Tariff Order

2010-11

For
Power Transmission Corporation of Uttarakhand Ltd.

April 06, 2010

Uttarakhand Electricity Regulatory Commission

1st Floor of Institution of Engineers (I) Building

Near ISBT Majra, Dehradun – 248002

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Before

UTTARAKHAND ELECTRICITY REGULATORY COMMISSION

Petition No.: 25 of 2009

In the Matter of:

ARR and Tariff Petition filed by Power Transmission Corporation of Uttarakhand Limited for determination of Aggregate Revenue Requirement (ARR) and tariffs for the Financial Year 2010-11.

AND

In the Matter of:

Power Transmission Corporation of Uttarakhand Ltd.
7 B, Vasant Vihar Enclave, Street No. 1, Dehradun ………..Petitioner

Coram

Shri V.J.Talwar	**Chairman**
Shri Anand Kumar	**Member**

Date of Order: April 06, 2010

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 alongwith such fee as may be specified by the Appropriate Commission through Regulations. In compliance with the above provisions of the Act and Regulation 56(4) of UERC (Conduct of Business) Regulations, 2004, Power Transmission Corporation of Uttarakhand Limited (hereinafter referred to as "PTCUL" or "Petitioner" or "licensee") filed a Petition (Petition No. 25 of 2009 and hereinafter referred to as the "Petition"), giving details of its projected Annual Revenue Requirement (ARR) for FY 2010-11 on 30th November 2009. The above Petition was admitted by the Commission on December 9, 2009 and with it commenced the process of Tariff determination.

Tariff determination being the most vital function of the Commission, it has been the practice of the Commission to detail the procedure and explain the principles utilized by it in 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 in determining the ARR of the licensee. For the sake of convenience and clarity, this Order has further been divided into following chapters:

Chapter 1 – Procedural History

Chapter 2 – Petitioner's Submission

Chapter 3 – Commission's Approach

Chapter 4 – Analysis of Aggregate Revenue Requirement

Chapter 5 – Commission's Directives

1. Procedural History

In accordance with Regulation 56(4) of the UERC (Conduct of Business) Regulations, 2004, the Commission had directed PTCUL vide its letter no. 1551/UERC/ARR/Tariff/2010-11 dated November 23, 2009 to submit the Petition for determination of tariff for the FY 2010-11 latest by November 30, 2009. The Petitioner filed its Aggregate Revenue Requirement and Tariff application for FY 2010-11 on November 30, 2009, which was admitted by the Commission on December 9, 2009. To provide transparency to the process of tariff determination and give all stakeholders an opportunity to submit their objections/suggestions/comments on the proposals of the licensee, the Commission, through its admittance Order dated December 9, 2009, further directed PTCUL to publish the salient points of its proposals in the leading newspapers. The salient points of the proposal were published by PTCUL in the following newspapers:

Table 1.1: Publication of Notice

S.No.	Newspaper Name	Date of publication
1.	Dainik Jagran	December 12, 2009
2.	Times of India	December 13, 2009

Through above notice, stakeholders were requested to submit their comments latest by December 31, 2009 (copy of the notice is enclosed at **Annexure 1**).

The Commission on its own sent the copies of salient points of tariff proposals to members of the State Advisory Committee, the State Government and also made available the details of the proposal submitted by the licensee in Commission's office and website.

However, in response to the public notice published in the above mentioned papers, the Commission did not receive any objection/ suggestion/comment from any of the stakeholders by the appointed date. Further, nobody objected to the proposals of PTCUL during the course of common public hearings conducted by the Commission at different places in the State of Uttarakhand on Tariff proposals of UJVNL, PTCUL and UPCL. Only Sh. Rajeev Agarwal, Consumer Advocate, appointed by the Commission submitted his response on the proposals filed by PTCUL during the hearing which have been considered by the Commission adequately in Chapter 4.

Table 1.2: Schedule of Hearings

S.No.	Place	Date
1.	Uttarkashi	11.01.2010
2.	Sitarganj	22.01.2010
3.	Pithoragarh	23.01.2010
4.	Dehradun	14.02.2010

The list of participants who attended the Public Hearing is enclosed at **Annexure-2.**

Subsequently, based on the preliminary scrutiny of the ARR and tariff proposals submitted by the licensee, the Commission vide its letter No. 1757/UERC/PTCUL ARR-2010-11/09 dated December 31, 2009, pointed out certain data gaps in the Petitions and sought following additional information/clarifications from the Petitioner:

- Clarification on data inconsistency in figures of O&M expenses for FY 2008-09 as mentioned in the ARR formats and in the text of the Petition
- Details of employee cost computations for FY 2009-10 and FY 2010-11 with appropriate formulas and linkages.
- Details of actual arrears assessed on implementation of Sixth Pay Commission's report and payment made during FY 2009-10 on this account which has been considered as part of Employee expenses for FY 2009-10 and FY 2010-11
- Details of actual employee expenses (salary details), A&G expenses and R&M expenses for the first eight months of FY 2009-10, i.e., for the period from April 2009 to November 2009.
- Estimated grade-wise employee expenses for the next 4 months of FY 2009-10 i.e., for the period from December 2009 to March 2010 and FY 2010-11.
- Basis on which employee expenses and A&G expenses are being capitalised in the audited accounts.
- Basis of considering Dearness Allowance (DA) rate as 27.00% and 37.00% for FY 2009-10 and FY 2010-11 respectively
- Year-wise position of receipts and repayments of loans received under various schemes since creation of PTCUL.
- Justification and basis of inclusion of guarantee fees in Administrative & General (A&G) expenses for FY 2009-10 and FY 2010-11.

- Details of State Load Dispatch Centre (SLDC) expenses separately.
- Actual scheme-wise Capital Expenditure, scheme-wise Actual Asset Capitalisation and Means of Finance for the period from April 2009 to September 2009 and Projected Additional Capitalisation along with proposed means of finance for the period from October 2009 to March 2010.
- Preparedness to execute the Capital works proposed for FY 2010-11 in terms of Orders placed and funds tie-up.
- Physical progress reports of each capital work/project undertaken under various schemes along with the breakup of capital expenditure incurred, status of clearances by the Electrical Inspector, reasons for the cost and time overruns and also the copies of the proposals sent to the financial institutions for approval of cost overruns.
- Report on compliance of the Commission's directions given in its Tariff Order dated October 21, 2009

In reply, the Petitioner submitted some information vide letter No. 79/MD/PTCUL/UERC dated January 15, 2010. So as to have better clarity on data filed by the licensee and to remove inconsistency in data a Technical Validation Session (TVS) was also held with the Petitioner's officers on January 20, 2010, during which the issues raised in the letter dated December 31, 2009 were discussed. Based on these discussions, the Commission, vide its letter No. 1980/UERC/PTCUL ARR-2010-11/09 dated February 02, 2010, sought further information from the licensee. Some of the information sought by the Commission was submitted by the licensee vide letter dated February 08, 2010 & March 12, 2010.

2. Petitioner's Submissions

This Chapter gives a brief summary of the PTCUL's submissions for the determination of its ARR and Tariffs for the FY 2010-11. The contents of this Chapter are based on 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 4 i.e., "Analysis of Aggregate Revenue Requirement".

2.1 Abstract of Aggregate Revenue Requirement (ARR) of PTCUL

For the Financial Year 2010-11, PTCUL has projected an ARR of Rs. 172.68 Crore. Various components of ARR as estimated by PTCUL for the FY 2010-11 are detailed below:

Table 2.1: Annual Transmission Charges for FY 2010-11 (Rs. Lakh)

S. No.	Particulars	Projected
1	Employee cost	3559.14
2	A&G expenses	1656.27
3	R&M expenses	1874.09
4	Arrears of VI Pay Commission	679.00
5	Interest charges	5125.08
6	Depreciation	3813.00
7	Advance Against Depreciation	949.01
8	Interest on Working Capital	514.27
9	Reasonable Return	1916.06
	Sub-total gross expenditure	**20085.93**
	Less: expenses capitalized	**2943.91**
10	Employee cost Capitalized	327.44
11	Interest Capitalized	2426.66
12	A&G expenses Capitalized	189.81
13	Provision for Contingency Reserve	300.00
	Net Expenditure	**17442.02**
14	Less: Non-Tariff Income	173.25
	Aggregate Revenue Requirement (ARR)	**17268.77**

2.2 Transmission Tariff

In the Petition, the Petitioner had proposed the Transmission charges for FY 2010-11 on the basis of contracted/allocated capacity handled by it. Assuming a capacity of 1891.59 MW to be handled by the Transmission system, the transmission tariff based on projected ARR of Rs. 17269 Lakh have been worked out by the Petitioner as Rs. 91.29/kW/month of contracted/allocated capacity. For the above ARR of Rs. 17269 lakhs and considering energy transferred through its network as 13028 MU, PTCUL has further worked out the per unit tariffs for electricity transmitted through its network as 13.25 paisa per unit for the FY 2010-11.

PTCUL has further proposed the transmission charges payable by a short-term open access customer as one-fourth of the charges applicable to long term customers. As per submissions made by PTCUL charges collected from Short-term customers would be reduced from the transmission charges payable by UPCL on a quarterly basis.

2.3 Truing Up

As regard truing up of past expenses, it has been submitted by PTCUL that truing up for the FY 2007-08 and FY 2008-09 has already been carried out by the Commission in the Tariff order for the FY 2009-10. Since the truing up for FY 2008-09 was based on provisional accounts PTCUL has submitted that it would file a fresh Petition for final true up in due course of time when audited accounts for FY 2008-09 become available. As regard true up for the FY 2009-10, PTCUL has submitted that actual expenses for the FY 2009-10 would become available only after March 31, 2010 and it shall accordingly submit the true up Petition for the FY 2009-10 alongwith with the Tariff Filings for the FY 2011-12.

2.4 Fixed Assets, Capital Expenditure and Depreciation

In the Petition, the Petitioner had considered the assets finalized in the provisional balance sheet of FY 2008-09 as the opening value of assets for FY 2009-10. The Petitioner submitted that the provisional transfer scheme between UPCL and PTCUL has been used to prepare the provisional balance sheet for FY 2004-05, which has thereafter been utilized to prepare the provisional balance sheet for FY 2005-06, FY 2006-07, FY 2007-08 and FY 2008-09. The Table below shows the value of asset block submitted by the Petitioner:

Table 2.2: Proposed Gross Fixed Assets (Rs. Lakh)

S. No.	Assets Group	FY 2008-09 (Actual)				FY 2009-10 (Provisional)		FY 2010-11 (Proposed)	
		At the beginning of the year	Additions during the year	Adjustments 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
1	Land & Rights	626	0	0	626	0	626	0	626
2	Buildings	3855	0	0	3855	0	3855	0	3855
3	Hydraulic Works	5	0	0	5	0	5	0	5
4	Other Civil works	159	0	0	159	0	159	0	159
5	Plant & Machinery	46512	317	0	46829	2688	49517	14705	64222
6	Lines & Cable Network	17843	16	0	17859	18924	36783	16248	53031
7	Vehicles	81	0	0	81	0	81	0	81
8	Furniture & Fixtures	39	28	0	67	60	126	0	126
9	Office Equipment	29	47	0	77	593	669	0	669
	Total	**69149**	**409**	**0**	**69558**	**22264**	**91822**	**30953**	**122776**

As regards depreciation, it has been submitted that the depreciation has been computed in accordance with the rates specified in the UERC (Terms and Conditions of Transmission Tariff) Regulations, 2004 and for computation of Depreciation for FY 2010-11, these rates have been applied on the pro-rata basis as provided in the Regulations for different block of fixed assets. The Table below shows the depreciation for FY 2008-09, FY 2009-10 and FY 2010-11:

Table 2.3: Proposed Depreciation (Rs. Lakh)

S. No.	Item	Rate of Depreciation %	FY 2008-09 (Actual)				FY 2009-10 (Provisional)		FY 2010-11 (Proposed)	
			Cumulative upto the beginning of year	Depreciation during the year	Adjustment during the year	Cumulative at the end of year	Depreciation during the Year	Cumulative at the end of year	Depreciation during the Year	Cumulative at the end of year
1	Land and Rights		-	-		-	-	-	-	-
2	Buildings	1.80%	1,636.00	69.39	0.00	1,705.39	69.39	1,774.79	69.39	1,844.18
3	Hydraulic Works	2.57%	1.42	0.16	0.00	1.58	0.14	1.72	0.14	1.86
4	Other Civil works	1.80%	161.99	2.86	0.00	164.85	2.86	167.71	2.86	170.57
5	Plant & Machinery	3.60%	15,339.48	1,674.00	0.00	17,013.48	1,689.11	18,702.59	2,188.44	20,891.03
6	Lines & Cable Network	2.57%	3,876.19	458.97	0.00	4,335.16	616.28	4,951.44	1,531.05	6,482.49
7	Vehicles	18.00%	166.41	14.66	0.00	181.07	14.66	195.74	14.66	210.40
8	Furniture & Fixtures	6.00%	9.33	2.00	0.00	11.33	5.78	17.11	7.57	24.67
9	Office Equipment	6.00%	8.42	2.00	0.00	10.42	22.38	32.79	40.16	72.95
	Total		**21,199.24**	**2,224.05**	**0.00**	**23,423.28**	**2,420.59**	**25,843.88**	**3,854.27**	**29,698.14**
	Less: Depreciation on Deposit Work								41.76	
	Total		**21,199.24**	**2,224.05**	**0.00**	**23,423.28**	**2,420.59**	**25,843.88**	**3,812.51**	**29,698.14**

2.5 Interest & Other Finance Charges

In the Tariff Order for FY 2009-10, the Commission had approved the net Interest and Finance Charges (after capitalisataion) to PTCUL as Rs. 17.32 Crore for FY 2009-10. The Petitioner submitted that it has estimated the Gross Interest and Finance charges as Rs. 3852.38 Lakh and Rs.

5125.08 Lakh for FY 2009-10 and FY 2010-11 respectively on the basis of long-term liabilities identified in the Provisional Accounts for FY 2008-09 and also on the basis of fresh loans drawn till September 2009 and projected loans to be drawn over the remaining period of FY 2009-10 and during FY 2010-11. Net interest claimed after capitalisation is Rs. 1460.20 Lakh for FY 2009-10 and Rs. 2698.42 Lakh for FY 2010-11. The Table below shows the Interest and Finance Charges proposed by the Petitioner in the Petition.

Table 2.4: Actual Interest & other Finance Charges for FY 2008-09 (Rs. Lakh)

S.No.	Source	Opening Balance	Receipts	Repayments	Closing Balance	Rate of Interest	Interest
1	Old REC Scheme	9815.71	0.00	1226.96	8588.75	10.55%	970.87
2	New REC Scheme	10281.12	0.00	0.00	10281.12	9.94%	1021.44
3	NABARD Scheme	22760.14	0.00	1219.62	21540.52	6.50%	1455.28
4	PFC Gap Funding	0.00	1477.96	0.00	1477.96	13.50%	10.42
	Total	**42856.97**	**1477.96**	**2446.58**	**41888.35**		**3458.01**
Less:	Interest Capitalized						1833.44
	Net total interest						**1624.57**

Table 2.5: Estimated Interest & other Finance Charges for FY 2009-10 (Rs. Lakh)

S.No.	Source	Opening Balance	Receipts	Repayments	Closing Balance	Rate of Interest	Interest
1	Old REC Scheme	8588.75	3448.20	1226.96	10809.99	10.00%	1028.43
2	New REC Scheme	10281.12	2540.00	802.97	12018.15	10.22%	1180.29
3	NABARD Scheme	21540.52	0.00	3016.12	18524.40	6.50%	1276.34
4	REC-IV	0.00	2225.29		2225.29	13.50%	150.21
5	REC-V		1554.00		1554.00	13.50%	104.90
6	PFC Gap Funding	1477.96	1508.06		2986.02	13.50%	112.21
	Total	**41888.35**	**11275.54**	**5046.05**	**48117.85**		**3852.38**
Less:	Interest Capitalized						2392.18
	Net total interest						**1460.20**

Table 2.6: Proposed Interest & other Finance Charges for FY 2010-11 (Rs. Lakh)

S.No.	Source	Opening Balance	Receipts	Repayments	Closing Balance	Rate of Interest	Interest
1	Old REC Scheme	10809.99	3360.00	1226.96	12943.03	9.97%	901.53
2	New REC Scheme	12018.15	4840.00	1085.20	15772.95	10.22%	1215.27
3	NABARD Scheme	18524.40	0.00	4899.37	13625.04	6.50%	1056.00
4	REC-IV	2225.29	6622.00		8847.29	13.50%	747.40
5	REC-V	1554.00	5320.00		6874.00	13.50%	568.89
6	PFC Gap Funding	2986.02	2450.00		5436.02	13.50%	568.49
7	PFC-I		1000.00		1000.00	13.50%	67.50
	Total	**48117.85**	**23592.00**	**7211.52**	**64498.32**		**5125.08**
Less:	Interest Capitalized						2426.66
	Net total interest						**2698.42**

2.6 Return on Equity

The Petitioner submitted that pending finalisation of the transfer scheme its equity value has still not been ascertained by GoU. The Petitioner has, however, submitted that on finalisation of the capital structure, as part of the finalized Transfer Scheme, PTCUL will apply before the Commission for claiming Return on Equity on the transfer value of equity funds.

The Petitioner claimed RoE for FY 2010-11 on the basis of:

- Contribution made by GoU in the assets upto March 31, 2009 since the date of transfer.
- Assets estimated to be capitalized during FY 2009-10 funded out of equity

The Petitioner submitted that GoU has made regular counterpart equity contributions against capital expenditure under Old REC scheme and NABARD scheme over the period FY 2004-05 to FY 2008-09. Apart from capital works which are funded from the financial institutions, the Petitioner submitted that it has also undertaken system strengthening works and other civil works completely out of its own resources making the equity contribution in such assets as 100%. The Petitioner has submitted the details of the equity contribution, considered for the asset capitalisation, under various schemes as given in the Table below:

Table 2.7: GoU contribution towards Equity (%age)

S.No.	Heads	Equity Contribution (%)
1	Old REC Scheme	16%
2	New REC Scheme	0%
3	NABARD Scheme	22%
4	REC-IV	30%
5	REC-V	30%
6	PFC	30%
7	Others	-
(a)	Deposit works	0%
(b)	System strengthening works other than schemes	100%
(c)	Other Works	100%

The Petitioner has submitted that the Commission has not allowed the Return on Equity in its previous Tariff Orders on the Equity provided by the GoU out of the Power Development Fund (PDF). The Petitioner has further indicated that the amounts provided by the GoU are being taken as Equity in its accounts in accordance with Generally Accepted Accounting Principles (GAAP). The Petitioner submitted that it is bound to provide its shareholders the requisite return on the amount invested irrespective of the equity source.

The Petitioner further submitted that the Equity to be infused by the GoU and the sources of funds available with the Government are the funds received from the Public, whether through taxation, cess, etc. The Petitioner further contended that had the GoU infused the Equity from sources other than PDF, then RoE would have been allowed in accordance with the Commission's Regulations and Orders. The Petitioner has further indicated that in case RoE is not allowed, it would never have profits in its Audited Accounts, which in turn would adversely impact its financial ratios which a lenders typically considers while sanctioning the loans and, therefore, on the basis of such Accounts, it would not be in a position to secure funding from Financial Institutions. Further, the Petitioner has submitted that if no surplus is available, PTCUL would have no internal resources for making any improvements and to meet any contingencies. Accordingly, the Petitioner submitted that RoE is not discretionary rather mandatory and in case the Commission is not allowing RoE on the Equity Funds provided by GoU out of PDF, the Commission may advise the GoU to convert such Equity to Grant, failing which the amount so realised from the consumers will remain constant and will not grow further, if no returns are allowed on the same. The Table below shows the Equity and Return on Equity estimated by the Petitioner for FY 2009-10 and projected for FY 2010-11:

Table 2.8: Proposed Return on Equity (Rs. Lakh)

S.No	Item	2009-10 (Estimated)			2010-11
		Opening Equity Invested in Assets	Additions	Closing Equity Invested in Assets	Opening Equity Invested in Assets
1	Old REC Scheme	382.41	2542.80	2925.21	2925.21
2	New REC Scheme	-	-	-	-
3	NABARD Scheme	6114.48	0.00	6114.48	6114.48
4	REC-IV		695.88	695.88	695.88
5	Others	-	-	-	-
(a)	APDRP	-	-	-	-
(b)	Deposit Works	3657.82	0.00	3657.82	3657.82
(c)	System Strengthening Work Other than Schemes	213.00	0.00	213.00	213.00
(d)	Other Works	79.53	0.00	79.53	79.53
	Total share-holders funds	**10447.24**	**3238.68**	**13685.92**	**13685.92**
6	Rate of return	14%			14%
7	**Total return on equity**	**1462.614**			**1916.03**

Accordingly, RoE has been estimated by the Petitioner for FY 2010-11 as Rs. 1916.03 Lakh.

2.7 Operation & Maintenance (O&M) Expenses

The Operation & Maintenance (O&M) expenses comprise of Employee expenses, A&G expenses and Repairs and Maintenance (R&M) expenses. The Petitioner's submissions with respect to each of these elements of O&M expenses are given below.

2.7.1 *Employee Expenses*

The Petitioner submitted that the employee cost for existing employees and new recruitments differ significantly in terms of terminal benefits and other emoluments and, hence, the employee expenses for 2009-10 have been estimated in two parts:

- Employee cost for existing 937 employees for FY 2009-10 (as on September 31, 2009)
- Additional employee cost for new recruitments (165 employees)

<u>Employee cost for existing employees</u>

Salaries

The Petitioner has increased the basic salary and grade pay for FY 2008-09 (based on the Provisional Accounts for FY 2008-09) by 3%. In addition to this, the Petitioner has considered the Grade Pay effect on account of annual increments for estimating the salaries for FY 2009-10. To project the salaries for the FY 2010-11, the Petitioner has further escalated above estimated salaries for the FY 2009-10 by another 3%.

Dearness Allowance

The Petitioner has estimated Dearness Allowance (DA) by considering the basic pay and GP and applying average DA rate of 27% for FY 2009-10 and 37% for FY 2010-11.

Employer's contribution towards pension and gratuity

As regards the Employer's contribution towards pension and gratuity, the Petitioner submitted that in accordance with GoU rules, the expense under this head is 19.08% of the Basic Salary, GP and DA. The Petitioner has, however, estimated the expenses for the current year on the basis of actual expenses booked during the current year. For the ensuing FY 2010-11, the Petitioner has estimated the above liability by considering 3% escalation in salaries, 10% increase in DA and other increments.

Employer's contribution towards EPF

As per GoU rules, the expenses under this head are 13.61% of Basic Salary, DAP and DA. This expense is incurred in case of employees who have been recruited after 14.1.2000. The expense under this head for the FY 2010-11 have been computed by escalating the actual expenses on this account for the FY 2009-10 by 3%.

Employer's contribution towards Leave Encashment

The Petitioner has submitted that as per GoU rules the expense under this head is 11% of Basic Salary, GP and DA. Since the above facility is not available to new employees, the Petitioner has estimated this expense for FY 2009-10 at 11% of the Basic Salary and GP for existing employees only.

Other allowance and benefits

Other allowance and benefits are calculated by escalating actual expenses by 3%.

Additional employee cost with the implementation of new organisation structure

For estimating the cost of additional employees, the Petitioner has divided the different heads of employee expenses under two broad categories:

- Employee expenses which can be linked to the Pay Scale Grades under the heads such as Salaries, Dearness Allowance, Employer's Contribution towards Pension and Gratuity, Employer's Contribution towards Leave Encashment and Bonus. These expenses have been estimated by considering the increase in number of employees in different pay scale grades.
- Employee expenses which cannot be linked to Pay Scale Grades under heads such as Other Allowances, Medical Expenses Reimbursement, Employer's contribution towards Employees Provident Fund (EPF) and other cost. These expenses have been estimated by considering the increase in total number of employees on pro-rata basis.

Impact of 6th Pay Commission

The Petitioner has estimated additional employee expenses on account of recommendations of Sixth Pay Commission. The Petitioner has implemented the recommendations of the Sixth Pay Commission w.e.f 01.06.2006. The Petitioner has calculated the impact of Sixth Pay Commission arrears from 01.01.2006 to 31.03.2009. The Petitioner has further considered 30% of the arrears of Sixth Pay Commission to be released during FY 2010-11, which amounts to Rs. 679 Lakh.

The following Table shows the summary of estimated employee expenses for FY 2009-10 and projected employee expenses for FY 2010-11:

Table 2.9: Proposed Employee Expenses (Rs. Lakh)

S. No.	Item	2008-09	2009-10	2010-11		
		Actual	Provisional	Projected for Existing Employees	Employee Cost for Additional Manpower	Total estimates
1	Salaries	1,197.51	1,563.82	1,610.73	75.20	1,685.94
2	Dearness Allowance	633.36	411.39	452.53	27.83	480.36
3	Other allowances	137.04	210.09	219.46	4.46	223.92
4	Bonus / exgratia	39.53	3.50	3.61	0.00	3.61
	Sub-total (1 to 5)	**2,007.44**	**2,188.80**	**2,286.33**	**107.49**	**2,393.82**
5	Medical expenses reimbursement	15.92	33.68	34.69	0.70	35.40
6	Leave Travel Assistance	1.04	0.00	0.00	0.00	0.00
7	Interim Relief	0.12	0.00	0.00	0.00	0.00
8	Earned Leave encashment	153.41	305.83	319.46	0.00	319.46
9	Employer's Contribution towards leave encashment	201.40	292.90	305.96	4.29	310.25
10	Payment under Workmen's Compensation Act	0.30	0.00	0.00	0.26	0.26
11	Other Cost	4.18	50.00	0.00	0.00	0.00
12	Staff welfare expenses	5.88	0.66	0.69	0.01	0.71
	Sub-total (6 to 12)	**382.25**	**683.08**	**660.81**	**5.27**	**666.08**
13	Employer's contribution towards pension & gratuity	219.81	345.95	361.37	6.49	367.86
14	Employer's contribution towards EPF	85.14	149.94	156.63	14.02	170.65
	Gross Employee cost	**2,694.64**	**3,367.77**	**3,465.13**	**133.27**	**3,598.41**
15	*Less: Capitalization*	245.20	306.45	0.00	0.00	327.44
	Net charged to Revenue	***2,449.44***	***3,061.32***	***3,465.13***	***133.27***	***3,270.97***
16	Arrears of Salary (VI Pay Commission)	0.00	905.00	679.00	0.000	679.00
17	Salary for UITP Projects	29.00	37.00	0.00	0.00	39 .00
18	**Net charged to Revenue**	**2,420.23**	**3,929.81**	**4,144.13**	**133.27**	**3,910.96**

2.7.2 *Administrative & General (A&G) expenses*

The Petitioner has calculated expenditure under heads such as Rents, Rates & Taxes, Insurance, Electricity & Water Charges and Printing & Stationery, Telephone, Postage & Telegrams", "Conveyance & Travelling on the basis of actual expenditure incurred during FY 2008-09 and first half of FY 2009-10 (i.e. for the period from April to September 2009) and by considering an escalation of 6.49% per annum (the escalation rate as approved by the Commission in its Order dated October 21, 2009) to arrive at expenditure for FY 2010-11. However, since the expenditure under remaining heads i.e. Legal charges/registration fees, audit fees, consultancy fees, advertisement and training cannot be estimated on the basis of actual expenditure incurred in previous years, the same has been linked to business and commercial activities during the year. The Petitioner has projected expenses under the other heads on the basis of related activities the Petitioner foresees to undergo during FY 2010-11. The Petitioner has estimated that the training expenses would rise significantly during FY 2009-10 and FY 2010-11 on account of increase in related activities. The following Table shows the summary of A&G expenses estimated for FY 2009-10 and projected for FY 2010-11:

Table 2.10: Proposed A&G expenses (Rs. Lakh)

S. No.	Item	2008-09	2009-10	2010-11
		Actuals	Provisional	Proposed
1	Rent, Rates & Taxes	50.71	54.00	57.51
2	Insurance	1.21	1.29	1.37
3	Telephone postage & Telegrams	44.12	48.98	52.16
4	Legal Charges/Registration Fees	6.66	42.33	45.08
5	Audit Fees	18.02	19.19	20.43
6	Consultancy Charges	31.53	33.58	35.76
7	Technical fee/ Registration fee	0.00	0.00	0.00
8	License Fee	375.59	427.88	455.65
9	Conveyance & Traveling	78.34	85.42	90.97
10	Electricity & water charges	1.03	1.10	1.17
11	Printing & Stationery	11.85	12.62	13.44
12	Advertisement	57.08	97.33	103.65
13	FBT	4.64	0.00	0.00
14	Training Expenses	6.50	104.00	110.75
15	Security Charges	0.00	0.00	0.00
16	Guarantee Fees on Govt. Guarantee	0.00	381.79	381.79
17	Other expenses	177.40	289.81	308.62
	Total expenses	**864.68**	**1599.32**	**1678.34**
Less :	*Capitalised*	*97.79*	*180.87*	*189.81*
	Net Expenditure	**766.89**	**1418.45**	**1488.53**
	Proportionate for UITP projects	11.37	21.03	22.07
	Net expenditure charged to Revenue	**755.52**	**1397.42**	**1466.46**

2.7.3 *Repairs & Maintenance (R&M) Expenses*

The Petitioner has submitted that it has carried out in house exercise for assessment of routine R&M expenses for the entire transmission network which has been approved by the Board of Directors of the PTCUL. The Petitioner has proposed that the transmission system is set to undergo significant additions during FY 2009-10 and FY 2010-11. The Petitioner has projected the R&M expenses for FY 2010-11 as Rs. 1874.09 Lakh considering Escalation of 6.49% on R&M expenses estimated for FY 2009-10. The following Table shows the summary of R&M expenses estimated for FY 2009-10 and projected for FY 2010-11:

Table 2.11: Proposed R&M Expenses (Rs. Lakh)

S. No.	Item	FY 2009-10 (Estimated)	FY 2010-11 (Proposed)
1	Plant & Machinery	951.00	1012.71
2	Buildings	233.81	248.98
3	Civil Works	54.27	57.79
4	Hydraulic Works	0.00	0.00
5	Lines & Cable Network	479.71	510.84
6	Vehicles	31.51	33.55
7	Furniture & Fixtures	1.93	2.05
8	Office equipment	6.16	6.55
9	Others	1.51	1.61
	Total expenses	**1759.87**	**1874.09**
Add:	Prior period Items	0.00	0.00
	Net charged to Revenue	**1759.87**	**1874.09**

2.7.4 *Total Operation & Maintenance (O&M) Expenses*

The total O&M expenses estimated by the Petitioner for FY 2008-09, FY 2009-10 and FY 2010-11 are tabulated below:

Table 2.12: Proposed O&M Expenses (Rs. Lakh)

S.No	Particulars	2008-09	2009-10	2010-11
		Actual	**Estimated**	**Proposed**
1	Employee Cost	2665.43	4236.26	4238.40
2	Administrative & General Expenses	853.31	1578.29	1656.27
3	Repairs & Maintenance Expenses	954.67	1759.87	1874.09
	Gross O&M Expenses	**4473.41**	**7574.42**	**7768.76**
Less:	*Capitalisation*			
4	Employee expenses capitalised	245.20	306.45	327.44
5	A&G Expenses capitalised	97.79	180.87	189.81
	Net O&M Expenses	**4130.42**	**7087.10**	**7251.51**

2.8 Interest on Working Capital

The Petitioner has computed the Interest on Working Capital for FY 2010-11 as per Regulations, which cover the following:

- O&M Expenses for 1 month
- Cost of spares at the rate of 1% of historical cost
- 2 months of receivables

The total working capital projected by the Petitioner for FY 2010-11 is Rs. 5017 Lakh. By applying the interest rate of 10.25% (SBI short-term PLR rate) on the estimated working capital requirement, the Petitioner has estimated interest on working capital as Rs. 514.27 Lakh for FY 2010-11. The Table below shows the actual interest on working capital for FY 2008-09, estimated for FY 2009-10 and projected for FY 2010-11 by the Petitioner:

Table 2.13: Proposed Interest on Working Capital (Rs. Lakh)

S.No.	Item	FY 2008-09 (Actuals)	FY 2009-10 (Estimated)	FY 2010-11 (Proposed)
1	O & M Expenses for 1 month	376.17	631.20	647.40
2	Spare (1% of historical cost)	836.78	1109.63	1485.73
3	Receivable (2 months)	1445.17	1263.50	2884.17
	Working Capital Total	**2658.11**	**3004.33**	**5017.30**
4	Working Capital Interest Rate (%)	10.25%	10.25%	10.25%
5	**Working Capital Interest**	**272.46**	**307.94**	**514.27**

2.9 Provision for Contingency Reserve

The Petitioner submitted that it faces unforeseen situations as substantial portion of its transmission network spread across difficult hilly terrain. The Petitioner submitted that in such situations, PTCUL which has very thin revenues is often faced with shortage of funds to meet such urgent requirements. The Petitioner has, therefore, requested the Commission to allow a contingency reserve of Rs. 300 Lakh as part of ARR for FY 2009-10 and FY 2010-11 to meet such unforeseen requirements.

2.10 Non-Tariff Income

The Petitioner has submitted the non-tariff income for FY 2009-10 as Rs. 165 Lakh as per the provisional balance sheet. The Petitioner has considered the Non-Tariff income for FY 2010-11 as Rs. 173 Lakh.

2.11 Transmission Losses

The Petitioner has submitted actual transmission losses at 1.86% for FY 2008-09. The Petitioner has proposed transmission losses in PTCUL system as 1.36% for FY 2010-11.

2.12 Annual Revenue Requirement (ARR) & Proposed Tariff

On the basis of projected expenses, RoE and Non-Tariff Income for FY 2010-11, the projected ARR for FY 2010-11 is summarized in following Table:

Table 2.14: Proposed Annual Revenue Requirement (Rs. Lakh)

S.No	Particulars	FY 2010-11
		Projected
1	Employee cost	3559.14
2	A&G expenses	1656.27
3	R&M expenses (including additional capitalisation)	1874.09
4	Arrears of VI Pay Commission	679.00
5	Interest charges	5125.08
6	Depreciation	3813.00
7	Advance Against Depreciation	949.01
8	Interest on Working Capital	514.27
9	Reasonable Return	1916.06
	Sub-total gross expenditure	**20085.93**
	Less: expenses capitalized	
10	Employee cost Capitalized	*327.44*
11	Interest Capitalized	*2426.66*
12	A&G expenses Capitalized	*189.81*
	Sub-total: Capitalisation	**2943.91**
13	Add: Provision for Contingency Reserve	300.00
	Net Expenditure	**17442.02**
14	Less: Non-Tariff Income	173.25
	Aggregate Revenue Requirement(ARR)	**17268.77**

3. Commission's Approach

3.1 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, among other things, the principles & methodologies specified by the Central Commission, the National Electricity Policy and the Tariff Policy.

In the light of above provisions of the Act, the Commission has specified the Uttarakhand Electricity Regulatory Commission (Terms & Conditions for Determination of Transmission Tariff) Regulations, 2004 (hereinafter referred as Tariff Regulations, 2004), on August 25, 2004, which were valid for a period of 5 years i.e. upto 24th August 2009. The Commission has already initiated the process of revising above regulations in view of changes taking place in the power sector and also to make them consistent with the new regulations specified by the CERC. However, the same may take some time as framing regulations is a long drawn consultative process. The Commission had accordingly extended the applicability of above regulations first upto December 31, 2009 vide Order dated June 17, 2009 and thereafter upto June 30, 2010 vide Order dated December 29, 2009. For the purposes of this tariff order, therefore, the Commission shall be guided by above regulations only i.e. UERC (Terms & Conditions for Determination of Transmission Tariff) Regulations, 2004. The different expense items of the ARR as filed by the Petitioner for the FY 2010-11 shall accordingly be analyzed in the light of above tariff regulations of the Commission under Chapter-5. By and large, under the existing regulations, the Commission had been following the cost plus approach wherein expenses are allowed to be recovered through tariff subject to prudency check by the Commission. The Commission shall follow the same approach for this tariff order also.

3.2 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 alongwith 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."

With regard to truing up of past years expenses it has been submitted by PTCUL that truing up for the FY 2007-08 and FY 2008-09 has already been carried out by the Commission in the Tariff Order for the FY 2009-10. Since the truing up for FY 2008-09 was based on provisional accounts, PTCUL has submitted that it would file a fresh petition for final true up in due course of time when audited accounts for FY 2008-09 become available. As regard true up for the FY 2009-10, PTCUL has submitted that actual expenses for the FY 2009-10 would become available only after March 31, 2010 and it shall, accordingly, submit the true up Petition for the FY 2009-10 alongwith with the Tariff Filings for the FY 2011-12.

The Commission is accordingly not carrying out any true up exercise for the past years in the present Tariff Order.

3.3 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 last Tariff Order dated 21st October 2009. In the above Order, in respect of delay in finalization of 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 was 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 Transfer Scheme, the Commission further directed PTCUL that–

> *"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."*

However, no concrete response has been submitted by PTCUL. **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.

3.4 Capitalisation of new assets

The Commission has discussed in detail its approach towards capitalization of assets in its various Tariff Orders. In this context, it has repeatedly been emphasized by the Commission that only such schemes/works shall be capitalized for the purposes of estimating the ARR for which (a) Licensee has sought the prior approval/exemption of the Commission and (b) For which Electrical Inspector has given its clearance. The above conditionalities were imposed by the Commission so as to ensure prudency of investments and safety & security of manpower. Accordingly, in the Tariff Order for the FY 2010-11, while allowing the capitalization of old schemes i.e. prior to the FY 2007-08, the Commission has directed PTCUL as below:

> *"The Commission directs the Petitioner to obtain the electrical inspector certificate for all the schemes capitalised since inception till FY 2008-09 and submit the copy of the same to the Commission within 3 months from the date of issue of this Order. The Commission further directs the Petitioner that for all the schemes to be capitalised for future works, the Petitioner must obtain clearance from the electrical inspector before energizing the same."*

PTCUL, accordingly, submitted the Electrical Inspector's clearance certificates for some of the pending schemes and new schemes alongwith the ARR petition for the FY 2010-11. However, there were still many schemes left for which PTCUL had not submitted the Electrical Inspector's clearance certificate. The Commission, accordingly, vide its letter dated February 26, 2010 desired PTCUL to submit the Electrical Inspector's clearance certificate for all the pending schemes. In response to same, PTCUL submitted the Electrical Inspector's clearance certificate for most of the pending schemes and also submitted that objections as raised by Electrical Inspector's against some the schemes have been removed and they are expecting the Electrical Inspector to clear the schemes shortly.

In line with the approach taken in the last Tariff Order, the Commission has allowed capitalization of only such schemes which have the clearance of the Electrical Inspector. **The Commission, however, directs PTCUL, in the interest of its own employees/staff and safety of equipments, to seek prior clearance of Electrical Inspector before energizing any scheme. The Commission also directs PTCUL to submit the Electrical Inspector's clearance certificate for few pending schemes within 3 months of issuance of this Tariff Order.**

3.5 Depreciation on assets created through grants and subsidies

The principles to be followed for calculating the depreciation and the rates applicable for it have clearly been spelt out under the Transmission Tariff Regulations of the Commission. The above regulations do not allow depreciation on that part of an asset which has been created through government grants or capital subsidy. In line with the above provision of the Tariff Regulations, the Commission has not considered those assets or part of those asset which has been created through Government grants or capital subsidy for the purposes of estimating the depreciation.

3.6 O&M Expenses

O&M expenses comprise 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 ensuing year, UERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2004 provides as below:

"(1) For projects more than 5 years age:

(a) The operation and maintenance expenses including insurance, for the existing projects which have been in operation for 5 years or more in the base year of 2003-04, shall be derived on the basis of actual operation and maintenance expenses for the years 1998-99 to 2002-03, based on the audited balance sheets, excluding abnormal operation and maintenance expenses, if any, after prudence check by the Commission.

(b) The average of such normalised operation and maintenance expenses after prudence check, for the years 1998-99 to 2002-03 considered as operation and maintenance expenses for the year 2000-01 shall be escalated at the rate of 4% per annum to arrive at operation and maintenance expenses for the base year 2003-04.(c) The base operation and maintenance expenses for the year 2003-04 shall be escalated further at the rate of 4% per annum to arrive at permissible operation and maintenance expenses for the relevant year of tariff period.

(2)For projects less than 5 years age:

(a) In case of the projects, which have not been in existence for a period of five years, the operation and maintenance expenses shall be fixed at 1.5% of the capital cost as admitted by the Commission and shall be escalated at the rate of 4% per annum from the subsequent year to arrive at operation and maintenance expenses for the base year 2003-04. The base operation and maintenance expenses shall be further escalated at the rate of 4% per annum to arrive at permissible operation and maintenance expenses for the relevant year.

(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."

However, due to implementation of Sixth Pay Commission's recommendations, which not only raised the salaries and other allowances but also altered the structure of pay scales, the Commission, for reasons recorded in the Tariff Order for the FY 2009-10, adopted a slightly different approach for estimating the O&M expenses for the FY 2009-10 than that stipulated in the Tariff Regulations for determination of O&M expenses. The Commission, accordingly, considered the Employee Expenses, A&G Expenses and R&M Expenses separately for estimating the overall O&M cost for the FY 2009-10. The Commission considered the actual A&G and R&M expenses for the FY 2008-09 and 6 months actual for the FY 2009-10, as well as the impact of salary revision due to implementation of Sixth Pay Commission recommendations, for determining the O&M expenses for FY 2009-10 by applying the applicable escalation factor. Since the burden of left over arrears, in accordance with the recommendations of Sixth Pay Commission and Orders issued by GoU, is still to be considered in the FY 2010-11 and FY 2011-12; the Commission is following a similar approach for determining the O&M expenses for the FY 2010-11.

4. Scrutiny & Findings

4.1 Value of Opening Assets and Additional Capitalisation

The Commission has already dealt with the issue of opening value of GFA, as on November 9, 2001, in the Tariff Order dated 25.04.2005, wherein it had fixed the opening value of GFA transferred to PTCUL based on the total asset base of Rs. 508 Crore for UPCL as on November 9, 2001 instead of provisional value of Rs. 1058.18 Crore taken by UPCL in its accounts.

Accordingly, on pro-rata basis, the Commission had considered the value of old transmission assets transferred to Petitioner from transmission assets of UPPCL as Rs. 108.26 Crore. The Commission had further allowed additional capitalizations of Rs. 37.88 Crore on the transmission assets till 31.5.2004. The total value of opening GFA, thus, became Rs. 146.14 Crore as on 31.5.2004 for PTCUL. Since the transfer scheme has not yet been finalized, the Commission finds no reason to revisit this issue.

In its Tariff Order for the FY 2009-10, the Commission, while conditionally allowing capitalization of old schemes prior to FY 2007-08, had disallowed capitalization of certain schemes for FY 2007-08 and 2008-09 for which Electrical Inspector's Clearance certificates were not available and directed PTCUL to get all the schemes cleared by the Electrical Inspector and submit the certificates for all the schemes capitalised since its inception till FY 2008-09 within 3 months from the date of issuance of the Order.

The Petitioner has accordingly arranged inspection of its various schemes by the Electrical Inspector and submitted clearance certificates for various pending schemes capitalised since inception till FY 2009-10 along with the Tariff Petition for FY 2010-11. It also informed that the certificates for the remaining schemes would be submitted to the Commission within the time stipulated by the Commission in the last Tariff Order.

In addition to the above, the Commission had also directed the Petitioner during the Technical Validation Session to –

a) Submit actual scheme-wise Capital Expenditure, Actual Asset Capitalisation and Means of Finance for the period upto September 2009 and projected Additional Capitalisation alongwith proposed means of finance for the period October 2009 to March 2010.

b) Submit preparedness to execute the capital works proposed for FY 2010-11 in terms of orders placed and funds tied up.

c) Submit the physical progress reports for each of capital works/projects undertaken under various schemes alongwith the break-up of capital expenditure incurred and status of clearances by the Electrical Inspector giving reasons for cost and time overruns and also the copies of the proposals sent to the financial institutions for approval of cost overruns.

In response to the above, the Petitioner vide its additional submission dated January 15, 2010 submitted the details of actual scheme-wise capital expenditure, scheme-wise actual asset capitalisation and means of finance for the period April 2009 to September 2009 and projected Additional Capitalisation alongwith proposed means of finance for the period October 2009 to March 2010 under different schemes like REC-Old, New-REC, REC-IV and REC-V scheme. The Petitioner vide its additional submission dated February 08, 2010, further submitted the financial and physical progress of projects under different schemes and clearances received from Electrical Inspector for different schemes.

The Petitioner belatedly vide its letter dated March 12, 2010, further, submitted clearances of few more schemes and reasons for variation in approved costs and actual costs for different schemes. In context to such delayed submissions by the Petitioner, the Commission would like to emphasize that tariff determination is a time bound exercise and, accordingly, it is not possible for the Commission to accept information at every point of time and incorporate the details in the tariff analysis.

However, the Commission has examined the information submitted by the Petitioner and observed that the information submitted by the Petitioner is inadequate for detailed analysis of reasons for variation in approved costs and actual completed costs. On analysis of information submitted by the Petitioner, the Commission found that the increase in actual expenditure incurred for some of the projects with respect to the approved cost was more than 100%. The Commission also observed that for most of the Schemes, Petitioner has submitted the Original Project Cost and Revised Project Cost and indicated the following broad reasons for variation in costs:

- Due to increase in capacity of substation
- Cost of lightening arrestors & cost of isolators has increased
- Cost increased due to miscellaneous expenditure on Transportation Charges, Erection

Charges, T&P, etc.

- The cost as per agreement has changed
- Due to increase in cost of material
- Actual Escalation has been more than price variation considered in the estimates
- Enhancement of Overhead Charges like Insurance, etc.
- Increase in cost of construction of line

Though the Petitioner for most of the Schemes have submitted the break-up of variation in total Project cost into variation due to price and variation due to quantity but has not given any reason or justification for such variation to qualify the same as controllable or uncontrollable or the financial impact under each such differentiation. Further, the Petitioner has not provided any details of time over-runs, reasons and justifications of time over-runs and details such as scheduled start date and actual start date for any of the Projects which are vital for assessing the financial impact of the delay. Considering the extent of variation in actual/revised estimated costs and approved costs for most of the Projects, the Commission is of the view that each scheme will have to be examined in detail and it is important to segregate the variation in costs due to controllable factors and due to uncontrollable factors. It will not be appropriate to pass the impact of variation in Project Cost due to controllable factors such as time over-run in ARR. The Commission will separately carry out the detailed analysis of the variation in actual/revised Project Cost with respect to the approved Project Cost for all the Projects implemented under various schemes after receipt of complete details from the Petitioner. **The Commission, therefore, directs the Petitioner to submit the complete details of Projects under various schemes within three months from the date of issuance of this Order, including the following:**

- **Original Scope of Work, Estimated Cost and Original Schedule of the Project**
- **Approved Project Cost and Scope of Work**
- **Actual/Revised Estimated Cost**
- **Scheduled Start Date and Actual Start Date**
- **Target Completion Date as per original Scheme and Actual Completion date**
- **Changes in Scope of Work alongwith justification for the same**

- **Price Variation of various equipment alongwith reasons for same**
- **Justification for Price Variation including escalation provisions as per Contract**
- **Reasons for increase in Overheads**
- **Impact of Time Over-run on Project Cost, if any.**
- **Segregation of variation in costs due to controllable factors and un-controllable factors.**

The Commission is presently disallowing the capital cost over the approved cost for the ARR of FY 2010-11 only. However, if the Petitioner fails to submit the above details on cost variations, the Commission would be forced to recover their implications allowed in the previous years' ARRs.

The Commission based on scrutiny of the submissions made by the Petitioner will approve the final Project Cost for each scheme based on prudence check at the time of final truing up and would true up the capital related expenses of PTCUL since inception of the schemes based on the final project cost approved by the Commission. The Commission in the present Tariff Order is allowing the capitalization of different schemes subject to the cap of the approved Project Cost. However, as the approved Project Cost for some of the schemes such as REC-Old, NABARD and REC-II does not include Interest During Construction, the Commission in addition to the approved Project Cost has also considered the Interest During Construction on pro-rata basis.

The Commission also directs PTCUL to get a scheme-wise audit of the value of transmission assets capitalized since 09-11-2001 which should cover the date of capitalization, cost of assets including IDC and other expenses capitalised and its financing, segregating the capital cost into loan, equity and grants/consumer contribution and submit the report of the same to the Commission within six months from the date of this Order. The Petitioner should also ensure to get the scope of the assignment approved by the Commission before initiating the same.

As discussed in Chapter 3 of the Order, the Commission in this Order has considered capitalisation including additional capitalization of only those schemes for which the clearance certificate from Electrical Inspector has been received without any observations.

In the subsequent Paras, the Commission shall discuss the revised cost and the expenditure incurred till date and assets capitalized under different schemes vis-à-vis original approved cost of different schemes, as submitted by the Petitioner.

4.1.1 REC-Old Scheme

The Original Cost of Old REC Scheme was Rs. 165.75 Crore out of which the loan amount was Rs. 139.43 Crore with a Debt/Equity Ratio of 84:16. The above scheme was being considered by the Commission in previous Tariff Orders and, hence, it is being considered to have the approval of the Commission. For the above scheme, the Government of Uttarakhand had been contributing its share in the form of equity. The Petitioner, however, in its Tariff proposals revised the cost estimates for the REC-old scheme, and submitted a revised cost of Rs. 306.03 Crore. The Petitioner further submitted that it had approached REC and that the REC had agreed to provide debt funding for additional cost in a Debt/Equity Ratio of 70:30. However, as per the sanction letter of REC dated 17.12.2009, REC has approved an additional cost of Rs. 162.90 Crore for rate and quantity variation and other works & has approved an additional loan of Rs. 110.80 Crore for the same. Thus, due to this additional sanction of loan by REC, the financing mix also underwent a change and the revised debt-equity ratio for this scheme is now 82:18.

As regards the above scheme, the Commission had observed that there had been additional capitalisations during FY 2007-08, FY 2008-09 and FY 2009-10 for some of the works/projects undertaken under these schemes. The Commission, accordingly, sought details of all such additional capitalisations undertaken by the Petitioner and also as to whether the clearances had been received from the Electrical Inspector for the same. In response to the above, the Petitioner has intimated that capitalization done in FY 2007-08, FY 2008-09 and FY 2009-10 relates to pending payments made against old works, crop compensation paid and rectification of wrong entries on works which have already been capitalized and no new work has been carried out by the Petitioner for which Electrical Inspector's clearance was required. Based on above submission of the Petitioner, the Commission has considered additional capitalizations as part of total actual cost. However, as discussed above, the Commission for this tariff exercise has capped the Project Cost of various schemes to the approved Original Project Cost plus IDC considered on pro-rata basis. The Table below gives the details of various works undertaken under the REC old scheme alongwith the status of Electrical Inspector Clearance:

Table 4.1: REC Old Scheme – Scheme Wise Details

S. No	Projects	Status of Electrical Inspector Clearance	Date of Completion/ Energisation date	Date of Electrical Inspector Certificate/ Observation Report
1	Increasing Capacity of 132 kV Substations Bindal	Received	26-Apr-03	23-Jun-09 & 11-Mar-10
2	Increasing capacity of 220 KV substation Rishikesh	Received	25-Feb-04	1-Jul-09 & 11-Mar-10
3	Increasing Capacity of 132 KV Substations Rishikesh	Received	15-Mar-04	1-Jul-09 & 11-Mar-10
4	Increasing Capacity of 132 KV Substations Jwalapur	Received	24-May-03	18-Aug-09 & 11-Mar-10
5	Increasing capacity of 220 KV substation Haldwani	Received	10-Feb-04	20-Nov-09
6	Increasing Capacity of 132 KV Substations Bajpur	Received	15-Mar-04	16-Jan-10
7	Increasing Capacity of 132 KV Substations Roorkee	Received	7-May-03	11-Mar-10
8	Construction of 220 KV substation Roorkee	Received	11-Feb-05	11-Mar-10
9	LILO of 220 KV Rishikesh-Muzzaffarnagar line at 220 KV Substations Roorkee	Received	11-Feb-05	21-Jul-09 & 11-Mar-10
10	Increasing capacity of 220 KV substation Chamba	Received	6-Nov-04	3-Dec-09
11	Construction of 220 KV Single Circuit Maneri Bhali-II to Rishikesh Line	Received	Charged on 23.04.09	16-Sep-09
12	Construction of 132 KV Satpuli-Kotdwar line	Received	Jan' 10	14-Sep-09
13	Construction of 132 KV Substation Simli	Received	Charged on 24.07.09	23-Oct-09 & 11-Mar-10
14	Construction of Bay at 220 KV Substation Rishikesh for 220 KV Maneri Bhali Stage-2	Received	Charged on 23.04.09	16-Sep-09

The project-wise original approved cost, revised cost, actual expenditure, additional expenditure and the capitalization considered by the Commission till December, 2009 in FY 2009-10 is given in the following Table:

Table 4.2: REC Old Scheme (Rs. Crore)

Year	Projects	Approved Cost	Revised Cost	Actual Expenditure including Additional Capitalisation	IDC as claimed by PTCUL	Capital Cost Considered by the Commission	IDC considered by the Commission	Total Cost Approved by the Commission
FY 2003-04	Increasing Capacity of 132 KV Substations Bindal	1.10	0.85	0.74	0.08	0.74	0.08	0.82
	Increasing capacity of 220 KV substation Rishikesh	7.08	7.08	7.08	0.00	7.08	0.00	7.08
	Increasing Capacity of 132 KV Substations Rishikesh	2.48	2.48	2.48	0.00	2.48	0.00	2.48
	Increasing Capacity of 132 KV Substations Jwalapur	1.10	1.46	1.46	0.00	1.10	0.00	1.10
	Increasing capacity of 220 KV substation Haldwani	4.64	3.67	3.68	0.00	3.68	0.00	3.68
	Increasing Capacity of 132 KV Substations Bajpur	2.19	2.01	2.01	0.00	2.01	0.00	2.01
	Increasing Capacity of 132 KV Substations Roorkee	1.41	1.61	1.61	0.00	1.41	0.00	1.41
	Total	**20.00**	**19.16**	**19.06**	**0.08**	**18.50**	**0.08**	**18.58**
FY 2004-05	Increasing capacity of 132 KV substation Haldwani	4.62	3.05	3.06	0.00	3.06	0.00	3.06
	LILO of 220 KV Rishikesh-Muzzaffarnagar line at 220 KV Substations Roorkee	0.15	0.01	0.01	0.00	0.01	0.00	0.01
	Increasing capacity of 220 KV substation Chamba	2.69	2.68	2.34	0.22	2.34	0.22	2.56
	Constructionof 220 KV substation Roorkee	13.28	17.07	17.46	2.92	13.28	2.22	15.50
	Sub-Total	**20.74**	**22.81**	**22.86**	**3.15**	**18.69**	**2.45**	**21.13**
FY 2006-07	Construction of Bay at 132 KV bay on 132 KV sub-station Kotdwar	0.87	0.87	2.00	0.20	0.87	0.09	0.96
	Increasing Capacity of 220 KV Substaion Maneri Bhali-I	2.69	2.82	2.46	0.51	2.46	0.51	2.97
	Total	**3.56**	**3.69**	**4.45**	**0.71**	**3.33**	**0.60**	**3.92**
FY 2009-10	Construction of 220 KV Single Circuit Maneri Bhali-II to Rishikesh Line	33.36	66.51	46.1502	7.05	33.36	5.10	38.46
	Construction of bay at 220 kV S/s Rishikesh for 220 kV Maneri Bhali-II	0.96	0.96	0.6215	0.03	0.62	0.03	0.65
	Sub-Total	**34.32**	**67.47**	**46.77**	**7.08**	**33.98**	**5.12**	**39.10**
	Total	**78.62**	**113.13**	**93.14**	**11.02**	**74.49**	**8.25**	**82.74**

The Commission has not considered the capitalization of two Projects under REC-Old Scheme though the Electrical Inspector certificate for the same has been received, due to the reasons given below:

- <u>Construction of 132 kV Satpuli-Kotdwar line</u> : Though the work of the transmission line has been completed but the work of associated 132 kV Satpuli Sub-Station is yet to be completed, due to which the line is not being utilized.
- <u>Construction of 132 kV Sub-Station at Simli</u> : Though the work of the sub-station has been

completed but the work of associated 132 kV Double Circuit Srinagar-Simli line is yet to be completed and currently the sub-station has been energized by 33 kV source due to the non-availability of 132 kV source because of which the sub-station is not being utilized.

The Petitioner has further projected that capital expenditure of Rs. 58.19 Crore would be capitalised till March 2010. The details of such projects and progress achieved till December 2009, is shown in the Table below:

Table 4.3: REC Old Scheme –Ongoing Projects (Rs. Crore)

Year	Projects	Original Cost	Revised Cost	Actual Expenditure	Physical Progress
FY 2009-10	Construction of 132 KV Srinagar- Satpuli line	14.28	40.47	42.36	85%
	Construction of 132 KV Substations Satpuli	7.27	17.72	6.22	95%
	Sub Total	**21.55**	**58.19**	**48.58**	

Since Electrical Inspector's Clearance Certificate is a mandatory requirement for capitalization of any scheme, the Commission is not considering the above projects for the purposes of capitalization and not allowing capital related expenses in the ARR for FY 2010-11. The Commission shall, however, consider all such ongoing works which receive the Electrical Inspector's clearance and get commissioned during the FY 2009-10 itself, in the next tariff determination exercise, subject to the Petitioner justifying to the satisfaction of the Commission, the reasons of time and cost overruns, if any. Thus, the status of the total REC (old) Scheme is as given in the Table hereunder:

Table 4.4: Status of Original Costs of REC (Old) Schemes

S. No.	Projects	No.	Original Cost (Rs. Crore)
1.	Completed Schemes given in Table 4-2	15	78.62
2.	Schemes capitalised but not considered by the Commission	02	20.20
3.	Ongoing schemes likely to be Commissioned in 2009-10 given in Table 4-3	02	21.55
4.	Ongoing scheme likely to be Commissioned in 2010-11	01	22.26
5.	Schemes deleted	03	23.12
Total		**23**	**165.75**

4.1.2 NABARD Scheme

This scheme already has the approval of the Commission. The Original Cost of NABARD Scheme was 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 works under the scheme is Rs. 304.71 Crore.

In the last Tariff Order dated October 21, 2009, for FY 2009-10, the Commission had considered capitalization of only such works which had the Electrical Inspector's approval and directed the Petitioner to submit the Electrical Inspector Certificates for all such works which have already been capitalized. In the present Petition, PTCUL has submitted the updated status of various works/projects being undertaken under the above scheme till FY 2009-10. From the information submitted, the Commission observes that PTCUL has submitted Electrical Inspector's certificates against all the works capitalized under the NABARD scheme. The status of various works undertaken under the NABARD scheme alongwith status of Electrical Inspector Clearance is shown in the Table below:

Table 4.5: NABARD Scheme – Scheme Wise Details

S. No	Name of the projects	Status of Electrical inspector Clearance	Date of Completion/ Energisation date	Date of Electrical Inspector Certificate/ Observation Report
1	132 KV Substation Ramnagar	Received	10-Jul-06	4-Aug-05
2	LILO of 132 kV Double Ckt. Kalagarh-Kashipur-I Line at Ramnagar Substation	Received	10-Jul-06	4-Aug-05
3	400 kV S/S Kashipur	Received	11-Nov-06	30-Mar-09
4	LILO of 400 kV Rishikesh-Moradabad Line for 400 KV substation Kashipur	Received	10-Nov-06	16-Jan-10
5	132 kV Substation Ranikhet	Received	14-Dec-06	5-Sep-09
6	132 kV Almora Ranikhet Line	Received	2-Dec-06	20-Nov-09
7	132 kV Substation Bhagwanpur	Received	10-Jun-06	27-Nov-08 & 11-Mar-10
8	LILO of 132 kV Double Ckt. Roorkee Saharanpur-I for Bhagwanpur 132 KV S/S	Received	10-Jun-06	27-Nov-08 & 11-Mar-10
9	132 kV S/S Manglalore	Received	29-Jul-06	22-Nov-08& 11-Mar-10
10	LILO of 132 kV Double Ckt. Roorkee Nahtaur-I Line at Mangalore	Received	26-Oct-06	22-Nov-08
11	132 kV S/S Jaspur	Received	23-Dec-06	16-Sep-08
12	LILO of 132 kV Double Ckt. Kalagarh Kashipur-II Line	Received	23-Dec-06	16-Jan-10
13	132 kV Substation Rudrapur	Received	5-Aug-06	7-Oct-09
14	132 KV Substation Sitaraganj	Received	16-Jul-07	22-Oct-09
15	132 KV Sitaraganj-Kiccha Line	Received	16-Jul-07	18-Jan-10

As discussed above, the Commission for this tariff exercise has capped the Project Cost of various schemes to the approved Project Cost plus IDC on pro-rata basis. The project-wise original approved cost, revised cost, actual expenditure including additional capitalization and IDC and the cost considered by the Commission including IDC till FY 2009-10 is given in following Table:

Table 4.6: NABARD Scheme (Rs. Crore)

Year	Scheme	Approved Cost	Revised Cost	Actual Expenditure including Additional Capitalisation	IDC as claimed by PTCUL	Capital Cost Considered by the Commission	IDC considered by the Commission	Total Cost Approved by the Commission
FY 2006-07	132 KV Substation Ramnagar	6.97	9.32	6.35	0.52	6.35	0.52	6.87
	LILO of 132 kV Double Ckt. Kalagarh-Kashipur-I Line at Ramnagar Substation	4.86	6.00	5.61	0.42	4.86	0.36	5.22
	400 kV Substation Kashipur	84.89	121.75	102.79	3.78	42.45	1.56	44.01
	LILO of 400 kV Rishikesh-Moradabad Line for 400 KV substation Kashipur	39.29	70.78	77.78	1.54	39.29	0.78	40.07
	132 kV Substation Ranikhet	6.69	11.44	8.92	0.32	6.69	0.24	6.93
	132 kV Almora Ranikhet Line	3.59	8.58	6.25	0.22	3.59	0.13	3.72
	132 kV Substation Bhagwanpur	7.99	11.41	9.71	0.41	7.99	0.34	8.33
	LILO of 132 kV Double Ckt. Roorkee Saharanpur-I for Bhagwanpur 132 KV Substation	1.09	3.95	2.77	0.08	1.09	0.03	1.12
	132 kV Substation Manglalore	7.99	11.26	11.74	0.35	7.99	0.24	8.23
	LILO of 132 kV Double Ckt. Roorkee Nahtaur-I Line at Mangalore	1.63	1.78	3.03	0.09	1.63	0.05	1.68
	132 kV Substation Jaspur	7.91	11.75	11.39	0.45	7.91	0.31	8.22
	LILO of 132 kV Double Ckt. Kalagarh Kashipur-II Line at Jaspur 132 KV Substation	0.37	0.44	0.59	0.01	0.37	0.00	0.37
	132 kV Substation Rudrapur	9.49	13.97	12.09	0.34	9.49	0.27	9.76
	Sub-Total	**182.76**	**282.43**	**259.02**	**8.52**	**139.69**	**4.83**	**144.52**
FY 2007-08	132 KV Substation Sitaraganj	8.68	15.37	15.58	0.57	8.68	0.32	9.00
	132 KV Sitaraganj-Kiccha Line	3.19	7.05	9.92	0.26	3.19	0.08	3.27
	Sub-Total	**11.87**	**22.42**	**25.50**	**0.83**	**11.87**	**0.40**	**12.27**
	Total	**194.63**	**304.85**	**284.52**	**9.35**	**151.56**	**5.23**	**156.79**

In addition to the above completed Schemes of Rs. 194.63 Crore having the Commission's approval, 6 schemes costing Rs. 31.31 Crore have been deleted from the NABARD Schemes initially approved by the Commission out of the total scheme cost of Rs. 225.93 Crore. Further, based on the details submitted by the Petitioner, the Commission observed that for 400 kV sub-station at Kashipur, the work has been completed and scheme has been energized in November 2006, however, the work of associated transmission lines i.e., 220 kV Kashipur-Barhani D/C line and 220 kV S/C Barhani-Pantnagar line is yet to be completed, due to which the 400 kV sub-Station at Kashipur is partly utilized. During the Technical Validation Sessions, the Commission discussed the matter with the Petitioner and the Petitioner submitted that the works on associated line is pending due to delay by the Contractor. The Commission would like to highlight that this scheme has been capitalised in FY 2006-07 and the work for associated lines is yet to be completed which has lead to major non-utilisation of the asset created. The Commission, therefore, for this tariff exercise has allowed 50% of the approved Capital Cost of this scheme as asset capitalised for computing the capital related expenses for FY 2010-11. **The Commission directs the Petitioner to complete the transmission lines associated with 400 kV sub-station at Kashipur by June 30, 2010.** If the line is completed and energized by June 30, 2010 after obtaining the certificate from Electrical Inspector, the Commission will allow the entire capitalization of this scheme for FY 2010-11 and capital related expenses on account of this scheme alongwith the carrying cost as part of truing up of ARR for FY 2010-11 and failing which this adjustment would be carried out for previous years also subsequent to the date in which the sub-station was energized, during the next tariff proceedings.

The Petitioner, during the last year tariff exercise, had submitted that it has been facing difficulty in making payment of entire amount due on account of repayment of NABARD loan and will continue to face the same in the initial 5 years of repayment since the existing tariff is 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.

During the current year tariff exercise, the Commission has considered additional receipts from PFC for gap funding of NABARD Scheme which have been dealt with while calculating interest charges of the Petitioner.

4.1.3 REC New Scheme

This scheme also has the approval of the Commission. The Petitioner has drawn up a capital outlay of Rs. 217.56 Crore for which the loan has been sanctioned under the New-REC scheme.

In the Tariff Order for the FY 2009-10, for this scheme also, the Commission had considered only such expenditures for capitalization for the FY 2007-08 and FY 2008-09, for which Electrical Inspector’s Certificates were made available. In the present Petition, PTCUL has submitted the updated status of various works/projects being undertaken under this scheme till FY 2009-10.

From the information submitted, the Commission observes that except for first three schemes, the Petitioner has submitted Electrical Inspector's Clearance Certificate for all the works/projects under this scheme which were completed since FY 2007-08. The status of approval of Electrical Inspector for different REC New schemes is shown in the Table below:

Table 4.7: REC New Scheme – Scheme Wise Details

S. No	Project	Status of Electrical inspector Clearance	Date of Energisation	Date of EI Certificate Report
1	Construction of 4 Nos 132 KV Bay at 132 kV S/S Kotdwar	Not received	21-Sep-06	Works completed prior to FY 2007-08
2	LILO of 132 kV Kashipur Jaspur line at 400 kV S/s Kashipur		12-Feb-07	
3	LILO of 132 kV Kashipur Ramnagar line at 400 kV S/S Kashipur		30-Sep-06	
4	LILO of 132 kV Kiccha Pantnagar Line at Rudrapur	Received	5-Aug-06	24-Dec-09
5	Upgradation of 132/33 kV Mazra Substation	Received	16-Oct-06	23-Jun-09 & 11-Mar-10
6	Upgradation of 132/33 kV Purkul Substation	Received	6-Nov-06	1-Jul-09 & 11-Mar-10
7	132 kV Substation Laksar	Received	16-Jul-07	18-Jul-07
8	LILO of 132 kV Roorkee - Nehtaur - I line for 132 kV S/s Laskar	Received	16-Jul-07	18-Jul-07
9	LILO of 132 kV Dohana -Khatima line at 132 kV S/s Sitarganj	Received	25-Aug-07	7-Oct-09
10	Upgradation of 132/66/33 kV Haldwani Substation	Received	2-Dec-08	2-Dec-09

As discussed above, the Commission for this tariff exercise has capped the Project Cost of various schemes to the approved Project Cost plus IDC on pro-rata basis. The project-wise original approved cost, revised cost, actual expenditure including additional capitalization and IDC and the cost considered by the Commission including IDC till FY 2009-10 is given in following Table:

Table 4.8: REC New Scheme (Rs. Crore)

Year	Projects	Approved Cost	Revised Cost	Actual Expenditure including Additional Capitalisation	IDC as claimed by PTCUL	Capital Cost Considered by the Commission	IDC considered by the Commission	Total Cost Approved by the Commission
FY 2006-07	LILO of 132 kV Kiccha Pantnagar Line at Rudrapur	1.73	1.88	1.56	-	1.56	-	1.56
	Upgradation of 132/33 kV Mazra Substation	6.34	6.26	6.26	-	6.26	-	6.26
	Upgradation of 132/33 kV Purkul Substation	1.63	2.45	2.45	-	1.63	-	1.63
	Sub-Total	**9.71**	**10.60**	**10.28**	**-**	**9.46**	**-**	**9.46**
FY 2007-08	132 kV Substation Laksar	11.52	11.52	10.78	0.17	10.78	0.17	10.95
	LILO of 132 kV Roorkee - Nehtaur - II line for 132 kV S/s Laskar	0.35	0.57	0.60	-	0.35	-	0.35
	LILO of 132 kV Dohana -Khatima line at 132 kV S/s Sitarganj	8.67	7.40	6.89	0.15	6.89	0.15	7.05
	Sub-Total	**20.54**	**19.49**	**18.28**	**0.32**	**18.02**	**0.32**	**18.34**
FY 2008-09	Upgradation of 132/66/33 kV Haldwani Substation	2.82	3.07	2.54	0.64	2.54	0.64	3.18
	Total	**2.82**	**3.07**	**2.54**	**0.64**	**2.54**	**0.64**	**3.18**
FY 2009-10	132 kV line from 400 kV S/s Kashipur to Bazpur	6.09	6.09	4.62	1.13	4.62	1.13	5.75
	Sub-Total	**6.09**	**6.09**	**4.62**	**1.13**	**4.62**	**1.13**	**5.75**
	Total	**39.16**	**39.25**	**35.73**	**2.09**	**34.65**	**2.09**	**36.74**

The Petitioner has also proposed few works to be completed under REC-New scheme during FY 2009-10. The following Table shows the summary of works proposed to be completed in FY 2009-10:

Table 4.9: REC-NEW Scheme –Ongoing Projects (Rs. Crore)

Year	Projects	Original Cost	Revised Cost	Actual Expenditure	Physical Progress
2009-10	220 kV Kashipur - Barhani D/C line	16.42	9.58	8.90	75%
	220 kV S/C Barhani - Pantnagar line	19.81	17.67	13.72	99%
	Sub-Total	**36.22**	**27.25**	**22.62**	

However, in accordance with the approach taken by the Commission in the previous Tariff Order, the Commission is not considering capitalization of above projects as the work is still not complete and the projects, accordingly, do not have the clearance of the Electrical Inspector. In case, any of the ongoing projects during FY 2009-10 are energized after obtaining Electrical Inspector certificate and capitalized before March 31, 2010, the Commission would consider the same in the next tariff determination exercise along with the truing up of capital related expenses. Thus, the status of the total REC (New) Scheme is as given in the Table hereunder:

Table 4.10: Status of Original Costs of REC (New) Schemes

S. No.	Scheme	No.	Original Cost (Rs. Crore)
1.	Completed Schemes as given inTable 4.8	08	39.16
2.	Schemes capitalised but not considered by the Commission due to clearance not given by Electrical Inspector	03	5.08
3.	Ongoing schemes likely to be Commissioned in 2009-10 given in Table 4.89	02	36.22
4.	Ongoing scheme likely to be Commissioned in 2010-11	04	26.50
5.	Schemes deleted	05	110.60
Total		**22**	**217.55**

4.1.4 REC-IV Scheme

The Petitioner has drawn a capital outlay of Rs. 355.68 Crore out of which the loan sanctioned by REC is Rs. 236.43 Crore. The Petitioner has received the in-principal sanction from REC. The Commission in its last Tariff Order has not allowed any expenditure towards REC-IV scheme as the Commission's approval was yet to be obtained. The Petitioner has now submitted the details of the Scheme for approval, which is under scrutiny by the Commission. As the Commission is yet to approve the REC-IV Scheme, expenditure under REC-IV scheme are not being considered for tariff determination exercise for the FY 2010-11.

4.1.5 REC-V Scheme

The Petitioner has drawn up a capital outlay of Rs. 150.69 Crore under this scheme for which the Petitioner has approached REC for funding. The Commission will consider the expenditure towards this scheme during the next year tariff exercise subject to the condition that the approval is obtained from REC for funding of this scheme and capital expenditure approval is obtained from the Commission.

4.1.6 Other than schemes

Apart from the assets capitalised under REC financed Old, New Schemes and REC-IV scheme as well as NABARD Scheme, the Petitioner has submitted the details of assets which have not been funded from the schemes which mainly constitute the system strengthening works and purchase of miscellaneous assets like furnitures and fixtures, office equipments, etc. The Commission has considered the actual asset capitalisation for these assets as submitted by the

Petitioner as the cost of these schemes is below Rs. 2.50 Crore, which does not require prior approval of the Commission. The following Table shows the expenditure under this categorisation:

Table 4.11: Other than Scheme Details (Rs. Crore)

Year	Expenditure
FY 2007-08	0.20
FY 2008-09	0.75
Total	**0.95**

4.1.7 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 4.12: GFA including Additional Capitalization (Rs. Crore)

S.No	Particulars	2007-08	2008-09	2009-10
1	Opening Value	**410.69**	**441.39**	**445.32**
2	Additions in the year			
i	REC Old Schemes	0.00	0.00	39.10
ii	NABARD Schemes	12.27	0.00	0.00
iii	REC II Schemes	18.34	3.18	5.75
iv	REC IV Schemes	0.00	0.00	0.00
v	Other Schemes		-	-
	Grants etc	-	-	-
	SIDCUL Deposit Works	-	-	-
	APDRP	-	-	-
	Other than Schemes	0.20	0.75	0.00
	Total Additions during the year	**30.81**	**3.93**	**44.86**
3	Less Deletions during the year	0.12	-	-
4	**Closing Value**	**441.39**	**445.32**	**490.18**

The opening value of the GFA for FY 2010-11, accordingly, works out to be Rs. 490.18 Crore as against Rs. 918.22 Crore claimed by the Petitioner.

4.2 Financing of Capital Assets

Regulation 15(5) of the Tariff Regulations 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 value of capital cost, which is to be considered for calculating depreciation, is defined in Regulation 18(1)(a) as follows:

"The value base for the purpose of depreciation shall be the historical cost, excluding capital Subsidy/grant, of the asset capitalized."

The Petitioner, through its submissions for the FY 2010-11, has revised the financing for Old REC Scheme and the same have been considered by the Commission from the beginning, i.e. from FY 2003-04. The Table below shows the revised means of financing for different schemes:

Table 4.13: Means of Finance for Additional Capitalisation

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

Based on the above, the Commission has determined the debt and equity components for the different schemes till March 31, 2010, as given below:

Table 4.14: Approved Means of Finance

S. No.	Particulars	FY 2007-08					FY 2008-09					FY 2009-10				
		Cap. Res.	Grant	Loan	Equity	Total	Cap. Res.	Grant	Loan	Equity	Total	Cap. Res.	Grant	Loan	Equity	Total
1	Opening Value	119.95	90.09	164.05	36.61	410.68	119.83	90.0	192.42	39.05	441.38	119.83	90.0	196.1	39.28	445.32
2	Additions in the year															
i	REC Old Schemes	-	-	-	-	-	-		-	-	-	-		32.0	7.06	39.10
ii	NABARD Schemes	-	-	9.89	2.38	12.27	-		-	-	-	-			-	-
iii	REC II Schemes	-	-	18.35	-	18.35	-		3.18	-	3.18	-		5.7	-	5.75
iv	Other Schemes	-	-	0.14	0.06	0.20	-		0.53	0.23	0.75	-			-	-
	Total Additions during the year	-	-	-	2.44	30.82	-		3.71	0.23	3.93	-		37.8	7.06	44.86
3	Less: Deletions during the year	0.12	-	-	-	0.12	-		-	-	-	-			-	-
4	**Closing Value**	**119.83**	**90.0**	**192.42**	**39.05**	**441.38**	**119.83**	**90.0**	**196.13**	**39.28**	**445.32**	**119.83**	**90.0**	**233.9**	**46.34**	**490.18**

4.3 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 computed depreciation as per the rates provided in the Regulations and for FY 2010-11 depreciation rates have been applied on the closing balance of fixed assets for the FY 2009-10. Accordingly, it has claimed Rs. 38.13 Crore of depreciation on net GFA of Rs. 918.22 Crore.

The Petitioner has further submitted the class-wise asset details and calculated the depreciation based on applicable rates for 2007-08. Since for various reasons as recorded in the different 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 gross block at the beginning of the year at this proposed weightage average rate. The Commission has estimated this weighted average rate to be 3.23% in its last Tariff Order dated October 21, 2009. For the purposes of this Tariff Order also, the Commission has computed depreciation for FY 2010-11 at the weighted average rate of 3.23% as submitted for FY 2007-08. The depreciation allowed on the depreciable GFA excluding grants, accordingly, works out to Rs. 12.92 Crore for the FY 2010-11 as against the depreciation claimed by the Petitioner of Rs. 38.13 Crore. The summary of Depreciation Charges for FY 2010-11 as approved by the Commission is shown in the Table below:

Table 4.15: Depreciation charges approved by the Commission (Rs. Crore)

Particulars	Opening GFA	Grants	Depreciable GFA	Depreciation
1. Old Assets	119.83	-	119.83	3.87
2. (i) REC old Scheme	82.74	-	82.74	2.67
(ii) NABARD Scheme	156.79	-	156.79	5.06
(iii) REC new Scheme	36.75	-	36.75	1.19
(iv) Other Schemes	0.95	-	0.95	0.03
Grants	0.68	0.68	0.00	0.00
SIDCUL Deposit Works	82.19	82.19	-	-
APDRP	8.02	7.22	0.80	0.03
Other than schemes (normative loan)	2.24	-	2.24	0.07
3.Total	**490.18**	**90.09**	**400.10**	**12.92**

The difference in approved and claimed values of depreciation is due to different values of opening GFA, projected capitalizations of assets and values of grants considered by the Petitioner vis-à-vis approved by the Commission.

4.4 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 claimed the advance against depreciation on the basis that the depreciation expenses are not adequate to meet the repayment of loan during the FY 2010-11. Accordingly, the Petitioner has claimed AAD of Rs. 9.49 Crore for FY 2010-11.

The Commission has considered Regulation 19 of UERC Tariff Regulations, 2004 for working out allowable Advance Against Depreciation (AAD). The Commission has considered the loans corresponding to capitalised GFA under each scheme as detailed in financing portion above irrespective of actual loans. The Commission noted that due to moratorium available on repayments for 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 normative repayments after the date of capitalisation and actual repayments due as per drawl schedule. For FY 2010-11, the Commission has allowed Rs. 10.47 Crore as advance against depreciation and the details of same are shown in the Table below:

Table 4.16: Advance Against Depreciation charges for FY 2010-11 (Rs. Crore)

S. No.	Particulars	Projected	Approved
1	1/10th of the Loan	86.97	23.39
2	Repayment of the Loan(s) as considered for working out interest on Loan	47.62	38.14
3	**Minimum of the above**	**47.62**	**23.39**
4	Less: Depreciation during the year	38.13	12.92
5	(A) = 3 – 4	9.49	10.47
6	Cumulative Repayment of the Loan(s) as considered for working out Interest on Loan	**187.42**	**118.45**
7	Less: Cumulative Depreciation	111.78	77.95
8	(B) = 6 - 7	75.64	40.50
9	**Advance Against Depreciation (Minimum of A & B)**	**9.49**	**10.47**

4.5 Interest on Loans

For the FY 2009-10 and FY 2010-11, the Petitioner has claimed net interest (i.e excluding interest capitalized) of Rs. 14.60 Crore and Rs. 26.98 Crore respectively on the basis of long term liabilities identified in the provisional accounts for FY 2008-09 and fresh loans drawn in the current financial year till September 2009 and projected loans to be drawn over the remaining period of FY 2009-10 and during FY 2010-11 under the Old REC, New REC schemes, NABARD, REC-IV, REC-V and PFC Schemes.

In this regard, Regulation 17(1) stipulates that:

"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 assets capitalised in each year based on the approved means of finance. The repayment of loans for working out the interest on REC and NABARD loans has been considered based on the terms of sanction of loans. 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.

During the last year tariff exercise, the Petitioner had submitted that it had been sanctioned a long term loan of Rs. 98.30 Crore from PFC for the purpose of funding the shortfall in repayment of loan installments availed from NABARD for various transmission schemes involving a total cost of Rs. 314 Crore. The Petitioner submitted that it has received the first installment of Rs 14.78 Crore of this loan during the month of March 2009 and projected a total receipt of Rs. 15.10 Crore for FY 2009-10. The Commission has computed interest on loan disbursed by PFC to the extent required for shortfall of NABARD Loan.

Accordingly, the interest rates as considered by the Commission for different schemes are as below:

- REC Old Scheme: 10.60%
- NABARD Scheme: 6.37%
- REC New Scheme: 10.58%
- PFC: 13.50%
- Other Normative Schemes: 8.83%

Based on above interest rates considered by the Commission, the interest liability of the Petitioner for the FY 2010-11 has been calculated, the details of which are indicated in the Table given below:

Table 4.17: Interest Charges for FY 2010-11 (Rs. Crore)

S. No.	Name of the Scheme	Opening 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	67.80	18.76	49.04	-	6.78	67.80	25.54	42.26	10.60%	4.84
2	NABARD	126.34	56.94	69.40	-	27.39	126.34	84.33	42.01	6.37%	3.55
3	New REC	36.74	3.10	33.64	-	3.67	36.74	6.77	29.97	10.58%	3.37
4	Others	3.03	1.51	1.53	-	0.30	3.03	1.81	1.22	8.83%	0.12
5	PFC Gap Funding	14.75	-	14.75	14.75		29.50	-	29.50	13.50%	2.99
	Total	**248.67**	**80.31**	**168.36**	**14.75**	**38.14**	**263.42**	**118.45**	**144.97**		**14.86**

Thus, the Commission has approved a total interest burden of Rs. 14.86 Crore against the claim of Petitioner of Rs. 26.98 Crore for FY 2010-11.

4.6 Return on Equity

The Commission has not been allowing Return on Equity on funds deployed by the GoU out of PDF fund for various reasons recorded in the previous Tariff Orders.

PTCUL has, however, in its current ARR & Tariff filings for the FY 2010-11, indicated that in its books of accounts it is showing the contribution received from the Government out of PDF fund as equity provided by the GoU for creation of assets. PTCUL has further claimed a 'Return on Equity' of Rs. 19.16 Crore for the FY 2010-11 on the contribution made by GoU from time to time out of PDF fund for creation of various assets upto 31.03.2009 from the date of transfer i.e. 01.05.2004 by considering 14% as the rate of return on equity. PTCUL has further submitted that as per Generally Accepted Accounting Practices (GAAP) it is bound to provide a return to its shareholders irrespective of the source from where the shareholder has acquired money. It is the contention of PTCUL that funds available with the Governments are the funds received from public whether through taxation, cess or other means.

The Petitioner has further submitted that RoE is the only profit in its books of accounts as all other expenses are allowed at actual. It is the submission of the Petitioner that in case RoE is not allowed to it, it will never have profits in its books of accounts which in turn would adversely impact its financial ratios which are typically seen by the lending institutions for grant of loan. The Petitioner, accordingly, fears that in such a situation it would not be able to raise money from the market for any future work. The Petitioner is also concerned that in the absence of any surplus it would not be in a position to make any improvements in its systems and meet contingencies. As a matter of last resort the petitioner has requested the Commission to direct the Government to convert this equity into grant.

With regard to the above submissions of the Petitioner 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 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 more than 10 year old Hydro Generating Station. 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. Since, under the Tariff Regulations of the Commission, licensees are not allowed any return on money contributed by the consumers for creation of assets, the Commission has not been allowing return on such contribution made by the Government out of PDF. In this connection, it also 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 licensee as both these form part of respective utilities' ARR and would ultimately be recovered from the final consumers of electricity through tariffs.

As regards contention of the Petitioner that such treatment by the Commission adversely impacts its loan raising ability, the Commission would like to clarify that Tariff regulations framed by the Commission allow recovery of all prudent costs incurred by the licensees including interest costs, which in itself is a big guarantee for any loaning agency provided licensee is managing its business well. The Petitioner, accordingly, can utilize the funds made available by the Government out of PDF for counterpart funding at zero cost.

The fact that licensee has been able to successfully raise loans worth more than Rs. 550 Crores upto 31.12.2009 for its various works under different schemes and not defaulted in making repayments of principle as well as interest against these loans till date is a testimony of the same.

Further, since the Commission in its previous Tariff Order for 2007-08 and FY 2008-09 had not allowed any return on funds provided by GoU out of money recovered from consumers by way of PDF for reasons spelt out in the said Orders. At present also, there seems no reason to revisit this issue and the Commission is, therefore, not allowing any return on equity utilized for creation of assets funded out of PDF. Accordingly, the Commission has allowed the return on equity only on the normative equity of Rs. 0.96 Crore which at the rate of 14% works out to Rs. 0.13 Crore for FY 2010-11.

4.7 Operation and Maintenance (O&M) expenses

In view of implementation of Sixth Pay Commission's Recommendations, which not only considerably increased the salary and allowances of employees but also altered the structure of pay scales, the Commission, in the last Tariff Order, to accommodate such a change, had adopted a slightly different approach then that specified in the Tariff Regulations of the Commission for determining the O&M expenses of the Petitioner. In the last Tariff Order, the Commission had accordingly considered the three elements of the O&M expenses, i.e. Employee expenses, R&M expenses and Administrative and General expenses separately. Since the financial impact of past years' arrears is still to be considered for the FY 2010-11 and FY 2011-12, the Commission, for the purposes of this Order also, has utilized the same approach for estimating the O&M expenses of the Petitioner. Accordingly, for realistic assessment of O&M expenses for the FY 2010-11, the Commission asked the Petitioner to submit the details of actual employee expenses (salary details), A&G expenses and R&M expenses for the first eight months of FY 2009-10, i.e., for the period from April 2009 to November 2009 and estimated grade-wise employee expenses for the next 4 months of FY 2009-10 i.e., for the period from December 2009 to March 2010 and FY 2010-11. The Petitioner was also asked to submit the details of total arrears assessed on implementation of Sixth Pay Commission's report and the payments made during the FY 2009-10 in this regard.

In response to the above, the Petitioner submitted the details of actual employee expenses (salary details), A&G expenses and R&M expenses for the first eight months of FY 2009-10 which included the amount paid towards arrears also. Subsequently, the Petitioner also submitted the actual salary details for the month of December 2009 and arrears paid upto December 2009.

Submissions of the Petitioner and the approach adopted by the Commission for approving the various components of O&M expenses for FY 2010-11 is discussed below.

4.7.1 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 components of this expense, therefore, need to be allowed at actuals. For estimating the employee expenses for the FY 2010-11, the Commission first estimated the employee cost for existing employees for the FY 2009-10 based on employee cost details for the first eight months and the actual salary details for the month of December 2009 submitted by the Petitioner. While estimating the salaries for the FY 2009-10, the Commission also considered an increment of 3% on the basic salary in the month of January 2010 for 50% employees in accordance with the Pay Commission's recommendation.

After estimating the employee costs for the FY 2009-10 on the above basis, the Commission, for projecting the basic salaries for the FY 2010-11 considered an increment of 3% on the basic salary in the month of July 2010 and another 3% in the month of January 2011. The above increments in basic salary were considered for 50% employees at a time.

The Commission also considered an increase in the grade pay @ 3% and enhanced DA rate of 35% for the first three months and 45% for the balance 9 months of FY 2010-11. As regards other allowances, the same were escalated @ 6.49% which is the escalation rate considered by the Commission for the FY 2009-10. The Commission further estimated the leave encashment, leave salary contributions and terminal benefits in the same proportions of the salary as were considered in the previous Order.

The Commission has further estimated the employee expenses for the additional 57 employees (88 to be recruited and 31 retiring during FY 2010-11) based on average projected salary of existing 929 employees for the FY 2010-11. As regards the submission of the Petitioner to allow the impact of enhanced DA rate for the last quarter of FY 2009-10, the Commission has noted the point and would allow the same during true-up for that year. The same would hold good for last quarter of FY 2010-11.

The Commission has also noted that the Petitioner is maintaining separate records for its employees working on projects. The Commission has, accordingly, considered the capitalisation of employee expenses in proportion to actual employee costs booked for projects to the total actual employee cost upto December 2009.

The Commission has further considered an arrear payment liability of Rs. 4.60 Crore for the FY 2010-11 as 30% of the total estimated arrear amount of Rs. 15.34 Crore assessed by the Commission in its previous Order dated 21.10.2009, in terms of the Orders issued by GoU towards implementation of Sixth Pay Commission's recommendations.

The following Table shows the summary of the claimed and approved employee expenses for FY 2010-11:

Table 4.18: Employee cost for FY 2010-11 (Rs. Crore)

S. No.	Item	Proposed			Approved		
		For Existing Employees	For Additional Manpower	Total Employee Cost	For Existing Employees	For Additional Manpower	Total Employee Cost
1	Salaries	16.11	0.75	16.86	21.20	0.65	21.85
2	Dearness Allowance	4.53	0.28	4.80	9.01	0.28	9.29
3	Other allowances	2.19	0.04	2.24	2.37	0.07	2.45
4	Bonus / exgratia	0.04	0.00	0.04	*	*	*
	Sub-total (1 to 4)	**22.86**	**1.07**	**23.94**	**32.58**	**1.00**	**33.58**
5	Medical reimbursement	0.35	0.01	0.35	*	*	*
6	Leave Travel Assistance	-	-	-	*	*	*
7	Interim Relief	-	-	-	*	*	*
8	Earned Leave encashment	3.19	0.00	3.19	2.53	0.08	2.61
9	Leave salary contribution	3.06	0.04	3.10	*	*	*
10	Payment under Workmen's Compensation Act	-	-	-	*	*	*
11	Other Cost	0.00	0.00	0.00	-	-	-
12	Staff welfare expenses	0.01	0.00	0.01	-	-	-
	Sub-total (5 to 12)	**6.61**	**0.05**	**6.66**	**2.53**	**0.08**	**2.61**
13	Employer's contribution towards pension & gratuity	3.61	0.06	3.68	5.10	0.16	5.26
14	Employer's contribution towards EPF	1.57	0.14	1.71			
	Gross Employee cost	**34.65**	**1.33**	**35.98**	**40.21**	**1.23**	**41.45**
	Less: Capitalization	0.00	0.00	**3.27**	5.39	0.16	5.56
16	**Net charged to Revenue**	**34.65**	**1.33**	**32.71**	**34.82**	**1.07**	**35.89**
17	**Arrears of Salary (VI Pay Commission)**	**6.79**	**0.00**	**6.79**	**4.60**	-	**4.60**
18	Salary for UITP Projects	0.00	0.00	0.39	-	-	
	Net charged to Revenue	**41.44**	**1.33**	**39.11**	**39.42**	**1.07**	**40.49**

** Included in other allowances*

4.7.2 *Repairs and Maintenance Expenses*

It has been submitted by the Petitioner that its transmission system would undergo significant additions during the FY 2009-10 and FY 2010-11 and, therefore, R&M expenditure for the FY 2009-10 & FY 2010-11 would be significantly higher as compared to previous years. The Petitioner has, accordingly, projected R&M expense of Rs. 18.74 Crore for the FY 2010-11 which is approximately 84% higher than the R&M expense of Rs. 10.17 Crore approved by the Commission for the FY 2009-10.

The actual R&M expenses for the first nine months of FY 2009-10, as per the additional submissions made by PTCUL, however, are Rs. 7.34 Crore only, which when annualized gives a figure of Rs. 9.79 Crore as the R&M expenses for the FY 2009-10. Based on the information available with it, the Commission further finds that the actual R&M expenses of PTCUL for the FY 2006-07, FY 2007-08 and FY 2008-09 were Rs. 8.30 Crore, Rs. 8.18 Crore and Rs. 9.55 Crore respectively. Based on the above, the Commission feels that the R&M expenses projected by PTCUL for FY 2010-11 have no rational basis and that the expenses projected are exorbitantly high.

In absence of any other rationale, the Commission has escalated the approved R&M expenses for the FY 2009-10 of Rs. 10.17 Crore with the escalation factor of 6.49% (i.e. the escalation factor approved for the last year) to estimate the R&M expenses for the FY 2010-11. Accordingly, the Commission has approved R&M expenses of Rs. 10.83 Crore, for FY 2010-11 against Petitioner's claims of Rs. 18.74 Crore. The Commission may, however, consider all legitimate expenses of PTCUL under this head based on actual for FY 2010-11 at the time of truing up subject to prudence check.

The following Table shows the summary of the approved R&M expenses for FY 2010-11:

Table 4.19: R&M Expenses for FY 2010-11 (Rs. Crore)

S.No.	Item	Projected	Approved
1	Plant & Machinery	10.13	8.31
2	Buildings	2.49	0.54
3	Civil Works	0.58	0.11
4	Hydraulic Works	-	-
5	Lines & Cable Network	5.11	1.86
6	Vehicles	0.34	-
7	Furniture & Fixtures	0.02	-
8	Office equipment	0.07	-
9	Others	0.02	-
10	**Total expenses**	**18.74**	**10.83**
11	*Less:* Capitalised	-	-
12	**Net expenditure**	**18.74**	**10.83**

4.7.3 Administrative and General Expenses

The Petitioner has projected the gross A&G expenses of Rs. 16.78 Crore for the FY 2010-11. The above expenses are approximately 111 % higher than the A&G expenses of Rs. 7.95 Crore approved by the Commission for the FY 2009-10. The Petitioner has also submitted actual A&G expenses for the first nine months of FY 2009-10 as Rs. 8.72 Crore, which when annualized give a figure of Rs. 11.62 Crore as A&G expenses for the FY 2010-11. The Commission has also analysed the actual A&G expenses for the past years. The actual A&G expenses for FY 2006-07, FY 2007-08 and FY 2008-09 were Rs. 5.80 Crore, Rs. 6.74 Crore and Rs. 8.53 Crore respectively. Based on the above, the Commission feels A&G expenses projected by PTCUL for FY 2010-11 have no rational basis and that the expenses projected are exorbitantly high.

In the absence of any other rationale, the Commission has escalated the A&G expenses as approved for the FY 2009-10 of Rs. 7.95 Crore other than license fees with the escalation factor of 6.49% (i.e. the escalation factor approved for the last year) to estimate the A&G expenses for the FY 2010-11. In addition, the Petitioner in a subsequent submission requested that it has already incurred an amount of Rs. 55 Lakh in 2009-10 upto February 2010 on training head in line with its plan to implement National Training Policy. Similar amount has been sought in FY 2010-11 under this head. The Commission notes that this is a necessary expenditure for skill upgradation of PTCUL's staff and, hence, any legitimate expense under this head over and above the approved level shall be trued up in next year's ARR. The license fees payable for 2010-11 has been taken as that projected by the Petitioner of Rs. 4.56 Crore. Accordingly, the Commission has approved A&G expenses of Rs. 10.10 Crore, for FY 2010-11 against Petitioner's claim of Rs. 16.78 Crore. The Commission may, however, consider all legitimate expenses of PTCUL under this head based on actuals for FY 2010-11 at the time of truing up subject to prudency check.

From the submissions made by the Petitioner, the Commission observes that the Petitioner is maintaining separate records of A&G expenses being incurred on projects including UITP. The Petitioner has estimated the capitalized A&G expenses of Rs. 2.12 Crore on projects for FY 2010-11. Since the above expenses are project specific, the Commission has not considered them as revenue expenditure. Further, the Commission has considered the capitalisation of A&G expenses in proportion to the A&G expenses booked for projects to the total A&G expenses upto December 2009.

The following Table shows the summary of the approved A&G expenses for FY 2010-11:

Table 4.20: A&G Expenses Approved by the Commission (Rs. Crore)

S. No.	Item	Projected	Approved
1	Rent, Rates & Taxes	0.58	0.58
2	Insurance	0.01	0.01
3	Telephone postage & Telegrams	0.52	0.50
4	Legal Charges	0.45	0.08
5	Audit Fees	0.20	0.20
6	Consultancy Charges	0.36	0.36
7	License Fee	4.56	4.56
8	Conveyance & Travelling	0.91	0.89
9	Electricity & water charges	0.01	0.01
10	Printing & Stationery	0.13	0.13
11	Advertisement	1.04	0.65
12	Books & Periodicals	0.00	0.05
13	Training Expenses	1.11	0.07
14	Security Charges	0.00	0.00
15	Guarantee Fees	3.82	0.00
16	Other expenses	3.09	2.01
17	**Total expenses**	**16.78**	**10.10**
18	Less : Capitalised	2.12	0.46
19	**Net charged to Revenue**	**14.66**	**9.64**

Accordingly, the Commission has approved net A&G expenses of Rs. 9.64 Crore for FY 2010-11 against Petitioner's claim of Rs. 14.66 Crore.

4.7.4 *O&M Expenses*

Apart from the above, the Commission has further added 1.5% of asset capitalisation during FY 2009-10 to the allowable O&M expenses comprising of employee expenses, A&G expenses and R&M expenses for FY 2010-11 as discussed above after escalating the same by 6.49% as per the Regulations and similar to the approach adopted by the Commission in the previous Orders. The total O&M expenses claimed and approved for FY 2010-11 based on the discussion above, are given in the following Table:

Table 4.21: Approved O&M expenses for FY 2010-11 (Rs. Crore)

Particulars	Projected	Approved
Employee Cost	32.32	35.89
A&G Expenses	14.66	9.64
R&M Expenses	18.74	10.83
Arrears of VI Pay Commission	6.79	4.60
Add: For Capitalisation in 2009-10		0.72
Total O&M expenses	**72.51**	**61.68**

The Commission has, accordingly, approved the O&M expenses of Rs. 61.68 Crore for FY 2010-11.

During the last year tariff exercise, the Commission had directed the Petitioner to evolve a system of recording the O&M expense to revenue and capital heads separately and for allocating common expenses in these two sub-heads which has been stated to be initiated. The Petitioner was also directed to maintain separate accounts for projects meant for evacuation of power outside the State and projects for supply of power within the State. The Petitioner was asked to submit the status of compliance to the Commission within 3 months from the date of issuance of this Order. However, the Commission has noted that the Petitioner has not submitted the status of compliance with respect to this direction. Hence, the Commission reiterates its direction and **directs the Petitioner to maintain separate accounts for projects meant for evacuation of power outside the State and projects for supply of power within the State.**

4.8 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:

a) *Operation and Maintenance expenses for one month;*

b) 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

c) 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."

In accordance with the provisions of the Regulations, the Petitioner has estimated Working Capital requirement for FY 2010-11 as Rs. 50.17 Crore and considering the working capital interest rate of 10.25% (SBI short term PLR rate), the interest on working capital estimated by the Petitioner for FY 2010-11 is Rs. 5.14 Crore.

4.8.1 One Month O&M Expenses

The annual O&M expenses approved by the Commission are Rs. 61.68 Crore for FY 2010-11. Based on the approved O&M expenses, one month's O&M expenses works out to Rs. 5.14 Crore for FY 2010-11, has been considered by the Commission for working out working capital requirement.

4.8.2 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. 6.87 Crore for FY 2010-11.

4.8.3 Receivables

The Commission has approved the receivables for two months based on the approved Annual Transmission Charges of Rs. 101.74 Crore, which works out to Rs. 16.96 Crore for FY 2010-11.

Based on the above, the total working capital requirement of the Petitioner for the FY 2010-

11 works out to Rs. 28.97 Crore. The interest cost allowable on same considering the prevailing interest rate of 11.75%, i.e, SBI Short Term Prime lending rate in accordance with the principle adopted in previous Tariff Order, the interest on working capital works out to Rs. 3.40 Crore. The interest on working capital for FY 2010-11 approved by the Commission is shown in the Table below:

Table 4.22: Interest on Working Capital for FY 2010-11 (Rs. Crore)

Particulars	Projected	Approved
O&M expenses	6.47	5.14
Maintenance Spares	14.86	6.87
Receivables	28.84	16.96
Net Working Capital	**50.17**	**28.97**
Rate of Interest on Working Capital	10.25%	11.75%
Interest on Working Capital	**5.14**	**3.40**

4.9 Contingency Reserve

The expenses allowed by the Commission in accordance with the Regulations are based on past trends of expenses which also includes contingent expenses. The Regulations also do not stipulate any contingency reserve to be created separately. Thus, in the absence of any convincing justification advanced by the Petitioner, the Commission has not made any provision towards contingency reserve against the Petitioner's claim of Rs. 3 Crore for FY 2010-11. The Commission may, however, consider any contingent expenses based on actuals, subject to prudence check during truing up exercise.

4.10 Non-Tariff Income

The Petitioner has estimated his non-tariff income for FY 2010-11 as Rs. 1.73 Crore. In absence of any yardstick for estimating the non-tariff income of the Petitioner, the Commission provisionally accepts the same for the FY 2010-11. The same shall, however, be trued up based on actual audited accounts for the FY 2010-11.

4.11 Truing up of Previous Years

With regard to truing up of past years expenses, it has been submitted by PTCUL that truing up for the FY 2007-08 and FY 2008-09 has already been carried out by the Commission in the Tariff Order for the FY 2009-10. Since the truing up for FY 2008-09 was based on provisional accounts, PTCUL has submitted that it would file a fresh Petition for final true up in due course of time when audited accounts for FY 2008-09 becomes available. As regards true up for the FY 2009-10, PTCUL has submitted that actual expenses for the FY 2009-10 would become available only after March 31, 2010 and it shall, accordingly, submit the true up petition for the FY 2009-10 alongwith with the Tariff Filings for the FY 2011-12.

The Commission is, accordingly, not carrying out any true up exercise for the past years in the present Tariff Order.

4.12 Annual Transmission Charges (ATC) for 2010-11

Based on the above, the Commission approves a total ATC of Rs. 101.74 Crore for FY 2010-11. The component-wise breakup of the same as proposed by the Petitioner for FY 2010-11 and as approved by the Commission is given in the Table below:

Table 4.23: Annual Transmission Charges for FY 2010-11 (Rs. Crore)

Particulars	Projected	Approved
Net O&M expenses	72.51	61.68
Interest charges net of capitalization	26.98	14.86
Depreciation	38.13	12.92
Advance Against Depreciation	9.49	10.47
Interest on Working Capital	5.14	3.40
Reasonable Return	19.16	0.13
Gross expenditure	**171.41**	**103.47**
Provision for Contingency Reserve	3.00	0.00
Net Expenditure	**174.41**	**103.47**
Less: Non-Tariff Income	1.73	1.73
Aggregate Revenue Requirement(ARR)	**172.68**	**101.74**

The total Annual Transmission Charges for FY 2010-11, accordingly, work out to Rs. 101.74 Crore.

4.13 Transmission Losses

The Petitioner has estimated the Transmission losses for FY 2010-11 as 1.36%, which are the same as approved by the Commission for the FY 2009-10. The Petitioner has further submitted the actual transmission losses for different years as under:

Table 4.24: Actual Transmission Losses of PTCUL for the past years

Year	2004-05	2005-06	2006-07	2007-08	2008-09
Transmission Loss %	2.33%	2.41%	1.74%	1.36%	1.86%

For FY 2010-11, the Commission has approved the transmission losses of 1.86% equal to the actual transmission loss achieved during FY 2008-09.

The direction given by the Commission in the Tariff Order for 2008-09 in Para no. 5.12 is given below:

> *"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 last year tariff order has pointed out that the Petitioner has not complied with the direction and not submitted any information in this regard and directed the Petitioner to submit the report within a period of three months from the Order. However, the Commission notes that no report have been submitted by the Petitioner till now. **The Commission, therefore, once again directs the Petitioner to submit the report within three months from the issuance of this Order.**

4.14 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.

Since UPCL, the main beneficiary, has not raised any objections related to availability of the transmission system of PTCUL, the Commission is approving recovery of full Annual Transmission Charges. However, if actual availability during the year is found to be less than 98%, the Annual Transmission Charges would be reduced proportionately in accordance with the Regulations.

4.15 SLDC Charges

The Commission, in its Tariff Order for the 2009-10, had directed the PTCUL to submit the progress towards completion of SLDC works and on segregation of accounts of SLDC and submit a report on the same to the Commission within 3 months of issuance of the Order.

In its Petition for the FY 2010-11, PTCUL has indicated that it plans to start the work towards creation of SLDC in the current financial year itself. It has 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 as a part of REC NEW Scheme PTCUL has earmarked an expenditure of Rs.

10 Crore for the FY 2009-10 and another Rs. 10 Crore for the FY 2010-11.

The Petitioner, in the current year tariff exercise, has further submitted the trial balance of SLDC for the first six months of the financial year i.e., from April to September 2009 but not submitted the projected ARR of SLDC for FY 2010-11 separately. The Commission has analysed the details submitted by the Petitioner and is of the view that it may not be appropriate to approve the SLDC ARR just on basis of six months actual expenses.

The Commission, while acknowledging the efforts made by PTCUL towards creating infrastructure for SLDC and also segregation of accounts, still feels that the efforts made by the Petitioner are only half hearted. In this context, the Commission would like to remind the Petitioner that it had made a similar commitment in its ARR & Tariff petition for the FY 2009-10 also but not submitted any progress report in compliance to the directive given by the Commission in the previous Order. The issue of separation of SLDC and its ring fencing was duly highlighted by the Commission in the Tariff Order for the FY 2009-10 and it has also brought to the knowledge of the Petitioner the recommendation of "Pradhan Committee" in this regard.

The Commission would also like to highlight that the policy maker at the highest level have reached to the conclusion that creation of separate SLDC is in the spirit of the Act and is essential for promoting open access and trading in power which in turn is necessary for promoting competition and thereby efficiencies in the sector. The Commission accordingly advices PTCUL to go through the report and recommendations of "Pradhan Committee" dated 11th August 2008 and document "Open Access – Theory & Practices" prepared by Forum of Regulators. To further highlight the importance of this issue the Commission would like to mention that recently Chairman CERC has also written a letter dated 11th August 2009, to the Secretary (Power), Government of India, which advises the Central Government to take up with the State Governments the matter of completely separating the management and controlling interests between the entities operating SLDCs and the entities engaged in distribution/trading activities.

In view of such high importance assigned to above issue, t**he Commission once again directs the Petitioner to complete the process and submit a final compliance report on ring fencing of SLDC and also for separation of assets & accounts of SLDC within 3 months of this order. The petitioner is also directed to file a separate ARR Petition for SLDC from the next year onwards.**

Further, in absence of required data the Commission is unable to determine the ARR of SLDC for the FY 2010-11 separately. The expenses of SLDC are accordingly, included in the ARR of PTCUL for the FY 2010-11.

4.16 Recovery of Annual Transmission Charge

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 of Rs. 101.74 Crore for FY 2010-11 from its beneficiaries in accordance with the provisions of the Regulations.**
- **UPCL being the main beneficiary at present, this amount shall be paid by UPCL to PTCUL**. The payments, however, shall be subject to adjustment, if any other beneficiary (including long term open access customer) is using the Petitioner's system, by an amount equal to the charges payable by that beneficiary. In that case, the charges recoverable from the new beneficiary (ies), including long term open access customers, shall be refunded to UPCL within one month after close of the financial year.
- **The Annual Transmission Charges approved for 2010-11 will be applicable with effect from April 01, 2010 till further Orders.**

5. 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 with in preceding Chapters of this Order) for compliance and implementation by PTCUL.

5.1 Compliance of Directives Issued in Tariff Order for FY 2009-10

The Commission has issued certain directions in the Tariff order for FY 2009-10, as detailed in the respective sections. They are summarized here:

5.1.1 Capital cost of transferred assets

The Commission directs the Petitioner 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.

Petitioner's Submissions

The Petitioner submitted that the Transfer Scheme between UPCL and PTCUL has not been finalized till date. The Petitioner vide its letter no 80/MD/PTCUL/UERC dated April 04, 2007 and 675/Director (HR)/PTCUL/G-10 dated July 08, 2009 has requested GoU to issue notification regarding Transfer Scheme of Assets and Liabilities. The Petitioner submitted that the issue has been taken up at the State Government level and efforts are currently under way to expedite the process of finalisation/notification of the Transfer Scheme.

Fresh Directives

The Commission accordingly directs PTCUL, one more time, to get the Transfer Scheme finalized within the ensuing financial year.

5.1.2 Electrical Inspector Certificate

The Commission directs the Petitioner to obtain the Electrical Inspector certificate for all the schemes capitalised since inception till FY 2008-09 and submit the copy of the same to the

Commission within 3 months from the date of issue of this Order. The Commission further directs the Petitioner that for all the schemes to be capitalised for future works, the Petitioner must obtain clearance from the Electrical Inspector before energizing the same.

Petitioner's Submissions

The Petitioner submitted that it has approached the State Government as well as the Chief Electrical Inspector for their timely support in this matter. The Petitioner has already submitted the updated status of electrical clearances received from Electrical Inspector and the schemes for which the details have been submitted to Electrical Inspector for clearances.

Fresh Directives

The Commission, however, directs PTCUL, in the interest of its own employees/staff and safety of equipments, to seek prior clearance of Electrical Inspector before energizing any scheme. The Commission also directs PTCUL to submit the Electrical Inspector's clearance certificate for few pending schemes within 3 months of issuance of this Tariff order.

5.1.3 Additional capitalisation

The Commission directs the Petitioner to submit a detailed report with reference to scope of work and costs in the approved DPRs of the projects and reasons for variation in the same for all the schemes capitalised during FY 2006-07, FY 2007-08 and FY 2008-09 within a period of three months to the Commission.

Petitioner's Submissions

The Petitioner during the tariff exercise for most of the Schemes has submitted the original Project Cost and Revised Project Cost and indicated the broad reasons for variation in costs as discussed in detail in Chapter 4 of the Order.

Fresh Directives

The Commission, therefore, directs the Petitioner to submit the complete details of Projects under various schemes within three months from the date of issuance of this Order, including the following:

- **Original Scope of Work, Estimated Cost and Original Schedule of the Project**
- **Approved Project Cost and Scope of Work**
- **Actual/Revised Estimated Cost**

- **Scheduled Start Date and Actual Start Date**
- **Target Completion Date as per original Scheme and Actual Completion date**
- **Changes in Scope of Work alongwith justification for the same**
- **Price Variation of various equipment alongwith reasons for same**
- **Justification for Price Variation including escalation provisions as per Contract**
- **Reasons for increase in Overheads**
- **Impact of Time Over-run on Project Cost, if any.**
- **Segregation of variation in costs due to controllable factors and un-controllable factors.**

The Commission directs the Petitioner to complete the transmission lines associated with 400 kV Sub-Station at Kashipur by June 30, 2010.

5.1.4 Operation and Maintenance Expenses

The Commission directs the Petitioner to evolve a system of recording the O&M expense to revenue and capital heads separately and for allocating common expenses in these two sub-heads. The Petitioner is also directed to maintain separate accounts for projects meant for evacuation of power outside the State and projects for supply of power within the State. The Petitioner must submit the status of compliance to the Commission within 3 months from the date of issuance of this Order.

Petitioner's Submissions

The Petitioner submitted that the details of O&M Expenses separately for Lines and Bays (sub-station) has already been submitted to the Commission.

Fresh Directives

The Commission directs the Petitioner to maintain separate accounts for projects meant for evacuation of power outside the State and projects for supply of power within the State.

5.1.5 SLDC Charges

The Commission directs the Petitioner to submit the progress towards completion of SLDC works and on segregation of accounts of SLDC and submit report on the same to the Commission within 3 months of the issuance of this Order.

Petitioner's Submissions

The Petitioner has already submitted the accounts of SLDC for the month of September 2009.

Fresh Directives

The Commission once again directs the Petitioner to complete the process and submit a final compliance report on ring fencing of SLDC and also for separation of assets & accounts of SLDC within 3 months of this order. The petitioner is also directed to file a separate ARR Petition for SLDC from the next year onwards.

5.1.6 Non-Tariff Income

The Commission directs the Petitioner to maintain separate accounts for long term funds, their utilizations and income, if any, from them taken for projects and also to get an audit of the utilizations in previous years done to segregate such funds as well as to correctly ascertain the interest during construction for working out actual capital cost of the projects.

Petitioner's Submissions

The Petitioner has not submitted the status of compliance on this direction.

Fresh Directives

The Commission re-iterates its direction to maintain separate accounts for long term funds, their utilizations and income, if any, from them taken for projects and also to get an audit of the utilizations in previous years done to segregate such funds as well as to correctly ascertain the interest during construction for working out actual capital cost of the projects and submit the report to the Commission within 3 months from the date of this Order.

The Commission also directs PTCUL to get a scheme-wise audit of the value of transmission assets capitalized since 09-11-2001 which should cover the date of capitalization, cost of assets including IDC and other expenses capitalised and its financing, segregating the capital cost into loan, equity and grants/consumer contribution and submit the report of the same to the Commission within six months from the date of this Order. The Petitioner should also ensure to get the scope of the assignment approved by the Commission before initiating the same.

5.1.7 Transmission Losses

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.

Fresh Directives

The Commission once again directs the Petitioner to submit the report within three months from the issuance of this Order.

(Anand Kumar)	**(V.J. Talwar)**
Member	**Chairman**

6. Annexures

6.1 Annexure 1: Public Notice

पावर ट्रांसमिशन कारपोरेशन ऑफ उत्तराखण्ड लि0

Power Transmission Corporation of Uttarakhand Ltd.

(A Govt. of Uttarakhand Undertaking)

7-B, Lane No. 1, Vasant Vihar Enclave, Dehradun - 248006

Phone: 0135-2762472, 2762473 Fax:0135-2732460

Public Notice

Inviting Comments for Approval of ARR & Proposed Transmission Charges on Petition filed by PTCUL for FY 2010-11

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 Annual Revenue Requirement (ARR) & Tariff proposal for the Financial Year 2010-11. PTCUL has not claimed any truing up for 2008-09 and 2009-10 in the absence of reliable information, however, it has submitted the revised estimates for FY 2009-10.

1. The summary of the projections for FY 2010-11 along with the revised estimate for FY 2009-10 is given in the following Table:

Summary of the ARR of PTCUL (FY 2010-11) - Rs. Lakh

S. No.	Item	FY 2009-10		2010-11 (Projected)
		Approved	Estimated	
1	Depreciation	1557	[illegible]	3813
2	Advance Against Depreciation	[illegible]	[illegible]	[illegible]
3	Employee Cost	3387	3331	2559
4	Arrears of Sixth Pay Commission	614	905	679
5	A&G Expenses	795	1578	1656
6	R&M Expenses	1018	1760	1874
7	Interest on Long Term Loans	1732	3852	5125
8	Interest on Working Capital	336	308	514
9	Gross Expenditure	10865	15273	18170
Less	Expense Capitalization			
10	Employee Cost Capitalized	-	306	327
11	Interest Capitalized	-	2392	2427
12	A&G Expenses Capitalized	-	181	190
13	Net Expenditure	10865	12393	15226
Add	Special Appropriation			
14	Provision for Contingency Reserve	-	300	300
15	Total Net Expenditure with Provisions	10865	12693	15526
16	Add: Return on Equity	13	1463	1916
17	Less: Non Tariff Income	625	165	173
18	Annual Revenue Requirement (ARR)	10253	13991	17269
19	Truing up for the previous years	2672	-	-
20	Annual Transmission Charges	7581	13991	17269

2. The Transmission Tariff for FY 2010-11 has been proposed as Rs. 91.29/kW/month of contracted/ allocated capacity on basis of the assumption that the capacity to be handled during FY 2010-11 will be 1891.59 MW. The recovery of these charges have been proposed on equal monthly proportion of the ARR. Assuming the energy to be transmitted through its network of about 13028 MU the Transmission Tariff proposed for FY 2010-11 in paise works out to be 13.25 paise per unit.

3. The revenue gap in the ARR for FY 2010-11 has been estimated to be Rs. 9688 lacs which does not include the gap of Rs. 6410 lacs for FY 2009-10. In case, the entire claim of PTCUL including that for FY 2009-10 is accepted by the Commission, additional hike of 5.57% in consumer tariff shall be required over and above the hike proposed by UPCL.

4. 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, 7-B, Lane No. 1, Vasant Vihar Enclave, Dehradun. Relevant extracts can also be obtained from the above mentioned offices of the Petitioner.

5. The proposals are also available at the website of the Commission (www.uerc.in) and at PTCUL's website www.ptcul.org.

6. Responses/ suggestions if any are sought from the consumers and other stakeholders on the above proposals. Responses may be sent to the Secretary, UERC at Ist Floor, Institution of Engineers (I) Building, Near I.S.B.T., Majra, Dehradun either in person or by post or through e-mail to 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 31.12.2009.

पत्रांक : 985/मु0प्र0/ पिटकुल दि0 11-12-2009

Managing Director
PTCUL

"SAVE ELECTRICITY IN THE INTEREST OF NATION"

6.2 Annexure 2: List of Participants in Public Hearings

List of Participants in Hearing at Uttarkashi on 11.01.2010

SL. No.	Name	Designation	Organization	Address
1.	Shri Madan Singh Rana			Vill.- Bansga, Post- Sald, Uttarkashi
2.	Dr. B.S. Rana			Dr. Rana Bhawan, Tiloth, Uttarkashi
3.	Shri Lakhi Ram Singh Sajwan			Gram Virpur, Dunda, Uttarkashi
4.	Shri Harish Semwal	Member	Jila Panchayat, Baragadi	Uttarkashi
5.	Shri Bachan Singh	Member	Jila Panchayat, Dang, Baragadi	Uttarkashi
6.	Shri Surat Singh Rawat		Amar Ujala	Uttarkashi
7.	Shri Suresh Chauhan		Ex. Pramukh, Bhatwari	Uttarkashi
8.	Shri Kamal Singh Rawat		Jila Panchayat, Bada	Uttarkashi
9.	Shri Dinesh Semwal			Barahat Semwal Bhawan, Near Parshuram Mandir, Uttarkashi
10.	Shri Rajendra Panwar			Hotel Vijayraj, Gangotri Highway, Uttarkashi
11.	Shri Vijay Bahadur Singh			Hotel Gautam Park, Joshiyara, Uttarkashi
12.	Shri Balbir Singh Makhloga			Village- Gangari, Nougari, Uttarkashi
13.	Shri Sukesh Nautiyal			Village- Bheteyena, P.O. Dhauntry, Uttarkashi
14.	Shri Jitendra Rawat		Zee News	Uttarkashi
15.	Shri Ramesh Semwal			Badahat, Uttarkashi
16.	Shri Gopal Rawat	Hon'ble MLA Gangotri		Purani Kutchery Road, Uttarkashi
17.	Ms. Swaraj Vidwan	President	BJP (District Level)	Kaleshwar Marg, Joshiyara, Uttarkashi

List of Participants in Hearing at Sitarganj on 22.01.10

SL. No.	Name	Designation	Organization	Address
1.	Shri Suresh Kumar	Vice-President (Works)	M/s. La-opala RGLN	ESIP, Sitarganj, Distt.-Udhamsingh Nagar
2.	Shri Bhola Trivedi		M/s. Narendra Plastics	Unit Plot No A-195, Phase 1, EIDCO SIDCUL Industrial Park, Jail Camp Road, Sitarganj, Udham Singh Nagar, Uttarakhand 262405
3.	Shri Pukhraj Kushwaha		M/s. Khatima Fibers	UPSIDC Industrial Area, Khatima-262308
4.	Shri Manjeet Singh		PSB Papers Ltd.	Beria Road, Bazpur - 262401, Uttarakhand
5.	Shri V.V. Joshi	Assistant General Manager	Tata Motors Ltd.	Plot No. 1, Sector 11, IIE, SIDCUL, Pant Nagar, Udhamsingh Nagar
6.	Shri R.K. Singh	Sr. Manager	M/s. Tata Motors Ltd.	Plot No. 1, Sector 11, IIE, SIDCUL, Pant Nagar, Udhamsingh Nagar

List of Participants in Hearing at Pithoragarh on 23.01.10

SL. No.	Name	Designation	Organization	Address
1.	Shri Dhan Singh Mehta		Laxmi Narayan Utthan Samiti, Gangolihat	Vill.-Bhandari Gaon, P.O.-Kothera, Gangolihat, Pithoragarh
2.	Shri Ishwar Rautela	Secretary	Uttara Gharat Vikas Samiti, Pithoragarh	Vill.- Bhandari Gaon, P.O.-Kothera, Gangolihat, Pithoragarh
3.	Smt.. Manju Devi			Vill.- Lindyuda, Sinola, Pithoragh
4.	Shri D.P. Khanka			Khanka Cottage, Takana Khet, Pithoragarh
5.	Smt. Mohni Devi			Vill.- Kedar Puneri Ward, Distt.-Pithoragarh
6.	Smt. Jivanti Devi			Vill.- Kidar Puneri, Distt.-Pithoragarh
7.	Smt. Devki Devi			Vill.- Kidar Puneri, Distt.-Pithoragarh
8.	Smt. Kaushalya Devi			Vill.- Kidar Puneri, Distt.-Pithoragarh
9.	Shri Jitendra Singh Mahra	Ward Member	Siltham,	Siltham, Pithoragarh
10.	Shri Trilok Singh Mahar	Ward Member	Kumon	Kumon, Pithoragarh
11.	Shri Rajendra Singh Baseda	Ward Member	Khadkot	Khadkot, Pithoragarh
12.	Shri Jeevan Lal	Ward Member	Bajethi	Bajethi, Pithoragarh
13.	Shri Chandrashekhar Makholiya			Rai, Pithoragarh
14.	Shri K.C. Pant			New Sera, Pithoragarh
15.	Shri Jitu			Jakhni, Pithoragarh
16.	Shri Madan Mohan Bhatt			Rai, Pithoragarh
17.	Shri Nirmal Singh			Naya Bazar, Pithoragarh
18.	Shri G.S. Bhadri			Pithoragarh
19.	Shri Umesh Singh Rana			Link Road, Near Milan Tent House, Pithoragarh
20.	Shri Rizwan Ansari			C/o Mohd. Sazid, New Colony, Linthwa, Pithoragarh
21.	Shri Bhupal Singh			Ward No.- 7, Lunthyuda, Pithoragarh
22.	Shri Rajendra Singh Bisht			Maharishi Vidya Mandir, City Branch – Kumor, Pithoragarh

List of Participants in Hearing at Dehradun on 14.02.2010

SL. No.	Name	Designation	Organization	Address
1.	Shri Pankaj Gupta	President	Industries Association of Uttarakhand	C/o Satya Industries, Mohabewala Industrial Area, Dehradun
2.	Shri Rajiv Agarwal	Consumer Advocate & Sr. Vice-president,	Industries Association of Uttarakhand	32- Inder Road, Dalanwala, Derhadun
3.	Shri V.V. Joshi	Assistant General Manager	M/s. Tata Motors Ltd.	Plot No. 1, Sector 11, IIE, SIDCUL, Pant Nagar, Udhamsingh Nagar
4.	Shri R.K. Singh	Sr. Manager	M/s. Tata Motors Ltd.	Plot No. 1, Sector 11, IIE, SIDCUL, Pant Nagar, Udhamsingh Nagar
5.	Shri Ashok Goswami	Manager	Jeewani Mai Trust	Haridwar Road, Rishikesh
6.	Shri Khursheed A. Siddiqui			37- Preet Enclave, Majra, Dehradun
7.	Shri Arvind Jain			6 – Ramleela Bazar, Dehradun
8.	Shri Amar S. Dhunta	General Secretary	RTI Club Uttarakhand	827/1, Sirmaur Marg, Rajendra Nagar, Dehradun
9.	Shri Arun Kumar	President	Resident Welfare Association	Lane No. 13, 14 Mohit Nagar, 331/13- Mohit Nagar, Dehradun
10.	Shri Katar Singh	President	Bhartiya Kissan Club	Vill. Sultanpur Sabatwali, Post- Jhabrera, Distt.- Haridwar
11.	Shri Vijay Pal Singh			S/o Shri Kishan Singh, Village & Post – Sherpur Khelmau, Distt- Hardwar
12.	Shri Harindra Kumar Garg	Regional Chairman (Garhwal)	Industries Association of Uttarakhand	C/o Cello Industries, Plot No. 3, Sector No. 3, SIDCUL, Haridwar
13.	Shri Rakesh Kr. Tyagi	GM (Operation)	Creative Industries	Plot – 5/5A, Sector 3, SIDCUL, IIE, Haridwar
14.	Shri Lokesh Lohia			Sector VII, Plot No. 98, SIDCUL- Haridwar
15.	Shri Naval Duseja	AGM (Finance & Accounts)	Flex Foods Limited	Lal Tappar Industrial Area, P.O. Resham Majri, Haridwar Road, Dehradun 248140
16.	Shri Kashiram			E-29, Yamuna Colony, Dehradun
17.	Shri B.S. Bisht			21, Mohanpur, Premnagar, Dehradun
18.	Shri R.N. Mathur	President	Mussoorie Hotel Association	Prince Hotel, Library, Mussoorie
19.	Shri Narendra Pal Singh	President	Consumer Care Consultancy	17, Ganga Nagar, Rishikesh
20.	Shri Khairati Lal Sharma			633- Ramnagar, Roorkee, Distt.- Haridwar

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SL. No.	Name	Designation	Organization	Address
21.	Shri Ajay Bhargara	Secretary	Mussoorie Hotel Association	Hotel Surya Kiran, Mall Road, Mussoorie
22.	Shri Sanjay Agarwal			Hotel Mall Palace, The Mall, Opp. Ropeways, Mussoorie
23.	Shri Gulshan Rai		Shri Ganesh Roller Flour Mills	Mohabbewala Industrial Area, Dehradun
24.	Shri Ram Kumar	Vice President	Mussoorie Hotel Association	Hotel Vishnu Palace, Gandhi Chowk, Mussoorie
25.	Shri Gulshan Kakkar	Working President	Prantiya Industries Association	Mohabbewala Industrial Area, Dehradun
26.	Shri Mayank Garg		Himgiri Packers & Joint Secretary (PIA)	121- Kanwali Road, Dehradun
27.	Shri Himanshu Bahuguna		Rashtriya Sahara	Patel Nagar, Dehradun
28.	Shri Anil Marwah	State General Secretary	Prantiya Industries Association	222/5, Gandhi Gram, Dehradun – 248001
29.	Shri R.K. Sal		Prantiya Industries Association	123, Saharanpur Road, Patel Nagar, Dehradun
30.	Shri Jagdish Kuliyal			Shisham Jhari, P.O. Muni Ki Reti, Distt.- Tehri Garhwal
31.	Shri Vishnu Mitra			36, Panchsheel Park, P.O. New Forest, Dehradun 248006.
32.	Shri Shailendra Singh			Lane No. 3, House No. 4, Dashmesh Vihar, Raipur Road, Dehradun