the respective years of Control Period on the basis of the R&M expenses approved by the Commission in the last 3 financial years. The Petitioner submitted that the average increase in WPI indices for immediately preceding 3 years has been considered as 7.14%. The Petitioner submitted that the Repair and Maintenance expenses considered at 2.50% of opening GFA have been escalated at 7.14% to offset the effect of inflation.

For projecting the R&M expenses, the Commission observed that the average of R&M expenses of last five years are working out to be less than the R&M expenses approved by the

Commission and also the actual expenses for FY 2012-13. The Commission recognizes the fact that with new additions in the gross block the repair and maintenance expenses of PTCUL are bound to increase. Therefore, the Commission has considered the average of actual R&M expenses for last three years, i.e. FY 2009-10 to FY 2011-12 to arrive at R&M Expenses as % of average GFA approved for these years, which works out to 3.18%. This has been applied for FY 2013-14 to FY 2015-16. Further, the Commission has considered the average increase in WPI for last three years as 7.77% to project the R&M expenses for the first Control Period.

The following Table shows the summary of the projected and approved R&M expenses for FY 2013-14 to FY 2015-16:

**Table 6.40: R&M expenses for FY 2013-14 to FY 2015-16 (Rs. Crore)**

Particulars	FY 2013-14		FY 2014-15		FY 2015-16	
	Proposed	Approved	Proposed	Approved	Proposed	Approved
R&M Expenses	32.44	22.45	41.44	26.50	45.97	32.26

#### **6.2.14 Administrative and General Expenses (A&G expenses)**

The Petitioner submitted that the approved Administrative and General expenses for FY 2012-13 in the Tariff Order have been escalated annually by WPI index of 7.14% and an adhoc provision of Rs. 5.00 Crore has been considered for each year of the Control Period to arrive at the projected Administrative and General expenses for each year of the Control Period.

For estimating the Administrative and General expenses for the Control Period, the Commission first analysed the A&G expenses of last five years for the period FY 2007-08 to FY 2011-12 based on the actual expenses as submitted in the Audited Accounts. However, the Commission observed that A&G expenses based on the average of actual five years is working out to be lower than the approved A&G expense for FY 2012-13 and also the actual expenses for FY 2012-13. Therefore, for projecting A&G expenses for the Control period, the Commission has considered the average of actual Gross A&G expenses other than the licensee fees and guarantee fees for last three years, i.e. FY 2009-10 to FY 2011-12. The Gross A&G expenses has then been arrived for FY 2011-12 considering the average of last 3 years and the escalation factor approved by the Commission for FY 2011-12. The expenses of FY 2011-12 has further been escalated with the average increase in WPI for last three years as 7.77% in accordance with UERC Tariff Regulations, 2011 to estimate the A&G expenses for FY 2012-13 and the Control Period.

Further, the Commission observed that PTCUL has made provision of Rs 5.00 Crore for each year of the Control Period. In this regard, the Commission asked PTCUL to explain the rationale behind such provisioning. PTCUL in its reply submitted that in accordance with Regulation 65(3) of UERC (Terms and Conditions for Determination of Tariff) Regulations, 2011, cost for initiatives or other one-time expenses may be proposed by the Transmission Licensee which will be approved by the Commission after prudence check. PTCUL further submitted that it proposes to undertake number of new initiatives during the Control Period which will lead to some additional expenses. Therefore, a provision for the additional cost has been considered in each year of the Control Period. PTCUL submitted that Rs. 1 Crore provision has been made for Training Program and Rs. 1 Crore provision for employee motivation.

The Commission observed that the provision made by PTCUL towards additional A&G expenses works out to be around 40% of actual A&G expenses during FY 2011-12, which appears to be on higher side. The Commission at this stage has approved an adhoc provision of Rs 1.00 Crore for each year of the Control Period for additional A&G expenses. The A&G expenses approved by the Commission for FY 2013-14 include an amount of Rs. 0.96 Crore towards training expenses. Hence, at present the Commission is of the view that an adhoc provision of Rs. 1 Crore allowed to it would be sufficient. However, the Commission will carry out the truing up of additional provision for A&G expenses based on actual expenses incurred subject to prudence check. Further, if the actual additional A&G expenses incurred by the Petitioner are lower than the provision for additional A&G expenses approved in this Order, the same shall be adjusted while carrying out the truing up and will not be considered as reduction in A&G expenses on account of controllable factors.

As regards License Fee, the Commission has projected the same in accordance with the amendment in the UERC (Fees and Fines) (First Amendment) Regulations, 2012 which stipulates license fee as Rs 150 per one lakh units handled. However, the Petitioner has projected the same based on the UERC (Fees and Fines) Regulations, 2002 which specified a higher license fee. The Commission has considered a growth rate of 9% in capacity handled for the Control Period as proposed by the Petitioner subject to the final truing up.

As regards, capitalisation of A&G expenses for the Control Period, the Commission has

considered the actual percentage of A&G expenses capitalised for last three financial years, i.e. FY 2009-10 to FY 2011-12 as 11.31%. The following Table shows the summary of the projected and approved employee expenses for FY 2013-14 to FY 2015-16:

**Table 6.41: A&G expenses for FY 2013-14 to FY 2015-16 (Rs. Crore)**

Particulars	FY 2013-14		FY 2014-15		FY 2015-16	
	Proposed	Approved	Proposed	Approved	Proposed	Approved
A&G Expenses	20.29	11.25	26.74	12.07	33.65	12.96

#### 6.2.15 O&M Expenses

The total O&M expenses claimed and approved for FY 2013-14 to FY 2015-16 based on the discussions above, are given in the following Table:

**Table 6.42: Approved O&M expenses for FY 2013-14 to FY 2015-16 (Rs. Crore)**

Particulars	FY 2013-14		FY 2014-15		FY 2015-16	
	Proposed	Approved	Proposed	Approved	Proposed	Approved
Employee expenses	79.11	54.19	89.78	65.07	102.65	75.22
R&M Expenses	32.44	22.45	41.44	26.50	45.97	32.26
A&G Expenses	20.29	11.25	26.74	12.07	33.65	12.96
<b>Total O&amp;M expenses</b>	<b>131.84</b>	<b>87.90</b>	<b>157.96</b>	<b>103.65</b>	<b>182.27</b>	<b>120.44</b>

#### 6.2.16 Interest on Working Capital

Regulation 34(2) of UERC Tariff Regulations, 2011 states that interest on Working Capital should be calculated as under:

*“Transmission:*

*a) The Transmission Licensee shall be allowed interest on the estimated level of working capital for the financial year, computed as follows:*

*(i) Operation and maintenance expenses for one month;*

*(ii) Maintenance spares @ 15% of operation and maintenance expenses; and*

*(iii) Two month equivalent of the expected revenue from transmission charges at the prevailing tariffs;”*

In accordance with the provisions of the Regulations, the Petitioner has estimated Working Capital requirement for each year of the Control Period from FY 2013-14 to FY 2015-16 considering the working capital interest rate of 13.25%.

#### **6.2.17 One Month O&M Expenses**

The annual O&M expenses approved by the Commission are Rs. 87.90 Crore, Rs. 103.65 Crore and Rs. 120.44 Crore for FY 2013-14, FY 2014-15 and FY 2015-16 respectively. Based on the approved O&M expenses, one month's O&M expenses work out to Rs. 7.32 Crore, Rs. 8.64 Crore and Rs. 10.04 Crore for FY 2013-14, FY 2014-15 and FY 2015-16 respectively.

#### **6.2.18 Maintenance Spares**

The Commission has considered the maintenance spares as 15% of O&M expenses in accordance with UERC Tariff Regulations, 2011, which work out to Rs. 13.18 Crore, Rs. 15.55 Crore and Rs. 18.07 Crore for FY 2013-14, FY 2014-15 and FY 2015-16 respectively.

#### **6.2.19 Receivables**

The Commission has approved the receivables for two months based on the approved Annual Transmission Charges of Rs. 159.51 Crore, Rs. 192.67 Crore and Rs. 227.18 Crore for FY 2013-14, FY 2014-15 and FY 2015-16 respectively, which works out to Rs. 26.59 Crore, Rs. 32.11 Crore, Rs. 37.86 Crore for FY 2013-14, FY 2014-15 and FY 2015-16 respectively.

PTCUL submitted that the payments received from UPCL would be subject to the provisions of tax deducted at source under Section 194 J of the Income Tax Act as the payment for transmission and wheeling charges are considered as "fees for technical services" and this would lead to certain cash flow deferment as 10% tax would be withheld by UPCL while making payment of transmission and wheeling charges to PTCUL. The Commission is of the view that, that deferment of 10% amount will not lead to any cash flow crunch in managing a daily operations as interest on working capital amount allowed by the Commission on normative basis is sufficient for a transmission company.

Based on the above, the total working capital requirement of the Petitioner for FY 2013-14, FY 2014-15 and FY 2015-16 works out to Rs. 47.09 Crore, Rs. 56.30 Crore, Rs. 65.97 Crore respectively. The Commission has considered the SBAR as on date of filing of Petition, i.e. December 31, 2012 which is 14.50%, as the rate at which interest on working capital would be allowed in accordance with UERC Tariff Regulations, 2011, and, accordingly, the interest on working capital works out to Rs. 6.83 Crore, Rs. 8.16 Crore, Rs. 9.57 Crore for FY 2013-14, FY 2014-15

and FY 2015-16 respectively. The interest on working capital for FY 2013-14 to FY 2015-16 projected by the Petitioner and approved by the Commission is shown in the Table below:

**Table 6.43: Approved Interest on Working Capital for FY 2013-14 to FY 2015-16 (Rs. Crore)**

Particulars	FY 2013-14		FY 2014-15		FY 2015-16	
	Proposed	Approved	Proposed	Approved	Proposed	Approved
O&M expenses for one month	10.99	7.32	13.16	8.64	15.19	10.04
Maintenance Spares	19.78	13.18	23.69	15.55	27.34	18.07
Receivables (2 months)	52.20	26.59	61.01	32.11	70.77	37.86
<b>Net Working Capital</b>	<b>82.96</b>	<b>47.09</b>	<b>97.87</b>	<b>56.30</b>	<b>113.30</b>	<b>65.97</b>
Rate of Interest on Working Capital	13.25%	14.50%	13.25%	14.50%	13.25%	14.50%
<b>Interest on Working Capital</b>	<b>10.99</b>	<b>6.83</b>	<b>12.97</b>	<b>8.16</b>	<b>15.01</b>	<b>9.57</b>

#### 6.2.20 Non-Tariff Income

The Petitioner has estimated its non-tariff income for FY 2013-14, FY 2014-15 and FY 2015-16 as Rs. 1.30 Crore, Rs. 1.37 Crore, Rs. 1.44 Crore respectively. In absence of any yardstick for estimating the non-tariff income of the Petitioner, the Commission provisionally accepts the same for the Control Period. The same shall, however, be trued up based on the actual audited accounts for the year.

#### 6.2.21 Annual Transmission Charges (ATC) for the Control Period FY 2013-14 to FY 2015-16

Based on the above, the Commission approves a total ATC of Rs. 159.51 Crore, Rs. 192.67 Crore and Rs. 227.18 Crore for FY 2013-14, FY 2014-15 and FY 2015-16 respectively. The Commission has carried out the provisional truing up of the previous years for FY 2010-11 and FY 2011-12 which has resulted in a net gap of Rs. 28.28 Crore. The total gap after including carrying cost works out to Rs. 36.11 Crore. Therefore, total ATC approved for FY 2013-14 is Rs. 195.63 Crore includes Rs. 36.11 Crore towards truing up. The component-wise break-up of the same as proposed by the Petitioner for the Control Period and as approved by the Commission is given in the Table below:

**Table 6.44: Annual Transmission Charges for FY 2013-14 to FY 2015-16 (Rs. Crore)**

Particulars	FY 2013-14		FY 2014-15		FY 2015-16	
	Projected	Approved	Projected	Approved	Projected	Approved
Net O&M expenses	131.84	87.90	157.96	103.65	182.27	120.44
Interest charges	68.55	29.87	76.13	37.68	91.88	45.24
Guarantee Fees	5.52	1.29	7.39	1.74	7.87	2.19
Depreciation	58.44	34.37	65.17	41.91	70.79	49.80
Interest on Working Capital	10.99	6.83	12.97	8.16	15.01	9.57
Reasonable Return	39.16	0.56	47.81	0.90	58.25	1.39
<b>Gross Expenditure</b>	<b>314.51</b>	<b>160.81</b>	<b>367.43</b>	<b>194.04</b>	<b>426.07</b>	<b>228.62</b>
Less: Non-Tariff Income	1.30	1.30	1.37	1.37	1.44	1.44
<b>Net Expenditure</b>	<b>313.21</b>	<b>159.51</b>	<b>366.06</b>	<b>192.67</b>	<b>424.63</b>	<b>227.18</b>
Add : True up of previous years including carrying cost	-	36.11	-	-	-	-
<b>Aggregate Revenue Requirement (ARR)</b>	<b>313.21</b>	<b>195.63</b>	<b>366.06</b>	<b>192.67</b>	<b>424.63</b>	<b>227.18</b>

### 6.3 ARR of 220 kV D/C Bhilangana-III (Ghuttu) – Ghansali Line

As discussed in Para 6.1.5, PTCUL had filed a Petition seeking determination of provisional tariff for the Associated Transmission System for Bhilangana SHP. The Commission has vide its Order dated April 29, 2013 has decided to determine the ARR of 220 kV D/C Bhilangana-III (Ghuttu)-Ghansali Line separately. The Commission in its Order dated December 11, 2012, on Petition filed by M/s Bhilangana Hydro Power Limited on dispute with Power Transmission Corporation of Uttarakhand Ltd., regarding the obligation to make payment of additional transmission charges for the alleged dedicated transmission network of Bhilangana-III SHP, ad-interim directed that till such time a view is taken on the extent to which Bhilangana-III SHP is liable to pay transmission charges, status-quo be maintained and scheduling of power being generated by the SHP be continued as hitherto.

The Petitioner submitted that 220 kV D/C Bhilangana-III – Ghansali Line has been energised on November 4, 2011. As detailed in Section 6.1.5, the Commission is determining the ARR of 220 kV Bhilangana-III – Ghansali Line envisaged under REC-IV Scheme separately for FY 2011-12 and FY 2012-13 in accordance with UERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2004 and for the first Control Period from FY 2013-14 to FY 2015-16 in accordance with UERC Tariff Regulations, 2011.

The Commission in its Order dated April 29, 2013 has held as under:

*“With regard to 220 kV D/C Bhilangana-III- Ghansali line, the Commission considers this as a transmission line which will be primarily used for evacuation of power from existing and proposed hydro generating stations in the area. The Commission has taken note of the fact that as of now while one circuit of this double circuit line is strung upto 220 kV S/s at Chamba and is being used for evacuation of power from the existing generating station namely Bhilangana-III (24 MW) the other circuit is strung upto Ghansali and is proposed to be connected to upcoming 220 kV S/s at Ghansali. It is apparent that only one circuit has been energised and put to use. Taking cognizance of the provisions of the Tariff regulations that any capital expenditure towards creation of an asset is deem fit for capitalization only if that asset is put to use, therefore, the Commission has decided to allow cost of servicing/ARR on only 50% of the capital cost incurred by the Petitioner towards the construction of the 220 kV D/C Bhilangana –III- Ghansali line which shall be recovered from the generator namely Bhilangana-III SHP, the only*

*beneficiary as of now, subject to pro-rata recovery of this cost from other generators as and when they are commissioned and connected with this line. As far as the recovery of the balance capital cost of the line, disallowed as above, the Commission will take a view as and when the second circuit of the line is energised and put to use."*

The approach adopted by the Commission in approving the ARR of this Project is detailed below:

### 6.3.1 Capitalisation and GFA

The Petitioner submitted the actual expenditure of 220 kV Bhilangana-III – Ghansali Line as Rs. 21.80 Crore against the Commission approved cost of Rs. 21.91 Crore. The Petitioner submitted that the actual cost of Rs. 21.80 Crore is inclusive of Capital expenditure, Establishment expenses and IDC. In approving the Capitalisation of 220 kV D/C Bhilangana-III – Ghansali Line, the Commission in line with its earlier approach has considered the lower of approved and actual cost of the Project Cost. As detailed in the above paragraph, the Commission has considered only 50% of capital cost incurred by the Petitioner for this line.

The capitalisation approved by the Commission for 220 kV D/C Bhilangana-III – Ghansali Line is shown in the Table below:

**Table 6.45: Capitalisation considered by the Commission (Rs. Crore)**

Project	Cost Approved by the Commission	Cost approved by REC	Actual Expenditure	Allowable
220 kV Bhilangana-III – Ghansali Line	21.91	7.84	21.80	10.90

The GFA considered by the Commission is shown in the Table below:

**Table 6.46: GFA considered by the Commission for 220 kV D/C Bhilangana-III – Ghansali Line**

Particulars	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Opening GFA	0.00	10.90	10.90	10.90	10.90
Additions during the year	10.90	0.00	0.00	0.00	0.00
Deletions during the year	0.00	0.00	0.00	0.00	0.00
Closing GFA	10.90	10.90	10.90	10.90	10.90

### 6.3.2 Depreciation

The Commission in line with its earlier approach in Section 6.1 and Section 6.2 has considered the rate of depreciation for FY 2011-12 and FY 2012-13 as 2.99% and for the first Control



Period from FY 2013-14 to FY 2015-16 as 5.28% for determining the depreciation for the respective years. For FY 2011-12, the Commission considered 5 months of operation for computing the depreciation. For FY 2012-13 and for the first Control Period from FY 2013-14 to FY 2015-16, the Commission considered full depreciation on opening GFA only as the additions during the year from FY 2012-13 to FY 2015-16 is zero. Accordingly, the Depreciation for FY 2011-12 works out to be Rs. 0.14 Crore, for FY 2012-13 works out to be Rs. 0.33 Crore and for the first Control Period from FY 2013-14 to FY 2015-16 works out to be Rs. 0.58 Crore for each year of the Control Period.

### 6.3.3 Means of Finance

The Debt-Equity ratio of REC-IV Scheme considered by the Commission is 70:30. The Commission has considered the same Debt-Equity ratio of 70:30 for 220 kV D/C Bhilangana-III – Ghansali Line also. Accordingly, out of total project cost of Rs. 10.90 Crore, the Debt component works out to Rs. 7.63 Crore and Equity component works out to Rs. 3.27 Crore.

### 6.3.4 Interest on Loan

The Commission has considered the Interest rate of REC-IV as 13.78% in the truing up of FY 2010-11 and FY 2011-12 in Section 6.1. Similarly, the Commission has considered the same interest rate of 13.78% for FY 2011-12 and FY 2012-13. The Commission has considered the repayment for FY 2012-13 equal to 1/10<sup>th</sup> of the loan capitalised in FY 2011-12. For the first Control Period from FY 2013-14 to FY 2015-16 the Commission has considered the interest rate of 13.78% in accordance with UERC Tariff Regulations, 2011. For the first Control Period from FY 2013-14 to FY 2015-16, the Commission has considered the repayment equal to depreciation in accordance with UERC Tariff Regulations, 2011. The Commission has computed the interest charges considering the average of opening and closing balance of the loan. The interest charges approved by the Commission for 220 kV D/C Bhilangana-III – Ghansali Line is shown in the Table below:

**Table 6.47: Interest Charges approved by the Commission for 220 kV D/C Bhilangana-III – Ghansali Line (Rs. Crore)**

Particulars	FY 2011-12	FY 2012-13	Control Period		
			FY 2013-14	FY 2014-15	FY 2015-16
Opening Balance	0.00	7.63	6.87	6.29	5.72
Loan Capitalised	7.63	0.00	0.00	0.00	0.00
Repayment	0.00	0.76	0.58	0.58	0.58
Closing Balance	7.63	6.87	6.29	5.72	5.14
Rate of Interest	13.78%	13.78%	13.78%	13.78%	13.78%
<b>Interest</b>	<b>0.53</b>	<b>1.00</b>	<b>0.91</b>	<b>0.83</b>	<b>0.75</b>

### 6.3.5 Advance Against Depreciation

Regulation 19 of UERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2004 specifies as under:

*“In addition to allowable depreciation, the transmission licensee shall be entitled to an advance against depreciation, computed in the manner given hereunder.*

*AAD = Loan repayment amount as per regulation 17 subject to a ceiling of 1/10th of loan amount as per regulation 15(5) minus depreciation as per schedule.*

*Provided that Advance Against Depreciation shall be permitted only if the cumulative repayment up to a particular year exceeds the cumulative depreciation up to that year;*

*Provided further that Advance Against Depreciation in a year shall be restricted to the extent of difference between cumulative repayment and cumulative depreciation up to that year.*

*On repayment of entire loan, the remaining depreciable value shall be spread over the balance useful life of the asset.”*

In accordance with the above regulations, the Petitioner is entitled to Advance Against Depreciation for FY 2012-13 only as in FY 2011-12, the cumulative repayment is less than cumulative depreciation. The Advance Against Depreciation approved by the Commission for FY 2012-13 is shown in the Table below:

**Table 6.48: Advance Against Depreciation for FY 2012-13 (Rs. Crore)**

S. No.	Particulars	FY 2011-12	FY 2012-13
1	1/10th of the Loan	0.76	0.76
2	Repayment of the Loan(s) as considered for working out interest on Loan	0.00	0.76
3	<b>Minimum of the above</b>	<b>0.00</b>	<b>0.76</b>
4	Depreciation during the year	0.14	0.33
5	(A) = 3 - 4	-0.14	0.44
6	Cumulative Repayment of the Loan(s) as considered for working out Interest on Loan	0.00	0.76
7	Cumulative Depreciation	0.14	0.46
8	(B) = 6 - 7	-0.14	0.30
	<b>Advance Against Depreciation (Minimum of A &amp; B)</b>	<b>0.00</b>	<b>0.30</b>

UERC Tariff Regulations, 2011 do not provide for Advance Against Depreciation and hence, the Commission has not considered the Advance Against Depreciation for the first Control Period from FY 2013-14 to FY 2015-16.

### 6.3.6 Return on Equity

The Equity for 220 kV D/C Bhilangana-III – Ghansali Line is provided by Government of Uttarakhand out of PDF and hence, in line with its earlier approach, the Commission has not allowed any Return on Equity for 220 kV D/C Bhilangana-III – Ghansali Line for FY 2011-12 and for the first Control Period from FY 2013-14 to FY 2015-16.

### 6.3.7 Operation & Maintenance (O&M) expenses

Regulation 21 of UERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2004 specifies as under:

“ .....

(2) For projects less than 5 years age:

.....

(b) In case of the projects declared under commercial operation on or after 1.4.2004, the base operation and maintenance expenses shall be fixed at 1.5% of the actual capital cost as admitted by the Commission, in the year of commissioning and shall be subject to an annual escalation of 4% per annum for the subsequent years.”

Accordingly the Commission has considered the O&M expenses of 220 kV D/C Bhilangana-III – Ghansali Line for FY 2011-12 as 1.5% of approved capital cost of Rs. 10.90 Crore for 5 months of operation in FY 2011-12 which works out to Rs. 0.07 Crore.

The approach adopted by the Commission for projecting the O&M expenses for FY 2012-13 and the first Control Period from FY 2013-14 to FY 2015-16 is detailed below:

The Commission has arrived at the O&M expenses for FY 2012-13 by escalating 1.5% of approved Capital Cost, i.e. Rs. 0.16 Crore by 7.02% which is the escalation rate approved by the Commission for FY 2012-13 in its Tariff Order for FY 2012-13 dated April 4, 2012. Further, the Commission while projecting the O&M expenses for the first Control Period from FY 2013-14 to FY 2015-16 has computed the inflation rate of 8.21% based on past 3 years CPI and WPI data. The Commission for the purpose of projecting the O&M expenses of 220 kV D/C Bhilangana-III – Ghansali Line for the first Control Period from FY 2013-14 to FY 2015-16 has escalated the O&M expenses of FY 2012-13 at the rate of 8.21% annually. The O&M expenses arrived in the above manner works out to Rs. 0.17 Crore for FY 2012-13, Rs. 0.19 Crore for FY 2013-14, Rs. 0.20 Crore for

FY 2014-15 and Rs. 0.22 Crore for FY 2015-16.

### **6.3.8 Interest on Working Capital**

The approach adopted by the Commission for determination of Interest on Working Capital for FY 2011-12 is detailed below:

The Commission has computed the fixed cost components and ARR of FY 2011-12 assuming the entire capitalisation of Rs. 10.90 Crore at the beginning of the year in accordance with UERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2004. The Commission in this manner has arrived at Interest on Working Capital of Rs. 0.04 Crore for FY 2011-12. The Commission further prorated the Interest on Working Capital of Rs. 0.04 Crore for 5 months of operation in FY 2011-12 which works out to Rs. 0.02 Crore.

The approach adopted by the Commission for determination of Interest on Working Capital for FY 2012-13 and for the first Control Period from FY 2013-14 to FY 2015-16, is detailed below:

### **6.3.9 One Month O&M Expenses**

The O&M expenses approved by the Commission for FY 2012-13 is Rs. 0.17 Crore and accordingly, one month O&M expenses works out to Rs. 0.01 Crore for FY 2012-13.

For the first Control Period from FY 2013-14 to FY 2015-16, the Commission approved O&M expenses of Rs. 0.19 Crore for FY 2013-14, Rs. 0.20 Crore for FY 2014-15 and Rs. 0.22 Crore for FY 2015-16 and accordingly, one month O&M expenses works out to Rs. 0.02 Crore for FY 2013-14 to FY 2015-16.

### **6.3.10 Maintenance Spares**

The Commission has considered the maintenance spares for FY 2012-13 in accordance with UERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2004 which works out Rs. 0.12 Crore for FY 2012-13.

For the first Control Period from FY 2013-14 to FY 2015-16, the Commission in accordance with UERC Tariff Regulations, 2011 considered maintenance spares as 15% of O&M expenses which works out to Rs. 0.03 Crore for FY 2013-14 to 2015-16.

### 6.3.11 Receivables

The Commission has approved the receivables for two months based on the approved Annual Transmission Charges Rs. 1.87 Crore for FY 2012-13 which works out to Rs. 0.31 Crore for FY 2012-13.

For the first Control Period, the Commission has approved receivables for two months based on the approved Annual Transmission Charges of Rs. 1.72 Crore for FY 2013-14, Rs. 1.65 Crore for FY 2014-15 and Rs. 1.59 Crore for FY 2015-16 which works out to Rs. 0.29 Crore for FY 2013-14, Rs. 0.28 Crore for FY 2014-15 and Rs. 0.27 Crore for FY 2015-16.

The Commission has considered the interest rate of 14.75% which is SBI PLR as on April 1 of FY 2012-13 for computing the Interest on Working Capital for FY 2012-13. For the first Control Period from FY 2013-14 to FY 2015-16, the Commission has considered the interest rate of 14.50% which is SBAR as on date of filing of MYT Petition.

Based on the above, the Interest on Working Capital approved by the Commission for FY 2012-13 and for the first Control Period from FY 2013-14 to FY 2015-16 is shown in the Table below:

**Table 6.49: Interest on Working Capital approved by the Commission for 220 kV D/C Bhilangana-III – Ghansali Line (Rs. Crore)**

Particulars	FY 2011-12	FY 2012-13	Control Period		
			FY 2013-14	FY 2014-15	FY 2015-16
O&M expenses for 1 month	-	0.01	0.02	0.02	0.02
Maintenance Spares	-	0.12	0.03	0.03	0.03
Receivables (2 months)	-	0.31	0.29	0.28	0.27
<b>Net Working Capital</b>	-	<b>0.44</b>	<b>0.33</b>	<b>0.32</b>	<b>0.32</b>
Rate of Interest on Working Capital	-	14.75%	14.50%	14.50%	14.50%
<b>Interest on Working Capital</b>	<b>0.02</b>	<b>0.07</b>	<b>0.05</b>	<b>0.05</b>	<b>0.05</b>

### 6.3.12 Non Tariff Income

The Commission for the purpose of this Order has not considered any Non Tariff income.

### 6.3.13 Annual Transmission Charges (ATC) of 220 kV D/C Bhilangana-III – Ghansali Line

Based on the above, the Annual Transmission Charges approved by the Commission for 220 kV D/C Bhilangana-III – Ghansali Line is given in the Table below:

**Table 6.50: Annual Transmission Charges approved for 220 kV Bhilangana-III - Ghansali Line (Rs. Crore)**

Particulars	FY 2011-12	FY 2012-13	Control Period		
			FY 2013-14	FY 2014-15	FY 2015-16
O&M expenses	0.07	0.17	0.19	0.20	0.22
Interest Charges	0.53	1.00	0.91	0.83	0.75
Depreciation	0.14	0.33	0.58	0.58	0.58
Advance Against Depreciation	0.00	0.30	0.00	0.00	0.00
Interest on Working Capital	0.02	0.07	0.05	0.05	0.05
Reasonable Return	0.00	0.00	0.00	0.00	0.00
<b>Net Expenditure</b>	<b>0.75</b>	<b>1.87</b>	<b>1.72</b>	<b>1.65</b>	<b>1.59</b>
Less: Non-Tariff Income	0.00	0.00	0.00	0.00	0.00
<b>Aggregate Revenue Requirement (ARR)</b>	<b>0.75</b>	<b>1.87</b>	<b>1.72</b>	<b>1.65</b>	<b>1.59</b>

The Commission in its Order dated December 11, 2012, on Petition filed by M/s Bhilangana Hydro Power Limited on dispute with Power Transmission Corporation of Uttarakhand Ltd., regarding the obligation to make payment of additional transmission charges for the alleged dedicated transmission network of Bhilangana-III SHP directed M/s Bhilangana Hydro Power Limited to furnish an undertaking to PTCUL that on determination of transmission charges, by the Commission, backlog of payment shall be cleared within 30 days of receipt of Order of the Commission issued at a later date. As per the information available with the Commission, Bhilangana-III SHP has already submitted the undertaking to PTCUL.

As FY 2011-12 and FY 2012-13 has been completed, the Commission allows PTCUL to recover the Annual Transmission Charges of FY 2011-12 and FY 2012-13 from the applicable beneficiary subject to the provisions of prevalent RE Tariff Regulations of the Commission that if the generation is sold to State Grid then no transmission/wheeling charges shall be payable by the RE generator and those charges shall be payable by UPCL to PTCUL. Further, the Commission directs M/s Bhilangana Hydro Power Ltd. to pay the Annual Transmission Charges, applicable on the generator, for the past period determined above within 30 days of issue of this Order in accordance with the Commission's directions in its Order dated December 11, 2012.

Further, the Commission in its Order dated April 29, 2013 has held that:

*"The Commission has decided that the transmission charges payable by the Generator towards 220 kV D/C Bhilangana-III-Ghansali line shall be determined in the proposed Tariff Order for PTCUL for the 1st control period (FY14 to FY16) on principles mentioned in **Para 17** of this Order. These charges are provisional and will be replaced by the charges determined under the*

*PoC mechanism by CERC. The Commission allows the Petitioner to recover these charges till December 2013 or till charges under PoC mechanism are determined. In case charges under PoC mechanism are not determined till December 2013, Petitioner should come up for further continuance of these charges furnishing details of efforts made/actions taken in this regard. The Commission may consider further continuance of these charges after satisfying itself of the due diligence of the Petitioner."*

**Hence, PTCUL is directed to ensure compliance of the same.**

#### **6.4 SLDC Charges**

The Commission, in its Tariff Order for FY 2009-10, had directed PTCUL to submit the progress towards completion of SLDC works and segregation of accounts of SLDC and submit a report on the same to the Commission within 3 months of the issuance of the said Order.

In its Petition for FY 2010-11, PTCUL had indicated that it plans to start the work towards creation of SLDC in the current financial year itself. It also indicated that scheme involving setting up of the SLDC and associated works is one of the nineteen schemes being proposed under REC New Scheme and PTCUL had earmarked an expenditure of Rs. 10 Crore for FY 2009-10 and another Rs. 10 Crore for FY 2010-11.

Further, the Petitioner in its Petition for FY 2012-13, had submitted the status of work being carried out at SLDC but had not submitted the projected ARR of SLDC for FY 2012-13 separately. The Commission in its Order on PTCUL's ARR Petition for FY 2012-13 directed the Petitioner to complete the process and submit a final compliance report on ring fencing of SLDC and file a separate Petition for SLDC while filing the Business Plan and Multi Year Tariff Petitions for the first Control Period.

The Petitioner in its current Petition for Business Plan and MYT has again not submitted a separate Petition for SLDC. **In this regard, the Commission once again reiterate its direction and directs PTCUL to submit a final compliance report on ring fencing of SLDC and file a separate Petition for SLDC while filing the Annual Performance Review for FY 2013-14.**

In the absence of the required data, the Commission is unable to determine the ARR of SLDC for FY 2013-14 separately. The expenses of SLDC are, accordingly, included in the ARR of PTCUL for FY 2013-14.

## **6.5 Recovery of Annual Transmission Charges**

Having considered the submissions made by PTCUL, the response of the stakeholders in context of Petitioner's proposals for ARR and under the relevant provisions of the Electricity Act, 2003 and Regulations of the Commission, the Commission hereby approves that:

- **Power Transmission Corporation of Uttarakhand Ltd., the transmission licensee in the State will be entitled to recover Annual Transmission Charges for FY 2013-14 from its beneficiaries in accordance with the provisions of the Regulations.**
- The payments, however, shall be subject to adjustment, in case any new beneficiary (including long/medium term open access customer) is using the Petitioner's system, by an amount equal to the charges payable by that beneficiary in accordance with the UERC (Terms & Conditions of Intra-State Open Access) Regulations, 2010. In that case, the charges recoverable from the new beneficiary(ies), including long/medium term open access customers, shall be refunded to UPCL in accordance with the said Regulations.

The Annual Transmission Charges approved for FY 2013-14 will be applicable with effect from April 01, 2013 till further Orders.



## **7 Commission's Directives**

The Commission in its previous Orders had issued a number of specific directions to PTCUL with an objective of attaining operational efficiency and streamlining the flow of information, which would be beneficial for the Sector and the Petitioner both in short and long term. This Chapter deals with the compliance status and Commission's views thereon as well as the summary of new directions (dealt within preceding Chapters of this Order) for compliance and implementation by PTCUL.

### **7.1 Compliance of Directives Issued in Tariff Order for FY 2012-13**

The Commission had issued certain directions in the Tariff order for FY 2011-12, as detailed in the respective Sections. They are summarized here:

#### **7.1.1 *Electrical Inspector Certificate***

The Petitioner is also directed to capitalise the HT/EHT works only after obtaining clearance by the Electrical Inspector. The Commission has so far allowed capitalisation of the assets, right from the date on which it was charged/capitalised irrespective of the fact that clearances from Inspector have been received at a later date. The Petitioner is hereby cautioned to take note of the same, as the Commission from 01.04.2012 would be recognising the capitalisation of any asset from the date of clearances obtained from the Electrical Inspector.

#### ***Petitioner's Submissions***

The Petitioner submitted that it has provided all Electrical Inspector certificates to the Commission and is undertaking all rigorous efforts for obtaining the clearance from the electrical inspector on time before energization of the asset.

#### ***Fresh Directive***

##### ***Para no. 6.2.6 GFA and Additional Capitalisation***

**Hence, the Petitioner is also directed to energise/capitalise the HT/EHT works only after obtaining clearance by the Electrical Inspector.**

### **7.1.2 REC Old Scheme**

The Commission directs the Petitioner to expedite the effort to get prior clearance of the Electrical Inspector before charging the project or capitalising the same.

#### ***Petitioner's Submissions***

The Petitioner submitted that instructions within its organisation have been issued regarding obtaining Electrical Inspector certificate prior to the date of charging the project or capitalising the same.

### **7.1.3 Other than Schemes**

The Petitioner is, however, directed to reconcile the assets capitalised including miscellaneous assets like furniture and fixtures, office equipments, etc. from FY 2004-05 to FY 2010-11 along with the financing thereof and submit the same to the Commission along with the next Tariff Petition, so that truing up of all the assets capitalised and financing thereof may be carried out.

#### ***Petitioner's Submissions***

The Petitioner submitted that the reconciliation work has already been completed and incorporated in the Business Plan. Also, a report of third party auditor has been submitted to the Commission in this regard and a copy of the same is annexed at Annexure IV as per the directive of the Commission.

### **7.1.4 Depreciation**

The Petitioner is directed to take note of the above pre-requisite and submit the same along with the next filing and also claim depreciation based on the rates specified in the Regulations for each class of asset.

#### ***Petitioner's Submissions***

The Petitioner submitted that it is charging depreciation rates as per Appendix 1 of UERC Tariff Regulations 2004 for each class of asset from FY 2009-10.

***Fresh Directive******Para no. 6.2.8 Depreciation***

**The Petitioner is once again directed to take note of the above pre-requisite and submit the same along with the next filing and also claim depreciation based on the rates specified in the Regulations for each class of asset.**

***7.1.5 Capital cost of transferred assets***

The Commission, further, directs PTCUL, to make sincere and all out efforts for getting the Transfer Scheme finalized within the ensuing financial year.

***Petitioner's Submissions***

The Petitioner submitted that request has been made to the State Government for finalisation of Transfer Scheme between UPCL and PTCUL. The Petitioner submitted that as the finalization of transfer scheme between Uttar Pradesh Power Corporation Limited (UPPCL) and UPCL was still under progress, the transfer scheme between UPCL & PTCUL could not be finalized.

The Petitioner submitted that Govt. of Uttarakhand vide its Order No. 117/(I)(2)/2011-05/19/2002 dated April 27, 2012 had approved the value of GFA of Rs. 1058.18 Crore taken by UPCL in its accounts as on November 9, 2001. The Petitioner submitted that the transfer scheme between PTCUL and UPCL has been under finalization and shall be submitted to the Commission after finalization.

***Fresh Directive******Para no. 4.6 Capital Cost of Transferred Assets***

**The Commission, if satisfied that there is lack of sincere effort on part of the Petitioner to get the Transfer Scheme finalised within a reasonable time limit, might not consider any further revision in capital cost of transferred asset in the interest of the Consumers of the State. Hence, the Commission directs the Petitioner to expedite its efforts for getting the Transfer Scheme finalised within six months from the date of this Order.**

### **7.1.6 Truing-up of Previous Years**

The Commission directs the Petitioner to file the truing up Petition for seeking final true up of expenses of FY 2004-05 to FY 2010-11 based on audited accounts alongwith MYT Petition for the first Control Period.

#### ***Petitioner's Submissions***

The Petitioner submitted that the reconciliation of the asset capitalization has been completed and in its petition it has submitted the Final truing up for FY 2004-05 to FY 2010-11 and provisional truing up for FY 2011-12 along with the MYT Petition for the first Control Period, i.e. FY 2013-14 to FY 2015-16.

#### ***Fresh Directive***

#### ***Para 4.5 Truing up of Past Year Expenses***

**The Commission therefore, directs PTCUL to ensure that all required information be submitted to the Committee within 6 months of this order so that the Expert Committee could expedite the examination of capital cost of the Schemes capitalised during the period FY 2004-05 to FY 2010-11.**

### **7.1.7 Operation & Maintenance Expenses**

The Commission directs the Petitioner to submit a detailed note within 3 months from the date of issuance of the Tariff Order, mentioning the projects and the dates from which the separate accounts being maintained for the projects meant for evacuation of power outside the State and projects for supply of power within the State.

#### ***Petitioner's Submissions***

The Petitioner submitted that the details of the projects undertaken as part of UITP scheme is provided in the Business Plan submitted to the Commission for approval and a separate ARR for transmission system being developed for evacuation of power outside the State (i.e. UITP) for the first Control Period has been projected in its Petition for approval of the Commission.

The Petitioner submitted that it shall maintain separate accounts for the projects meant for evacuation of power outside the State and the projects for supply of power within the State as per

the directions of the Commission.

*Fresh Directive*

*Para no. 6.2.11 Operation and Maintenance (O&M) Expenses*

**Hence, PTCUL is directed to maintain a separate account for UITP Schemes to ensure that no expenses related thereto do not devolve on the consumers in the State. Further, PTCUL is also directed to submit a methodology to segregate the expenses into UITP and non-UITP works within 3 months of the date of order alongwith the Action Plan and the time frame in which the above directions will be complied by it.**

**7.1.8 SLDC Charges**

The Commission once again directs the Petitioner to complete the process and submit a final compliance report on ring fencing of SLDC and file a separate Petition for SLDC while filing the Business Plan and MYT Petition for the first Control Period.

*Petitioner's Submissions*

The Petitioner submitted that that ring fencing of SLDC function and separation of accounting of SLDC function is under process. The Petitioner submitted that it has started maintaining separate expenditure for SLDC function from FY 2012-13. The Petitioner submitted that the separation of SLDC assets and associated loans and equity is still under process. The Petitioner submitted that it is undertaking all efforts to complete the separation of SLDC function at the earliest.

*Fresh Directive*

*Para no. 6.4 SLDC Charges*

**In this regard, the Commission once again reiterate its direction and directs PTCUL to submit a final compliance report on ring fencing of SLDC and file a separate Petition for SLDC while filing the Annual Performance Review for FY 2013-14.**

**7.1.9 Transmission Losses**

The Commission, therefore, once again directs the Petitioner to devise and develop, in consultation with the beneficiary, a suitable infrastructure and mechanism, for collection and

collation of information required for calculation of voltage-wise losses in various parts and availability, in accordance with the Regulations and submit a report thereon within a period of three months from this Order.

#### ***Petitioner's Submissions***

The Petitioner has not submitted the compliance to this directive.

#### ***Fresh Directive***

##### ***Para no. 6.1.26 Transmission Losses***

The Commission, therefore, once again directs the Petitioner to devise and develop, in consultation with the beneficiary, a suitable infrastructure and mechanism, for collection and collation of information required for calculation of voltage-wise losses in various parts and availability, in accordance with the Regulations and submit a report thereon within a period of three months from this Order.

##### ***7.1.10 Guarantee Fee Computation***

The Commission directs the Petitioner to expedite its effort to get the approval from the GoU on charging guarantee fees only on the outstanding loan amount but not on the sanctioned loan amount and accordingly, submit the guarantee fee computed on the outstanding loans of the approved schemes in the Multi Year Tariff Petition for the first Control Period.

#### ***Petitioner's Submission***

The Petitioner submitted that it has communicated the matter regarding payment of guarantee fee on the outstanding loan amount instead of sanctioned loan amount vide a letter to the GoU as per the directive of the Commission and response against the same is awaited.

##### ***7.1.11 Frequent Grid Failures***

In compliance with the conditions of licence, PTCUL is directed to take a note of the above condition and submit a report to the Commission within 15 days in the event of any "Major Incident".

### *Petitioner's Submissions*

The Petitioner submitted that in line with the directive of the Commission, it would submit the grid failure report as per IEGC/UERC Grid Code 2007 to the Commission within 15 days after any major incident.

## **7.2 Fresh Directives**

### **7.2.1 Timely filing of the Tariff/APR/Truing up Petition (Chapter 1)**

#### *Para 1*

In view of the Judgment of Hon'ble ATE, and to ensure the timely Tariff Determination, the Commission, perforce is processing the Business Plan Petition and MYT Petition simultaneously and, accordingly, the Commission has decided to club the Petitions for approval of Business Plan and Multi Year Tariff and is issuing this single Order on approval of Business Plan and Multi Year Tariff. **However, Commission would like to caution the Petitioner that such delays in future filing of APR and truing up petition during this control period would be dealt with as per Hon'ble APTEL's directions. Furthermore, this would be treated as non-compliance of relevant provisions of various regulations and may entail appropriate punitive action against the Petitioner.**

### **7.2.2 Views of State Advisory Committee**

#### *Para 3.12*

The Commission agrees with the views of the State Advisory Committee members that PTCUL is raising same issues again in its subsequent ARR and Tariff Petitions on which the Commission has taken the decision and given its ruling in the previous Tariff Orders. **In this regard, the Commission directs the Petitioner not to raise such issues again in the subsequent ARR and Tariff Petitions on which the Commission has already taken the decision and given its ruling in the previous Tariff Orders, failing which, the Commission may reject the Petition upfront.**

### **7.2.3 Submission of consistent information in proper format**

#### ***Para 6.1.15 Employee Expenses***

The Petitioner is hereby cautioned to ensure consistency in its submissions as such discrepancies would delay the regulatory process and also directs to reconcile the two sets of figures.

#### ***Para 6.1.17 Administrative & General Expenses***

The Commission cautions the Petitioner to ensure consistency in its submission as such inconsistency would lead to unnecessary delays in the regulatory process.

### **7.2.4 Submission of information to the Expert Committee**

#### ***Para no. 4.5 Truing up of Past Year Expenses***

The Commission therefore, directs PTCUL to ensure that all required information be submitted to the Committee within 6 months of this order so that the Expert Committee could expedite the examination of capital cost of the Schemes capitalised during the period FY 2004-05 to FY 2010-11.

#### ***Para 6.1.1 Value of Openig Assets and Additional Capitalisation***

The Petitioner is directed to ensure compliance of instructions given in Section-4 in this regard.

### **7.2.5 Guarantee Fee**

#### ***Para no. 6.1.12 Interest on Loan & Finance Charges***

Accordingly, PTCUL is directed to negotiate with the financial institutions not to insist on Government guarantee.

### **7.2.6 R&M Expenses**

#### ***Para no. 6.1.16 Repairs and Maintenance Expenses***

The Commission, therefore, directs the Petitioner to carry out a benchmarking study of R&M expenses as percentage of closing Gross Fixed Assets of previous year, i.e. FY 2012-13 duly considering the R&M expenses of Transmission Utilities in other States of India,



with the geographical conditions similar to the State of Uttarakhand and submit the same along with the truing up Petition for FY 2012-13.

**7.2.7 A&G Expenses**

*Para no. 6.1.17 Administrative and General Expenses*

The Commission directs the Petitioner to submit the capitalisation policy of its A&G expenses along with the Petition for truing up of FY 2012-13.

**7.2.8 Number of Employees**

*Para 5.5 Human Resources Plan*

The Commission directs the Petitioner to submit the Grade wise employee status during the Annual Performance Review/truing up exercise.

**7.2.9 Availability of AC System, HVDC bi-pole links and HVDC back-to-back stations**

*Para no. 5.4 Specific Trajectory for Variables*

The Commission directs the Petitioner to submit the Availability of its AC System, HVDC bi-pole links and HVDC back-to-back stations separately during the truing up exercise.

**7.2.10 Capitalisation of partially completed schemes**

*Para no. 6.1.3 NABARD Schemes*

It has been observed that in certain cases 50% cost of a line has been capitalised in one year and balance in another year. It is irrational as half of the line cannot be put to use which is a prerequisite for capitalisation. It also suggests that the process of cost capturing and process of capitalisation followed by the Petitioner is not correct. The Commission directs the Petitioner to get the entire gamut examined and take necessary corrective steps.

**7.2.11 Return on Equity on funds deployed by GoU out of PDF**

*Para no. 6.1.13 Return on Equity*

**The Petitioner is directed to bring up the above mentioned evidence within 6 month of the date of Order. The Commission shall take a final view in the matter in the 1st APR of the control period.**

***7.2.12 Compliance of Order dated April 29, 2013***

***Para 6.3.13***

**Hence, PTCUL is directed to ensure compliance of the same.**

The Annual Transmission Charges approved for FY 2013-14 will be applicable with effect from April 01, 2013 till further Orders.


**(K.P. Singh)  
Member**

**(C.S. Sharma)  
Member**

**(Jag Mohan Lal)  
Chairman**

## 8 Annexures

### 8.1 Annexure-1 : Public Notice on MYT Petition of PTCUL



**पावर ट्रान्समिशन कॉर्पोरेशन ऑफ उत्तराखण्ड लि०**  
(उत्तराखण्ड सरकार का उपक्रम)  
**Power Transmission Corporation of Uttarakhand Ltd.**  
(A Govt. of Uttarakhand Undertaking)  
Vidyut Bhawan, Saharanpur Road, Majra, Near ISBT, Dehradun-248001,  
Uttarakhand. Phone: 0135-2642006 Fax: 0135-2643460

**Inviting Comments on the Petition filed by PTCUL for approval of the proposed Transmission Charges for FY 2013-14 to FY 2015-16**

**Salient Points of the ARR/Tariff Petition**  
Power Transmission Corporation of Uttarakhand Limited (PTCUL), a Transmission licensee in the State of Uttarakhand has filed a petition before the Commission for approval of true up for the period FY 2004-05 to FY 2011-12 based on the audited accounts amounting to ₹ 161.58 Crore, review of ARR for FY 2012-13 and the proposed Transmission Charges of its intra-State as well as UITP Schemes for FY 2013-14 to FY 2015-16. The summary of the proposals of the intra-State network for FY 2013-14 to FY 2015-16 is given in the following Table:

**Summary of the ARR of PTCUL for the intra-State network (FY 2013-14 to FY 2015-16) - ₹ Crore**

S. No.	Particulars	FY 2012-13		Projected		
		Approved	Revised Estimates	FY 2013-14	FY 2014-15	FY 2015-16
1	Depreciation	16.59	27.99	58.44	65.17	70.79
2	Advance Against Depreciation	21.21	24.15	-	-	-
3	Interest on Long Term Loans	29.24	41.30	68.55	76.13	91.88
4	Return on Equity	0.17	21.52	39.16	47.81	58.25
5	O&M Expenses	87.83	103.06	131.84	157.96	182.27
6	Guarantee Fees	-	1.73	5.52	7.39	7.87
7	Interest on Working Capital	5.73	7.72	10.99	12.97	15.01
8	<b>Gross Expenditure</b>	<b>160.78</b>	<b>227.46</b>	<b>314.51</b>	<b>367.43</b>	<b>426.07</b>
9	Less: Non Tariff Income	1.24	1.24	1.30	1.37	1.44
10	<b>Aggregate Revenue Requirement (ARR)</b>	<b>159.54</b>	<b>226.22</b>	<b>313.21</b>	<b>366.06</b>	<b>424.63</b>
11	Gap on account of revised ARR for FY 2012-13	-	-	66.68	-	-
12	<b>Annual Transmission Charges</b>	<b>159.54</b>	<b>226.22</b>	<b>379.89</b>	<b>366.06</b>	<b>424.63</b>
13	Total Capacity Handled (MW)			2136	2329	2538
14	<b>Transmission Tariff (Rs./MW/month)</b>			<b>148,180</b>	<b>130,997</b>	<b>139,410</b>

- The recovery of the Transmission charges from the beneficiaries has been proposed on equal monthly proportion of the ARR.
- The revenue gap in the ARR for FY 2013-14 has been estimated to be ₹ 220.35 Crore which does not include the revenue gap of ₹ 161.58 Crore on account of proposed true-up for the period FY 2004-05 to FY 2011-12 for which PTCUL has requested the Commission to allow a suitable mechanism for recovery of the amount from UPCL. Details of true up requested are also available in the website of the Commission mentioned below. In case, the entire claim of PTCUL including that of true up of previous years is accepted by the Commission, additional hike of 9.76% in consumer tariff shall be required over and above the hike proposed by UPCL.
- Detailed proposals can be seen free of cost on any working day at the Commission's office or at the office of Managing Director, Power Transmission Corporation of Uttarakhand Limited, Vidyut Bhawan, Saharanpur Road, Majra, Near ISBT, Dehradun-248001, Uttarakhand. Relevant extracts can also be obtained from the above mentioned offices of the Petitioner.
- The proposals are also available at the website of the Commission ([www.uerc.gov.in](http://www.uerc.gov.in)) and at PTCUL's website ([www.ptcul.org](http://www.ptcul.org)).
- Responses/ suggestions if any are sought from the consumers and other stakeholders on the above proposals. Responses may be sent to the Secretary, Uttarakhand Electricity Regulatory Commission, either in person, or by post at First Floor, Institution of Engineers (India) Building, Near I.S.B.T., Saharanpur Road, Clement Town, Dehradun or through e-mail to [uttaranchalerc@rediffmail.com](mailto:uttaranchalerc@rediffmail.com) as a statement of objections or comments with copies of the documents and evidence in support thereof so as to reach the Secretary by 15.03.2013.

पत्रांक- 88/मु0भु0ई0/पिदकुल/ए-2  
दिनांक :- 06.02.2013

**"Save Electricity In the Interest of Nation"**

## 8.2 Annexure-2 : Public Notice on Business Plan of PTCUL

 **POWER TRANSMISSION CORPORATION  
OF UTTARAKHAND LTD.**  
(A Govt. of Uttarakhand Undertaking)  
Vidyut Bhawan, Saharanpur Road,  
Majra, Near ISBT, Dehradun-248001, Uttarakhand  
Phone: 0135-2642006 Fax: 0135-2643460

**Inviting Comments on the Petition filed by PTCUL for  
approval of the Business Plan for FY 2013-14 to FY 2015-16**

1. Power Transmission Corporation of Uttarakhand Limited (PTCUL), a Transmission licensee in the State of Uttarakhand has filed a petition before the Commission for approval of its Business Plan for FY 2013-14 to FY 2015-16 giving details of the activities proposed to be carried out by it during this Control Period.
2. Detailed proposals can be seen free of cost on any working day at the Commission's office or at the office of Managing Director, Power Transmission Corporation of Uttarakhand Limited, Vidyut Bhawan, Saharanpur Road, Majra, Near ISBT, Dehradun-248001, Uttarakhand. Relevant extracts can also be obtained from the above mentioned offices of the Petitioner.
3. The proposals are also available at the website of the Commission ([www.uerc.gov.in](http://www.uerc.gov.in)) and at PTCUL's website ([www.ptcul.org](http://www.ptcul.org))
4. Responses/ suggestions if any are sought from the consumers and other stakeholders on the above proposals. Responses may be sent to the Secretary, Uttarakhand Electricity Regulatory Commission, either in person, or by post at First Floor, Institution of Engineers (India) Building, Near I.S.B.T., Saharanpur Road, Clement Town, Dehradun or through e-mail to [uttarakhalerc@rediffmail.com](mailto:uttarakhalerc@rediffmail.com) as a statement of objections or comments with copies of the documents and evidence in support thereof so as to reach the Secretary by 15.03.2013

पत्रांक 89/मुमुई०/पिटकुल/ए-२      दिनांक 06/02/2013

**"Save Electricity in the Interest of Nation"**

### 8.3 Annexure-3 : List of Respondents

Sl.	Name	Designation	Organization	Address
1.	Sh. S.P. Joshi	-	-	Village & Post-Nakraunda, Near IDEA Tower, Nakraunda, Dehradun
2.	Sh. Pankaj Gupta	President	M/s Industries Association of Uttarakhand	C/o Satya Industries, Mohabbewala Industrial Area, Dehradun
3.	-	-	M/s Asahi India Glass Ltd.	Integrated Glass Plant, Village-Latherdeva Hoon, Manglaur-Jhabrera Road, P.O. Jhabrera, Tehsil Roorkee, Distt. Haridwar, Uttarakhand
4.	Sh. Pratap Singh	President	Vasant Vihar Members Welfare Association (Regd.)	95, Vasant Vihar, Phase-I, P.O.-New Forest, Dehradun-248006
5.	Sh. G.S. Bedi	General Manager	M/s Indian Drugs & Pharmaceuticals Ltd.	Virbhadra-249202, Rishikesh, Uttarakhand

#### 8.4 Annexure-4 : List of Participants in Public Hearings

##### List of Participants in Hearing at Ranikhet on 14.03.2013

Sl. No.	Name	Designation	Organization	Address
1.	Sh. Hem Chowdhary	Vice President	Cantt Board	Ranikhet
2.	Sh. Ajay Kumar	General Secretary	Nagar Congress Committee	Ranikhet
3.	Sh. Harish Chandra Bavadi	-	-	Shree Bhawan, Mall Road, Ranikhet
4.	Sh. Kailash Pandey	-	-	151, Khadi Bazaar, Ranikhet
5.	Sh. Jagdish Agrawal	-	-	761, Sadar Market, Ranikhet
6.	Sh. A.L. Shah	-	-	205, Khadi Bazaar, Ranikhet
7.	Sh. Deep Bhagat	-	-	Bhagat Store, Sadar Market, Ranikhet
8.	Sh. G.S. Bisht	-	-	Hotel Ranikhet Grant, Ranikhet
9.	Sh. Bhaskar Bisht	-	-	Village & Post-Ganiya Dholi, Ranikhet
10.	Sh. Anand Aggarwal	-	-	Sadar Market, Ranikhet
11.	Sh. Vivek Agarwal	-	-	13, Windy House, Mall Road, Ranikhet
12.	Sh. Deepak Garg	-	-	456, Sadar Market, Ranikhet
13.	Sh. Girish Pandey	-	-	C/o-J.P. Pandey & Sons, Sadar Market, Ranikhet

**List of Participants in Hearing at Rudrapur on 15.03.2013**

Sl. No.	Name	Designation	Organization	Address
1.	Mohammad Imran	-	M/s Star Auto Industries Pvt. Ltd.	Sector-11, IIE, SIDCUL, Pant Nagar, Udham Singh Nagar, Uttarakhand
2.	Sh. Diwakar Pant	-	M/s Amul Auto Component Pvt. Ltd.	Plot No. 40, Sector-11, IIE, SIDCUL, Pantnagar, Udham Singh Nagar, Uttarakhand
3.	Sh. Mukesh Jha	-	M/s Ultra Tech Suspensions Pvt. Ltd.	Plot No. 29, Sector-11, Pantnagar, Udham Singh Nagar, Uttarakhand
4.	Sh. R.S. Rawat	-	M/s Mayur Industries Ltd.	Plot No. 7, Sector-11, Tata Vendor Park, Sidcul, Pantnagar - 263153, Udham Singh Nagar
5.	Sh. Sunil Nayal	-	M/s Autoline Industries Ltd.	Plot No. 5,6,8, Sector-11, SIDCUL, Pant Nagar, Udham Singh Nagar- 263153
6.	Sh. Amit Sharma	-	M/s Autoline Industries Ltd.	Plot No. 5,6,8 Sector-11, SIDCUL, Pant Nagar, Udham Singh Nagar- 263153
7.	Sh. J.C. Kandpal	-	M/s Mayur Industries Ltd.	SIDCUL, Rudrapur, Udham Singh Nagar
8.	Sh. Sachin Bhandari	-	M/s Bajaj Motors Ltd.	41/11, IIE, SIDCUL, Pantnagar, Uttarakhand
9.	Sh. Sagar Tyagi	-	M/s BST Textile Mills	Plot No. 9, Sector-9, SIDCUL, Pantnagar, Rudrapur, Udham Singh Nagar
10.	Sh. D.N. Jaiswal	-	M/s Archidply Ind. Ltd.	Plot No. 7, Sector-9, SIDCUL, Pantnagar, Rudrapur, Udham Singh Nagar
11.	Sh. P.C. Pant	-	M/s Kiran Udhyog Pvt. Ltd.	Plot No. 34, Sector-11, SIDCUL, Pantnagar, Udham Singh Nagar
12.	Sh. Munish Lath	-	M/s Badve Engineering Ltd.	Unit No. XII, IIE, Tata Vendor Park, Pantnagar, Udham Singh Nagar, Uttarakhand
13.	Sh. Anoop Singh	-	M/s KLT Automotive & Tube Ltd.	Plot No. 20, Sector-11, Tata Vendor Park, Pantnagar, Udham Singh Nagar, Uttarakhand
14.	Sh. Rupendra Singh	-	M/s Dali & Samir Engineering Pvt. Ltd.	Plot No. 43, Sector-11, Tata Vendor Park, IIE Pantnagar, Rudrapur - 263153
15.	Sh. Mor Singh	-	M/s Mangala Auto Engineering Pvt. Ltd.	Plot No. 1-C, Sector-11, IIE, SIDCUL, Tata Vendor Park, Pantnagar, Udham Singh Nagar
16.	Sh. Ashwini Kumar	-	M/s Perfect Dynamics Auto Pvt. Ltd.	Village - Fulsunga, Post - Transit Camp, Tehsil - Kichha, Rudrapur, Dist. Udham Singh Nagar
17.	Sh. Arunesh Kumar	-	M/s Om Sai Industries	Village - Fulsunga, Post - Transit Camp, Tehsil - Kichha, Rudrapur, Dist. Udham Singh Nagar
18.	Sh. Vivek Jha	-	M/s Sanjay Technoplast Pvt. Ltd.	Village - Fulsunga, Post - Transit Camp, Tehsil - Kichha, Rudrapur, Udham Singh Nagar
19.	Sh. A.L. Dandavate	-	M/s Bajaj Auto Ltd.	Plot No. 2, Sector-10, SIDCUL, Pantnagar, Rudrapur, Dist. Udham Singh Nagar
20.	Sh. Mayur Ghode	-	M/s Anusuya Auto Press Part Pvt. Ltd.	Plot No. 53, 54, Sector-11, IIE, Pantnagar, Rudrapur, Dist. Udham Singh Nagar

**List of Participants in Hearing at Rudrapur on 15.03.2013**

Sl. No.	Name	Designation	Organization	Address
21.	Sh. Vikas Jindal	-	M/s Kumaon Garhwal Chamber of Commerce & Industry	Chamber House, Industrial Estate, Bazpur Road, Kashipur, Distt.- Udham Singh Nagar
22.	Sh. Darbara Singh	-	M/s Kumaon Garhwal Chamber of Commerce & Industry	Chamber House, Industrial Estate, Bazpur Road, Kashipur, Distt.- Udham Singh Nagar
23.	Sh. Pawan Agarwal	Chairman	M/s Kumaon Garhwal Chamber of Commerce & Industry	Chamber House, Industrial Estate, Bazpur Road, Kashipur, Distt.- Udham Singh Nagar
24.	Sh. Suresh Kumar	-	M/s La-opala RGLN	B-108, Eldeco, SIDCUL Industrial Park, Sitarganj, Distt.- Udham Singh Nagar
25.	Sh. R.K. Gupta	-	M/s Gujarat Ambuja Exports Ltd.	C-50, Eldeco, Sitarganj, Distt.- Udham Singh Nagar
26.	Sh. D.K. Singh	-	M/s Omega Ice Hill Pvt. Ltd.	Plot No. 37, Sector-4, SIDCUL, Rudrapur, Udham Singh Nagar-263153
27.	Sh. Amresh Dwivedi	-	M/s Varroc Engineering Pvt. Ltd.	Plot No.-20, Sector-9, Integrated Industrial Estate (IIE), SIDCUL, Pantnagar, Rudrapur, Udham Singh Nagar
28.	Sh. Dilip Mishra	-	M/s Wheels India Ltd.	Plot No.-56, Sector-11, Pantnagar, Rudrapur, Udham Singh Nagar
29.	Sh. Jagdish Chandra Singh	-	M/s Bhramari Steels Pvt. Ltd.	New Mandi Gate, Bareilly Road, Haldwani, Distt. Nainital
30.	Sh. Umesh Sharma	-	M/s Voltas Ltd.	Plot No. 2-5, Sector-8, IIE, Pantnagar Industrial Area, Rudrapur, Udham Singh Nagar-263153
31.	Sh. Yogesh K. Gautam	-	M/s UCP Ltd.	Plot No. 1, Sector-10, IIE, Pantnagar Industrial Area, Rudrapur, Udham Singh Nagar-263153
32.	Sh. Maneesh Gupta	-	M/s Shivani Locks Pvt. Ltd.	Plot No. 44, Sector-11, IIE, Pantnagar, Rudrapur, Udham Singh Nagar
33.	Dr. Ganesh Upadhyaya	-	-	Village & P.O.-Shantipuri No.-2, Kichha, Distt.-Udham Singh Nagar
34.	Sh. Bharat Saigal	-	M/s Innovative Textiles Pvt. Ltd. Pvt. Ltd.	Plot No. 8, Block-B, Phase-1, Sidcul Industrial Park, Sitarganj, Distt. Udham Singh Nagar, Uttarakhand-262405
35.	Sh. V.V. Joshi	-	M/s Tata Motors Ltd.	Plot No. 1, Sector 11, IIE, SIDCUL, Pant Nagar, Udham Singh Nagar
36.	Sh. R.K. Mahapalan	-	M/s Tata Motors Ltd.	Plot No. 1, Sector 11, IIE, SIDCUL, Pant Nagar, Udham Singh Nagar, Uttarakhand
37.	Sh. Manish Tanwar	-	M/s HCL Infosystems Ltd.	Plot No. 1&2, Sector-5, IIE, Pant Nagar, SIDCUL, Distt.- Udham Singh Nagar
38.	Sh. Parminder Singh Rattan	-	M/s Rattan Legal Associates	No. 10, Barlowganj, Mussoorie, Dehradun
39.	Sh. Mahesh Varma	-	M/s Jalpac India Ltd.	Village-Tularampur, P.O.-Mota Haldu, Haldwani, Nainital, Uttarakhand-262402



## List of Participants in Hearing at Rudrapur on 15.03.2013

Sl. No.	Name	Designation	Organization	Address
40.	Sh. Puneet Mohindra	-	M/s Kashi Vishwanath Steels Ltd.	Narain Nagar Industrial Estate, Nainital Road, Kashipur-244713, Distt. Udham Singh Nagar
41.	Sh. Ashok Bansal	-	M/s. Rudrapur Solvents Pvt. Ltd.	Lalpur, Kichha, Rudrapur, Distt.- Udham Singh Nagar
42.	Sh. Rajeev Gupta	-	M/s Galwalia Ispat Udyog Ltd.	Narain Nagar Industrial Estate, Nainital Road, Kashipur-244713, Distt. Udham Singh Nagar
43.	Sh. Mahendra Prasad	-	M/s Kortek Electronics India Ltd.	Plot No.-543, Village-Kishanpur, Tehsil-Kichha, Distt: Udham Singh Nagar, Uttarakhand (Rudrapur) - 263148
44.	Sh. Anurag Tiwari	-	M/s Ganesha Echosphere Ltd.	Plot No. 6, Sector-2, IIE Pantnagar, Rudrapur, Udham Singh Nagar
45.	Sh. Rais Ahmed	-	M/s Ganesha Echosphere Ltd.	Plot No. 6, Sector-2, IIE Pantnagar, Rudrapur, Udham Singh Nagar
46.	Sh. P.K. Dubey	-	M/s Ganesha Echosphere Ltd.	Plot No. 6, Sector-2, IIE Pantnagar, Rudrapur, Udham Singh Nagar
47.	Sh. V.P. Joshi	-	M/s Gee Cee Corp. Pvt. Ltd.	Plot No. 15, Sector-9, SIDCUL, Pantnagar, Udham Singh Nagar
48.	Sh. S.S. Rawat	-	M/s Nestle India Ltd.	Sector-1, Plot Number-1A, IIE, Pantnagar, Rudrapur, Udham Singh Nagar- 263145
49.	Sh. Sanjay Kr. Sharma	-	M/s Advik Hitech Pvt. Ltd.	Sector-9, Plot No.-7A, Integrated Industrial Estate (IIE), Pantnagar, Rudrapur, Udham Singh Nagar-263153
50.	Sh. Suresh Singh Yadav	-	M/s Autocomp Corporation Panes Pvt. Ltd.	Plot No. 38-39, Sector-11, IIE, Pantnagar, Rudrapur, Udham Singh Nagar
51.	Sh. R.B. Biradar	-	M/s Radico Khaitan Ltd.	B-3, UPSIDC, Industrial Area, Sultanpur Patti, Bazpur, Distt. Udham Singh Nagar
52.	Sh. Atul Mittal	-	M/s Radico Khaitan Ltd.	B-3, UPSIDC, Industrial Area, Sultanpur Patti, Bazpur, Udham Singh Nagar
53.	Sh. R.S. Yadav	-	M/s India Glycols Ltd.	A-1, Industrial Area, Bazpur Road, Kashipur, Distt. Udham Singh Nagar-244713
54.	Sh. L.M.C. Bhatt	-	M/s Sravanthi Energy Pvt. Ltd.	Kashipur, Udham Singh Nagar
55.	Sh. A.K. Goel	Secretary General	M/s Kumaon Garhwal Chamber of Commerce & Industry	Chamber House, Industrial Estate, Bazpur Road, Kashipur, Distt.- Udham Singh Nagar
56.	Sh. Amit Kapoor	-	M/s Minala Corporation Ltd.	Plot No. 9, Sector-10, SIDCUL, Rudrapur, Udham Singh Nagar
57.	Sh. Surendra Girdhar	-	-	Tarai Shoe Centre, Bhagat Singh Chowk, Rudrapur, Dist. Udham Singh Nagar
58.	Sh. Tushar Agrawal	-	M/s BTC Industries Ltd.	Village-Kishanpur, Post-Deoria, Tehsil- Kichha, Dist. Udham Singh Nagar

**List of Participants in Hearing at Rudrapur on 15.03.2013**

Sl. No.	Name	Designation	Organization	Address
59.	Sh. Ram Kr. Agarwal	-	M/s Umashakti Steels Pvt. Ltd.	Village-Vikrampur, Bannakheda Road, Bazpur, Distt. Udham Singh Nagar
60.	Sh. Balkar Singh	-	-	Raipur Khurd, P.O.-Kashipur, Distt. Udham Singh Nagar
61.	Sh. Bhupendra Singh	General Secretary	Bhartiya Kisan Union	Village & Post-Dhakia No. 1, Tehsil-Kashipur, Udham Singh Nagar
62.	Sh. Teeka Singh Saini	Chairman	Sayunkt Kisan Sangharsh Committee,	33-Katoratal, Kashipur, Distt.- Udham Singh Nagar
63.	Sh. Kuldeep Singh Cheema	-	Bhartiya Kisan Union	Village & Post-Dhakia No. 1, Tehsil-Kashipur, Udham Singh Nagar
64.	Sh. Jeet Singh Cheema	-	Bhartiya Kisan Union	Village & Post-Dhakia No. 1, Tehsil-Kashipur, Udham Singh Nagar
65.	Sh. Satnam Singh Cheema	-	Bhartiya Kisan Union	Village-Chanakpur Farm, P.O.-Kashipur, Udham Singh Nagar
66.	Sh. Karnail Singh	President	Bhartiya Kisan Union Committee	Guru Nanak Agri Clinic, Near Gurudwara, Gadarpur, Distt. Udham Singh Nagar
67.	Sh. H.D. Arora	President	Mohalla Swachata Samiti	Civil Lines, Doctors Colony, Rudrapur, Udham Singh Nagar

## List of Participants in Hearing at Dehradun on 18.03.2013

Sl. No.	Name	Designation	Organization	Address
1.	Sh. Mahesh Sharma	Secretary General	Uttarakhand Industrial Welfare Association	Off. G-31, UPSIDC, Industrial Area, Selaqui, Dehradun, Uttarakhand
2.	Sh. Rakesh Bhatia	Sr. Vice President	Uttarakhand Industrial Welfare Association	E-8, Govt. Industrial Area, Patel Nagar, Dehradun
3.	Sh. Naresh Bansal	-	Uttarakhand Industrial Welfare Association	Off. G-31, UPSIDC, Industrial Area, Selaqui, Dehradun, Uttarakhand
4.	Sh. Manoj Gupta	-	Uttarakhand Industrial Welfare Association	Off. G-31, UPSIDC, Industrial Area, Selaqui, Dehradun, Uttarakhand
5.	Sh. Pankaj Gupta	President	Industries Association of Uttarakhand	C/o Satya Industries, Mohabbewala Industrial Area, Dehradun
6.	Sh. Rajiv Agarwal	Sr. Vice-President	Industries Association of Uttarakhand	C/o Satya Industries, Mohabbewala Industrial Area, Dehradun
7.	Sh. P.K. Rajput	Executive Director	M/s Alps Industries Ltd.	Plot No. 1-A, Sector-10, IIE, SIDCUL, Roshnabad Road, Haridwar-249403
8.	Sh. Man Singh	General Manager (Engg.)	M/s Alps Industries Ltd.	Plot No. 1-A, Sector-10, IIE, SIDCUL, Roshnabad Road, Haridwar-249403
9.	Sh. Naval Duseja	AGM	M/s Flex Foods Ltd	Lal Tappar Industiral Area, Haridwar Road, Dehradun
10.	Sh. Vishnu Dutt Tyagi	Asst. General Manager (HR & A)	M/s Ultimate Flexipack Ltd.	Plot No. 12, Sector-11, IIE, SIDCUL, Haridwar-249403
11.	Sh. Gulshan Roy	-	Shri Ganesh Roller Flour Mill	Mohabbewala, Dehradun
12.	Sh. G.S. Manchanda	Proprietor	Hotel India	Library, Mussoorie - 248179
13.	Sh. Ajay Bhargava	Secretary General	Mussoorie Hotels Association	Hotel Surya Kiran, Mall Road, Mussoorie
14.	Sh. Rakesh Gupta	Accountant	Hotel Aketa	Rajpur Road, Dehradun-248001
15.	Sh. Rakesh Kr. Tyagi	-	M/s Creative Industries	Plot - 5/5A, Sector 3, SIDCUL, IIE, Haridwar
16.	Sh. R.K. Jalan	-	M/s Revati Print O Pack	Sector-2, Plot No. 37, IIE, SIDCUL, Haridwar
17.	Sh. Ashish Gupta	-	M/s GLS Electronics Industries Pvt. Ltd.	Plot No. 5, Sector-2, SIDCUL, Haridwar
18.	Sh. Yogendra Singh Rathi	Editor	M/s Unnati Times Daily	34&35, Mayur Vihar, Kandoli, Dehradun
19.	Sh. R.K. Rajwar	Unit Coordinator (Engg.)	Project Management Unit	Swajal (Drinking Water Dept.), Mussoorie Diversion Road, Dehradun
20.	Sh. G.C. Pande	Managing Director	Uttarakhand Peyjal Sansadhan Vikas & Nirman Nigam	11, Mohini Road, Dehradun

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Sl. No.	Name	Designation	Organization	Address
21.	Sh. P.K. Goel	Executive Engineer	State Water & Swachhata Mission	01, Bhagirathi Puram, Doon Vihar, Jhakhana, Dehradun
22.	Sh. Shanti Prasad Bhatt	-	Uttarakhand Kranti Dal	22, Mitralok, Colony, Dehradun
23.	Sh. Vishwamitra	-	-	36, Panchsheel Park, Chakrata Road, P.O.-Forest Research Institute (FRI), Dehradun
24.	Sh. M.S. Mehta	-	-	109/7, Dharampur, Dehradun
25.	Sh. S.P. Nautiyal	-	-	Nehru Gram-Lower, P.O.-Nehru Gram, Dehradun
26.	Sh. K.S. Pundir	-	-	Shanti Kunj, Lane : 1-A, Lower Natthanpur, P.O.-Nehrugram, Dehradun
27.	Sh. Vigyan Swarup Bhatnagar	-	-	98/3, Bell Road, Near Junior Hilton School, Clementtown, Dehradun
28.	Sh. M.G. Trivedi	-	Commander Works Engineers	Mall Road, Dehradun Cantt., Dehradun
29.	Sh. K.K. Dhiman	GE	Commander Works Engineers	Garhi Cantt, Dehradun
30.	Sh. G.D. Madhok	-	-	146/1, Rajendra Nagar, Street No. 9, Kaulagarh Road, Dehradun
31.	Col. D. Singh	-	-	C-107, Sector-3, Defence Colony, Dehradun
32.	Col. S.P.S. Negi	-	-	B-262, Sector-4, Defence Colony, Dehradun
33.	Sh. O.P. Rank	-	-	104, Mahendra Vihar, Ballupur Road, Dehradun

**List of Participants in Hearing at New Tehri on 20.03.2013**

<b>Sl. No.</b>	<b>Name</b>	<b>Designation</b>	<b>Organization</b>	<b>Address</b>
1.	Sh. Umesh Gusain	Chairman	Nagar Palika	New Tehri
2.	Sh. Chiran Jeet Tiwari	Sabhasad	Nagarpalika	New Tehri
3.	Sh. Rajpal Singh Miya	Sabhasad	Nagarpalika	New Tehri
4.	Sh. Jeet Ram Bhatt	Member	District Panchayat	District Planning Committee, New Tehri
5.	Sh. Anil Uniyal	-	-	Sector-9B, 11/2, Bauradi, New Tehri
6.	Sh. Vijay Kathait	-	-	B/29, Near Main Market, New Tehri
7.	Sh. Gulab Singh Panwar	-	-	C/o Sh. Darshan Lal Bhatt, B-3, Covered Market, Bauradi, New Tehri
8.	Sh. Sohan Singh Chauhan	-	-	Sector-2, Flat No. 104, Near Soni Hotel, New Tehri
9.	Sh. Vikram Singh	-	-	Village-Nawagar, New Tehri
10.	Sh. Vinod Mamgain	-	-	Near R.S. Public School, New Tehri Road, Badshaithaul, New Tehri
11.	Sh. Roshan Singh Chauhan	-	-	Village-Painula, P.O.-Pangarkhal, New Tehri