Order on Transmission Tariff
for
Power Transmission Corporation of Uttaranchal Ltd.
for
2006-07

12th July 2006

UTTARANCHAL ELECTRICITY REGULATORY COMMISSION

80, Vasant Vihar, Phase-I, Dehradun – 248006

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Before

UTTARANCHAL ELECTRICITY REGULATORY COMMISSION

Petition No.: 13 of 2005

In the Matter of:

Determination of transmission tariff for the year 2006-07 for the intra-state transmission system of Power Transmission Corporation of Uttaranchal Ltd. (PTCUL), a Government owned company in the State.

AND

In the Matter of:

Power Transmission Corporation of Uttaranchal Ltd.

7 B, Vasant Vihar Enclave, Street No. 1, Dehradun ………..Petitioner

Coram

Sh. Divakar Dev	**Chairman**
Sh. V.K. Khanna	**Member**
Sh. V.J. Talwar	**Member**

Date of Order: 12th July 2006

This Order relates to Petition no. 13/2005 (Petitions), for determination of tariff of Power Transmission Corporation of Uttaranchal Ltd. (hereinafter referred to as "PTCUL" or "Petitioner"), under section 62(1)(b) of the Electricity Act, 2003 read with Regulation 56 of Uttaranchal Electricity Regulatory Commission (Conduct of Business) Regulations, 2004, admitted on 26.12.2005 and transferred to the reconstituted Commission on 03.04.2006. For sake of convenience, this order is divided into 5 Chapters.

1. Background & Procedural History

Power Transmission Corporation of Uttaranchal Ltd. (PTCUL) is a company wholly owned by the State Government and engaged in the business of transmission of power in the State since 01.06.2004 through its intra-state transmission network operating mainly at voltages 66 kV and above. At present, the sole beneficiary of the transmission system of PTCUL is another Government company namely Uttaranchal Power Corporation Ltd. (UPCL), the sole distribution and supply licensee in the State. Through a notification dated 31.05.2004, the Government of Uttaranchal vested all the transmission assets of UPCL into PTCUL. The said notification gives the provisional opening values of the assets and liabilities as on 01.06.2004, vested with PTCUL, based on the values as on 31.03.2003 shown in UPCL's accounts. Tariff for transmission of electricity through PTCUL's network is required to be determined by this Commission as per section 62(1)(b) of the Electricity Act, 2003 (Act). The transmission tariff determined as per Commission's Order dated 25.04.2005 became effective from 01.04.2005, and is currently applicable.

PTCUL filed its tariff Petition for the year 2006-07 (tariff year) on 30.11.2005, which had numerous deficiencies and was, therefore, returned for their removal. After removing these deficiencies PTCUL submitted its Petition on 21.12.2005. The Commission admitted this Petition on 26.12.2005 and the proposals were notified in leading newspapers on 28.12.2005 for information of all stakeholders, and their responses were invited by 15.01.2006 (Annexure-1(a)), which was subsequently extended upto 31.01.2006 (Annexure-1(b)). The Commission held public hearings at Dehradun and Rudrapur on 13.02.2006 and 28.02.2006 respectively.

In the meantime, the State Government reconstituted the Commission. The process of tariff determination was, thus, started afresh from 03.04.2006, when the reconstituted Commission became functional. Consequently, further public hearings were held at Srinagar and Almora on 03.05.2006 and 16.05.2006 respectively.

Respondents to PTCUL's proposals are listed in Annexure-2 of this Order. Issues raised in these responses or in the public hearings have been taken note of and dealt with in Chapter 3 of this Order.

2. Petitioner's Submissions

The Petitioner has based the Annual Transmission Charges (ATC) and Tariff Petition on its provisional annual accounts and has claimed revenue deficit of Rs. 10.99 Crore for the year 2005-06 and of another Rs. 47.18 Crore for the year 2006-07. To cover the revenue gap claimed for 2005-06 and 2006-07, increase in the annual transmission tariff has been sought from a total of Rs. 30.77 Crore fixed by the Commission for 2005-06 to Rs. 77.95 Crore for 2006-07. While processing this Petition, the Commission is handicapped by the fact that actual expenditure figures for the year 2005-06 have not been made available even when specifically asked for. The Petitioner has stated that the accounts are under preparation and will be made available in due course. Commission does not accept validity of this plea even after expiry of 3 months of the close of the financial year 2005-06 and Petitioner's reluctance to provide correct data inevitably raises doubts about accuracy of expenditure projections made in the Petition. The Commission has no choice but to work with the incomplete data that has been provided by the Petitioner. Main features of the Petitioner's submissions are listed hereafter.

2.1 Operation & Maintenance (O&M) Expenses

O&M expenses comprise of employee costs, repairs & maintenance expenses and administrative & general expenses. Petitioner's submissions with respect to each of these elements are as given below.

2.2 Employee Cost

The Petitioner has assumed the salary to increase by 3.5% p.a., Dearness Allowance in two installments of 4% each and capitalisation at 14% of staff expenses for 2006-07. The Petitioner has claimed that it is required to build capacity and make several critical functions operational. The average employee cost of existing employees has been used for estimating expenditure on additional employees. The summary of employee costs worked out by the Petitioner is as given in the Table below:

Table 2.1 : Proposed Employee Cost (Rs. lakh)

Item	Approved for 2005-06	Projected in the last Petition	Now projected for FY 06	Projected for FY 07
Gross Employee cost	**1,559.00**	**1,778.00**	**1,696.69**	***2,587.44**
Less: Capitalization	288.00	328.00	288.00	351.06
Net employee cost	**1,271.00**	**1,450.00**	**1,408.69**	**2236.38**

**Of the total employee cost projected for 2006-07, Rs. 799.06 lakh has been projected for additional employees.*

2.3 Administrative & General (A&G) expenses

The Petitioner has claimed that the actual expenditure under this head during 2005-06 is likely to be higher than that allowed by the Commission in the last Tariff Order on account of registration fees paid during incorporation of PTCUL (Rs. 35 lakhs), increased consultancy charges to finalize transfer scheme, organization structure, conduct of technical studies, etc., which were instituted during the year and payment of license fees on actual basis.

For 2006-07, the Petitioner, besides accounting for inflation related increases, has claimed additional expenditure on account of:

i) Administrative expenses towards Project Management Office (PMO) for ADB works,

ii) Expenses towards raising the authorized share capital of PTCUL from the existing limit of Rs. 100 Crore to Rs. 200 Crore.

iii) Legal expenses for joint petitioning and representation on common issues relating to Central Sector Power Undertakings before CERC and the Appellate Tribunal, as per the agreement with other Northern Region beneficiaries in the Commercial Committee of NREB.

iv) Training expense for capacity building.

The administration & general expenses, thus, claimed by PTCUL for FY 06 and FY 07 are given in the Table below:

Table 2.2: Proposed A&G Expenses (Rs. in lakh)

Item	Approved or 2005-06	Projected in the last Petition	Now projected for FY 06	Projected for FY 07
Total expenses	**404.00**	**416.00**	**605.00**	**929.35**
Less: Expenses Capitalised	70.00	70.00	70.00	132.00
Net expenditure charged to Revenue	**334.00**	**346.00**	**535.00**	**797.35**

2.4 Repairs & Maintenance (R&M) Expenses

For FY07, PTCUL's plans include overhauling of circuit breakers, re-conducturing of lines, turfing of switchyards, etc. at Rs. 475.50 lakh. In addition, for unforeseen R&M expenses, R&M expenditure of Rs. 1,330.75 lakh has been proposed details of which are given below:

Table 2.3: Proposed R&M Expenses (Rs. in lakh)

Item	Approved for 2005-06	Projected in the last Petition	Now projected for FY 06	Projected for FY 07
Plant & Machinery	383.00	383.00	285.87	33.50
Buildings	75.00	75.00	21.53	0.00
Civil Works	1.00	1.00	120.90	278.00
Hydraulic Works	-	-	0.00	0.00
Lines & Cable Network	81.00	81.00	114.89	164.00
Vehicles	-	-	23.13	0.00
Furniture & Fixtures	1.00	1.00	0.04	0.00
Office equipment	-	-	0.00	0.00
Others	-	-	339.63	855.25
Total expenses	**540.00**	**540.00**	**905.99**	**1,330.75**

2.5 Fixed Assets, Capital Expenditure and Depreciation

Petitioner has again taken the assets as per the provisional balance sheet of PTCUL for 2004-05 as the opening balance for 2005-06, ignoring Commission's findings in this regard in the Order dated 25.04.2005. Petitioner has then added the assets proposed to be capitalized during the year. Details of fixed assets as given by the Petitioner, is given in the Table below:

Table 2.4: Details of Fixed Assets (Rs. in Lakh)

As on 01.06.2004	22,448.14
Additions during the year	1,251.31
Adjustments during the year	(3.34)
As on 31.03.2005	**23,696.11**
Additions during the year	5,671.98
Adjustments during the year	-
As on 31.03.2006	**29,368.09**
Additions during the year	58,293.88
Adjustments during the year	-
As on 31.03.2007	**87,661.98**

Depreciation on the assets given above is claimed to have been computed at the rates given in the Tariff Regulations, on the closing balance of different categories of Fixed Assets for 2005-06. The depreciation charge for 2006-07 so claimed is Rs. 999 lakh.

2.6 Interest & Other finance charges

In its last Tariff Order, pending the finalisation of PTCUL Transfer Scheme, the Commission had approved the Interest Charges of Rs. 54.77 Crore for UPCL and PTCUL together and allowed this to be recovered completely by UPCL. PTCUL has now requested that in 2006-07 servicing of such identifiable interest be allowed to be done by it instead of UPCL. Interest charges for 2006-07 have been estimated at Rs. 2341.69 lakh as shown in the Table below. Interest capitalisation is based on drawl of loans during the year.

Table 2.5: Proposed Interest & Financing Charges for 2006-07 (Rs. in lakh)

Source	Rate of Interest (%)	Opening balance	Receipts	Repayments	Closing Balance	Interest
REC	9.75% & 8.75%	9,530.45	17,889.87	308.55	27,111.76	1,257.11
NABARD	6.5%	15,375.17	2,833.22	211.75	17,996.64	1,084.58
Sub-total		**24,905.62**	**20,723.09**	**520.30**	**45,108.40**	**2,341.69**
Interest Capitalized						1,375.51
Net total interest		**24,905.62**	**20,723.09**	**520.30**	**45,108.40**	**966.18**

2.7 Return on Equity (RoE)

PTCUL is claiming equity only on the additional contribution made by GoU since the date of transfer. This comprises of Rs. 5 Crore of equity infused in PTCUL during registration of the company as paid up capital which has been held separately in a Term Deposit and has been earmarked against the construction of the Corporate Office, plus regular counterpart equity contributions made by GoU against capital expenditure under REC and NABARD schemes estimated for the balance period of 2005-06 and for 2006-07. The RoE on this additional equity, i.e. average of opening and closing balances of equity for 2006-07 is claimed at 14% and is proposed at Rs. 12.90 Crore for 2006-07.

The Petitioner has stated that in States where financial restructuring has been undertaken, as in the case of Uttar Pradesh prior to re-organisation, book value of equity created in the books of successor entities, is the result of significant financial write-offs assumed by the State Government and given effect to in the books of the State Government. These include write-offs of significant State Government loans, which have contributed directly to the creation of capital assets. Write-offs and adjustments along similar lines are inevitable in the books of UPCL and PTCUL during the finalization of the PTCUL Transfer Scheme. Resultant equity in the books of PTCUL and UPCL will, thus, be the net result of significant sacrifices to be made by GoU, for which it isn't unreasonable to expect these book values of equity to qualify for Return on Equity. In States, which have re-organised the electricity sector, e.g., Orissa, Andhra Pradesh, Rajasthan, Delhi, etc., book value of equities in successor undertakings are viewed in the context of the overall Financial Restructuring Plan for the sector and respective State Electricity Regulatory Commissions have permitted book values of equity in successor entities to qualify for earning return on equity.

Section 131 (3) (a) of the Electricity Act, 2003 provides for the transfer of undertakings on the basis of the revenue potential of the business and provides for the fair value to be paid by the transferee to the State Government. The PTCUL Transfer Scheme, drawn up under this Section, on finalisation, would constitute the book value of equity to be the 'fair value' of assets transferred to PTCUL.

If equity is disallowed on this value of equity, it would effectively be interpreted as the 'fair value' of assets being zero by the stakeholders, including the lenders. This is undesirable for PTCUL, which has significant capital expansion plans and requires access to cheaper sources of finance. Allowing returns on the book value of equity to be finalised as part of Transfer Scheme is, therefore, in the interest of the sector as it will lower the cost of borrowings for the utilities. There are examples of successor utilities owned both by the Central Government and State Governments, where normative values of debt and equity has been considered adequate for the determination of rate base and Return on Equity. The separation of PGCIL from NTPC in 1992 was on such a basis, where the book values of assets transferred were assumed to be in the ratio of 50:50 for debt equity and RoE was allowed on the equity component determined on this basis. Similarly in the case of Delhi, Delhi Transco Limited was formed with a capital structure, which is 40% equity and 60% debt and RoE is permitted under a State Government policy and approved by DERC on the book value of equity in Delhi Transco Limited.

In light of the above submissions, PTCUL has claimed that on finalisation of its Transfer Scheme, PTCUL will seek appropriate returns on its equity as a part of the ARR. The return so proposed to be claimed by the Petitioner is given in the Table below:

Table 2.6: Proposed Return (Rs. Lakh)

Item	FY 06	FY 07 Projected
Opening Share capital	3,430.00	7,109.00
Additions during the year	3,679.00	4,207.00
Closing Share Capital	7,109.00	11,316.00
Free Reserves		
Total share holders funds	**7,109.00**	**11,316.00**
Rate of return	14%	14%
Total return on equity	**737.72**	**1,290.00**

2.8 Interest on Working Capital

The Petitioner has calculated the working capital requirement of Rs. 1,996.75 lakh for FY 07. Interest on Working Capital is calculated at the rate of 10.25% and has been worked out as Rs. 204.67 lakh.

2.9 Non-tariff Income

The Petitioner has projected the non-tariff income of Rs. 29 lakh for FY 07 which has been assumed to be the same as that given in the provisional accounts for FY 05, primarily on account of interest earned on Term Deposits.

2.10 Annual Revenue Requirement (ARR) & Proposed Tariff

The summary of the aggregate revenue requirement of PTCUL as estimated for FY 06 and as projected for FY 07 is provided in the Table below:

Table 2.7: Summary of Annual Revenue Requirement (Rs. in lakhs)

Item	Approved for 2005-06	Projected in the last Petition	Now projected for FY 06	Projected for FY 07
Depreciation	866.00	2,474.00	799.73	998.61
Advance Against Depreciation	0.00	0.00	0.00	0.00
Employee cost	1,559.00	1,778.00	1,696.69	2,587.44
A & G Expenses	404.00	416.00	605.00	929.35
R&M expenses	540.00	540.00	905.99	1,330.75
Interest on Long Term Loans	0.00	1,279.00	1,119.12	2,341.69
Interest on Working Capital	95.00	0.00	123.64	204.67
Gross Expenditure	***3,464.00***	***6,488.00***	***5,250.00***	***8,392.50***
Less: Expense capitalised				
Employee cost capitalised	288.00	328.00	288.00	351.06
Interest capitalised		255.00	687.16	1,375.51
A&G expenses capitalised	70.00	70.00	70.00	132.00
Net Expenditure	***3,106.00***	***5,835.00***	***4,205.00***	***6,534.00***
Special Appropriations				
Provision for Bad & Doubtful debts	-			0.00
Provision for Contingency Reserve	-			0.00
Other Expenses	-			0.00
Total net expenditure with provisions	***3,106.00***	***5,835.00***	***4,205.00***	***6,534.00***
Add: Return on Equity		190.00	0.00	1,290.00
Add: Income Tax Provisions				-
Less: Non Tariff Income	29.00	29.00		29.00
Less: Government Subsidy / Grant				-
Annual Revenue Requirement (ARR)	**3,077.00**	**5,996.00**	**4,176.00**	**7,795.00**

Based on the existing tariff, the Petitioner has calculated the gap in its ARR for both the years adding upto Rs. 58.17 Crore. Interestingly, instead of recovering this amount through Tariff, the Petitioner has proposed that this gap may be carried forward as a Regulatory Asset with the applicable interest rate of 10.25% until the same is passed through in tariff. No reason for foregoing this revenue and opting for the proposed arrangement, which violates the National Tariff Policy, has been given. The Petitioner has also not shown how this deficit claimed between revenue and expenses is proposed to be funded or how the Petitioner would meet its expenses in the interim period. The proposed transmission charges are Rs. 37.19/kW/month of contracted/allocated capacity.

3. Stakeholders' Responses

The Commission has received a total of six objections/suggestions on the proposals of PTCUL. Details of respondents who had filed these responses are given in Annexure 2. The Commission has obtained comments from PTCUL on each response received from stakeholders whether in writing or raised during the Public Hearings. All responses have been grouped subject wise and are summarized below. These have been taken into account by the Commission while taking view on the proposals later in this Order.

3.1 Issues Raised by Stakeholders

3.1.1 Proposed increase in expenditure

Unbundling of erstwhile Electricity Board/utility was done in order to benefit the consumers of electricity. It has been stated that like other commercial organizations, PTCUL should also be accountable for its income and expenditure. The increase in expenditure in one year claimed by PTCUL is more than 100% and is disproportionately high. Since no increase in the quantum of energy being transmitted through PTCUL's system is envisaged, there is no justification for the proposed increase in expenditure. The additional expenditure proposed to be incurred is too high and not commensurate with the demand of electricity in the distribution system. Any addition in the transmission capacity without any scope for actual transmission of additional power would only put extra burden on consumers. It is quiet clear from the ARR that no serious effort has been made by PTCUL either to increase income or to reduce its expenditure. Instead, PTCUL has opted for the easy way out by seeking recovery of enhanced expenditure from poor consumers. Instead of increasing PTCUL's cost of service, there is pressing need to control its expenses and wherever possible, the projected expenses need to be scaled down.

3.1.2 Employee Cost

Even in a small State like Uttaranchal, PTCUL has formed five new divisions and one Circle. As a result, number of new posts of engineers and staff has been created requiring in turn huge funds. Consequently, in the ARR, the employee cost proposed is as much as Rs. 26.09 Crore against only Rs. 15.59 Crore approved by the Commission for 2005-06. PTCUL should increase the efficiency of the existing staff instead of increasing their number. No commercial entity can stipulate increase in its employee cost by as much as 60% in one year and that too without corresponding increase in output. PTCUL actually needs to get a proper manpower study done for correctly assessing the optimum manpower requirement both in terms of numbers as well as mix.

3.1.3 Administrative and General (A&G) Expenses

A&G expenses of PTCUL are very high. The proposed A&G expenditure of Rs 9.28 Crore is 128% higher than that approved for the year 2005-06. The per employee A&G expenses work out to Rs. 1.33 lakh per year which is very high as compared to other organisations. PTCUL should check and control these expenses by improving efficiency and adopting economy measures. Further, it is an accepted accounting practice that any expense which is not of revenue in nature and whose benefit accrues over a long period, is amortized over such period instead of booking the same in one year. Hence, all such expenses claimed in the Petition should be capitalized and booked over a longer period.

3.1.4 Repairs & Maintenance (R&M) expenses

Repairs & Maintenance Expenses proposed at Rs. 13.31 Crore for 2006-07 compared to Rs. 5.40 Crore for 2005-06 are higher by 146.48%. PTCUL has not made any effort to effect economy in this area and simply wants to pass the financial burden to the consumers by increasing their tariff. Provision of Rs. 855.25 lakh as unplanned repairs and maintenance expenses for 2006-07 has been proposed. Obviously, any unplanned expenditure of very high amount cannot be booked in one year. This will put the tariff into cyclic ups and downs.

3.1.5 Return on equity

Proposed return on equity of Rs. 12.72 Crore @ 14% for the financial year 2006-07, is high and should not be allowed as only the equity injected on capital projects is proposed to be taken for the purpose of return on equity and works of capital nature are still in implementation stage.

3.1.6 Interest expenses

Proposed expenditure of Rs. 21.47 Crore for 2006-07 towards interest is not realistic and, hence, should not be accepted by the Commission.

3.2 State Government's Recommendations

In their letter no. 531/I/2006-02(3)/1/06 dated 05.04.2006, the State Government have conveyed their views on the tariff proposals including Petitioner's proposal. The State Government has specifically recommended the following:

i) There should be no increase in the effective tariff presently payable by consumers and the financial health of the company should also be protected based on commercial principles;

ii) Government has not agreed to give its consent to subsidize any category of consumers.

Interestingly, while the State Government, which is the sole proprietor of the Petitioner Company, has opposed any increase in tariffs, the Company's management has sought increase in tariff of about 153 %. The Commission, therefore, gave the Petitioner an opportunity to reconcile these conflicting positions. Whereupon following view of Petitioner Company's Board of Directors has been communicated:

> *"The matter was considered by the Board and various issues therein were discussed in detail. In conclusion, after careful consideration, the Board re-approved and reconfirmed unanimously the subject tariff petition by PTCUL to UERC. The Board of Directors opined and concluded that there is no conflict between the State Government's position laying stress on the financial health of the transmission company and tariff petition for the year 2006-07 made by the Company. The Board authorized the Company Secretary to inform the Hon'ble UERC on behalf of the Board the resolution of the Board."*

It is clear from above that the obvious contradiction in the substance of the Government's recommendations and the Petitioner's proposals has escaped notice of the Company's Board of Directors. Instead of addressing the core issue, the Board has confined itself to deliberate misinterpretation of Government's recommendations. This is indeed unfortunate. Nevertheless, the Commission proposes to deal with the above contradictory positions appropriately later in this Order.

3.3 Petitioner's Comments on Responses

While PTCUL has been designated as the STU and SLDC under the Act, there are several constraints for PTCUL in executing the significant statutory responsibilities expected of an STU / SLDC. Much of PTCUL's existing transmission system being the legacy of undivided UP is ageing and inadequate. There are no State-owned inter-connections between the eastern and western parts of the State. Operation and maintenance in a predominantly hilly terrain is difficult and costly and there are limited provisions and lack of access to state-of-the-art technologies for rapid restoration of supply in affected remote areas. The SLDC at Rishikesh lacks visibility of the network, basic telecommunications facilities and information systems and doesn't even have the Unified Load Despatch Centre scheme implemented, as in other States in India. PTCUL recognizes these significant bottlenecks and intends to develop itself in a comprehensive and planned manner.

With significant hydro projects planned, the corresponding growth and expansion of the high-voltage transmission network is crucial for meeting the growth objective of the sector. It is equally important to strengthen and modernize the State-level transmission grid to improve system reliability and to facilitate intra-state and interregional power transfers. PTCUL's capital investment plans over the next five years will, thus, be significant and in tune with the sector's growth expectations. Much of the transmission expansion projects which cater to generation evacuation needs are expected to be covered under the ADB funded programme. PTCUL has enclosed finalised plans for strengthening the existing networks through the addition of substations in the current financial year and also in the ensuing year which would basically take care of demand growth and requirement of the system stability. Project management of such large investment projects under externally aided funds require the setting up of dedicated Project Management Office (PMO) and Project Implementation Unit (PIU) for timely procurement and disbursal, monitoring of progress and implementation of specific safeguards. These organisational structures will require additional manpower at all levels, having implications on the O&M costs of PTCUL in the future years.

While PTCUL has been managing the operation and maintenance of its existing network, it lacks capacity in several critical areas, which are expected of an STU / SLDC and a corporate entity which in its legacy form was only a department in a Board / Company like UPPCL / UPCL. One such area is system analysis and transmission planning, which is the role of the STU under the Act. Transmission planning is a specialized function, requiring access to updated network information for conducting regular systems analysis as an input to the development of perspective plans, prioritize transmission investment decisions and assess available transmission capacity, as required for granting open access under the Act. PTCUL is severely handicapped with the lack of both information as well as personnel for effectively executing its planning responsibilities under the Act. With substantial investments in generation and transmission planned over the future, PTCUL has identified the establishment of a system analysis and planning department on priority and would also make provisions for infrastructure, database and software required for effective management of the planning function over the next six months.

Another critical area is the development of a Regulatory and Commercial Affairs Unit, which is crucial to the transmission function under an open access scenario. Since large generation capacity is planned in future, primarily for export outside the State, it is necessary to maintain information in a fashion which is amenable to rate making for intra-State as well as inter-State open access suppliers as well as consumers. Further, the State Grid Code will require the institutionalization of System Operation Procedures for the effective implementation of the Grid Code, Performance Standards and other directives of the Commission over a realistic, achievable and phased time-table. These require the monitoring and reporting of performance on a consistent and standardized basis at periodic intervals. A dedicated Regulatory and Commercial Affairs Unit, with multi-disciplinary skills and the ability to coordinate information requirements and reporting with other departments will be effective in interfacing with the State as well as the Central Commission and managing regulatory and commercial information requirements on a regular basis. PTCUL shall move to institute such a dedicated unit within the organization by means of internal deployment and external recruitment, where necessary, to arrive at the optimum skill set required for this unit. Appropriate training programmes will be conducted to train and equip the staff in matters relating to Regulatory Affairs. With the corporatisation of PTCUL, crucial departments, such as Finance and Human Resources are required to be established for the independent functioning of PTCUL. Much of these current activities are undertaken by UPCL on behalf of PTCUL but it is unrealistic to expect this to continue in the future, given PTCUL's substantial plans for expansion of network and human resources.

Further, setting up SLDC is an overreaching priority for PTCUL and it has already sought the help of PGCIL in developing a fully functional SLDC at the earliest. Thus, PTCUL is in grave need of funds for capital expenditure and R&M works and also for O&M expenses.

3.3.1 Employee Cost

PTCUL has stated that after benchmarking with other transmission utilities in India, it is clear that PTCUL is inadequately staffed to operate its existing business effectively, leaving apart the capacity to manage a significantly expanded transmission network as envisaged by the year 2006-07. A manpower study has been conducted for PTCUL and based on the recommendations, the Board of Directors have approved the proposed additions and revamping of the organisation. PTCUL is responsible for building and maintaining the backbone of power infrastructure in Uttaranchal, lack of sufficient and skilled manpower to take up and pursue the large scale augmentation projects and system strengthening measures envisaged, can prove detrimental to the development of the entire sector.

3.3.2 Administrative and General (A&G) Expenses

The increase in A&G expenses is primarily due to additions in employee strength and inflation. The expenditure is of revenue nature and is estimated based on current level of expenses. It may also be noted that large scale recruitments required by PTCUL would lead to large advertising and recruitment expenses and an increased spend on training expenses. Further, other activities like setting up of ADB project management office, increasing the authorised capital of PTCUL, etc. to be taken up in FY 07 as proposed in the tariff petition would cause the A&G expense to be on the higher side. The expenditure on setting up of ADB PMO is of long term nature and is, therefore, capitalised. Accounting practice has been strictly followed and no expenditure of capital nature has been charged to revenue.

3.3.3 Repairs & Maintenance (R&M) expenses

Of the 22 existing sub-stations of PTCUL, 10 sub-stations are over 25 years old including 3 sub-stations over 35 years old. The transmission system lacks bare minimum redundancies and as a result, routine repairs and maintenance are often postponed, which jeopardises the reliability and availability of the system in the long run. While capital investments need to be planned and prioritized to improve reliability and replace assets, which are in operation beyond their useful life, it is equally necessary to institute a planned programme for periodic maintenance of existing assets. PTCUL has for the first time initiated a programme of planned maintenance with schemes drawn up for undertaking specific works over 2006-07 for 3 out of a total of 4 circles. A non-scheduled provision has also been made for major unforeseen events like equipment burnouts, breakage of conductors and towers, etc. based on past expenditure. In addition, the usual cash provision made in 2005-06, which was paid out to the circles as part of monthly imprest account, has been retained for 2006-07. This is to account for on-going small repairs and maintenance works in each circle, such as civil repairs, replacement of equipment castings, scheduled equipment testing, galvanizing and painting, vehicle and furniture repairs, etc.

3.3.4 Return on equity

The return claimed is only for half of the equity injected into the capital projects in a year. This is on the assumption that some projects constituting roughly half the injected equity would be completed in the financial year. Although, this is not a precise method of claiming RoE, but it has the effect of smoothening tariff shocks from too many or too few capital projects being commissioned in any year as is the case during the current year. It also brings a higher degree of consistency and predictability to the tariffs without giving any perceived undue advantage to PTCUL. The proposed rate of return of 14% is as per the Commission's Terms and Conditions for Determination of Transmission Tariff Regulations, 2004.

4. Commission's Approach

As per law, determination of tariff by the Commission is to be done as per the Uttaranchal Electricity Regulatory Commission (Terms & Conditions for Determination of Transmission Tariff) Regulations, 2004 (Regulations) issued under section 181 of the Act. In framing these Regulations, the Commission is required to be guided by the principles and methodologies specified by the Central Electricity Regulatory Commission (CERC) through its relevant Regulations, the National Electricity Policy and the Tariff Policy issued by the Central Government. The Commission has, therefore, ensured that its Regulations are in conformity with the CERC Regulations. Further, the principles incorporated in Commission's Regulations also abide by and meet the requirements of the National Electricity Policy and National Tariff Policy issued by the Central Government. Commission's approach for this exercise having already been defined in its Regulations, in the present exercise, the Commission proposes to and is indeed obliged to abide by them. During the last tariff determination exercise, which was the very first such exercise for the Petitioner Company, some inevitable relaxations in these requirements were allowed and reasons for doing so were clearly spelt out in the Commission's Order dated 25.04.2005. These relaxations will have to be continued as long as the reasons for making such relaxations continue to persist.

4.1 Capital Cost

The original cost of the Petitioner's capital assets is important as it determines crucial cost elements like depreciation and normative O&M expenditure during the first five years after commissioning. The Petitioner's assets were originally created by the erstwhile UPSEB, then transferred to the successor transmission and distribution company i.e. UPPCL, then on creation of the Uttaranchal State to the new State's transmission and distribution company namely UPCL and on its division finally to PTCUL, the Petitioner Company. For tariff determination, what is relevant is the original cost of acquisition/creation of such assets and not the values that may have been assigned to them for each such transfer. The original cost of these assets is not known and they have been given different values at the time of each such transfer. Their value as per the transfer scheme notified by UP Government at the time of unbundling of UPSEB is substantially different from the value agreed to between the concerned companies for the purposes of their transfer from UPPCL to UPCL. Due to non-availability of original cost of assets received from UPPCL, the

Commission, in its last tariff Order had opted for the next best option by accepting their value as notified by UP Government at the time of unbundling of UPSEB and to that extent had relaxed the relevant Regulation. In absence of any convincing reasons for doing so, the Commission does not propose to depart from its above position during the current exercise.

4.2 Capitalisation of New Assets

For determining capital related expenditure, in the last tariff Order the Commission had accepted and taken into account Petitioner’s projections for commissioning and capitalisation of new assets. It has been noticed that this approach is being misused and there is a wide gap between the value of assets projected to be capitalized and the value actually capitalized. Over-projection on this account results in inflating capital related costs and in turn the current tariffs. Therefore, the Commission is accepting only the capital cost of assets actually commissioned and capitalised and ignoring the value of assets projected for capitalisation. Further, additions in value of capital assets, if any, will be taken into account in the next tariff determination exercise with such truing up of related costs as may be warranted by facts of each such case.

4.3 Interest during Construction:

As a well settled principle, interest on loans for a project is treated as capital expenditure and is added to the cost of the project till the project is ready for use and is capitalised, whereafter interest is treated as revenue expenditure. Accounting Standard -16 on Borrowing Cost also states that:

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

Accordingly, the cost of a project includes interest during construction and is normally financed by the concerned Financial Institution. This ensures that if no moratorium is available for payment of interest, the borrower does not face hardship as the interest during construction period is already included in the project cost and funded. In the two major loans taken by the Petitioner from the State Government (NABARD) and REC, interest during construction is payable by the Petitioner but does not form a part of the project cost. This means that interest during this period will have to be paid even before commissioning of the project obviously from Petitioner’s own resources. The Petitioner should have negotiated better terms for these loans or identified sources from which such interest payments are to be financed. This not having been done, the Commission is making an exception and allowing interest paid during construction period by way of cost. On commissioning of the project, the Petitioner shall capitalise all such interest payments and simultaneously reduce this amount from that year's revenue expenditure. Thereafter, the interest payable on loans will continue to be charged to the revenue expenditure.

4.4 Depreciation

The principles to be followed for calculating the depreciation costs and the rates applicable for it have already been spelt out in the Commission's Regulations. An important feature of these Regulations is that while calculating the value of capital assets, any subsidy or grant received for this purpose is to be deducted from this cost. This approach is also in accordance with the approach adopted for determining the expenditure admissible for taxation purposes. Explanation 10 to Section 43(1) of the Income Tax Act, 1961 dealing with this issue is reproduced below:

> *"Where a portion of the cost of an asset acquired by the assessee has been met directly or indirectly by the Central Government or a State Government or any authority established under any law or by any other person, in the form of a subsidy or grant or reimbursement (by whatever name called), then, so much of the cost as is relatable to such subsidy or grant or reimbursement shall not be included in the actual cost of the asset to the assessee:*
>
> *Provided that where such subsidy or grant or reimbursement is of such nature that it cannot be directly relatable to the asset acquired, so much of the amount which bears to the total subsidy or reimbursement or grant the same proportion as such asset bears to all the assets in respect of or with reference to which the subsidy or grant or reimbursement is so received, shall not be included in the actual cost of the asset to the assessee."*

In conformity with the above approach and considering that assets received by way of grant do not require any repayments normally required to be done for assets created out of loans, the approach spelt out in the Commission's Regulations is not only logical but also conforms to even the approach spelt out in the Income Tax Act. The Commission proposes to abide by and follow the Regulations on the subject and exclude the assets received by way of grants/subsidies etc. for the purposes of calculating related cost elements. This is important in view of the fact that large numbers of capital assets have been received by the Petitioner free of cost.

4.5 O&M Expenses

The Regulations require that O&M expenses for projects which have been in operation for more than 5 years in 2003-04 be derived from the actual expenses of these years based on audited balance sheets and after prudence check by the Commission. PTCUL is a new company but the assets had been in operations for more than 5 years in 2003-04. During this period, their operations had been with UPSEB, UPPCL and then UPCL, each one of them being the combined utility of transmission and distribution functions, proper apportionment of O&M expenses of transmission operations for these years was not available. Therefore, while determining the Petitioner's transmission tariff for the year 2005-06, the Commission had departed from the relevant Regulations and determined the O&M expenses for the year 2005-06 after due validation and prudence check. Taking this as the base, the Commission shall escalate the same at the rate of 4% per annum as stipulated in the Regulations.

For projects less than five years in age, the Commission will continue to abide by the Regulations and calculate the O&M expenses on the normative basis at 1.5% of the capital cost of such works.

O&M expenses comprise of expenditure on staff, administration and repairs and maintenance etc. The Commission is determining the combined O&M expenditure and refraining from sub-dividing it amongst individual heads. Allocation of this amount to specific expenditure heads may be done by the Board of Directors of the Petitioner Company. While doing so, the Board is expected not only to suitably prioritize individual expenditure items but also to check wasteful and avoidable expenditure. **In this context the issue of a proper and independent Manpower Study is important and needs to be addressed seriously by the Board of Directors of PTCUL.**

4.6 Issues already considered and decided

As stated earlier majority of transmission assets that have been transferred to PTCUL which were transferred from Uttar Pradesh State Electricity Board (UPSEB) to Uttar Pradesh Power Corporation Ltd. (UPPCL) first and then from UPPCL to UPCL. This transfer threw up issues like valuation of these assets, Petitioner's own investment in them, servicing costs etc. Various claims and views pertaining such issues were put forth and were considered in depth and decided by the Commission in the Order dated 25.04.2005 spelling out the rationale behind these findings. There is, therefore, no need for the Commission to revisit such issues in the present proceedings, unless some new facts are placed before the Commission.

5. Scrutiny and Findings

5.1 Physical Parameters

5.1.1 Auxiliary Consumption

Regulation 12 stipulates that:

> *"The charges for auxiliary energy consumption in the sub-station for the purpose of air-conditioning, lighting, technical consumption, etc. upto the limit agreed in advance between the transmission licensee and the beneficiaries shall be borne by beneficiaries. Any charges for auxiliary consumption beyond this limit shall be borne by the transmission licensee and shall not be allowed to be pass through."*

The Petitioner was asked to but has not given any information about the limits of auxiliary consumption in sub-stations and also the losses in the transmission system, agreed to between it and the beneficiary i.e. UPCL. In its response dated 24.02.2006, the Petitioner has only submitted following details and whereas in its Original Petition, it has proposed the total loss level in the transmission system to be 4.5% for 2006-07 as assumed in the past:

Table 5.1: Transmission Losses and Auxiliary Consumption (MWh)

Period	Import	Export	Total Losses		Auxiliary Consumption		Transmission Losses	
			Absolute	(%)	Absolute	(%)	Absolute	(%)
1	2	3	4=2-3	5=4/2	6	7=6/2	8=4-6	9=8/2
Dec-2001 to Mar-2003	1550833	1528785	22048	1.42%	-	-	-	-
Apr-2003 to Mar-2004	4818523	4735955	82568	1.71%	-	-	-	-
Apr-2004 to Mar-2005	5197043	5074799	122244	2.35%	-	-	-	-
Apr-2005 to Jan-2006	4584920	4469055	115865	2.53%	-	-	-	-
Apr 2006 to Mar-2007	6002500	5894961	107539	1.79%	-	-	-	-
Feb-2005 to Jan-2006	5398343	5266344	131999	2.45%	2204	0.04%	129795	2.40%

The responses of Petitioner suggest that no agreement has been worked out between PTCUL and UPCL for accounting and treatment of auxiliary consumption, losses and availability as per Regulations. The Petitioner has also admitted that interface metering between PTCUL and UPCL is yet to be fully completed. For installation of meters, energy accounting and energy audit, recently issued CEA's Regulations on Installation and Operation of Meters, 2006 need to be adhered to.

The Petitioner and beneficiaries are expected to develop systems to collect, collate and scrutinize the information required to compute actual levels of auxiliary consumption in substations and actual availability as defined in the Regulations. **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 six months from this Order.**

5.1.2 Target Availability for Recovery of Full Transmission Charges

Regulation 13 stipulates 98% target availability for the AC system operated by the transmission licensee. The availability has further been defined in Regulation 3(5) as follows:

> *"Availability in relation to a transmission system for a given period means the time in hours during that period the transmission system is capable to transmit electricity at its rated voltage and shall be expressed in percentage of total hours in the given period and shall be calculated as per the procedure contained in Appendix-II to these regulations."*

Further, note (a) of this Regulation stipulates that:

> *"Recovery of fixed charges below the level of target availability shall be on pro-rata basis. At zero availability, no transmission charges shall be payable."*

Thus, the Petitioner is entitled to full recovery of Annual Transmission Charges only if it achieves target availability of 98% for its AC system. Otherwise, the recovery gets reduced in proportion of actual availability to target availability. Here again, the Petition had not provided any historical information or projection for the tariff year. However, on being specifically asked about it, the Petitioner in its response dated 24.02.2006 has indicated following availability for 2005-06 and 2006-07 though the methodology or details of its calculation have not been provided.

Table 5.2: Total Availability of PTCUL's Transmission System in 2005-06 and 2006-07 (%)

Year	**2005-06**		**2006-07**
Period	Apr-2005 to Jan-2006	Feb-2006 to Mar-2006	Apr-2006 to Mar-2007
Availability	98.42%	98.50%	98.75%

Since the beneficiary i.e. UPCL has not raised any objection in this regard, it is being assumed that 98% availability is being achieved and will continue to be achieved, failing which necessary correction in the approved charges will be made as per the provision referred to above. However, there is a need for bringing in greater reliability in such claims and providing for appropriate penalties for any shortcomings or failures in this area for which action may be separately taken.

5.2 Financial Parameters

5.2.1 Capital Cost

The Petitioner has stated that pending finalization of the transfer scheme, the Petitioner has prepared the provisional accounts for 2004-05 based on the value of opening assets and liabilities given in the draft report of a consultant appointed by the Petitioner which is Rs. 224.48 Crore as on 01.06.2004 against Rs. 263.17 Crore shown in the provisional Transfer Scheme. Thereafter, in its response dated 10.03.2006, the Petitioner has again shown this value as Rs. 263.39 Crore this time based on the report of statutory auditor of UPCL.

The issue of original value of fixed assets for PTCUL was examined in detail in paras 5.3.1 & 5.3.2 of the Order dated 25.04.2005, wherein the original value of GFA as on 31.03.2003 was fixed at Rs. 126.34 Crore for PTCUL against the value of Rs. 263.17 crore assigned in the Transfer Scheme. This issue has already been dealt with in the Commission's Order dated 25.04.2005 and the reasons for determining this original value at Rs. 126.34 Crore instead of Rs. 263.17 Crore have been detailed in that Order. The Commission has no reason to revisit this issue now and is, therefore, assuming the original value of PTCUL's GFA on 01.06.2004 as Rs. 126.34 Crore.

This original value of GFA of Rs. 126.34 Crore, including assets worth Rs. 1.22 Crore capitalized for the REC scheme during 2002-03, went up by another Rs. 17.56 Crore on account of completion of some capital works by 31.03.2004. The value of such additional works claimed by the Petitioner is Rs. 19.76 Crore. The Commission has restricted this value to the actual cost of works or their cost approved by the Financial Institution, whichever is less. Accordingly, the value of assets capitalized upto 31.03.04 works out to Rs. 17.56 Crore and after making adjustments for assets written off upto 31.03.04, the total value of GFA as on 31.05.2004 works out to Rs. 140.09 Crore.

5.2.2 Additional Capitalization

The Petitioner has claimed further capitalisation of assets worth Rs. 12.48 Crore, Rs. 56.72 Crore and Rs. 582.94 Crore during 2004-05, 2005-06 and 2006-07 respectively as detailed in the Table below:

Table 5.3: Additional Capitalization claimed (Rs. Crore)

Particulars	2004-05	2005-06	2006-07
Opening value of GFA	***224.48***	***236.96***	***293.68***
Additions in			
REC old Scheme	2.69	0.00	191.26
NABARD Scheme	-	51.36	160.43
REC new Scheme	-	0.00	126.07
ADB Scheme	-	-	-
Other Schemes			
Grants etc.	9.82	-	-
SIDCUL Deposit Works	-	1.01	62.14
Civil Works	-	-	9.50
Other than schemes	-	4.35	33.53
Total Additions during the year	***12.51***	***56.72***	***582.94***
Deletions during the year	0.03	-	-
Closing value of GFA	**236.96**	**293.68**	**876.62**

The Petitioner has claimed costs of completed projects, which are at variance with the approved costs. As stated earlier, in determining the value of assets to be capitalized, the Commission has accepted the actual cost of the completed work or its cost as approved by the concerned Financial Institution, whichever is less. This approach ensures that the cost of inefficiencies and avoidable overruns in a project are placed on the Petitioner and not passed on to consumers through tariffs. Further, as spelt out in the approach earlier in this Order, for tariff purposes, the Commission is not taking into account projected capitalisations and is accepting values relating only to capitalisations actually done. Applying these criteria, the year-wise admitted PTCUL's GFA including the value of works capitalized works out as given below:

Table 5.4: GFA including Additional Capitalization (Rs. Crore)

Particulars	2004-05	2005-06
1. Opening value	***140.09***	***144.71***
2. Additions in the year		
(i) REC old Scheme	2.69	13.60
(ii) NABARD Scheme	0.00	11.83
(iii) REC new Scheme	0.00	0.00
(iv) ADB Scheme	0.00	0.00
(v) Other Schemes	0.00	0.00
Grants etc.	1.42	0.00
SIDCUL Deposit Works	0.00	0.00
Civil Works	0.00	0.00
Other than schemes	0.54	0.00
Total Additions during the year	***4.65***	***25.43***
3. Less: Deletions during the year	0.03	0.00
4. Closing value	**144.71**	**170.13**

Thus, the opening value of Petitioner's GFA for the year 2006-07 works out to Rs. 170.13 Crore against Rs. 293.68 Crore claimed in the Petition.

5.2.3 Financing of Capital Assets

Regulation 15(5) 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."

Thus, for ascertaining the permissible levels of capital related expenses, financing of these assets through loans, equity or grants is required. The opening balance sheet of PTCUL, given in the Transfer Scheme, shows long term liabilities of Rs. 27.89 Crore under REC loan and another Rs. 23.99 Crore towards GPF liability and shows no equity financing. The REC loan was received at the end of 2002-03 and capitalization of some works done under it for Rs. 18.78 Crore, i.e. Rs. 1.22 Crore for works capitalized during 2002-03 and Rs. 17.56 Crore for works capitalized during 2003-04, has been admitted above. Hence, only assets worth Rs. 18.78 Crore financed through loan taken from REC were transferred to the Petitioner. The GPF liability which is a part of the UPCL's claimed liability, has been examined in considerable details and disallowed in the Commission's Orders dated 08.09.2003, 08.12.2003 and again in the Order dated 25.04.2005. There is no reason for the Commission to go into this question again here.

For capitalizations claimed in 2004-05 and 2005-06, the Petitioner was required to furnish the details of their financing, segregating grants, loans and equity used in these assets. However, the Petitioner has not furnished this. The Commission is therefore considering the financing of the capitalized assets only as per the plan stipulated by the concerned financial institution in its sanction. Assets financed through internal resources have been assumed to be financed with 30% equity and balance 70% through normative loan in terms of Regulation 15(5) with 10 years tenure and interest at the rate of weighted average for other long term loans. This position is summarized below:

Table 5.5: Financing of additional capitalization

Scheme	Grants/Contributions	Loan	Equity	Total
REC Old Scheme	-	100%	-	100%
NABARD Scheme	-	78%	22%	100%
Internal resources	-	70% (normative)	30%	100%

Based on the above, financing of assets existing on 31.03.06 is given in the Table below:

Table 5.6: Financing of assets (Rs. Crore)

Particulars	2004-05				2005-06			
	Grant	Loan	Equity	Total	Grant	Loan	Equity	Total
1. Opening value	***121.31***	***18.78***	***0.00***	***140.09***	***122.69***	***21.85***	***0.16***	***144.71***
2. Additions in								
(i) REC old Scheme		2.69	0.00	2.69		13.60	0.00	13.60
(ii) NABARD Scheme				0.00		8.96	2.87	11.83
(iii) REC new Scheme								
(iv) ADB Scheme								
(v) Other Schemes								
Grants etc.	1.42	-	-	1.42				
SIDCUL Deposit Works								
Civil Works								
Other than schemes	0.00	0.38	0.16	0.54				0.00
(vi) Total Additions during the year	***1.42***	***3.07***	***0.16***	***4.65***	***0.00***	***22.56***	***2.87***	***25.43***
3. Less: Deductions	-0.03			-0.03				0.00
4. Closing value	**122.69**	**21.85**	**0.16**	**144.71**	**122.69**	**44.41**	**3.03**	**170.13**

Capital related costs have, therefore, been calculated hereafter based on the above values.

5.2.4 Interest on Loans

In the previous Tariff Order, pending finalization of division of assets and liabilities between UPCL and PTCUL, the Commission had permitted an interest of Rs. 12.09 Crore relating to transmission assets still serviced by UPCL. This was only an interim arrangement. PTCUL has now requested that interest on transmission related loans be provided for in its ARR instead of UPCL. The Commission is accepting PTCUL’s request subject to the condition that any difference in amounts considered in this Order and those appearing in the audited accounts shall be adjusted / corrected in future.

The Petitioner had claimed interest of Rs. 23.42 Crore on outstanding loans, out of which Rs. 13.76 Crore was transferred to CWIP, and balance Rs. 9.66 Crore has been claimed in tariff. This claimed amount includes interest on loans under REC (new) scheme. It is found that the Petitioner has not obtained Commission’s approval to the investments proposed to be made under this scheme. In absence of prior scrutiny and approval, the Commission does not recognize investments proposed to be made under this scheme. Accordingly, interest claims pertaining to this particular loan have been disallowed.

After making the above correction and rectifying some calculation errors the claims for interest costs considered in this Petition are examined below:

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)".

Thus, only that part of any loan which is used for financing the assets capitalized is normally eligible for claiming interest costs in the tariff. Interest on balance portion of the outstanding loan used for financing works still in progress, is to be funded through the capital cost financing. However, since the Petitioner has not tied up any arrangement for financing of interest during construction, for the present the Commission is allowing the interest on actual loans received and utilized either in capitalised assets or in capital works in progress. The interest being thus realised during construction period would be adjusted out of the revenue expenditure as and when these assets are capitalised. The Petitioner is advised that to avoid such situations in future, interest on loans payable during construction period should be suitably provided for in the project itself. The position of interest on loans payable for the tariff year is shown in the following Table:

Table 5.7: Approved Interest for 2006-07 (Rs. Crore)

S. No	Source	2005-06				2006-07				
		Utilisation at the beginning	Additions during the year	Repayments	Utilisation at the Close	Additions during the year	Repayments	Utilisation at the Close	Interest (%)	Interest
1	REC old scheme	54.93	2.55	-	57.48	-	(3.09)	54.39	9.75%	5.45
2	NABARD	50.59	46.73		97.32	-	(2.12)	95.20	6.50%	6.26
3	Other than schemes (Normative Loans)	0.38		(0.04)	0.34		(0.04)	0.30	7.69%	0.02
	Total	**105.89**	**49.28**	**(0.04)**	**155.14**	**-**	**(5.24)**	**149.89**		**11.74**

Thus, the permissible value of interest for 2006-07 comes to Rs. 11.74 Crore against Petitioner's claim of Rs. 9.66 Crore.

5.2.5 Depreciation

Regulations 18 spell out the principles for working out the depreciation in the Annual Transmission Charges (ATC). In brief, the Regulation stipulates depreciation up to 90% of the asset value, which excludes grants/subsidies etc., as depreciable over its useful life on straight line method. This Regulation also specifies life of various classes of assets to be used for this purpose and their corresponding rates of depreciation.

The Petitioner has claimed depreciation of Rs. 9.99 Crore for 2006-07 based on inflated value of GFA shown in the Petition and after applying depreciation rates which are not in conformity with those specified in the Regulations. Categorization of capital assets as per the categories given in the Regulations has not been done and their age has also not been given. For working out the correct depreciation, such categorization is required. Similarly, age profile of assets is required to ensure that no asset gets depreciated beyond permissible value of 90% as per Regulations. In absence of this information, the Commission has for this year accepted the weighted average rate of 3.40% proposed by the Petitioner. This position will be reviewed later when correct classification of assets alongwith age profile of assets is available. **The Petitioner is hereby directed to prepare and maintain fixed assets registers so as to be able to clearly define assets in the classes specified in the Regulations alongwith their respective ages and to present correct picture of assets in the next filing**, **failing which the Commission will have no choice but to totally disallow Petitioner's claims in this regard.**

Thus, the opening value of depreciable asset, after excluding grants etc. from the values given in Table 5.6, and depreciation thereon has been calculated in the following Table.

Table 5.8: GFA for Depreciation and permissible Depreciation

Particulars	2004-05			2005-06			2006-07			
	Opening GFA	Grants	Depreciable GFA	Opening GFA	Grants	Depreciable GFA	Opening GFA	Grants	Depreciable GFA	Depreciation
1. Old Assets	121.31	121.31	0.00	121.28	121.28	0.00	121.28	121.28	0.00	0.00
2. (i) REC old Scheme	18.78	0.00	18.78	21.47	0.00	21.47	35.07	0.00	35.07	1.19
(ii) NABARD Scheme	0.00	0.00	0.00	0.00	0.00	0.00	11.83	0.00	11.83	0.40
(iii) REC new Scheme	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(iv) ADB Scheme	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(v) Other Schemes										
Grants etc.	*0.00*	*0.00*	*0.00*	*1.42*	*1.42*	*0.00*	*1.42*	*1.42*	*0.00*	*0.00*
SIDCUL Deposit Works	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
Civil Works	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
Other than schemes (normative loan)	*0.00*	*0.00*	*0.00*	*0.54*	*0.00*	*0.54*	*0.54*	*0.00*	*0.54*	*0.02*
3.Total	**140.09**	**121.31**	**18.78**	**144.71**	**122.69**	**22.01**	**170.13**	**122.69**	**47.44**	**1.61**

The value of depreciation so worked out for 2006-07 is Rs. 1.61 Crore based on the opening Depreciable GFA of Rs. 47.44 Crore (excluding grants/subsidies etc.) and is being allowed.

It may be recalled that for want of financing details, the value of depreciable assets taken in the previous year was Rs. 163.63 Crore which after adjustment of grants/subsidies used in financing of assets works out to only Rs 22.01 Crore against Rs. 47.44 Crore this year. Thus, total depreciation of Rs. 8.66 Crore allowed for 2005-06 was higher than warranted and this excess depreciation of Rs. 7.50 Crore should normally be written back in this ARR.

The depreciation is normally utilized for meeting the loan repayment obligations of the Petitioner. The total of loan repayment required to be done by 2006-07 is Rs. 5.28 Crore taking the repayments of normative loans also. Against this, the excess depreciation allowed in 2005-06 is Rs. 7.50 Crore as stated above and the depreciation for the year 2006-07 is Rs. 1.61 Crore. This makes a total of Rs. 9.11 Crore against loan repayment obligation of Rs. 5.28 Crore. The Commission is, therefore, not writing back the excess depreciation allowed last year. Instead, after meeting the repayment obligations, the excess amount of Rs. 3.83 Crore is being carried forward by way of AAD for future repayments. In addition, surplus cumulative depreciation on these assets allowed prior to transfer to PTCUL would be available but its status would be known only after the finalisation of the transfer scheme.

The tenure of NABARD loan is only 5 years (excluding 2 year moratorium for gestation period). The maximum AAD that can be allowed as per Regulations to meet the repayment obligation is only 10% which amounts to a minimum repayment period of 10 years. The Petitioner is advised to suitably renegotiate its loan portfolio so that it does not run into liquidity problems for meeting its repayment obligations in future. Further, Petitioner while negotiating new loans should take care that the repayment obligations arising out of such loans can be met out of the permissible depreciation including AAD or should identify at that stage itself the source of funds for meeting any deficit on this account. The Commission shall not allow AAD above the limits prescribed in the Regulations.

5.2.6 Return on Equity

The Petitioner has claimed return on average of opening and closing value of total equity investment of Rs. 71.09 Crore and Rs. 113.16 Crore respectively which works out to Rs. 92.12 Crore. On this amount, the Petitioner has claimed 14% tax free return of Rs. 12.90 Crore.

Return on Petitioner's equity invested in the assets is computed as provided in Regulation

20, read with Regulations 15(5). As per these provisions, the necessary conditions for allowing such return are;

(i) The funds invested in the asset should be Company's own funds.

(ii) The funds should have actually been invested in creating / acquiring the asset.

(iii) Investment of such funds should be part of approved financial package.

The portion of equity that meets the above three conditions have been identified and the opening value of these funds for 2006-07 has been shown in the following Table along with the amount of return admissible at the prescribed rate of 14%.

Table 5.9: Return on Equity for 2006-07 (Rs. Crore)

Particulars	2004-05			2005-06		2006-07
	Opening Equity Invested in Assets	Additions	Closing Equity invested in assets	Additions	Closing Equity invested in assets	Return @ 14%
(i) REC old Scheme	0.00	0.00	0.00	0.00	0.00	0.00
(ii) NABARD Scheme		0.00	0.00	2.87	2.87	0.40
(iii) REC new Scheme		0.00	0.00	0.00	0.00	0.00
(iv) ADB Scheme		0.00	0.00	0.00	0.00	0.00
(v) Other Schemes						0.00
APDRP		0.00	0.00	0.00	0.00	0.00
SIDCUL Deposit Works		0.00	0.00	0.00	0.00	0.00
Civil Works		0.00	0.00	0.00	0.00	0.00
Other than schemes		0.16	0.16	0.00	0.16	0.02
(vi) Total	**0.00**	**0.16**	**0.16**	**2.87**	**3.03**	**0.42**

Thus, the admissible Return on Equity, works out to only Rs. 0.42 Crore on Equity of Rs. 3.03 Crore, and the same is being permitted for 2006-07.

5.2.7 Operation and Maintenance (O&M) Expenses

The O&M expenses claimed by the Petitioner for 2006-07 are presented below:

Table 5.10: O&M Expenses proposed for 2006-07 (Rs. Crore)

S. No.	Particulars	Gross Expenses	Transferred to Capital Works	Net Expenses	Approved for 2005-06
1	Employee Cost	25.87	-3.51	22.36	12.71
2	Administrative & General (A&G) Expenses	9.29	-1.32	7.97	3.34
3	Repairs & Maintenance (R&M) Expenses	13.31	-0.00	13.31	5.40
4	**Total Operation & Maintenance (O&M) Expenses**	**48.47**	**-4.83**	**43.65**	**21.45**

For projects in operation for more than 5 years, Regulation 21(1) stipulates that O&M expenses have to be based on the actual expenses for the 5 year period 1998-99 to 2002-03. The average of these expenses, excluding abnormal expenses, represents mid year expenses which is 2000-01. These are then to be escalated at compound rate of 4% p.a. to arrive at the allowable O&M expenses for the tariff year.

For projects, which have not been in existence for 5 years, Regulation 21(2) stipulates that O&M expenses shall be fixed at 1.5% of the actual capital cost admitted by the Commission, in the year of commissioning and shall be subject to annual escalation of 4% p.a. to arrive at the allowable O&M expenses for the tariff year.

Since historical O&M expenses for the period specified in the above Regulation were not available, the Commission in relaxation of this Regulation had approved total O&M expenses of Rs. 21.45 Crore for the year 2005-06 for the existing projects in its previous Tariff Order after due scrutiny and for reasons given therein. The base level of O&M expenses for all the projects capitalized till 2004-05 having already been approved for 2005-06, the O&M expenses for the tariff year are to be worked out after allowing escalation @ 4% p.a., except on expenditure heads which are not subject to inflation. For new projects commissioned and capitalized in 2005-06, the O&M expenses are to be worked out as 1.5% of the capital cost in 2005-06 and then escalated @ 4% p.a.

The Commission is abiding by the above approach dictated by the Regulations. However, an exception is being made and expenses relating to the additional staff that has opted for absorption in PTCUL which worked out to Rs. 1.28 Crore are being added to the total value of O&M expenses worked out above.

The permissible Gross O&M expenses for the year 2006-07 so worked out are given in the Table below:

Table 5.11: Gross O&M Expenses approved for 2006-07 (Rs. Crore)

Particulars	2005-06	2006-07	Remarks
O&M expenses for existing assets	22.72	23.62	Gross expenses in 2005-06 escalated @ 4%
For assets added during 2005-06		0.40	1.5% of asset added in 2005-06 and escalated @ 4%
Additional employee cost due to exercise of option		1.28	As proposed
Regulatory fee	2.31	2.97	As proposed
Total O&M expenses	**25.03**	**28.27**	

Since capitalisation is now being allowed based on actuals and not on projected values, the need for adopting norms for apportionment of the O&M expenditure between revenue and capital heads is no longer there. This apportionment will be done on actual basis. Accordingly, the total O&M expenses approved for the year 2006-07 are Rs. 28.27 Crore.

5.2.7.1 Normative O&M Expenses

The Petitioner has stated that on the basis of norms specified in CERC's Regulations dated 26.03.2004, its O&M expenses work out to Rs. 62.62 Crore for its line length of 1590 ckt-km and 193 bays expected to be operational in the beginning of 2006-07. In comparison to this value, the gross O&M expenses of only Rs. 48.47 Crore have been sought by the Petitioner. It has also pointed out that the CERC norms do not make any distinction between hilly and plain regions.

The methodology of fixation of normative O&M expenses based on specified physical parameters has been adopted by CERC in its Regulations dated 26.03.2004. These norms have been developed by CERC after following the cost plus approach during which, the basic cost data on O&M expenses for more than 5 years got compiled and was used for developing these norms. CERC norms reflect the physical characteristics and operational expenses of PGCIL network and cannot be automatically applied to networks like Petitioner's, which have different physical and operational characteristics. Some of the basic characteristics including scale of operation of Petitioner's network are substantially different from those of PGCIL. The line length per bay (LL/bay) for PGCIL at 60.51 km/bay is much more than that of PTCUL which is only 10.81 km/bay. Similarly, line length per sub-station (LL/SS) for PGCIL is 597 km/SS which again is much more than that of PTCUL at 85 km/SS. This difference in values is inherent as PGCIL's operations are spread all over the country and are for long distance transmission, whereas those of PTCUL are for a shorter span for delivery to the distribution network across the State. Apart from geographically different terrain, the age profile of the two networks is different with PGCIL commencing operations from 1989, while some of the transmission network of the State has been stated to be over 35 years age.

For reasons given above the norms prescribed by CERC can not be automatically applied to PTCUL. However, CERC's approach in evolving such norms can be adopted for the State Transmission system also. The Commission would like to develop such norms as early as possible. **Accordingly, the Petitioner is hereby directed to start maintaining its O&M expenses, separately**

for lines and bays (sub-stations) necessarily voltage-wise and preferably line-wise, sub-station wise and based on that work out and propose such norms for Commission's approval, preferably before the next tariff determination.

5.2.8 Interest on Working Capital

The Petitioner has claimed that it has projected the working capital of Rs. 19.97 Crore based on:

(i) O&M expense for one month (Rs. 4.04 Crore),

(ii) Maintenance spares @ 1% of historical cost (Rs. 2.94 Crore),

(iii) Receivables for two months of revenue from sale of electricity (Rs. 12.99 Crore).

Cost of financing has been taken as 10.25%, the short term prime lending rate of SBI, on which the claimed Interest on Working Capital comes to Rs. 2.05 Crore.

Petitioner's claims are examined hereafter:

5.2.8.1 Total Working Capital and Interest thereon for 2006-07

After making due corrections in the values claimed in the Petition, the total working capital allowable under the three components discussed above works out to Rs. 11.89 Crore against Petitioner's claim of Rs. 19.97 Crore for 2006-07. The Commission has, accordingly, allowed Rs. 1.22 Crore as interest on working capital, @ 10.25% the prime lending rate of SBI, against Rs. 2.05 Crore claimed by the Petitioner as shown in the following Table.

Table 5.12: Working Capital and Interest thereon for 2006-07 (Rs. Crore)

Particulars	Proposed	Approved
O&M expenses	4.04	2.36
Maintenance spares @ 1% of historical cost	2.94	2.37
Receivables	12.99	7.16
Working Capital Requirement	**19.97**	**11.89**
Rate of interest	10.25%	10.25%
Interest on Working Capital	**2.05**	**1.22**

5.2.9 Taxes on income

The taxes on income have to be recovered directly by the transmission company from the beneficiaries according to the relevant provisions of the Regulations and are over and above the tariffs. The Commission has, therefore, not included taxes on income in the ATC calculation.

5.2.10 Annual Transmission Charges (ATC)

Based on the analysis above, the Commission is allowing a sum of Rs. 42.98 Crore as the ATC for 2006-07. Component-wise break up of this, alongwith approved expenses for 2005-06, and those proposed by it for 2006-07 are presented in the following Table.

Table 5.13: Annual Transmission Charges (Rs. Crore)

S. No.	Item	Allowed for 2005-06	Proposed for FY 07	Approved for 2006-07
1	O&M expenses	21.45	43.65	28.27
2	Interest charges#	*9.55	9.66	11.74
3	Depreciation	8.66	9.99	1.61
4	AAD	0.00	0.00	0.00
5	Interest on working capital	0.95	2.05	1.22
6	Reasonable Return	0.00	12.90	0.42
7	**Gross Expenditure**	**40.61**	**78.24**	**43.26**
8	Less: Non Tariff Income	0.29	0.29	0.29
9	**Annual Transmission Charges**	**40.32**	**77.95**	**42.98**

**These were permitted to UPCL in the previous year and hence a net ATC of Rs. 30.77 Crore was allowed to PTCUL.*

#Interest shown under the heads, allowed for 2005-06 and that proposed for FY 07 are the net figures, i.e. total interest less amount of interest capitalised.

Though concern was shown in the Petition towards the need for SLDC's improvement, no expenses were earmarked for it and, hence, the same has not been segregated for determination of SLDC charges. **The Petitioner is hereby directed to maintain separate data for expenses incurred in the operation of SLDC both of capital and revenue nature and present the same separately in the next tariff exercise. Pending segregation of this expense, the Petitioner shall come up to the Commission for determination of SLDC charges within a month of this Order.**

Having considered the submissions made by PTCUL, the responses on PTCUL's proposals by various stakeholders, both in writing and orally in public hearings and the relevant provisions of the Electricity Act, 2003 and Regulations of the Commission, the Commission hereby approves that:

i) Power Transmission Corporation of Uttaranchal Ltd., the transmission licensee in the State will be entitled to recover annual charge of Rs. 42.98 Crore from its beneficiaries in accordance with the provisions of the Regulations. UPCL being the sole beneficiary at present, this amount shall be paid by UPCL to PTCUL in 12 equal monthly instalments. These payments, however, shall be subject to adjustment, if any, other beneficiary starts using the Petitioner's system within this financial year. In that case, the charges recoverable from the new beneficiary(ies) as per Regulations shall be refunded to UPCL within one month of the close of current financial year.

ii) The above tariff shall continue to be applicable till it is replaced by another Order by the Commission from the date specified in that Order.

Sd/-	Sd/-	Sd/-
(V.J. Talwar)	**(V.K. Khanna)**	**(Divakar Dev)**
Member	**Member**	**Chairman**

Date: 12th July, 2006

6. Annexures

6.1 Annexure 1(a): Public Notice on PTCUL's Proposals

UTTARANCHAL ELECTRICITY REGULATORY COMMISSION

80, Vasant Vihar, Phase I, Dehra Dun - 248 006 Ph: 0135-2763441, 2764440,
Fax: 0135-2763442 Website: www.uerc.org Email: uttaranchalerc@rediffmail.com

PUBLIC NOTICE

PTCUL'S PETITION FOR APPROVAL OF ARR AND PROPOSED TRANSMISSION CHARGES FOR 2006-07

Power Transmission Corporation of Uttaranchal Limited (PTCUL), a Transmission licensee in the State of Uttaranchal has filed a petition before the Commission for approval of its Annual Revenue Requirement (A.R.R.) & Tariff proposal for the Financial Year 2006-07. The salient features of the petition are given hereunder:

Summary of the ARR of PTCUL (Rs. in Crores)

S.No.	Particulars	As approved by the Commission for 2005-06	As Proposed for 2006-07	% Increase
	Expenditure			
1	Employee Cost	15.59	26.09	67.35%
2	A&G Expenses	4.04	9.28	129.70%
3	Repair & Maintenance	5.4	13.31	146.48%
4	Interest	0	21.47	---
5	Depreciation	8.66	9.99	15.36%
6	Interest on Working Capital	0.95	1.32	38.95%
7	Reasonable Return	---	12.72	---
8	**Gross expenditure (1+2+3+4+5+6+7)**	**34.64**	**94.18**	**171.88%**
9	Less: Amt. Capitalized	3.58	16.13	350.56%
10	**Annual Revenue Requirement (8-9)**	**31.06**	**78.05**	**151.29%**
11	Less: Non-Tariff Income	0.29	0.29	0.00%
12	**Net Aggregate Revenue Requirement (10-11)**	**30.77**	**77.76**	**152.71%**
	Revenue at Existing Tariffs	30.77	30.77	---
	Surplus/(Gap)	**0**	**(46.99)**	---

2. Detailed proposals as submitted by PTCUL 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 Uttaranchal Limited, 38-Vasant Vihar, Phase-II, Dehradun. Relevant extracts can also be obtained from the above mentioned office of the Petitioner.
3. The proposals filed by the Petitioner are also available at the website of the Commission (www.uerc.org).
4. Responses/suggestions, if any, are sought from all consumers and other stakeholders on the above proposals. Responses may be sent to the Secretary, Uttaranchal Electricity Regulatory Commission 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 15th January 2006.

Advt. No. 14/05

SECRETARY

6.2 Annexure 1(b): Combined Public Notice

UTTARANCHAL ELECTRICITY REGULATORY COMMISSION

PROPOSED ELECTRICITY TARIFFS FOR 2006-07

Uttaranchal Power Corporation Ltd. (UPCL)'s tariff proposals for 2006-07 were notified by the Commission for information of all stakeholders on 27.12.2005 & 28.12.2005. Power Transmission Corporation of Uttaranchal Ltd. (PTCUL)'s proposals for determination of transmission tariff were notified on 28.12.2005 & 29.12.2005. Uttaranchal Jal Vidyut Nigam Ltd. (UJVNL)'s proposals for determination of its tariff for nine main generating stations were notified on 01.01.2006.

2. Proposals for increase in generation tariffs and transmission tariffs were received after UPCL's proposals pertaining to consumer tariffs. Each of the above proposals impacts the retail charges realisable from consumers of electricity in the State. For full awareness and due appreciation of these proposals, impact of these individual proposals, alongwith their combined effect on tariffs of all consumer categories are given below.

Proposed Tariffs (Rs./unit)

Category	Increase in Consumer Tariffs due to proposed increase in				Retail Tariffs	
	Generation Tariff	Transmission Tariff	Distribution Tariff	Total Increase	Existing	Proposed
1. Domestic						
1.1) Life line consumers						
a) Below Poverty Line including Kutir Jyoti with load upto 1 kW (consumption upto 30 units)	0.22	0.13	0.15	**0.50**	**1.50**	**2.00**
b) Consumers in snow bound areas	0.22	0.13	0.15	**0.50**	**1.50**	**2.00**
1.2) Other Domestic consumers						
a) Upto 1 kW	0.22	0.13	0.20	**0.55**	**2.00**	**2.55**
b) >1 & upto 4 kW	0.22	0.13	0.20	**0.55**	**2.00**	**2.55**
c) Above 4 kW	0.22	0.13	0.20	**0.55**	**2.00**	**2.55**
1.3) Single Point Bulk Supply	0.22	0.13	0.20	**0.55**	**1.95**	**2.50**
2. Non-Domestic						
2.1) Education Institutions, Hospitals & Charitable institutions.						
a) Upto 4 kW	0.22	0.13	0.75	**1.10**	**3.00**	**4.10**
b) 5 to 25 kW with ToD Meter	0.22	0.13	0.75	**1.10**	**3.00**	**4.10**
c) 5 to 25 kW without ToD Meter	0.22	0.13	0.25	**0.60**	**3.50**	**4.10**
d) Above 25 kW with ToD Meter	0.22	0.13	0.20	**0.55**	**3.00**	**3.55**
e) Above 25 kW without ToD Meter	0.22	0.13	0.25	**0.60**	**3.50**	**4.10**
2.2) Non Domestic Commercial users						
a) Upto 1 kW	0.22	0.13	0.25	**0.60**	**3.50**	**4.10**
b) 2 to 25 kW	0.22	0.13	0.25	**0.60**	**3.50**	**4.10**
d) Above 25 kW with ToD Meter	0.22	0.13	0.20	**0.55**	**3.00**	**3.55**
e) Above 25 kW without ToD Meter	0.22	0.13	0.25	**0.60**	**3.50**	**4.10**
2.3) Consumers upto 1 kW in snow bound areas	0.22	0.13	0.05	**0.40**	**1.50**	**1.90**
3. Public Lamps	0.22	0.13	0.25	**0.60**	**2.50**	**3.10**
4. Private Tube wells / Pumping Sets	0.22	0.13	0.10	**0.45**	**0.70**	**1.15**
5. Govt. irrigation system						
a) Upto 100 BHP	0.22	0.13	0.25	**0.60**	**2.50**	**3.10**
b) Above 100 BHP	0.21/kVAh	0.12/kVAh	0.25/kVAh	**0.58/kVAh**	**2.15/kVAh**	**2.73/kVAh**
6. Public Water Works	0.22	0.13	0.25	**0.60**	**2.25**	**2.85**
7. Industries						
7.1) LT Industries upto 100BHP/ 75 kW/ 88 kVA	0.22	0.13	0.19	**0.54**	**3.15**	**3.69**
7.2) HT Industries above 100BHP/ 75 kW/ 88 kVA excluding Power Intensive Industries						
a) Load Factor upto 50%	0.22	0.13	0.67	**1.02**	**2.61**	**3.63**
b) Load Factor above 50%	0.22	0.13	0.29	**0.64**	**2.61**	**3.25**
7.3) HT Power Intensive Industries (induction/ arc furnaces, mini steel plants, rolling/re-rolling mills and others)						
a) Load Factor upto 33%	0.22	0.13	-1.05	**-0.70**	**4.33**	**3.63**
b) Load Factor > 33% & upto 50%	0.22	0.13	-0.83	**-0.48**	**3.42**	**2.94**
c) Load Factor > 50%	0.22	0.13	-0.48	**-0.13**	**3.38**	**3.25**
8. Mixed Load (domestic load > 60%)						
a) > 60% & =< 70%	0.22	0.13	0.30	**0.65**	**2.50**	**3.15**
b) > 70% & =< 80	0.22	0.13	0.45	**0.80**	**2.35**	**3.15**
c) > 80% & =< 90	0.22	0.13	0.60	**0.95**	**2.20**	**3.15**
d) > 90% & <100%	0.22	0.13	0.75	**1.10**	**2.05**	**3.15**
9. Railway Traction(For supply at & above 132 kV)	0.22	0.13	-	**0.35**	**-**	**3.25**
10. Captive Generating Plants	0.21/kVAh	0.12/kVAh	-	**0.33/kVAh**	**-**	***5.52/kVAh**

**Calculated at 10% load factor.*

3. Even after the above increase in tariffs, another increase of Rs. 0.66 per unit is required in the tariffs shown above for all the categories of consumers, so as to cover the uncovered deficit of Rs. 233 crore projected by UPCL.

4. Details of each of the above proposals are available at Commission's website (www.uerc.org) and at the Petitioners' websites, i.e. www.uttaranchaljalvidyut.com, www.uttaranchalpower.com and www.upcl.org. Responses to each of the above proposals, if any, may be filed separately in the concerned proceedings so as to reach the Commission's Secretary latest by 31.01.2006 at 80, Vasant Vihar, Phase-I, Dehradun – 248006 or through fax at 0135- 2763442 or e-mail at uttaranchalerc@rediffmail.com.

5. The proposals received from the utilities and indicated above will be scrutinized and considered along with responses received from various stakeholders, if any, whereafter final tariffs will be determined by the Commission on merits and in accordance with the provisions of the Electricity Act, 2003 and the Regulations framed therein.

Advt. No.16/05

Secretary

6.3 Annexure 2(a): List of Respondents

SL. No.	Name	Designation	Organization	Address
1	Shri Veer Kothari	General Manager	Polyplex Corporation Ltd.	Khatema, U.S. Nagar
2	Ms. Neha Bansal	Assistant Engineer	Uttaranchal Jal Vidut Nigam Limited	“Ujjwal” Maharani Bagh GMS Road Dehradun-248001
3	Shri Y.K. Jindal	President	Kumaun Garhwal Chamber of Commerce and Industry	Industrial Estate Bazpur Road Kashipur-244713
4	Shri D.K. Agrawal	Managing Director	Kashi Vishwanath Steel Ltd.	Narain Nagar Bazpur Road, Kashipur, Distt- U.S . Nagar
5	Shri Pankaj Gupta	President	Indian Industries Association	C/o Satya Industries, Mohabbewala Industrial Area, Dehradun.
6	Shri N. Ravishankar	Principal Secretary (E&I)	On behalf of Government of Uttaranchal	Uttaranchal Secretarial, Subhash Road, Dehradun

6.4 Annexure 2(b): List of Participants in the Public Hearings

List of Participants in Hearing at Dehradun on 13.02.2006

SL. No.	Name	Designation	Organization	Address
1	Shri. M.S.Tariyal			Green Park Ballupur Chowk, Dehradun
2	Shri. Rajeev Kumar Agarwal	Vice President	Indian Industries Association	Mohabewala Industrial Area, Dehradun.
3	Shri Pankaj Gupta	President	Indian Industries Association	Mohabewala Industrial Area, Dehradun.
4	Lt. Col Badoni		MES	Dehradun
5	Shri Rajeev Gupta	President	Rastriya Jan Sahay Dal	112, New Cannaught Palace, Dehradun
6	Shri Devesh Pant			24, Vasant Vihar, Phase-2,Dehradun.
7	Mohd. Latif			B-I, UPSIDE, Industrial Area, Selaqui, Dehradun.
8	Shri S.S. Rawat			Akata Vihar, Shastradhara Road, Dehradun.
9	Brig. K.G.Behl			8-A, Nemi Road, Dehradun.
10	Shri. M.K. Tyagi	General Manager	Flex Foods Ltd.	Lal tapper, Haridwar Road, Dehradun.
11	En. Manvender Garola	Maha Sachiv	Parvatiya Takniki Uthan Avam Anusandhan Vikas Sansthan	167 Vasant Vihar, Phase-II, Dehradun.
12	Shri M.C Bansal	Advocate	Uttaranchal Steels Manufactures Association	Kotdwar
13	Mr. Amir Ahmad			Vill & PO- Serichandi, Hardwar
14	Shri Pawan Agarwal		Shree Sidhabali Steels Ltd.	Jashodharpur, Kotdwar
15	Mohd. Anis Ashif			Vill & PO-Shreechandi, Hardwar
16	Shri Mukesh Goyal		Uttarayan Steel,	Roorkee Distt. Hardwar
17	Shri Karam Chand			Doiwala, Dehradun
18	Shri Jai Prakash		Jan Jagriti Manch	Hardwar
19	Shri Akash Kashyap		Pestlewood College	Dehradun
20	Shri Chand Prakash Sharma	President	Rastriya Dharamshala Suraksha Samiti (Regd.)	Hardwar
21	Shri Harinder Mann	Director	Doon International School	32, Gurzon Road, Dehradun

List of Participants in Hearing at Rudrapur on 28.02.2006

SL. No.	Name	Designation	Organization	Address
1	Shri Sharat Goyal	Secretary General	KGCCI	Kashipur
2	Shri Jitendra Kumar		KGCCI, Paper Unit Chapter	Kashipur
3	Shri R.K. Sharma		Century Pulp & Paper Mill	Lalkuan, Nainital
4	Ch. Rai Singh	State President	Bhartiya Kishan Union, Uttaranchal	Kashipur, US. Nagar
5	Shri Darbara Singh		Sam Cables	106 AVC Rudrapur
6	Col. P.S. Rautela		Mahendra & Mahendra Ltd.	Lalpur, Rudrapur

SL. No.	Name	Designation	Organization	Address
7	Shri Pawan Kumar	Managing Director	S.P. Solvent (P) Ltd.	Kashipur Road, Rudrapur
8	Shri Shiv Kumar		Lalkuan Stone Creaser (P) Ltd.	Lalkua, Nainital
9	Shri Balkar Singh		Kishan Union Bazar Adyaksh	Kashipur
10	Shri R.S. Sethi		Nainital Hotel & Restaurant Association	Nainital
11	Shri U.C. Tiwari		Honda Sail Power Product Ltd.	Rudrapur
12	Shri Kuldeep Singh Cheema			Dhakiya No-3, Kashipur
13	Shri Jeet Singh Cheema			Dhakiya No.-2, Kashipur
14	Shri Satveer Sharma			Noorpur, Kashipur
15	Shri Sohan Singh	President	Ganna Parishad	Kashipur
16	Shri Veer Kothari		Polyplex Corporation Ltd.	Khatima
17	Shri Laxmi Dutt Pathak			Haripura Harshan, Bazpur, Kashipur
18	Shri Navneet Agarwal		BTC Industry	Kichha
19	Shri Rajeev Gupta			C/o- Kumaon Steel Manufactures Asso. Nariyan Nagar, Kashipur
20	Shri J.B. Agarwal		Kashi Vishwath Steel Ltd.	Kashipur
21	Shri Ashok Bansal		Rudrapur Solvents Pvt. Ltd.	Vill & PO- Lalpur, Rudrapur
22	Shri Ajay Agarwal		Ram Kumar Industries (P) Ltd.	Vill & PO-Lalpur, Rudrapur
23	Shri Bhupendra Singh Sarra	President	Bhartiya Kishan Union	Jaspur, US Nagar.
24	Shri Jagdish Singh		Bhartiya Kishan Union	U.S. Nagar
25	Shri Harlok Singh			Rajpura No.-1, PO-Gadarpur, U.S. Nagar
26	Shri Rajesh Shukla	Ziladhyaksh	Samajwadi Party	Rudrapur
27	Mr. Akil Ahmad			Jagjor Farm, Rudrapur
28	Shri Om Prakash Arora	District President	Vyapar Mandal	Udhan Singh Nagar
29	Shri. R.S.Vadav		KGCCI	Kashipur

List of Participants in Hearing at Srinagar (Garhwal) on 03.05.2006

SL. No.	Name	Designation	Organization	Address
1	Shri Naveen Naithani	President	Gramodhaan Avam Rojzar Vikas Samiti	Akalnada Colony, Kotdwar, Pauri Garhwal
2	Ms. Geeta morya	Sanyojika	Swam Sahayata Samuh Avam Sanshathan Samiti	Kotdwar, Pauri
3	Shri S.P. Ghildiyal	Ex. Member	Uttaranchal Hotel Association	C/o- Hotel Prachi, Srinagar (Garhwal)
4	Shri Ummed Singh Mehra			Ganesh Bazar, Srinagar (Garhwal)
5	Shri S.S. Pangathi	President	Uttaranchal Jan Vikas Party	25 F, Nibuwala, Dehradun
6	Shri Krishna Nand Naithani	Chairman	Nagar Palika Parishad	Srinagar (Garhwal)
7	Shri K.N. Joshi	Sr. Manager	THDC	Tehri Garhwal

List of Participants in Hearing at Almora on 16.05.2006

SL. No.	Name	Designation	Organization	Address
1	Shri Bhola Dutt Kandpal			Chokutia, Ganai, Distt. Almora
2	Shri Jai Bhagwan Aggarwal	Director	Kashi Vishwanath Steels Ltd	Kashipur, U.S. Nagar
3	Shri Yeshvardhan		Kumaon Steel Manufactures Association	Kashipur, U.S. Nagar
4	Shri Kaushal Saxena		Media Action Group	Ranidhara, Almora
5	Shri Bhuwan Chandra Joshi		Aroma Automobiles	Almora
6	Shri J.S. Mahta			East Pokharkhali, Almora
7	Dr. Samsher Singh Bisht	President	Uttarakhand Lok Vahini	Mitra Bhawan, Gandhi Marg, Almora
8.	Shri J.P. Thapa			Thapa Bhawan, Almora
9.	Shri Prakash Chandra Pant	Sampadak	Almora Times	Mohalla- Pandeykhola, (Talli Badi) Almora
10	Shri Prakash Chandra Joshi	Ex. Chairman	Nagar Palika, Almora	Malla Joshikhola, Almora
11	Shri Anand Singh	Chairman	Urban Corporative Bank	Lala Bazar, Almora
12	Shri Syam Lal Sah	District President	Vyapar Mandal Almora	Kathari Bazar, Almora
13	Shri Sankar Dutt Pandey	Member	Raj Stariya Besh Sutriya Karyakaram	Almora
14	Shri Sanjay Kumar Agarwal	Advocate	S.K. Group of Services	Chaughanpata, Almora
15	Shri Hem Chandra Sah	Ex. President	BJP, Almora Town	Lala Bazar, Almora
16	Shri G.K. Joshi			Cheenakhan, Almora
17	Shri Sher Singh Dhaoni			Dharanaula, Almora
18	Shri Naveen Chandra Pant			Devi Niwas, Almora
19	Shri Subash Goyal			Lala Bazar, Almora
20	Shri Naveen chandra Pandey			New Colony, Dharanaula, Almora
21	Shri Deep Lal Sah			Lala Bazar, Almora
22	Shri S.S. Pangthi	President	Uttaranchal Jan Vikas Party	25 F, Nimbuwala, Gahri Cantt. Dehradun.

6.5 Annexure 3: List of Abbreviations

S. No.	Abbreviation/Acronym	Meaning
1.	A&G	Administrative & General
2.	AAD	Advance Against Depreciation
3.	AC	Alternating current
4.	Act	The Electricity Act, 2003
5.	ADB	Asian Development Bank
6.	AFC	Annual Fixed Charges
7.	ARR	Annual Revenue Requirement
8.	ATC	Annual Transmission Charges
9.	CEA	Central Electricity Authority
10.	CERC	Central Electricity Regulatory Commission
11.	ckt-km	Circuit kilometer
12.	CoD	Date of Commercial Operation
13.	CWIP	Capital Work in Progress
14.	D.A.	Dearness Allowance
15.	DERC	Delhi Electricity Regulatory Commission
16.	DGM	Deputy General Manager
17.	FY	Financial Year
18.	GFA	Gross Fixed Asset
19.	GoU	Government of Uttaranchal
20.	GoUP	Government of Uttar Pradesh
21.	GPF	General Provident Fund
22.	HP	Himachal Pradesh
23.	HPSEB	Himachal Pradesh State Electricity Board
24.	km / bay	Kilometer per bay
25.	Km / SS	Kilometer per sub-station
26.	kV	kilo Volt
27.	kW	kilo Watt
28.	LL / bay	Line Length per bay
29.	LL / SS	Line length per sub-station
30.	MU, MWhr	Million Units
31.	MW	Mega Watt
32.	NABARD	National Bank for Agriculture and Rural Development
33.	NHPC	National Hydroelectric Power Corporation Ltd.
34.	NREB	Northern Region Electricity Board
35.	NTPC	National Thermal Power Corporation Ltd.
36.	O&M	Operation & Maintenance
37.	p / u, p / unit	paisa / unit
38.	Petitioner	PTCUL
39.	PFC	Power Finance Corporation Limited
40.	PGCIL	Power Grid Corporation of India Limited
41.	PIU	Project Implementation Unit
42.	PLR	Prime Leading Rate
43.	PMO	Project Management Office
44.	PPA	Power Purchase Agreement

S. No.	Abbreviation/Acronym	Meaning
45.	PTCUL	Power Transmission Corporation of Uttaranchal Ltd.
46.	R&M	Repair & Maintenance
47.	REC	Rural Electrification Corporation
48.	Regulation (s)	Uttaranchal Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2004.
49.	Re-organisation Act	UP Re-organisation Act, 2000 UP Electricity Reforms Act, 1999
50.	RLA	Residual Life Assessment
51.	RMF	Renovation & Modernization Fund
52.	RoE	Return on Equity
53.	SBI	State Bank of India
54.	SLDC	State Load Dispatch Centre
55.	STU	State Transmission Utility
56.	Tariff Year	Financial Year 2004-05
57.	TEC	Techno Economic Clearance
58.	UERC, Commission	Uttaranchal Electricity Regulatory Commission
59.	UJVNL	Uttaranchal Jal Vidyut Nigam Ltd.
60.	Unit / kWh	kWh (kilowatt hour)
61.	UP	Uttar Pradesh
62.	UP	Uttar Pradesh
63.	UPCL	Uttaranchal Power Corporation Limited
64.	UPERC	Uttar Pradesh Electricity Regulatory Commission
65.	UPJVNL	Uttar Pradesh Jal Vidyut Nigam Ltd.
66.	UPPCL	Uttar Pradesh Power Corporation Limited
67.	UPPSET	Uttar Pradesh Power Sector Employees Trust
68.	UPRVUNL	Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited
69.	UPSEB	Uttar Pradesh State Electricity Board