Tariff Order

2011-12

For
Power Transmission Corporation of Uttarakhand Ltd.

May 10, 2011

Uttarakhand Electricity Regulatory Commission

1st Floor of Institution of Engineers (I) Building

Near ISBT Majra, Dehradun – 248002

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Before

UTTARAKHAND ELECTRICITY REGULATORY COMMISSION

Petition No.: 04 of 2010

In the Matter of:

ARR and Tariff Petition filed by Power Transmission Corporation of Uttarakhand Limited for determination of Aggregate Revenue Requirement (ARR) and tariff for the Financial Year 2011-12 alongwith provisional true-up for the Financial Year 2009-10 based on provisional accounts.

AND

In the Matter of:

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

Coram

Shri Anand Kumar Member

Date of Order: May 10, 2011

Section 64 (1) read with Section 61 and 62 of the Electricity Act, 2003 (hereinafter referred to as "Act") requires Generating Companies and the Licensees to file an application for determination of tariff before the Appropriate Commission in such manner and alongwith such fee as may be specified by the Appropriate Commission through Regulations. In compliance with the above provisions of the Act and Regulation 56(4) of UERC (Conduct of Business) Regulations, 2004, Power Transmission Corporation of Uttarakhand Limited (hereinafter referred to as "PTCUL" or "Petitioner" or "licensee") filed a Petition (Petition No. 04 of 2010 and hereinafter referred to as the "Petition"), giving details of its projected Annual Revenue Requirement (ARR) for FY 2011-12 on 29th November, 2010. Through above Petition, PTCUL also requested for true up for the FY 2009-10 based on provisional accounts.

The above Petition filed by PTCUL had certain infirmities/deficiencies. The Commission, accordingly, vide its letter no. 1605/UERC/PTCUL/ARR-Tariff/2011-12 dated December 06, 2010 directed PTCUL to rectify these infirmities/deficiencies and submit certain additional information as was necessary for the admission of the petition. PTCUL vide its letter no. 1717/MD/PTCUL/UERC dated December 09, 2010 rectified the infirmities and submitted most of the information as sought by the Commission for the admission of the Petition. Based on the additional submissions made by PTCUL vide its above letter dated December 09, 2010, the Commission provisionally admitted the Petition, with the condition that PTCUL would furnish any further information/clarifications as deemed necessary by the Commission during the course of the proceedings failing which the Petitions filed by the Petitioner would be treated as deemed returned.

This order accordingly, relates to ARR/Tariff Petition filed by PTCUL for the FY 2011-12 as well as true up for FY 2009-10 and is based on the original as well as all the subsequent submissions made by PTCUL during the course of the proceedings.

Tariff determination being the most vital function of the Commission, it has been the practice of the Commission to detail the procedure and explain the principles utilized by it in determination of tariffs. Accordingly, in the present Order also, in line with past practices, the Commission has tried to detail the procedure and principles followed by it in determining the ARR of the licensee. The Annual Transmission Charges of PTCUL is to be recoverable from the beneficiaries, which is only UPCL at present. As entire AFC of PTCUL is paid for by UPCL, it has been the endeavour of the Commission in past also, to issue tariff orders for PTCUL concurrently with the issue of order on retail tariffs for UPCL, so that UPCL is able to honour the payment liability towards transmission charges of PTCUL. For the sake of convenience and clarity, this Order has further been divided into following chapters:

Chapter 1 – Background and Procedural History

Chapter 2 – Petitioner's Submissions

Chapter 3 – Stakeholders' Objections/Suggestions/Comments on the Petitioner's Proposals and Petitioner's Reply

Chapter 4 – Commission's Approach

Chapter 5 – Scrutiny and Findings.

Chapter 6 – Commission's Directives

1 Background and Procedural History

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

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

a) To undertake transmission of electricity through intra-State transmission system.

b) To discharge all functions of planning and co-ordination relating to intra-State transmission system.

c) To ensure development of an efficient, co-ordinated and economical system of intra-State transmission lines.

d) To provide open access.

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

As mentioned earlier also, in accordance with the provisions of the Electricity Act, 2003 and Regulation 56(4) of the UERC (Conduct of Business) Regulations, 2004 framed by the Commission, the licensees are required to file a Petition/application for determination of its ARR and Tariff for the ensuing FY latest by 30th November of current Financial Year. The Commission, therefore, directed PTCUL vide letter no. 1488/UERC/PTCUL-ARR/10 dated November 11, 2010 to submit the Petition for determination of tariff for FY 2011-12 latest by the due date, i.e. November 30, 2010. The Petitioner filed its Aggregate Revenue Requirement and Tariff application for FY 2011-12 on November 29, 2010 which was provisionally admitted by the Commission. Through above Petition, PTCUL has also sought true up for FY 2009-10 based on the provisional accounts which were revised by PTCUL vide its submission dated January 11, 2011. The Commission initiated the exercise for determination of Annual Transmission charge for FY 2011-12 and truing-up for FY 2009-10 based on the submission made by the Petitioner. While admitting the Petition, to provide transparency to the process of tariff determination and give all stakeholders an opportunity to submit their objections/suggestions/comments on the proposals of the licensee, the Commission, further directed PTCUL to publish the salient points of its proposals in the leading newspapers. The salient points of the proposal were published by PTCUL in the following newspapers:

Table 1.1: Publication of Notice

S.No.	Newspaper Name	Date Of Publication
1	Times of India	12.12.2010
2	Amar Ujala	12.12.2010

Through above notice, stakeholders were requested to submit their comments latest by January 10, 2011 (copy of the notice is enclosed at **Annexure 1**). However, on the request of stakeholders and to encourage wider participation by public, the above date of submission of comments was extended upto February 28, 2011. The Commission received in all 06 numbers of objections/suggestions/comments in writing on the petition filed by PTCUL for FY 2011-12. The list of stakeholders who have submitted their objections/suggestions/comments in writing is enclosed at **Annexure-2.**

The Commission on its own sent the copies of salient points of tariff proposals to members of the State Advisory Committee and the State Government. The salient features of the tariff proposals submitted by the licensee were also made available by the Commission on its website. The Commission also organized a meeting of the Members of the State Advisory Committee on December 27, 2010, wherein, detailed deliberations were held among the Members of the Advisory Committee on the various issues linked with the ARR/Tariff Petitions filed by PTCUL.

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

Table 1.2: Schedule of Hearing

S.No	Place	Date
1	Haldwani	28.02.2011
2	Almora	01.03.2011
3	Srinagar	07.03.2011
4	Dehradun	11.03.2011

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

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

Subsequently, based on the scrutiny of the information submitted by the licensee, the Commission vide its letter No. 1660/UERC/PTCUL ARR/11-12/10 dated December 14, 2010, pointed out certain other data gaps in the Petitions and sought following additional information/clarifications from the Petitioner:

- Details of actual arrears assessed on implementation of Sixth Pay Commission's report and payment made during 2009-10 and FY 2010-11.
- Grade-wise details of actual employee expenses and salary details for the first eight months of FY 2010-11, i.e., for the period from April 2010 to November 2010,

excluding the amount paid towards the arrears on account of implementation of Pay Commission's report.

- Estimated grade-wise employee expenses for the next 4 months of FY 2010-11 i.e. December 2010 to March 2011 and FY 2011-12.
- Grade wise number of employees working as on 31.03.2010 & 30.11.2010 and projected as on 31.03.2011 and for FY 2011-12 indicating number of employees superannuating and new recruitments.
- Details of the employee contribution towards pension and gratuity segregating the current contributions and actual payments made towards terminal benefits to the retiring employees for the period April, 2005 to November 2010.
- Basis on which provision is made towards leave salary contribution and policy for the same approved by the Board should be furnished.
- Details of earned leave encashment made and provision made towards leave salary contribution should also be provided for the period April, 2006 to November 2009.
- Details of actual R&M and A&G expenses for the first eight months of FY 2010-11, i.e., for the period from April 2010 to November 2010.
- Monthly Trial Balance for the period upto 31.03.2010 for FY 2009-10 and from April 2010 to November 2010.
- Details of receipt and repayments of loans received under various schemes since creation of PTCUL.
- Details of SLDC expenses.
- Actual scheme wise Capital Expenditure, scheme wise Actual Asset Capitalisation and Means of Finance for the period April 2010 to November 2010 and Projected Additional Capitalisation alongwith proposed means of finance for the period December 2010 to March 2011.
- Preparedness to execute the Capital works proposed for FY 2010-11 and FY 2011-12 in terms of Orders placed and funds tie-up.
- Physical progress reports of each capital works/projects undertaken under various

schemes alongwith the breakup of capital expenditure incurred and status of clearances by the Electrical Inspector giving reasons for the cost and time overruns and also the copies of the proposals sent to the financial institutions for approval of cost overruns.

- Calculation of depreciation for FY 2009-10 based on the asset classification and rates specified in the Regulations.
- Policy on asset capitalisation.

So as to have better clarity on data filed by the Petitioner and to remove inconsistency in the data, a Technical Validation Session (TVS) was also held with the Petitioner's officers on December 30, 2010, in which the issues raised in letter dated December 14, 2010 and other issues were discussed. Based on these discussions, the Commission vide its letter no. 1725/UERC/PTCUL ARR/11-12/10 dated December 31, 2010 sought some more information from the Petitioner. Most of the information as sought by the Commission was submitted by the Petitioner vide letter no. 01/GM(C&R)/PTCUL/ARR-2011-12 dated January 03, 2011, Letter no. 73/MD/PTCUL/UERC dated January 11, 2011, Letter no. 18/GM (C&R)/PTCUL dated January 14, 2011, Letter no. 177/MD/PTCUL /UERC dated January 22, 2011, Letter no. 63/ GM (C&R)/PTCUL dated February 11, 2011, Letter no. 67/ GM (C&R)/PTCUL dated February 17, 2011.

The Commission also sought details from PTCUL of O&M expenses and capital works vide its letter no. 1909/UERC/PTCUL ARR/11-12/11 dated February 3, 2011. The reply of the said letter was submitted by PTCUL vide its Letter no. 58/ GM (C&R)/PTCUL/UERC dated February 10, 2011. The Commission again sought justifications towards time and cost overrun for capital expenditure executed under REC-Old scheme, NABARD Scheme and REC-New Scheme vide its letter no. 2000/UERC/PTCUL/ARR-Tariff/2011-12 dated February 23, 2011. Further, to seek clarifications on the issues related to time and cost over-run under the various schemes, another Technical Validation Session was held at Commission's office with the officers of PTCUL on March 04, 2011 during which PTCUL committed to submit the information desired by the Commission by March 10, 2011. PTCUL vide its letter no. 103/GM(C&R)/PTCUL/ARR 2011-12 dated March 09, 2011 and letter no. 105/GM(C&R)/PTCUL/ARR 2011-12 dated March 10, 2011 submitted some of the information against the queries raised by the Commission during the said Technical Validation Session. The Commission vide its Letter no. 2119/UERC/ARR-PTCUL (11-12)/10-11 dated March

16, 2011 asked PTCUL to submit the complete details as directed by the Commission in its previous Order dated 06.04.2010 after getting the same approved by its Board of Directors. The Commission again vide its letter no. 47/UERC/PTCUL ARR/11-12/11 dated April 8, 2011 asked PTCUL submit the details of month wise availability of its transmission system during FY 2009-10 and FY 2010-11 alongwith the details of projects as required by the Commission in its letter dated March 16, 2011. PTCUL submitted its reply vide its letter no. 163/GM(C&R)/PTCUL dated April 18, 2011 and 164/GM(C&R)/PTCUL/UERC dated April 20, 2011. The submissions made by PTCUL in the Petition as well as in additional submissions have been discussed by the Commission at appropriate places in the Tariff Order alongwith Commission's view point on the same.

2 Petitioner's Submissions

This Chapter gives a brief summary of the PTCUL's submissions for the determination of its ARR and Tariff for FY 2011-12. The Petitioner in its Petition has also asked for provisional truing up of expenses for FY 2009-10. The Petitioner submitted the revised estimates for the Annual Revenue Requirement (ARR) for FY 2009-10 and FY 2010-11 as Rs. 128.54 Crore and Rs. 174.06 Crore respectively against the approved ARR of Rs. 75.81 Crore and Rs 101.74 Crore for FY 2009-10 and FY 2010-11 respectively. The contents of this Chapter are based on original submissions of the Petitioner and do not incorporate changes in information and data as submitted subsequently by the Petitioner. Additional submissions made by PTCUL have been considered by the Commission only under Chapter 5, i.e. "Analysis of Aggregate Revenue Requirement".

2.1 Abstract of Aggregate Revenue Requirement (ARR) of PTCUL

For the Financial Year 2009-10, 2010-11 and 2011-12, PTCUL has projected an ARR of Rs. 128.54 Crore, Rs. 174.06 Crore and Rs. 247.10 Crore respectively. Various components of ARR as estimated by PTCUL for FY 2011-12 are detailed below:

Table 2.1: Annual Transmission Charges for FY 2011-12 (Rs. Lakh)

S.No.	Item	FY 2009-10 (Actual)	FY 2010-11 (Provisional)	FY 2011-12 (Proposed)
1	Employee cost	4787.14	5105.20	6163.47
2	Arrears of VI Pay Commission	0.00	484.00	679.00
3	A & G Expenses	1606.12	1626.07	1903.48
4	R&M expenses	1224.78	1957.37	2909.03
5	Depreciation	1585.98	1649.66	3822.43
6	Advance Against Depreciation	814.64	3054.80	1162.25
7	Interest on Long Term Loans	3496.40	5256.93	6834.75
8	Interest on Working Capital	302.03	403.99	738.81
	Gross Expenditure	**13817.08**	**19538.02**	**24213.22**
	Less: Expense capitalization	**2022.25**	**3652.93**	**4268.05**
9	Employee cost capitalized	867.07	1012.29	1116.30
10	Interest capitalized	846.00	2327.58	2785.58
11	A&G expenses capitalized	309.18	313.05	366.17
	Net Expenditure	**11794.83**	**15885.10**	**19945.17**
12	Add: Return on Equity	1345.68	1806.70	2450.08
13	Add: Truing up for FY 2009-10	0.00	0.00	2601.44
14	Less: Non Tariff Income	286.07	286.26	286.36
	Annual Revenue Requirement (ARR)	**12854.44**	**17405.54**	**24710.33**

2.2 Transmission Tariff

In the Petition, the Petitioner had proposed the Transmission charges for FY 2011-12 on the basis of contracted/allocated capacity handled by it. Assuming a capacity of 1989.68 MW to be handled by the Transmission system, the transmission tariff based on projected ARR of Rs. 24710 Lakh have been worked out by the Petitioner as Rs. 103.51/kW/month of contracted/allocated capacity. For the above ARR of Rs. 24710 Lakh and considering energy transmitted through its network as 11500 MU's, PTCUL has further worked out the per unit tariffs for electricity transmitted through its network as 21.49 paisa per unit for the FY 2011-12.

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

2.3 Truing Up

The Petitioner in its Petition has requested for truing up of ARR for FY 2009-10 based on provisional accounts. The Petitioner has submitted that after availability of the audited annual accounts, it shall be submitting a Petition for final true up of its expenses for the FY 2009-10. The summary of ARR claimed by the Petitioner is shown in the Table below:

Table 2.2: Annual Transmission Charges for FY 2009-10 (Rs. Lakh)

S.No.	Item	FY 2009-10 (Actual)
1	Employee cost	4787.14
2	Arrears of VI Pay Commission	
3	A & G Expenses	1606.12
4	R&M expenses	1224.78
5	Depreciation	1585.98
6	Advance Against Depreciation	814.64
7	Interest on Long Term Loans	3496.40
8	Interest on Working Capital	302.03
	Gross Expenditure	**13817.08**
	Less: Expense capitalization	**2022.25**
9	Employee cost capitalized	867.07
10	Interest capitalized	846.00
11	A&G expenses capitalized	309.18
	Net Expenditure	**11794.83**
12	Add: Return on Equity	1345.68
14	Less: Non Tariff Income	286.07
	Annual Revenue Requirement (ARR)	**12854.44**

2.4 Fixed Assets, Capital Expenditure and Depreciation

In the Petition, the Petitioner had considered the assets finalized in the provisional balance sheet of FY 2009-10 as the opening value of assets for FY 2010-11. The Petitioner submitted that the provisional transfer scheme between UPCL and PTCUL has been used to prepare the provisional balance sheet for FY 2004-05, which has thereafter been utilized to prepare the provisional balance sheet for FY 2005-06, FY 2006-07, FY 2007-08, FY 2008-09, FY 2009-10 and FY 2010-11. The Petitioner submitted that the capital projects already commissioned in FY 2010-11 and scheduled for commissioning in balance of FY 2010-11 and FY 2011-12 has been accounted for in the capital expenditure plans and transferred to fixed assets in the corresponding years. The Table below shows the value of asset block submitted by the Petitioner:

Table 2.3: Proposed Gross Fixed Assets (Rs. Lakh)

S. No.	Assets Group	FY 2009-10 (Actual)				FY 2010-11 (Provisional)		FY 2011-12 (Proposed)	
		At the beginning of the year	Additions during the year	Adjustments during the year	At the end of the year	Additions during the year	At the end of the year	Additions during the year	At the end of the year
1	Land & Rights	626	0	0	626	0	626	0	626
2	Buildings	3724	0	0	3724	0	3724	0	3724
3	Hydraulic Works	2	0	0	2	0	2	0	2
4	Other Civil works	159	0	0	159	0	159	0	159
5	Plant & Machinery	25726	696	69	26352	15932	42284	16130	58414
6	Lines & Cable Network	22617	7104	1655	28067	17276	45342	16194	61537
7	Vehicles	77	0	0	77	0	77	0	77
8	Furniture & Fixtures	56	18	0	74	0	74	0	74
9	Office Equipment	58	35	2	91	0	91	0	91
	Total	**53045**	**7852**	**1726**	**59171**	**33208**	**92379**	**32324**	**124703**

As regards depreciation, it has been submitted that the depreciation has been computed in accordance with the rates specified in the UERC (Terms and Conditions of Transmission Tariff) Regulations, 2004 and for computation of Depreciation for FY 2010-11 and FY 2011-12, these rates have been applied on the pro-rata basis as provided in the Regulations for different block of fixed assets. The Table below shows the depreciation for FY 2009-10, FY 2010-11 and FY 2011-12:

Table 2.4: Proposed Depreciation (Rs. Lakh)

S.No	Item	Rate of Depreciation (%)	FY 2009-10 (Actual)				FY 2010-11 (Provisional)		FY 2011-12 (Proposed)	
			Cumulative upto the beginning of year	Depreciation during the year	Adjustment during the year	Cumulative at the end of year	Depreciation during the Year	Cumulative at the end of year	Depreciation during the Year	Cumulative at the end of year
1	Land and Rights		-	-		-	-	-	-	-
2	Buildings	1.80%	1,705	67	0	1,772	67	1,839	67	1,906
3	Hydraulic Works	2.57%	2	0	0	2	0	2	0	2
4	Other Civil works	1.80%	165	3	0	168	3	171	3	173
5	Plant & Machinery	3.60%	17,014	926	0	17,953	967	18,920	2185	21,105
6	Lines & Cable Network	2.57%	4,335	673	0	5,007	795	5,803	1723	7,525
7	Vehicles	18.00%	181	14	0	195	14	209	14	222
8	Furniture & Fixtures	6.00%	12	4	0	16	4	20	4	24
9	Office Equipment	6.00%	10	5	0	15	5	20	5	26
	Total		**23,423**	**1,703**	**0**	**25,127**	**1,856**	**26,983**	**4001**	**30,984**
	Less: Depreciation on Deposit Work		117	117		235	207	442	179	620
	Total		**23,306**	**1,586**		**24,892**	**1,650**	**26,542**	**3822**	**30,364**

2.5 Interest & Other Finance Charges

In the Tariff Order for FY 2010-11, the Commission had approved the net Interest and Finance Charges (after capitalisataion) to PTCUL as Rs. 14.86 Crore for FY 2010-11. The Petitioner submitted that it has estimated the Gross Interest and Finance charges as Rs. 5264 Lakh and Rs. 6850 Lakh for FY 2010-11 and FY 2011-12 respectively on the basis of long-term liabilities identified in the Provisional Accounts for FY 2009-10 and also on the basis of fresh loans drawn till November 2010 and projected loans to be drawn over the remaining period of FY 2010-11 and during FY 2011-12. Net interest claimed after capitalisation is Rs. 2937 Lakh for FY 2010-11 and Rs. 4064 Lakh for FY 2011-12. The Table below shows the Interest and Finance Charges proposed by the Petitioner in the Petition.

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

S.No.	Source	Opening Balance	Receipts	Repayments	Closing Balance	Rate of Interest	Interest
1	Old REC Scheme	8589	0	1227	7362	10.65%	850
2	New REC Scheme	10281	0	0	10281	10.39%	1068
3	NABARD Scheme	21541	0	3016	18524	6.50%	1276
4	REC III	0	6080		6080	9.75%	147
5	PFC Gap Funding	1478	1842	0	3320	11.5%	156
	Total	**41888**	**7922**	**4243**	**45568**		**3496**
Less:	Interest Capitalized						846
	Net total interest						**2650**

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

S.No.	Source	Opening Balance	Receipts	Repayments	Closing Balance	Rate of Interest	Interest
1	Old REC Scheme	7362	0	1227	6135	10.75%	791
2	New REC Scheme	10281	2110	1028	11363	10.75%	1219
3	NABARD Scheme	18524	0	4899	13625	6.5%	1204
4	REC III	6080	2847	0	8927	11.0%	825
5	REC-IV	0	4972	0	4972	11.0%	273
6	REC-V	0	7217	0	7217	11.0%	397
7	PFC-Gap funding	3320	2450	0	5770	11.5%	523
8	PFC- I	0	424	0	0	11.5%	24
9	PFC Computer	0	130	0	130	11.5%	7
	Total	**45568**	**20019**	**7154**	**58009**		**5257**
Less:	Interest Capitalized						2328
	Net total interest						**2929**

Table 2.7: Proposed Interest & other Finance Charges for FY 2011-12 (Rs. Lakh)

S.No.	Source	Opening Balance	Receipts	Repayments	Closing Balance	Rate of Interest	Interest
1	Old REC Scheme	6135	0	1227	4908	10.75%	659
2	New REC Scheme	11363	6281	1414	16230	10.75%	1559
3	NABARD Scheme	13625	0	4687	8938	6.5%	886
4	REC III	8927	2583	0	11510	11.0%	1124
5	REC-IV	4972	7696	0	12669	11.0%	970
6	REC-V	7217	801	0	8018	11.0%	838
7	PFC-Gap funding	5770	2344	0	8114	11.5%	798
8	PFC- I	0	0	0	0	11.5%	0
9	PFC Computer	130	0	0	130	11.5%	15
	Total	**58009**	**19705**	**7328**	**70386**		**6835**
Less:	Interest Capitalized						2786
	Net total interest						**4049**

2.6 Return on Equity

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

The Petitioner claimed RoE for FY 2011-12 on the basis of:

- Contribution made by GoU in the assets upto March 31, 2010 since the date of transfer.
- Assets estimated to be capitalized during FY 2010-11 funded out of equity

The Petitioner submitted that GoU has made regular counterpart equity contributions against capital expenditure under Old REC scheme and NABARD scheme over the period FY 2004-05 to FY 2009-10. Apart from capital works which are funded from the financial institutions, the Petitioner submitted that it has also undertaken system strengthening works and other civil works completely out of its own resources making the equity contribution in such assets as 100%. The Petitioner has submitted the details of the equity contribution, considered for the asset capitalisation, under various schemes as given in the Table below:

Table 2.8: GoU Contribution towards Equity (%age)

S.No.	Heads	Equity Contribution (%)
1	Old REC Scheme	25%
2	New REC Scheme	0%
3	NABARD Scheme	22%
4	REC-IV	30%
5	REC-V	30%
6	PFC	30%
7	Others	-
(a)	Deposit works	0%
(b)	System strengthening works other than schemes	100%
(c)	Other Works	100%

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

The Petitioner further submitted that the Equity to be infused by the GoU and the sources of funds available with the Government are the funds received from the Public, whether through taxation, cess, etc. The Petitioner further contended that had the GoU infused the Equity from sources other than PDF, then RoE would have been allowed in accordance with the Commission’s Regulations and Orders. The Petitioner has further indicated that in case RoE is not allowed, it would never have profits in its Audited Accounts, which in turn would adversely impact its financial ratios which a lenders typically considers while sanctioning the loans and, therefore, on the basis of such Accounts, it would not be in a position to secure funding from Financial Institutions. Further, the Petitioner has submitted that if no surplus is available, PTCUL would have no internal resources for making any improvements and to meet any contingencies. Accordingly, the Petitioner submitted that RoE is not discretionary rather mandatory and in case the Commission is not allowing RoE on the Equity Funds provided by GoU out of PDF, the Commission may advise the GoU to convert such Equity to Grant, failing which the amount so realised from the consumers will remain constant and will not grow further, if no returns are allowed on the same. The Table below shows the Equity and Return on Equity for FY 2009-10, FY 2010-11 and FY 2011-12:

Table 2.9: Proposed Return on Equity (Rs. Lakh)

S.No	Item	2009-10 (Actual)			2010-11 (Estimated)			2011-12
		Opening Equity Invested in Assets	Additions	Closing Equity Invested in Assets	Opening Equity Invested in Assets	Additions	Closing Equity Invested in Assets	Opening Equity Invested in Assets
1	Old REC Scheme	4849	0	4849	4849	0	4849	4849
2	New REC Scheme	0	0	0	0	0	0	0
3	NABARD Scheme	4763	1212	5975	5975	0	5975	5975
4	REC-III Scheme	0	0	0	0	949	949	949
5	Others	0	0	0	0	0	0	0
6	REC IV Scheme	0	2081	2081	2081	2131	4212	4212
7	REC-V Scheme	0	0	0	0	1515	1515	1515
	Total share holders funds	**9612**	**3293**	**12905**	**12905**	**4596**	**17501**	**17501**
8	Rate of return	14%			14%			14%
9	**Total return on equity**	**1346**			**1807**			**2450**

Accordingly, RoE has been estimated by the Petitioner for FY 2011-12 as Rs. 2450 Lakh.

2.7 Operation & Maintenance (O&M) Expenses

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

2.7.1 Employee Expenses

The Petitioner submitted that the employee cost for existing employees and new recruitments differ significantly in terms of terminal benefits and other emoluments and, hence, the employee expenses for 2011-12 have been estimated in two parts:

- Employee cost for existing 913 employees for FY 2010-11 (as on September 31, 2010)
- Additional employee cost for new recruitments (60 employees)

Employee cost for existing employees

Salaries

The Petitioner has increased the basic salary and grade pay for FY 2009-10 (based on the Provisional Accounts for FY 2009-10) by 3%. In addition to this, the Petitioner has considered the Grade Pay effect on account of annual increments for estimating the salaries for FY 2010-11. To project the salaries for the FY 2011-12, the Petitioner has further escalated above estimated salaries for the FY 2010-11 by another 3%.

Dearness Allowance

The Petitioner has estimated Dearness Allowance (DA) by considering the basic pay and GP and applying average DA rate of 50% for FY 2010-11 and 60% for FY 2011-12.

Employer's contribution towards pension and gratuity

As regards the Employer's contribution towards pension and gratuity, the Petitioner submitted that in accordance with GoU rules, the expense under this head is 19.08% of the Basic Salary, GP and DA. The Petitioner has, however, estimated the expenses for the current year on the basis of actual expenses booked during the current year. For the ensuing FY 2011-12, the Petitioner has estimated the above liability by considering 3% escalation in salaries, 10% increase in DA and other increments.

Employer's contribution towards EPF

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

Employer's contribution towards Leave Encashment

The Petitioner has submitted that as per GoU rules the expense under this head is 11% of Basic Salary, GP and DA. Since the above facility is not available to new employees, the Petitioner has estimated this expense for FY 2011-12 at 11% of the Basic Salary and GP for existing employees only.

Other allowance and benefits

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

Additional employee cost with the implementation of new organisation structure

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

- Employee expenses which can be linked to the Pay Scale Grades under the heads such as Salaries, Dearness Allowance, Employer's Contribution towards Pension and Gratuity, Employer's Contribution towards Leave Encashment and Bonus. These expenses have been estimated by considering the increase in number of employees in different pay scale grades.

- Employee expenses which cannot be linked to Pay Scale Grades under heads such as Other Allowances, Medical Expenses Reimbursement, Employer's contribution towards Employee's Provident Fund (EPF) and other cost. These expenses have been estimated by considering the increase in total number of employees on pro-rata basis.

Impact of 6th Pay Commission

The Petitioner has estimated additional employee expenses on account of recommendations of Sixth Pay Commission. The Petitioner has implemented the recommendations of the Sixth Pay Commission w.e.f. 01.06.2006. The Petitioner has calculated the impact of Sixth Pay Commission arrears from 01.01.2006 to 31.03.2012. The Petitioner has further considered 30% of the arrears of Sixth Pay Commission to be released during FY 2011-12, which amounts to Rs. 679 Lakh.

The following Table shows the summary of employee expenses for FY 2009-10, FY 2010-11 and FY 2011-12:

Table 2.10: Proposed Employee Expenses (Rs. Lakh)

S. No.	Item	2009-10 Actual	2010-11 Provisional	2011-12 (Proposed) Projected for Existing Employees	2011-12 (Proposed) Employee Cost for Additional Manpower	2011-12 (Proposed) Total estimates
1	Salaries	2,990	3,099	3,254	115	3,369
2	Dearness Allowance	618	795	915	69	983
3	Other allowances	169	225	240	7	247
4	Bonus / exgratia	27	5	5		5
	Sub-total (1 to 5)	**3,804**	**4,124**	**4,414**	**191**	**4,605**
5	Medical expenses reimbursement	22	46	48	1	50
6	Leave Travel Assistance	0	0	0	0	0
7	Interim Relief	0	0	0	0	0
8	Earned Leave encashment	239	374	401	0	401
9	Employer's Contribution towards leave encashment	157	240	257	8	264
10	Payment under Workmen's Compensation Act	0	0	0	0	0
11	Other Cost	4	50	0	0	0
12	Staff welfare expenses	5	6	6	0	6
	Sub-total (6 to 12)	**426**	**716**	**712**	**9**	**721**
13	Employer's contribution towards pension & gratuity	392	527	564	10	574
14	Employer's contribution towards EPF	165	222	238	25	263
	Gross Employee cost	**4,787**	**5,589**	**5,928**	**235**	**6,163**
15	*Less: Capitalization*	685	800			882
	Net charged to Revenue	**4,102**	**4,789**	**5,928**	**235**	**5,282**
16	Arrears of Salary (VI Pay Commission)		0	679		679
17	Salary for UITP Projects	182	213			234
18	**Net charged to Revenue**	**3,920**	**4,577**	**6,607**	**235**	**5,726**

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

The Petitioner has calculated expenditure under heads such as Rents, Rates & Taxes, Insurance, Electricity & Water Charges and Printing & Stationery, Telephone, Postage & Telegrams, Conveyance & Travelling on the basis of actual expenditure incurred during FY 2009-10 and first half of FY 2010-11 (i.e. for the period from April to September 2010) and by considering an escalation of 6.49% per annum (the escalation rate as approved by the Commission in its Order dated April 06, 2010) to arrive at expenditure for FY 2011-12. However, since the expenditure under remaining heads, i.e. Legal charges/registration fees, audit fees, consultancy fees, advertisement and training cannot be estimated on the basis of actual expenditure incurred in previous years, the same has been linked to business and commercial activities during the year. The Petitioner has projected expenses under the other heads on the basis of related activities at foresees to undergo during FY 2010-11 and in FY 2011-12. The Petitioner has estimated that the training expenses would rise significantly during FY 2010-11 and FY 2011-12 on account of increase in related activities. The following Table shows the summary of A&G expenses for FY 2009-10, FY 2010-11 and FY 2011-12:

Table 2.11: Proposed A&G expenses (Rs. Lakh)

S. No.	Item	2009-10	2010-11	2011-12
		Actuals	**Provisional**	**Proposed**
1	Rent, Rates & Taxes	41	30	35
2	Insurance	1	1	2
3	Telephone postage & Telegrams	41	49	57
4	Legal Charges	5	10	18
5	Audit Fees	22	32	37
6	Consultancy Charges	50	56	90
7	Technical fee/ Registration fee	535	166	166
8	License Fee	518	537	565
9	Conveyance & Traveling	73	250	295
10	Electricity & water charges	10	10	12
11	Printing & Stationery	11	16	19
12	Advertisement	54	65	79
13	Training Expenses	41	104	198
14	Security Charges	54	190	202
15	Other expenses	150	110	129
	Total expenses	**1606**	**1626**	**1903**
Less :	*Capitalised*	*244*	*247*	*290*
	Net Expenditure	**1362**	**1379**	**1614**
	Proportionate for UITP projects	65	66	77
	Net expenditure charged to Revenue	**1297**	**1313**	**1537**

2.7.3 Repairs & Maintenance (R&M) Expenses

The Petitioner has submitted that it has carried out in house exercise for assessment of routine R&M expenses for the entire transmission network which has been approved by its Board of Directors of the PTCUL. The Petitioner has proposed that the transmission system is set to undergo significant additions during FY 2010-11 and FY 2011-12. The Petitioner has projected the R&M expenses for FY 2011-12 as Rs. 2909 Lakh after increasing the R&M expenses of FY 2010-11 in proportion of the increase in Gross Block from FY 2010-11 to FY 2011-12. The following Table shows the summary of R&M expenses for FY 2009-10, FY 2010-11 and FY 2011-12:

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

S. No.	Item	FY 2009-10 (Actual)	FY 2010-11 (Estimated)	FY 2011-12 (Proposed)
1	Plant & Machinery	815	1303	1937
2	Buildings	136	218	323
3	Civil Works	26	41	61
4	Hydraulic Works	0	0	0
5	Lines & Cable Network	246	393	584
6	Vehicles	1	2	3
7	Furniture & Fixtures	0	0	1
8	Office equipment	0	0	0
9	Others	0	0	0
	Total expenses	**1225**	**1957**	**2909**
Add:	Prior period Items	0	0	0
	Net charged to Revenue	**1225**	**1957**	**2909**

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

The total O&M expenses submitted by the Petitioner for FY 2009-10, FY 2010-11 and FY 2011-12 are tabulated below:

Table 2.13: Proposed O&M Expenses (Rs. Lakh)

S.No	Particulars	2009-10 Actual	2010-11 Estimated	2011-12 Proposed
1	Employee Cost	4,787	5,589	6,842
2	Administrative & General Expenses	1606	1626	1903
3	Repairs & Maintenance Expenses	1225	1957	2909
	Gross O&M Expenses	**7,618**	**9,173**	**11,655**
Less:	*Capitalisation*			
4	Employee expenses capitalised	867	1,012	1,116
5	A&G Expenses capitalised	309	313	366
	Net O&M Expenses	**6,442**	**7,847**	**10,173**

2.8 Interest on Working Capital

The Petitioner has computed the Interest on Working Capital for FY 2011-12 as per Regulations, which cover the following:

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

The total working capital projected by the Petitioner for FY 2011-12 is Rs. 6873 Lakh. By applying the interest rate of 10.75% (SBI short-term PLR rate) on the estimated working capital requirement, the Petitioner has estimated interest on working capital as Rs. 739 Lakh for FY 2011-12. The Table below shows the interest on working capital for FY 2009-10, estimated for FY 2010-11 and projected for FY 2011-12 by the Petitioner:

Table 2.14: Proposed Interest on Working Capital (Rs. Lakh)

S.No.	Item	FY 2009-10	FY 2010-11 (Estimated)	FY 2011-12 (Proposed)
1	O & M Expenses for 1 month	635	764	971
2	Spare (1% of historical cost)	911	1298	1699
3	Receivable (2 months)	1264	1696	4202
Total	**Working Capital**	**2810**	**3758**	**6873**
4	Working Capital Interest Rate (%)	10.75%	10.75%	10.75%
5	**Working Capital Interest**	**302**	**404**	**739**

2.9 Non-Tariff Income

The Petitioner has submitted the non-tariff income for FY 2010-11 as Rs. 286.26 Lakh. The Petitioner has considered the Non-Tariff income for FY 2011-12 as Rs. 286.36 Lakh.

2.10 Transmission Losses

The Petitioner has submitted actual transmission losses at 1.76% for FY 2009-10. The Petitioner has proposed transmission losses in PTCUL system as 1.76% for FY 2011-12.

2.11 Annual Revenue Requirement (ARR) & Proposed Tariff

On the basis of projected expenses, RoE and Non-Tariff Income for FY 2011-12, the projected ARR for FY 2011-12 is summarized in following Table:

Table 2.15: Proposed Annual Revenue Requirement (Rs. Lakh)

S.No.	Item	FY 2009-10 (Actual)	FY 2010-11 (Provisional)	FY 2011-12 (Proposed)
1	Employee cost	4787.14	5105.20	6163.47
2	Arrears of VI Pay Commission	0.00	484.00	679.00
3	A & G Expenses	1606.12	1626.07	1903.48
4	R&M expenses	1224.78	1957.37	2909.03
5	Depreciation	1585.98	1649.66	3822.43
6	Advance Against Depreciation	814.64	3054.80	1162.25
7	Interest on Long Term Loans	3496.40	5256.93	6834.75
8	Interest on Working Capital	302.03	403.99	738.81
	Gross Expenditure	**13817.08**	**19538.02**	**24213.22**
	Less: Expense capitalization	**2022.25**	**3652.93**	**4268.05**
9	Employee cost capitalized	867.07	1012.29	1116.30
10	Interest capitalized	846.00	2327.58	2785.58
11	A&G expenses capitalized	309.18	313.05	366.17
	Net Expenditure	**11794.83**	**15885.10**	**19945.17**
12	Add: Return on Equity	1345.68	1806.70	2450.08
13	Add: Truing up for FY 2009-10			2601.44
14	Less: Non Tariff Income	286.07	286.26	286.36
	Annual Revenue Requirement (ARR)	**12854.44**	**17405.54**	**24710.33**

Assuming a capacity of 1989.68 MW to be handled by the Transmission system, the transmission tariff based on projected ARR of Rs. 24710 Lakh have been worked out by the Petitioner as Rs. 103.51/kW/month of contracted/allocated capacity. For the above ARR of Rs. 24710 Lakh and considering energy transferred through its network as 11500 MU, PTCUL has further worked out the per unit tariffs for electricity transmitted through its network as 21.49 paisa per unit for the FY 2011-12.

3 Stakeholders' Objections/Suggestions/Comments on the Petitioner's Proposal and Petitioner's Reply

The Commission has received 6 suggestions/objections on the proposals of PTCUL. Details of stakeholders who have submitted their Objections/Suggestions/Comments in writing are given at **Annexure-2** and the respondents who have raised the issues in the public hearings are enclosed at **Annexure-3**. The Commission has further obtained replies from PTCUL on the Objections/Suggestions/Comments received from stakeholders. For the sake of clarity, the objections raised by the stakeholders and response of the Petitioner have been consolidated and summarised issue-wise. In the subsequent chapters of this Order, the Commission has, as far as possible, tried to consider the Objections/Suggestions/Comments of stakeholders and reply of the Petitioner while deciding the ARR and Tariffs for PTCUL.

3.1 Approach to be adopted while determining ARR

3.1.1 Industries Association of Uttarakhand

Industries Association of Uttarakhand submitted that the Tariff fixation should be guided by the factors, which would encourage competition, efficiency, economical use of resources and safeguarding of consumer interests as well as the interest of utilities.

It has further been submitted that the intention of PTCUL in the past and present has been to somehow escalate the projected cost with the intention to wrest as much as they can from UERC.

Industries Association of Uttarakhand has further submitted that PTCUL has proposed very high increase in all the expenses especially for depreciation and interest on term loan without proper justification. It has claimed depreciation of Rs 38.22 Crore as against Rs 12.92 Crore approved by the Commission. It is also their contention that PTCUL has not been spending within the cost approved by UERC in its Tariff Orders and at a later stage plead for acceptance of their actual cost as pass through in the ensuing year. Association has further recommended that PTCUL should conduct manpower study for correctly determining the manpower requirement both in terms of numbers as well as mix.

3.1.2 Shri Mohan Prasad Khansali

Shri Mohan Prasad Khansali, Dehradun submitted that PTCUL has proposed hike in their ARR considering rising prices and the impact of sixth pay revision. This increase can be offset by reduction in current expenditure as follows:

1. Recovery of financial loss arising out of misappropriation of funds by officers from their salary.
2. Since lot of money is spent on hiring of Chairman and Managing Directors, therefore, only one Managing Director should be there for all the three utilities alongwith one Chairman who should be an IAS officer. This will result in huge savings.
3. No free supply for employee of the utilities as it is misused. Meters should be installed and a maximum limit for the employees should be fixed.
4. Since the officers of PTCUL have mobile facilities so their land line facilities should be discontinued. Further, the maximum limit for mobile phone bills should be fixed and the mobile phone facilities should be made available under C.U.G scheme.
5. Scrap lying with PTCUL should be auctioned and accounted for in ARR.
6. Frequent strikes held by employees should be restricted. Further, recovery of losses incurred from frequent strikes held by the utility employees' should be recovered from their salaries.

3.1.3 Petitioner's Reply

Petitioner has submitted following reasons for increase in ARR:

1. Increase in salaries due to Implementation of Sixth Pay Commission Report.
2. Arrears of Sixth Pay Commission.
3. DA has increased up to 45%.
4. Capitalisation of projects (including UITP).
5. Depreciation has been charged against actual and proposed capitalisation of projects (including UITP).

6. The A&G expenditure for FY 2011-12 has been projected by considering an escalation factor of 6.49% and expenses of new employees.
7. Interest on Term Loan has been calculated on actual and proposed loans.

The Petitioner has also submitted that in its ARR for the FY 2011-12, depreciation has been calculated as per the actual capitalization and proposed capitalization of assets. In the provisional accounts for the FY 2009-10, the assets has been capitalized from the date of energization /put to use and depreciation has accordingly been calculated on pro-rata basis. Interest on Term Loan has been calculated on the basis of provisional accounts for FY 2009-10 and fresh loans drawn in current financial year and projected over the remainder of the current Financial Year and the ensuing financial year under Old REC, New REC schemes, REC IV and PFC scheme; the interest have been estimated at Rs. 5257 Lacs for FY 2010-11 and Rs. 6835 Lacs for FY 2011-12 including IDC. On the issue of conducting a manpower study, it has been submitted by PTCUL that it had in the year 2004 itself appointed Sh. A.I. Bunait, Ex Director (HR), PGCIL, for estimating the manpower requirement of PTCUL. PTCUL has already adopted the reports adopted by Sh. Bunait as per GoU's Order no. 3206/I(2)/2007-07(3)/18/2007 dated 27.12.2007. PTCUL further assured to conduct a manpower study for its future requirements.

With regards to issues raised by Sri Mohan Prasad Khansali it has been submitted by PTCUL that it takes action against its officers and staff who have been found to be misappropriating departmental funds or indulging in some other irregularities. It has further been submitted that action is being taken towards employees going on strikes on the principle of "No work No Pay".

3.1.4 Commission's Clarification

With regard to points raised by Industries Association of Uttarakhand, the Commission would like to clarify that it has been the practice of the Commission to detail its approach in every tariff order. Normal approach so far has been to follow the Regulations as far as possible and detail the reasons for any deviation in exceptional conditions. For example, the Commission has to modify its approach for allowing the O&M expenses in view of recommendation of the Sixth Pay Commission which had huge impact on the salary structure of the employees and hence employee cost.

3.2 Making available the information in Hindi

3.2.1 Shri Mohan Prasad Khansali

It has been submitted that the invitation for objections on the current Petition were not advertised in the newspaper and was only posted on the website and that too in English which is not accessible to a common man and, therefore, doesn't serve the purpose.

3.2.2 Uttarakhand Kranti Dal

It has been submitted that a copy of process of tariff determination, Regulations issued by Commission till date and Petition should be made available in Hindi so that it can be analysed and, accordingly, people can put their suggestions.

3.2.3 Commission's Clarification

In this regard, the Commission would like to clarify that Hindi version of almost all the Regulations so far notified are available on the website of the Commission and, accordingly, any person can either download it from the website of the Commission or can make a request to the Commission for a copy of Hindi Regulations.

The Commission would further like to clarify that as per the provisions of Section 64 of the Electricity Act, 2003, it is the responsibility of the applicant/Petitioner to publish the details of its proposals and seek comments of all stakeholders. The Commission has, accordingly, through its Admittance Order for PTCUL, directed PTCUL to publish the salient points of its proposals in the leading newspapers. The salient points of the proposal were published by the Petitioner, both in Hindi and English in the following Newspapers:

Table 3.1 : Publication of Notice

S.No.	Newspaper Name	Date Of Publication
1	Hindustan Times	13.12.2010
2	Amar Ujala	15.12.2010

The Commission further conducted public hearings in the matter wherein stakeholders and public at large were allowed to express their views on the submissions made by the

Petitioner in the language of their choice.

As regard the suggestion that details of the proposals should also be published in Hindi language, the Commission would like to commit that it would consider the above suggestion while initiating the process of Tariff determination for the FY 2012-13.

3.3 O&M Expenses

3.3.1 Industries Association of Uttarakhand

Industries submitted that the massive increase in the employee cost is not justifiable. PTCUL should carry out a proper manpower study done for determining correctly the manpower requirement both in terms of numbers as well as mix.

3.3.2 All India Consumers Council (AICC)

Shri K.G. Behl, President, AICC, Uttarakhand submitted that the 18% increase in O&M expenses projected by PTCUL is unjustified and should not be allowed.

3.3.3 Uttarakhand Mahila Vikas Evam Bhrashtachar Unmulan Samiti

Uttarakhand Mahila Vikas Evam Bhrashtachar Unmulan Samiti submitted that the total amount of land line bills of those employees who avail free mobile phone facility should not be included in ARR. Further, land line facilities of such employees should be discontinued. Further, the mobile facilities should be made available under CUG schemes and the employees participating in the strikes should be marked absent.

3.3.4 Petitioner's Reply

The Petitioner submitted that when PTCUL came into existence in the year 2004, the staff structure and manpower requirement was assessed which was presented to the PTCUL management and the Government and the same was approved by the Government. PTCUL is planning to carry out a manpower study for determining the manpower requirement both in terms of numbers as well as mix and is planning to hire a human resource expert.

The Petitioner submitted that the mobile phone facility and landline facility has been provided to the officers in higher scales employees as per the nature of work and requirement and further, the mobile phone facility has been provided to the employees working at lower level of the organisation. Regarding CUG Plan, the Petitioner submitted that the matter is under consideration and necessary action has been initiated towards the same.

Regarding participation of employees on strike, the Petitioner submitted that necessary direction has been issued to all the Controlling Officers and General Managers for execution of the policy of "No Work No Pay".

3.4 Transmission Losses

3.4.1 Uttarakhand Mahila Vikas Evam Bhrashtachar Unmulan Samiti & Shri Devendra Dhyani

It has been submitted that the financial losses incurred on account of line losses exceeding 1% should be estimated and must not be included in the ARR. The financial loss should be recovered from employees of the grade of Assistant Engineer and above.

3.4.2 Petitioner's Reply

The Petitioner submitted that actual line losses and theoretical line losses of transmission line are regularly calculated on monthly basis. The theoretical line losses may vary for different conditions and transmission voltage levels. Somewhere it may be more than 2%.

3.4.3 Commission's Clarification

The losses in the PTCUL's transmission system are in the range of 1-2% which is at par or even better than the average transmission losses in different parts of the country. Losses of PTCUL for different years and losses as considered for other Utilities/States/Regions for the FY 2010-11 are given in the Tables below:

Table 3.2: Actual Transmission Losses of PTCUL for the past years

Year	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Transmission Loss %	2.33%	2.41%	1.74%	1.36%	1.86%	1.76%

Table 3.3: Transmission Losses of five zones and different States/Utilities

S.No.	Zone/State	Average Transmission Losses
1	Northern Region	3.3
2	Eastern Region	2.3
3	Southern Region	5.1
4	Western Region	3.6
5	North Eastern Region	3.9
6	Andhra Pradesh	4.1
6	Chhatisgarh	5
7	Delhi	1.5
8	DVC	3.4
9	Gujrata	4.1
10	Haryana	4.2
11	Karnataka	4
12	Kerala	0.8
13	Maharastra	4.9
19	Meghalaya	3.9
14	Madhya Pradesh	4.7
15	MP Discom	6
16	Orissa	4
17	Punjab	6
18	Rajasthan	4.4
19	Tamilnadu	1.8
20	Uttar Pradesh	5
21	West Bengal	3.1

Source : NRLDC website

Nonetheless the Commission has been directing PTCUL to observe efficiency and economy in all its functions including reduction of transmission losses.

3.5 Free Electricity

3.5.1 Stakeholders' objections/suggestions/comments

Uttarakhand Kranti Dal submitted that those employees that have been misusing free electricity should be charged for electricity theft and the amount arising out after proper investigation should not be included in their tariff proposal.

3.5.2 Petitioner's Reply

The Petitioner submitted that strict action is being taken against those employees that have been misusing free electricity.

3.6 Others

3.6.1 Uttarakhand Mahila Vikas Evam Bhrashtachar Unmulan Samiti & Shri Devendra Dhyani

It has been submitted that financial losses incurred by officers that have been found guilty after investigations should not be included in the Tariff instead it should be recovered from their salaries.

It has also been submitted that due to careless attitude of PTCUL employees a circuit breaker at Rishikesh of 400 kV line got damaged causing a loss of Rs. 70 Lakh. A number of similar incidences have occurred resulting in financial loss. This also resulted in grid failure causing loss of generation. Such loss should be estimated and not allowed in the ARR.

Uttarakhand Mahila Vikas Evam Bhrashtachar Unmulan Samiti and Shri Devendra Dhyani submitted that scrap lying with PTCUL should be auctioned and the income generated from sale of scarp should be considered while determining tariff.

3.6.2 Petitioner's Reply

Regarding the financial losses, the Petitioner submitted that neither any of the officer has been found guilty for financial losses by the internal audit nor has been charge sheeted by General Manager, Finance or Company Secretary on the basis of any other inquiry.

Regarding damage of circuit breaker at 400 kV Sub Station, the Petitioner submitted that charge sheets have been issued to the officer found guilty in the departmental inquiry. One of the officers, proven guilty, has been recommended for due punishment, while matter of others is pending with inquiry committee.

Regarding the inclusion of expenses/losses incurred due to damage of the circuit breaker in the tariff, the Commission may like to take a view on the same.

Regarding scrap, the Petitioner submitted that there is no scrap lying within Division/Sub Division under Works and Contract Wing.

3.6.3 Commission's Clarification

The Commission allows PTCUL, costs only after a thorough prudence check. Accordingly, there is no question of allowing PTCUL any cost which is legitimately not due to it. As regard corruption and other interlinked issues, the same are internal managerial issues of utility and can be best handled by the management of the utility.

As regard Electrical Accident, it is to underline that it is the prime duty of the Electrical Inspector to investigate cases pertaining to electrical accidents and submit a report to the utility for necessary action as per law. However, in accordance with the Terms & Conditions of its license, PTCUL has to submit a report on all major accidents to the Commission. The Commission has been taking due action and fixing responsibilities of officers and staff based on the reports submitted by PTCUL.

4 Commission's Approach

4.1 General

It had been the approach of the Commission to detail the principles and practices adopted by it in determining the various elements of the ARR of PTCUL in the previous Tariff Orders. Continuing with the past practice, the Commission has tried to explain its approach under the present Chapter.

4.2 Statutory Requirement

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

In the light of above provisions of the Act, the Commission had specified the Uttarakhand Electricity Regulatory Commission (Terms & Conditions for Determination of Transmission Tariff) Regulations, 2004 (hereinafter referred as Tariff Regulations, 2004) on August 25, 2004. The above Regulations are valid till June 30, 2011. For the purposes of this tariff order, therefore, the Commission shall be guided by above Regulations only. The different expense items of the ARR as filed by the Petitioner for FY 2011-12 shall, accordingly, be analyzed in the light of above Tariff Regulations under Chapter-5. By and large, under the existing Regulations, the Commission had been following the cost plus approach wherein expenses are allowed to be recovered through tariff subject to prudency check by the Commission. The Commission shall follow the same approach for this tariff order also.

4.3 Truing up of Past Year Expenses

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

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

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

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

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

In accordance with the provisions of above Regulations, the Commission has already carried out a truing up exercise for FY 2007-08 and FY 2008-09 in its Tariff Order for FY 2009-10, based on the provisional accounts submitted by PTCUL for above financial years. In its current filings, PTCUL has sought true up of its expenses for the FY 2009-10. For the purpose, PTCUL has submitted the provisional accounts for the FY 2009-10 with the ARR/Tariff petitions for the FY 2011-12. As the true up for FY 2009-10 is based on provisional accounts, PTCUL has submitted that it would file a fresh Petition for final true up in due course of time when audited accounts for FY 2009-10 become available. Accordingly, the provisional true up carried out by the Commission shall be subject to final true up as and when audited accounts for the FY 2009-10 become available. **The Commission also directs the Petitioner to file the truing up Petition for seeking final true up for expenses of FY 2004-05 to FY 2008-09 based on audited accounts alongwith next ARR Petition for FY 2012-13.**

4.4 Capital Cost of transferred assets

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

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

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

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

The Commission in its Tariff Order dated 06 April, 2010 further observed that no concrete steps have been taken by PTCUL and directed the Petitioner as under:

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

As the Transfer Scheme has not been finalised so far, the Commission is constrained to adopt the same value for opening Gross Fixed Assets as on 31.05.2004, as already approved by it in the previous Tariff Orders. **The Commission further directs PTCUL, to make sincere and all out efforts for getting the Transfer Scheme finalized within the ensuing financial year.**

4.5 Capitalisation of new assets

The Commission has discussed in detail its approach towards capitalization of assets in its various Tariff Orders. In this context, it has repeatedly been emphasized by the Commission that only such schemes/works shall be considered for the purposes allowing capital related expenses in the ARR for which (a) Licensee has sought the prior approval/exemption of the Commission and (b) For which Electrical Inspector has given its clearance. The above conditionalities were imposed by the Commission to ensure prudency of investments as well as safety & security of human life including PTCUL's personnels.

Accordingly, in the Tariff Order for FY 2010-11, while allowing the capitalization of old schemes, i.e. prior to the FY 2007-08, the Commission had directed PTCUL as below:

> *"The Commission, however, directs PTCUL, in the interest of its own employees/staff and safety of equipments, to seek prior clearance of Electrical Inspector before energizing any scheme. The*

Commission also directs PTCUL to submit the Electrical Inspector's clearance certificate for few pending schemes within 3 months of issuance of this Tariff Order."

PTCUL has, accordingly, submitted the Electrical Inspector's clearance certificates for most of the pending schemes as well as new schemes capitalized alongwith the ARR petition for FY 2011-12. In line with the approach taken in the last Tariff Order, the Commission has, considered the capitalization of only such schemes for which clearance of the Electrical Inspector has been submitted. The Commission has on its own initiative, also advised the State Government to depute atleast 2 officers each from PTCUL and UPCL who are capable of carrying out the inspections and tests in accordance with the IE rules at the office of Electrical Inspectorate for clearing all HT and EHT works under the Rules before they are being energised and put to use.

Further, in absence of audited Capital Cost to authentically establish the project costs, the Commission in its Tariff Order for FY 2010-11 had approved the scheme-wise cost on the basis of minimum of actual/revised estimated costs and approved costs for all the schemes. Further, the Commission directed the Petitioner as under:

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

Subsequently, the Petitioner approached the Commission to get the scope of the audit approved by the Commission. The Commission vide its letter dated May 20, 2010 asked the Petitioner to include additional scope listed in the Commission's letter and report compliance of the Commission's directions within the stipulated time frame. The Petitioner submitted the audit report to the Commission on September 10, 2010 which after scrutiny was found to be incomplete as it did not include the reasons of time overruns and cost overruns and its implication on the Capital Cost. The report also did not quantify the factors responsible for time and cost overruns into controllable and un-controllable for each scheme as per the scope of audit. The Commission vide its letter dated November 03, 2010, accordingly, directed the Petitioner to submit the complete report as per the scope of audit approved by the Commission alongwith the ARR and Tariff Petition for 2011-12 latest by November 30, 2010. PTCUL again submitted the same incomplete audit report to the Commission along with the ARR and Tariff Petition for FY 2011-12.

During the Technical Validation Session dated December 30, 2010, the Commission directed the Petitioner to –

a) Submit actual scheme-wise Capital Expenditure, Actual Asset Capitalisation and Means of Finance for the period upto November 2010 and projected Additional Capitalisation alongwith the proposed means of finance for the period December 2010 to March 2011.

b) Submit preparedness to execute the capital works proposed for FY 2010-11 and FY 2011-12 in terms of orders placed and funds tied up.

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

In response to the above, the Petitioner vide its additional submission dated January 11, 2011 submitted the details of actual scheme-wise capital expenditure, scheme-wise actual asset capitalisation and means of finance for the period April 2010 to November 2010 and projected Additional Capitalisation alongwith proposed means of finance for the period December 2010 to March 2011 under different schemes like NABARD, REC-Old, New-REC, REC-IV, REC-V and PFC scheme. The Petitioner also submitted the financial and physical progress of projects under different schemes.

However, on examining the information submitted by the Petitioner, the Commission observed that the information submitted was inadequate for detailed analysis of reasons for variation in approved costs and actual completed costs. The Commission further found that the increase in actual expenditure incurred on some of the projects with respect to the original approved cost was more than 100%. In absence of proper and detailed analysis of the reasons for time and cost over-run alongwith the quantification, the Commission is not in a position to conduct the prudence check of the capital cost of these schemes. The Commission is of the view that without carrying out the prudence check of the capital cost, the increase in cost due to cost and time over-runs cannot be passed on to the beneficiaries.

In view of the above, the Commission while approving the capital cost during the current year tariff exercise for individual schemes has considered the minimum of approved cost and the actual cost as per audit report submitted by the Petitioner. Further, in the tariff order dated 06.04.2010, the Commission held if the Petitioner failed to submit the details of cost overruns & time overruns, the Commission would be forced to recover its implication allowed in the previous year ARRs. In the current proceeding, since PTCUL had sought provisional truing up for FY 2009-10 as well, the Commission has considered capital cost of projects capitalised at minimum of approved or actual cost for FY 2009-10 as well.

To resolve the matter, the Commission has decided to constitute a High Level Expert Committee to examine in detail, the reasons for time and cost over-run of various Capital Expenditure Schemes, impact of time-over run on Capital Cost and for proper identification of various factors leading to time and cost over-runs into controllable and un-controllable factors. The Commission will take a final view with respect to actual Capital Cost of all the completed schemes after going through the report of the Expert Committee.

4.6 Depreciation on assets created through grants / subsidies

The principles to be followed for calculating the depreciation and the rates applicable for it have clearly been spelt out under the UERC (Terms & Condition for determination of Transmission Tariff) Regulation, 2004. Regulation 18(1)(a) of the above Regulations, however, provides as under:

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

Accordingly, the above Regulations do not allow depreciation on that part of an asset which has been created through government grants or capital subsidy. The same is in accordance to the provisions of Accounting Standard-12, which deals with Accounting of Government Grants. In line with the above provision of the Tariff Regulations, the Commission has not considered those assets or part of those assets which has been created through Government grants or capital subsidy for the purposes of estimating the depreciation.

4.7 O&M Expenses

O&M expenses comprise of Employee Expenses, A&G Expenses and R&M Expenses, i.e. expenditure on staff, administration and repairs and maintenance etc. For estimating the O&M expenses for the ensuing year, UERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2004 provides as below:

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

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

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

(2)For projects less than 5 years age:

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

(b) In case of the projects declared under commercial operation on or after 1.4.2004, the base operation and maintenance expenses shall be fixed at 1.5% of the actual capital cost as admitted by the Commission, in the year of commissioning and shall be subject to an annual escalation of 4% per annum for the subsequent years."

However, due to implementation of Sixth Pay Commission's recommendations, which not only raised the salaries and other allowances but also altered the structure of pay scales, the

Commission, for reasons recorded in the Tariff Order for FY 2009-10 and FY 2010-11, adopted a slightly different approach for estimating the O&M expenses for FY 2010-11 than that stipulated in the Tariff Regulations for determination of O&M expenses. The Commission, considered the Employee Expenses, A&G Expenses and R&M Expenses separately for estimating the overall O&M cost for FY 2010-11. Since, the burden of left over arrears, in accordance with the recommendations of Sixth Pay Commission and Orders issued by GoU, is still to be considered in the FY 2011-12 the Commission is following a similar approach for determining the O&M expenses for the FY 2011-12. As the Petitioner has submitted the provisional balance sheet for FY 2009-10, the Commission in this Order has considered the O&M expenses for FY 2009-10 as the base year expense and escalated the same in accordance with the Regulations. The detailed methodology of the same has been explained in Chapter 5 of the Order.

5 Scrutiny & Findings

5.1 Value of Opening Assets and Additional Capitalisation

The Commission has already dealt with the issue of opening value of GFA, as on November 9, 2001, in the previous Tariff Orders, wherein the opening value of GFA transferred to PTCUL was fixed based on the total asset base of Rs. 508 Crore for UPCL as on November 9, 2001 instead of provisional value of Rs. 1058.18 Crore taken by UPCL in its accounts. Accordingly, on pro-rata basis, the Commission had considered the value of old transmission assets transferred to the Petitioner from transmission assets of UPPCL as Rs. 108.26 Crore. The Commission had further allowed additional capitalizations of Rs. 37.88 Crore on the transmission assets till 31.5.2004. The total value of opening GFA, thus, became Rs. 146.14 Crore as on 31.5.2004 for PTCUL. As the transfer scheme has not yet been finalized, the Commission finds no reason to revisit this issue.

In its previous Order dated 06.04.2010, the Commission had directed the Petitioner as under:

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

Subsequently, the Petitioner approached the Commission to get the scope of the audit approved by the Commission. The Commission vide its letter dated May 20, 2010 asked the Petitioner to include additional scope listed in the Commission's letter and report compliance of the Commission's directions within the stipulated time frame. The Petitioner submitted the audit report to the Commission on September 10, 2010 which after scrutiny was found to be incomplete as it did not include the reasons of time overruns and cost overruns and its implication on the Capital Cost. The report also did not quantify the factors responsible for time and cost overruns into controllable and un-controllable for each scheme as per the scope of audit. The Commission vide its letter dated November 03, 2010, accordingly, directed the Petitioner to submit the complete report as per the scope of audit approved by the Commission latest by November 30, 2010 alongwith the ARR and Tariff Petition for FY 2011-12. PTCUL again submitted the same incomplete audit report to the

Commission along with the ARR and Tariff Petition for FY 2011-12.

During the Technical Validation Session dated December 30, 2010, the Commission directed the Petitioner to –

a) Submit actual scheme-wise Capital Expenditure, Actual Asset Capitalisation and Means of Finance for the period upto November 2010 and projected Additional Capitalisation alongwith proposed means of finance for the period December 2010 to March 2011.

b) Submit preparedness to execute the capital works proposed for FY 2010-11 and FY 2011-12 in terms of orders placed and funds tied up.

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

In response to the above, the Petitioner vide its additional submission dated January 11, 2011 submitted the details of actual scheme-wise capital expenditure, scheme-wise actual asset capitalisation and means of finance for the period April 2010 to November 2010 and projected Additional Capitalisation alongwith proposed means of finance for the period December 2010 to March 2011 under different schemes like NABARD, REC-Old, New-REC, REC-IV, REC-V and PFC scheme. The Petitioner also submitted the financial and physical progress of projects under different schemes.

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

- Due to hilly terrain benching volumes and tower protection walls works

- Forest Clearance
- Due to increase in cost of tower, steel, nuts & bolts
- Due to increase in cost of insulators and ground wire
- Increase in cost of crop compensation

The Commission, through its letter dated February 21, 2011, therefore, again directed the Petitioner to submit all the reasons towards time and cost overrun along with its impact on Project Cost and justification for the same. The Commission held a second Technical Validation Session with the Petitioner on March 4, 2011 during which the reasons for time and cost overruns submitted by the Petitioner were discussed in detail. During the meeting, the Petitioner made some additional submissions on time and cost overrun. On scrutiny, the Commission found that the information submitted on time and cost overrun was not as per the formats sent by the Commission to the Petitioner. The Commission further pointed out that the details submitted by Petitioner have not been reconciled and there is variation in information submitted under two different documents. The Petitioner during the meeting agreed to resubmit the complete details on time and cost overrun as per the formats provided by the Commission along with supporting documents to validate uncontrollable costs such as demand note for actual payment made to Forest Department etc. by March 10, 2011. The Commission also issued a letter wherein minutes of the second TVS was sent to the Petitioner for compliance and wherein the Petitioner was asked to submit the requisite information latest by March 10, 2011 failing which the Commission would proceed in the manner deemed appropriate by it on the basis of the information available with it.

The Petitioner subsequently submitted some information along with the report of the Chartered Accountant on March 10, 2011. However, the said information was again incomplete. Hence, the Commission vide its letter dated March 16, 2011 and April 8, 2011 again asked the Petitioner to submit complete details as per the direction of the Commission in its previous Order dated April 06, 2010. The Petitioner submitted the said information on April 19, 2011. It was observed that the information submitted by the Petitioner will have to undergo a detailed scrutiny which should be supported by additional documents like detailed scope of work alongwith the details of the contracts entered into by the Petitioner. The Petitioner was required to submit the details and the requisite information even before the Petition was filed by the Petitioner. The Commission is of the firm view that all the cost variations need to undergo the test of prudence as the Commission does not wish to load the inefficiencies of the utilities on the consumers of the State. Even the note to Regulation 14 of Uttaranchal Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2004 specifies as under:

> *"The scrutiny of the project cost estimates by the Commission shall be limited to the reasonableness of the capital cost, financing plan, interest during construction, use of efficient technology and such other matters for the purposes of determination of tariff."*

Thus, the issue of approving cost overruns and time overruns needs to be examined for prudence before the same is considered for tariff purposes. The Commission has in this regard decided to form an independent expert Committee which will look into the matter of approving the variations in project costs. The Commission based on recommendations of the Committee will approve the final Project Cost for each scheme based on the prudence check during the next tariff exercise and would allow the Petitioner truing up of the capital related expenses of PTCUL based on the final project cost approved by the Commission.

In absence of duly validated data on capital cost, as detailed in Chapter 4 of this Order, the Commission for the purpose of this Tariff Order has considered the minimum of the approved cost and the actual cost as per the audit report as submitted by the Petitioner. Further, since the approved Project Cost for some of the schemes such as REC-Old, NABARD and REC-II does not include Interest During Construction, the Commission in addition to the approved Project Cost has also considered the Interest During Construction on pro-rata basis.

In its previous Tariff Order for FY 2010-11, the Commission had disallowed capitalisation of certain schemes for FY 2006-07, FY 2007-08 and FY 2008-09 for which Electrical Inspector's Clearance certificates were not made available and had directed the Petitioner to get all the schemes cleared by the Electrical Inspector. The Petitioner has, accordingly, submitted that it had arranged the inspection of its various capital expenditure schemes by the Electrical Inspector and has got clearance certificates for various pending schemes capitalised since inception till FY 2010-11. The Commission has, accordingly, considered all such schemes for which Electrical Inspector Certificate have been made available in this tariff determination exercise.

Further, the Commission in the previous tariff order dated 06.04.2010 had not allowed full/part capitalisation of few Projects which were either unutilised/underutilised or for which the work was incomplete. The Commission, through its subsequent correspondence during the tariff proceedings for FY 2011-12 had directed the Petitioner to submit the status of certain schemes along with the certificate of the Electrical Inspector, details of which are as under:

- Construction of 132 kV Satpuli-Kotdwar line
- Construction of 132 kV Sub-Station at Simli
- 220 kV Kashipur-Barhani D/C line
- 220 kV S/C Barhani-Pantnagar line
- 400 kV S/s Kashipur

In addition, the Commission directed the Petitioner to submit the Electrical Inspector certificate for the following schemes:

- Construction of 4 Nos 132 kV Bay at 132 kV S/s Kotdwar
- LILO of 132 kV Kashipur Jaspur line at 400 kV S/s Kashipur
- LILO of 132 kV Kashipur Ramnagar line at 400 kV S/s Kashipur

The Petitioner vide its letter dated February 10, 2011, submitted the status of the schemes and Electrical Inspector clearances for few more schemes.

In the subsequent paras, the Commission shall discuss the actual cost as per audit report/cost as per submission of the Petitioner incurred till date and assets capitalised under different schemes vis-à-vis original approved cost of different schemes, as submitted by the Petitioner.

5.1.1 REC-Old Scheme

The Petitioner submitted that the original cost of 22 schemes under Old REC was Rs. 165.75 Crore, out of which 3 schemes were deleted later on. The loan amount sanctioned from REC was Rs. 139.43 Crore for the total project cost of Rs. 165.75 Crore with a Debt/Equity Ratio of 84:16 and counterpart funding in the form of equity was to be provided by the Government of Uttarakhand. The Petitioner also submitted that on account of actual survey and based on revised quantum of work, the total cost of remaining 19 schemes was revised to Rs. 306.03 Crore. The Petitioner had, accordingly, further approached REC to provide debt funding for the additional cost in the debt-equity ratio of 70:30 with the GoU providing the balance equity. Based on revised quantum of work, REC sanctioned the additional loan of Rs. 110.80 Crore.

Before discussing the REC-Old scheme, it would be relevant to point out the submission made by the Petitioner regarding the expenditure disallowed by the Commission in its last order. The Petitioner in its Petition has mentioned that the Commission had disallowed Rs. 16.88 Crore towards the cost of Construction of 132 kV Substation at Satpuli on the ground of non- submission of the Electrical Inspector's Certificate. The Petitioner further submitted that it has obtained the clearance certificate from the Electrical Inspector. However, when the Commission personally visited Satpuli during the month of December, 2010 it found that the Sub-station was not yet complete. Further, in one of the information furnished by the Petitioner during the proceedings, it was submitted that the sub-station was commissioned on 16.01.2011 and the clearance certificate for the same from Electrical Inspector was not yet obtained. This reflects gross negligence on the part of the Petitioner Company as it had made an incorrect statement before the Commission on an affidavit regarding the capitalisation of sub-station at Satpuli. The Commission cautions the Petitioner to check the facts before making any submission before the Commission.

The Commission during the course of the tariff proceedings directed the Petitioner to submit the status of the construction of 132 kV Satpuli-Kotdwar line and 132 kV Sub-Station at Simli. The Petitioner submitted that the 132 kV S/s Satpuli has been completed on 16.01.2011 and has been connected to 132 kV S/s Kotdwar through 132 kV Satpuli-Kotdwar line, however, the Electrical Inspector has so far not yet given the clearance to energised the sub-station. For 132 kV Sub-Station at Simli, the Petitioner has submitted the Electrical Inspector certificate and mentioned that the work of associated 132 kV Double Circuit Srinagar-II-Simli line is yet to be completed and currently the sub-station has been energized by 33 kV source due to the non-availability of aforesaid 132 kV line.

The Commission has accordingly, not considered the capitalization of two Projects under REC-Old Scheme, due to the reasons given below:

- Construction of 132 kV sub-station at Satpuli: Due to absence of clearance certificate from the Electrical Inspector.
- Construction of 132 kV Sub-Station at Simli : Due to under-utilisation of sub-station capacity as the associated 132 kV Double Circuit Srinagar-Simli line has not been completed.

The Commission directs the Petitioner to get prior clearance of the Electrical Inspector before charging the project or capitalising the same. The Commission would like to inform that for this tariff determination exercise, it is not making any correction due to the fact that the Electrical Inspector's clearance has been received subsequent to the date of capitalisation, however, from the ensuing tariff proceedings, the Commission would consider the date of capitalisation of new projects as the date on which clearance has been granted by the Electrical Inspector in accordance with the requirement of the Electricity Rules, 1956.

The Table below gives the details of various works undertaken under the REC old scheme alongwith the status of Electrical Inspector Clearance:

Table 5.1: REC Old Scheme – Scheme Wise Details

S. No	Projects	Status of Electrical Inspector Clearance	Date of Completion/ Energisation date	Date of Electrical Inspector Certificate/ Observation Report
1	Increasing Capacity of 132 kV Substations Bindal	Received	26-Apr-03	23-Jun-09 & 11-Mar-10
2	Increasing capacity of 220 kV substation Rishikesh	Received	25-Feb-04	1-Jul-09 & 11-Mar-10
3	Increasing Capacity of 132 kV Substations Rishikesh	Received	15-Mar-04	1-Jul-09 & 11-Mar-10
4	Increasing Capacity of 132 kV Substations Jwalapur	Received	24-May-03	18-Aug-09 & 11-Mar-10
5	Increasing capacity of 220 kV substation Haldwani	Received	10-Feb-04	20-Nov-09
6	Increasing Capacity of 132 kV Substations Bajpur	Received	15-Mar-04	16-Jan-10
7	Increasing Capacity of 132 kV Substations Roorkee	Received	7-May-03	11-Mar-10
8	Construction of 220 kV substation Roorkee	Received	11-Feb-05	11-Mar-10
9	LILO of 220 kV Rishikesh-Muzzaffarnagar line at 220 kV Substations Roorkee	Received	11-Feb-05	21-Jul-09 & 3/11/2010
10	Increasing capacity of 220 kV substation Chamba	Received	6-Nov-04	3-Dec-09
11	Construction of 220 kV Single Circuit Maneri Bhali-II to Rishikesh Line	Received	Charged on 23.04.09	16-Sep-09
12	Construction of 132 kV Satpuli-Kotdwar line	Received	Charged on 24.07.09	14-Sep-09
13	Construction of 132 kV Substation Simli	Received	Charged on 24.07.09	23-Oct-09 & 11-Mar-10
14	Construction of Bay at 220 kV Substation Rishikesh for 220 kV Maneri Bhali Stage-2	Received	Charged on 23.04.09	16-Sep-09

The project-wise original approved cost and the actual cost as per audit report submitted by the Petitioner and the capitalization considered by the Commission till FY 2010-11 as per the approach defined in Chapter 4 is given in the following Table:

Table 5.2: REC Old Scheme (Rs. Crore)

Year	Projects	Approved Cost	As per Audit Report/ PTCUL's submission	IDC as claimed by PTCUL	Capital Cost Considered by the Commission	IDC considered by the Commission	Total Cost Approved by the Commission
FY 2003-04	Increasing Capacity of 132 kV Substation Bindal	1.10	0.74	0.08	0.74	0.08	0.82
	Increasing capacity of 220 kV substation Rishikesh	7.08	7.08	0.00	7.08	0.00	7.08
	Increasing Capacity of 132 kV Substations Rishikesh	2.48	2.48	0.00	2.48	0.00	2.48
	Increasing Capacity of 132 kV Substation Jwalapur	1.10	1.46	0.00	1.10	0.00	1.10
	Increasing capacity of 220 kV substation Haldwani	4.64	3.68	0.00	3.68	0.00	3.68
	Increasing Capacity of 132 kV Substations Bajpur	2.19	2.01	0.00	2.01	0.00	2.01
	Increasing Capacity of 132 kV Substations Roorkee	1.41	1.61	0.00	1.41	0.00	1.41
	Sub-Total	**20.00**	**19.06**	**0.08**	**18.50**	**0.08**	**18.58**
FY 2004-05	Increasing capacity of 132 kV substation Haldwani	4.62	3.06	0.00	3.06	0.00	3.06
	LILO of 220 kV Rishikesh-Muzzaffarnagar line at 220 kV Substations Roorkee	0.15	0.01	0.00	0.01	0.00	0.01
	Increasing capacity of 220 kV substation Chamba	2.69	2.34	0.22	2.34	0.22	2.56
	Construction of 220 kV substation Roorkee	13.28	17.46	2.92	13.28	2.22	15.50
	Sub-Total	**20.74**	**22.86**	**3.15**	**18.69**	**2.45**	**21.13**
FY 2006-07	Construction of 132 kV bay at 132 kV sub-station Kotdwar	0.87	2.00	0.20	0.87	0.09	0.96
	Increasing Capacity of 220 kV Substation Maneri Bhali-I	2.69	2.46	0.51	2.46	0.51	2.97
	Sub-Total	**3.56**	**4.46**	**0.71**	**3.33**	**0.60**	**3.92**
FY 2009-10	Construction of 220 kV Single Circuit Maneri Bhali-II to Rishikesh Line	33.36	46.16	8.28	33.36	5.98	39.34
	Construction of bay at 220 kV S/s Rishikesh for 220 kV Maneri Bhali-II	0.96	0.62	0.04	0.62	0.04	0.66
	Construction of 132 kV Satpuli-Kotdwar line	12.93	38.83	5.30	12.93	1.76	14.70
	Sub-Total	**47.25**	**85.61**	**13.61**	**46.92**	**7.79**	**54.70**
	Total	**91.55**	**131.99**	**17.56**	**87.43**	**10.90**	**98.33**

The Petitioner in one of its submission has further projected that capital expenditure of Rs. 87.47 Crore would be capitalised till December 2011. The details of such projects and progress achieved till December 2010, is shown in the Table below:

Table 5.3: REC Old Scheme –Ongoing Projects (Rs. Crore)

S. No.	Projects	Original Cost	Revised Cost	Actual Expenditure	Physical Progress	Target date of commissioning
1	Construction of 132 kV SrinagarII- Satpuli line	14.28	40.47	42.39	93%	April 2011
2	Construction of 132 kV Double Circuit Srinagar II-Simli Line & LILO of 132 kV Srinagar I and Rishikesh Line at Srinagar II	22.26	89.51	45.08		December 2011
	Total	**36.54**	**129.98**	**87.47**		

Since Electrical Inspector's Clearance Certificate is a mandatory requirement for capitalization of any scheme, the Commission is not considering the above projects for the purposes of capitalization and not allowing capital related expenses in the ARR for FY 2011-12. The Commission shall, however, consider all such ongoing works which receive the Electrical Inspector's clearance and get commissioned during the FY 2010-11 itself, in the next tariff determination exercise, subject to the Petitioner justifying to the satisfaction of the Commission, the reasons of time and cost overruns, if any. Thus, the status of the total REC (old) Scheme is as given in the Table hereunder:

Table 5.4: Status of Original Costs of REC (Old) Schemes

S. No.	Projects	No.	Original Cost (Rs. Crore)
1.	Completed Schemes given in Table 5.2 and considered by the Commission	16	91.55
2.	Schemes capitalised but not considered by the Commission	02	14.54
3.	Ongoing schemes likely to be Commissioned in 2011-12 given in Table 5.3	02	36.54
4.	Schemes deleted	03	23.12
Total		**23**	**165.75**

5.1.2 NABARD Scheme

The Petitioner submitted that the original cost of NABARD Scheme was Rs. 225.93 Crore for which NABARD had sanctioned a loan of Rs. 176.45 Crore and the remaining cost was to be financed by GoU in the form of equity. However, out of the 21 schemes, 6 schemes having the project cost of Rs. 31.31 Crore were deleted later. The Petitioner further submitted that the total cost of the above Schemes were later on revised to Rs. 304.71 Crore which was sanctioned by NABARD in the same ratio as the earlier funding and that the GoU had also provided the counterpart funding by way of equity for the remaining cost.

In the present Petition, the Petitioner has submitted the updated status of various works/projects undertaken under the above scheme till FY 2010-11 in compliance with the directions of the Commission. From the information submitted, the Commission observes that the Petitioner has submitted Electrical Inspector's certificates against all the works capitalized under the NABARD scheme. The status of various works undertaken under the NABARD scheme alongwith the status of Electrical Inspector Clearance is shown in the Table below:

Table 5.5: NABARD Scheme – Scheme Wise Details

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

The project-wise original approved cost and the actual cost as per audit report/completed cost submitted by the Petitioner and IDC and the capitalization considered by the Commission till FY 2010-11 as defined in Chapter 4 is given in the following Table:

Table 5.6: NABARD Scheme (Rs. Crore)

Year	Scheme	Approved Cost	Cost as per Audit Report/PTCUL's submission	IDC as claimed by PTCUL	Capital Cost Considered by the Commission	IDC considered by the Commission	Total Cost Approved by the Commission
FY 2006-07	132 kV Substation Ramnagar	6.97	6.35	0.52	6.35	0.52	6.87
	LILO of 132 kV Double Ckt. Kalagarh-Kashipur-I Line at Ramnagar Substation	4.86	5.61	0.42	4.86	0.36	5.22
	400 kV Substation Kashipur	84.89	100.88	3.78	84.89	3.13	88.02
	LILO of 400 kV Rishikesh-Moradabad Line for 400 kV substation Kashipur	39.29	77.45	1.54	39.29	0.78	40.07
	132 kV Substation Ranikhet	6.69	8.62	0.32	6.69	0.24	6.93
	132 kV Almora Ranikhet Line	3.59	5.91	0.22	3.59	0.13	3.72
	132 kV Substation Bhagwanpur	7.99	9.71	0.41	7.99	0.34	8.33
	LILO of 132 kV Double Ckt. Roorkee Saharanpur-I for Bhagwanpur 132 kV Substation	1.09	2.77	0.08	1.09	0.03	1.12
	132 kV Substation Manglalore	7.99	11.70	0.35	7.99	0.24	8.23
	LILO of 132 kV Double Ckt. Roorkee Nahtaur-I Line at Mangalore	1.63	3.03	0.09	1.63	0.05	1.68
	132 kV Substation Jaspur	7.91	11.09	0.45	7.91	0.31	8.22
	LILO of 132 kV Double Ckt. Kalagarh Kashipur-II Line at Jaspur 132 kV Substation	0.37	0.59	0.01	0.37	0.00	0.37
	132 kV Substation Rudrapur	9.49	11.97	0.34	9.49	0.27	9.76
	Sub-Total	**182.76**	**255.67**	**8.52**	**182.14**	**6.39**	**188.53**
FY 2007-08	132 kV Substation Sitaraganj	8.68	15.58	0.57	8.68	0.32	9.00
	132 kV Sitaraganj-Kiccha Line	3.19	9.92	0.26	3.19	0.08	3.27
	Sub-Total	**11.87**	**25.60**	**0.83**	**11.87**	**0.40**	**12.27**
	Total	**194.63**	**281.27**	**9.35**	**194.01**	**6.79**	**200.80**

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

Continuing with the approach adopted in the Tariff Order for FY 2010-11, the Commission in the current tariff exercise has considered additional receipts from PFC for gap funding of NABARD Scheme which have been dealt with while calculating interest charges of the Petitioner.

5.1.3 REC New Scheme

The Petitioner submitted that it had drawn up a capital outlay of Rs. 217.56 Crore for 22 schemes under the New-REC scheme for which REC granted the approval to fund the entire cost of the schemes. The Petitioner also submitted that the work has been started on all the 22 schemes and out of which 11 schemes have already been completed by the end of FY 2009-10. Of the remaining 11 schemes, 4 are likely to be completed during the current FY 2010-11 and 5 schemes during the ensuing FY 2011-12 and 2 schemes are likely to be deleted.

This scheme has the approval of the Commission for Rs. 221.02 Crore against Rs. 217.56 Crore submitted by the Petitioner. In the Tariff Order for the FY 2010-11, for this scheme also, the Commission had considered only such expenditures for capitalization for the FY 2007-08, FY 2008-09 and FY 2009-10 for which Electrical Inspector's Certificates were made available. During the course of the proceedings, PTCUL submitted the updated status of various works/projects being undertaken under this scheme till FY 2010-11.

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

Table 5.7: REC New Scheme – Scheme Wise Details

S. No	Project	Status of Electrical inspector Clearance	Date of Energisation	Date of EI Certificate Report
1	Construction of 4 Nos 132 KV Bay at 132 kV S/S Kotdwar	Not received	21-Sep-06	Works completed prior to FY 2007-08
2	LILO of 132 kV Kashipur Jaspur line at 400 kV S/s Kashipur	Received	12-Feb-07	8-Apr-10
3	LILO of 132 kV Kashipur Ramnagar line at 400 kV S/S Kashipur	Received	30-Sep-06	8-Apr-10
4	LILO of 132 kV Kiccha Pantnagar Line at Rudrapur	Received	5-Aug-06	24-Dec-09
5	Upgradation of 132/33 kV Mazra Substation	Received	16-Oct-06	23-Jun-09 & 11-Mar-10
6	Upgradation of 132/33 kV Purkul Substation	Received	6-Nov-06	1-Jul-09 & 11-Mar-10
7	132 kV Substation Laksar	Received	16-Jul-07	18-Jul-07
8	LILO of 132 kV Roorkee - Nehtaur - I line for 132 kV S/s Laskar	Received	16-Jul-07	18-Jul-07
9	LILO of 132 kV Dohana -Khatima line at 132 kV S/s Sitarganj	Received	25-Aug-07	7-Oct-09
10	Upgradation of 132/66/33 kV Haldwani Substation	Received	2-Dec-08	2-Dec-09
11	132 kV line from 400 kV S/s Kashipur to Bazpur	Received	17-Jan-10	2010
12	220 kV S/C Barhani - Pantnagar line	Received	7-Apr-10	16-Jan-10
13	220 kV Kashipur - Barhani D/C line	Received	1-Jan-11	29-Jan-11

The Petitioner has not submitted the Clearance certificate from the Electrical Inspector for construction of 4 Nos 132 KV Bay at 132 kV S/S Kotdwar which have been indicated as energised on September 21, 2006. This issue was discussed during the second technical validation session held with the Petitioner. It was submitted by the Petitioner that no separate clearance is required for the construction of bay and the clearance is deemed to have been accorded when the line is cleared. However, Electricity Rules, 1956 requires clearance of Electrical Inspector for all the HT works before charging the same and it includes clearance of bay also. Further, this was also confirmed from the Electrical Inspector who affirmed the Commission's stand that separate clearance for the bay is also required and that it has never cleared the bays at Kotdwar. Hence, the same has not been allowed by the Commission. **The Petitioner is directed to approach the Electrical Inspector to get the bays cleared and submit the certificate to the Commission in the next tariff proceedings alongwith the status of utilisation of the 4 bays at Kotdwar and the Commission would consider the same in the next tariff determination exercise along with the truing up of capital related expenses.** The project-wise original approved cost and the actual cost as per audit report/completed cost submitted by the Petitioner and IDC and the capitalization considered by the Commission till FY 2010-11 as per approach defined in Chapter 4 is given in the following Table:

Table 5.8: REC New Scheme (Rs. Crore)

Year	Projects	Approved Cost	Cost as per Audit Report/PTCUL's submission	IDC as claimed by PTCUL	Capital Cost Considered by the Commission	IDC considered by the Commission	Total Cost Approved by the Commission
FY 2006-07	LILO of 132 kV Kiccha Pantnagar Line at Rudrapur	1.71	1.56	-	1.56	-	1.56
	Upgradation of 132/33 kV Mazra Substation	6.28	6.26	-	6.26	-	6.26
	Upgradation of 132/33 kV Purkul Substation	2.58	2.45	-	2.45	-	2.45
	LILO of 132 kV Kashipur Jaspur line at 400 kV S/s Kashipur	1.03	1.44	-	1.03	-	1.03
	LILO of 132 kV Kashipur Ramnagar line at 400 kV S/s Kashipur	0.34	0.93	-	0.34	-	0.3
	Sub-Total	**11.94**	**12.65**	**-**	**11.65**	**-**	**11.65**
FY 2007-08	132 kV Substation Laksar	13.22	10.78	0.19	10.78	0.19	10.98
	LILO of 132 kV Roorkee - Nehtaur - II line for 132 kV S/s Laskar	0.35	0.60	0.01	0.35	0.01	0.35
	LILO of 132 kV Dohana -Khatima line at 132 kV S/s Sitarganj	8.55	6.90	0.12	6.90	0.12	7.02
	Sub-Total	**22.11**	**18.28**	**0.32**	**18.03**	**0.32**	**18.35**
FY 2008-09	Upgradation of 132/66/33 kV Haldwani Substation	2.92	2.54	0.61	2.54	0.61	3.16
	Sub-Total	**2.92**	**2.54**	**0.61**	**2.54**	**0.61**	**3.16**
FY 2009-10	132 kV line from 400 kV S/s Kashipur to Bazpur	5.64	5.34	2.30	5.34	2.30	7.63
	Sub-Total	**5.64**	**5.34**	**2.30**	**5.34**	**2.30**	**7.63**
FY 2010-11	220 kV S/C Barhani - Pantnagar line	19.50	13.94	5.77	13.94	5.77	19.71
	220 kV Kashipur - Barhani D/C line	17.93	**9.19**	**5.61**	9.19	**5.61**	14.80
	Sub-Total	**37.43**	**23.13**	**11.38**	**23.13**	**11.38**	**34.51**
	Total	**80.05**	**61.95**	**14.61**	**60.70**	**14.60**	**75.30**

The Petitioner in one of its submission has further projected the works which would be completed under REC-New scheme during FY 2010-11, FY 2011-12 and FY 2012-13. The following Table shows the summary of works proposed to be completed in FY 2010-11, FY 2011-12 and FY 2012-13:

Table 5.9: REC-NEW Scheme –Ongoing Projects (Rs. Crore)

Year	Projects	Original Cost	Revised Cost	Target date of commissioning
2010-11	Construction of 132 kV Bays at Almora and Pithoragarh	2.48	1.68	March 2011
	Sub-Total	**2.48**	**1.68**	
2011-12	LILO 132 kV Rishikesh-Srinagar Line at 132 kV Substations Srinagar-II	1.20	1.05	April 2011
	Construction of 1 SLDC at Dehradun & 2 SLDC at Kashipur & Rishikesh	51.92	51.92	August 2011
	LILO of 132 kV Almora - Pithoragarh line at 220 kV S/s at Pithoragarh (Power Grid)	4.02	5.46	December 2011
	132 kV Ranikhet Bageshwar Line for 132 kV S/s at Bageshwar	18.79	25.90	March 2012
	Construction of 132 kV S/s at Bageshwar (30 MVA)	15.41	13.93	March 2012
	Sub-Total	**91.34**	**98.26**	
2012-13	Construction of 132 kV Sub-station at Srinagar-II	21.69	19.77	December 2012
	Sub-Total	**21.69**	**19.77**	
	Total	**115.51**	**119.70**	

However, in accordance with the approach taken by the Commission in the previous Tariff Order, the Commission is not considering capitalization of above projects as the work is still not complete and the clearance of the Electrical Inspector is yet to be obtained. In case, any of the ongoing projects, after receiving the Electrical Inspector's clearance get Commissioned during FY 2010-11 itself, the Commission would consider capitalisation of the same in the next tariff determination exercise along with the truing up of capital related expenses for FY 2010-11 subject to the Petitioner justifying to the satisfaction of the Commission, the reasons of time and cost overruns, if any. Thus, the status of the total REC (New) Scheme is as given in the Table hereunder:

Table 5.10: Status of Original Costs of REC (New) Schemes

S. No.	Scheme	No.	Original Cost (Rs. Crore)
1	Completed Schemes as given in Table 5.8	12	80.05
2	Schemes capitalised but not considered by the Commission due to clearance not given by Electrical Inspector	1	4.30
3	Ongoing schemes likely to be Commissioned in FY 2010-11, FY 2011-12 & FY 2012-13 given in Table 5.9	7	115.51
4	Schemes Deleted	2	21.17
Total		**22**	**221.02**

5.1.4 REC-IV Scheme

The Petitioner submitted that it had identified 23 schemes with the total capital outlay of 338.12 Crore. REC had approved the scheme for Rs. 236.44 Crore consisting of loan component of Rs. 165.50 Crore and the balance as equity to be funded by GOU amounting to Rs. 70.93 Crore. The debt-equity structure of the scheme is 70:30. The Petitioner also submitted that out of the total 23 projects, 3 projects had already been completed till the end of FY 2009-10, 8 Projects are likely to be completed during the FY 2010-11, further 8 Projects are expected to be completed in FY 2011-12 and the remaining Projects would be completed in subsequent financial years.

The Petitioner has filed a Petition seeking investment approval for the scheme, however, the said Petition had some infirmities and the Commission vide letter no. 2033/UERC/Tech dated 25.02.2011 had sought additional information/justifications from the Petitioner. The Petitioner has not submitted the requisite information to the Commission. **The Commission, therefore, directs the Petitioner to submit all the requisite information sought by the Commission within 1 month of the date of the Order so that the Commission may scrutinise the works and grant approval to the same.** As the Commission is yet to approve the REC-IV Scheme, expenditure under REC-IV scheme are not being considered for tariff determination exercise for FY 2011-12. The Commission may, however, consider capitalisation under the schemes subject to its approval by it and the Petitioner complying with the requirements of the Act, Rules, Regulations, etc.

5.1.5 REC-V Scheme

The Petitioner has submitted that it had drawn up a capital outlay of Rs. 150.69 Crore covering 5 projects. The scheme was approved by REC for Rs. 137.94 Crore having loan component of Rs. 96.66 Crore and Equity of Rs. 41.28 Crore, maintaining Debt Equity ratio of 70:30.

The Petitioner has filed a Petition seeking investment approval for the scheme, however, the said Petition had some infirmities and the Commission vide letter no. 2033/UERC/Tech dated 25.02.2011 had sought additional information/justifications from the Petitioner. The Petitioner has not submitted the requisite information to the Commission. **The Commission therefore directs the Petitioner to submit all the requisite information sought by the Commission within 1 month of the date of the Order so that the Commission may scrutinise the works and grant approval to the same.** As the Commission is yet to approve the REC-IV Scheme, expenditure under REC-IV scheme are not being considered for tariff determination exercise for FY 2011-12. The Commission may, however, consider capitalisation under the schemes subject to its approval by it and the Petitioner complying with the requirements of the Act, Rules, Regulations, etc.

5.1.6 PFC Scheme

The Petitioner has drawn up a capital outlay of Rs. 7.44 Lakh which has been sanctioned by PFC. The Petitioner has submitted the details of the Scheme for approval, which is under scrutiny by the Commission. As the Commission is yet to approve the PFC Scheme, expenditure under PFC scheme are not being considered for tariff determination exercise for FY 2011-12.

5.1.7 Other than schemes

Apart from the assets capitalised under REC financed Old and New Schemes as well as NABARD Scheme, the Petitioner has submitted the details of assets which have not been funded from the schemes which mainly constitute the system strengthening works and purchase of miscellaneous assets like furnitures and fixtures, office equipments, etc. The Commission has considered the actual asset capitalisation for these assets as submitted by the Petitioner as the cost of these schemes is below Rs. 2.50 Crore, and does not require separate prior approval of the Commission. The following Table shows the expenditure under this categorisation:

Table 5.11: Other than Scheme Details (Rs. Crore)

Year	Expenditure
2007-08	0.20
2008-09	0.75
2009-10	0.52
Total	**1.47**

5.1.8 GFA including Additional Capitalisation

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

Table 5.12: GFA including Additional Capitalization (Rs. Crore)

S.No	Particulars	2009-10	2010-11
1	**Opening Value**	**491.50**	**537.09**
2	**Additions in the year**	-	-
i	REC Old Schemes	54.70	0.00
ii	NABARD Schemes	-	-
iii	REC II Schemes	7.63	34.51
iv	REC IV Schemes	-	-
v	Other Schemes	-	-
	Grants etc	-	-
	SIDCUL Deposit Works	-	-
	APDRP	-	-
	Other than Schemes	0.52	-
	Total Additions during the year	62.86	34.51
3	Less Deletions during the year	17.26	-
4	**Closing Value**	**537.09**	**571.60**

The opening value of the GFA for FY 2011-12, accordingly, works out to be Rs. 571.60 Crore as against Rs. 923.79 Crore claimed by the Petitioner.

5.2 Financing of Capital Assets

Regulation 15(5) of the Tariff Regulations on financing of projects, stipulates that:

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

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

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

The Table below shows the means of financing, which is similar as considered by the Commission in the previous tariff order for different schemes:

Table 5.13: Means of Finance for Additional Capitalisation

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

Based on the above, the Commission has determined the debt and equity components for the different schemes till March 31, 2011, as given below:

Table 5.14: Approved Means of Finance

S. No.	Particulars	FY 2009-10					FY 2010-11				
		Cap. Res	Grant	Loan	Equity	Total	Cap. Res.	Grant	Loan	Equity	Total
1	Opening Value	119.83	90.09	233.76	47.82	491.50	102.57	90.09	286.58	57.85	537.09
2	Additions in the year	-	-	-	-	-	-	-	-	-	-
i	REC Old Schemes	-	-	44.83	9.88	54.70	-	-	-	-	-
ii	NABARD Schemes	-	-	0.00	0.00	0.00	-	-	-	-	-
iii	REC II Schemes	-	-	7.63	0.00	7.63	-	-	34.51	-	34.51
iv	Other Schemes	-	-	0.37	0.16	0.52	-	-	-	-	-
	Total Additions during the year	-	-	52.83	10.03	62.86	-	-	34.51	-	34.51
3	Less: Deletions during the year	17.26	-	-	-	17.26	-	-	-	-	-
4	**Closing Value**	**102.57**	**90.09**	**286.58**	**57.85**	**537.09**	**102.57**	**90.09**	**321.10**	**57.85**	**571.60**

5.3 Depreciation

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

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

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

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

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

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

The Petitioner has computed depreciation as per the rates provided in the Regulations and for FY 2011-12 these rates have been applied on the pro-rata basis as provided in the Regulations for different block of fixed assets. Accordingly, the Petitioner has claimed Rs. 38.22 Crore of depreciation on net GFA of Rs. 1247.03 Crore for FY 2011-12. The Petitioner has submitted the actual depreciation charges as Rs. 15.86 Crore for FY 2009-10. For FY 2009-10, the Petitioner has submitted that the depreciation has been calculated as per the actual capitalisation of assets. In the provisional accounts for FY 2009-10, the assets have been capitalised from the date of energisation/put to use and depreciation has accordingly been calculated on pro-rata basis.

The Commission directed the Petitioner to submit depreciation computations for FY 2009-10, FY 2010-11 and FY 2011-12 based on the depreciation rates specified in the Regulations for each class of asset. However, the Petitioner has not submitted these details. Since for various reasons as recorded in the different Tariff Orders, the capitalization as allowed by the Commission differs from the capitalization as claimed by the Petitioner, the Commission has been allowing depreciation on the gross block at the beginning of the year at the weighted average rate. The Commission has estimated this weighted average rate to be 2.99% based on the weighted average rate of depreciation for FY 2009-10 on actual asset categorisation submitted by the Petitioner.

For the purpose of truing up the depreciation charges for FY 2009-10, the Commission has considered the weighted average rate of 2.99%. Based on the above, the Commission approves the depreciation of Rs. 12 Crore for FY 2009-10 on depreciable GFA excluding grants.

For FY 2011-12, the Commission has computed depreciation at the same weighted average rate of 2.99% as considered by the Commission for FY 2009-10. The depreciation rate will be trued up when actual asset categorisation for FY 2011-12 is available. The depreciation allowed on the depreciable GFA excluding grants, accordingly, works out to Rs. 14.40 Crore for FY 2011-12 as against the depreciation claimed by the Petitioner of Rs. 38.22 Crore. The summary of Depreciation Charges for FY 2009-10 and FY 2011-12 as approved by the Commission is shown in the Table below:

Table 5.15: Depreciation charges approved by the Commission (Rs. Crore)

Particulars	FY 2009-10				FY 2011-12			
	Opening GFA	Grants	Depreciable GFA	Depreciation	Opening GFA	Grants	Depreciable GFA	Depreciation
1. Old Assets	119.83	-	119.83	3.58	102.57	-	102.57	3.07
2. (i) REC old Scheme	43.64	-	43.64	1.30	98.34	-	98.34	2.94
(ii) NABARD Scheme	200.80	-	200.80	6.00	200.80	-	200.80	6.00
(iii) REC new Scheme	33.16	-	33.16	0.99	75.30	-	75.30	2.25
(iv) Other Schemes								
Grants	0.68	0.68	-	-	0.68	0.68	-	-
SIDCUL Deposit Works	82.19	82.19	-	-	82.19	82.19	-	-
APDRP	8.02	7.22	0.80	0.02	8.02	7.22	0.80	0.02
Other than schemes (normative loan)	3.19	-	3.19	0.10	3.71	-	3.71	0.11
Total	**491.50**	**90.09**	**401.42**	**12.00**	**571.60**	**90.09**	**481.52**	**14.40**

5.4 Advance against Depreciation

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

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

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

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

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

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

The Petitioner has claimed the advance against depreciation on the basis that the depreciation expenses are not adequate to meet the repayment of loan during the FY 2011-12. Accordingly, the Petitioner has claimed AAD of Rs. 11.62 Crore for FY 2011-12.

The Commission has considered Regulation 19 of UERC Tariff Regulations, 2004 for working out allowable Advance Against Depreciation (AAD). The Commission has considered the loans corresponding to capitalised GFA under each scheme as detailed in financing portion above irrespective of actual loans. The Commission noted that due to moratorium available on repayments for the loans taken under different schemes, the actual repayment is linked with the date of release of the loan tranche irrespective of actual date of capitalisation of asset created. Since the Commission is considering loans only on the date of capitalisation for working out interest, it can allow repayments only after the loan is recognized upon capitalisation of asset. Accordingly, for those tranches of loan where the actual repayment starts on or after the date of capitalisation, the Commission has considered actual repayments and for tranches of loan where repayments starts before the date of capitalisation, repayments have been assumed to start from the date of loan capitalisation over the approved loan tenure. The repayments have, therefore, been taken as lower of the normative repayments after the date of capitalisation and actual repayments due as per drawl schedule. On the basis of the above, the Commission has reworked the advance against depreciation for FY 2009-10 which works out to Rs. 16.66 Crore. For FY 2011-12, the Commission has allowed Rs. 17.71 Crore as advance against depreciation. The details of the advance against depreciation approved by the Commission for FY 2009-10 and FY 2011-12 are shown in the Table below:

Table 5.16: Advance Against Depreciation charges for FY 2009-10 and FY 2011-12 (Rs. Crore)

S.No.	Particulars	FY 2009-10			FY 2011-12	
		Approved	Actual	Approved after truing up	Projected	Approved
1	1/10th of the Loan	29.83	52.97	28.66	92.70	32.11
2	Repayment of the Loan(s) as considered for working out interest on Loan	37.37	24.01	37.39	49.85	50.41
3	**Minimum of the above**	**29.83**	**24.01**	**28.66**	**49.85**	**32.11**
4	Less: Depreciation during the year	15.57	15.86	12.00	38.22	14.40
5	**(A) = 3 – 4**	**14.26**	**8.15**	**16.66**	**11.62**	**17.71**
6	Cumulative Repayment of the Loan(s) as considered for working out Interest on Loan	84.24	107.27	83.34	252.10	180.70
7	Less: Cumulative Depreciation	65.03	65.31	55.45	120.03	83.73
8	(B) = 6 - 7	19.21	41.96	27.89	132.07	96.98
9	**Advance Against Depreciation (Minimum of A & B)**	**14.26**	**8.15**	**16.66**	**11.62**	**17.71**

5.5 Interest on Loans

For the FY 2009-10, FY 2010-11 and FY 2011-12, the Petitioner has claimed net interest (i.e. excluding interest capitalized) of Rs. 26.50 Crore, Rs. 29.29 and Rs. 40.49 Crore respectively on the basis of long term liabilities identified in the provisional accounts for FY 2009-10 and fresh loans drawn in the current financial year till November 2010 and projected loans to be drawn over the remaining period of FY 2010-11 and during FY 2011-12 under the Old REC, New REC schemes, NABARD, REC-IV, REC-V and PFC Schemes.

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

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

The Commission has worked out the Interest and Finance Charges considering the loan amount corresponding to assets capitalised in each year based on the approved means of finance. Interest rates for estimating interest for FY 2011-12 on loans from financial institutions have been taken as the actual rates submitted by the Petitioner for FY 2009-10. Rate of interest on normative loans have been considered as the weighted average rate of interest on actual loans. However, any variation in the interest due to change in rate of interest shall be trued up while carrying out the truing up for FY 2011-12. The repayment of loans for working out the interest on REC and NABARD loans have been taken as lower of the normative repayments after the date of capitalisation worked out by the Commission and actual repayments due as per drawl schedule as detailed in para 5.4 of this Order. For normative loans considered for funding of other Schemes, the Commission has considered a weighted average interest rate of other long term loans for that particular year and a normative repayment period of 10 years. The Commission has also computed interest on loan disbursed by PFC for shortfall of NABARD Loan to the extent required in accordance with the approach adopted in the previous Tariff Orders for FY 2009-10 and FY 2010-11.

Based on the loans and repayment considered and interest rates adopted by the Commission, the interest liability of the Petitioner for FY 2009-10 and FY 2011-12 has been calculated, the details of which are indicated in the Table given below:

Table 5.17: Interest Charges for FY 2009-10 (Rs. Crore)

S. No.	Source	Opening Balance			Receipts during the Year	Repayments during the Year	Closing Balance			Rate of Interest (%)	Interest
		Cumulative Loan	Cumulative Repayment	Net Loan			Cumulative Loan	Cumulative Repayment	Net Loan		
1	Old REC	35.76	15.18	20.58	44.83	3.58	80.59	18.76	61.83	10.65%	2.00
2	NABARD	161.81	29.56	132.25	-	30.16	161.81	59.72	102.09	6.50%	7.62
3	New REC	33.16	-	33.16	7.63	3.32	40.79	3.32	37.47	10.39%	3.27
4	REC IV	-	-	-	-	-	-	-	-		-
5	Others	3.03	1.21	1.83	0.37	0.34	3.40	1.55	1.86	7.70%	0.13
6	PFC	-	-	-	13.98	-	13.98	-	13.98	11.50%	0.80
Total		**233.76**	**45.95**	**187.81**	**66.81**	**37.39**	**300.56**	**83.34**	**217.22**		**13.82**

Table 5.18: Interest Charges for FY 2011-12 (Rs. Crore)

S.No	Source	Opening Balance			Receipts during the Year	Repayments during the Year	Closing Balance			Rate of Interest (%)	Interest
		Cumulative Loan	Cumulative Repayment	Net Loan			Cumulative Loan	Cumulative Repayment	Net Loan		
1	Old REC	80.59	26.82	53.77	-	8.06	80.59	34.88	45.71	10.65%	5.30
2	NABARD	161.81	94.20	67.61	-	34.48	161.81	128.68	33.13	6.50%	3.27
3	New REC	75.30	7.39	67.91	-	7.53	75.30	14.92	60.38	10.39%	6.66
4	REC IV	-	-	-	-	-	-	-	-	0.00%	-
5	Others	3.40	1.89	1.52	-	0.34	3.40	2.23	1.18	9.28%	0.12
6	PFC	32.28	-	32.28	18.30	-	50.58	-	50.58	11.50%	4.76
Total		**353.37**	**130.30**	**233.08**	**18.30**	**50.41**	**371.67**	**180.70**	**190.97**		**20.12**

Thus, the Commission has approved a total interest burden of Rs. 13.82 Crore and Rs. 20.12 Crore for FY 2009-10 and FY 2011-12 respectively.

The Commission has also computed the guarantee fees to be paid by the Petitioner on the outstanding loan. The Petitioner has considered the guarantee fee as part of A&G expenses. However, the same should be considered as financing charges and should be included in interest and financing charges. The guarantee fee is payable on loans for which the GoU has given guarantee and is calculated on the outstanding balance of loan at the end of the year. The Petitioner had considered the total guarantee fee of Rs. 6.21 Crore and 1.66 Crore for FY 2009-10 and FY 2011-12 respectively on REC old loans and loans granted by REC for REC-IV scheme. For FY 2009-10, Rs. 6.21 Crore had been provided by the Petitioner towards guarantee fee which included the provision of Rs. 0.74 Crore which was the amount payable during FY 2002-03, FY 2003-04 and FY 2004-05 and which was paid by UPCL and cannot be allowed as cost of PTCUL. Hence, the Commission has not considered the amount of guarantee fee payable for FY 2002-03 and FY 2003-04 when the same has already been paid by UPCL. Similarly, REC-IV scheme has not yet been approved by the Commission and the Petitioner should not have drawn the loan without getting the Scheme approved by the Commission. It is unfortunate that instead of waiting for the investment approval by the Commission, the Petitioner has gone ahead with construction of the works. In this context, it would be relevant to refer Regulation 53(1) of UERC (Conduct of Business) Regulations, 2004 which specifies as under:

"(1) Unless otherwise directed by the Commission, every licensee shall obtain prior approval of the Commission for making investment in the licensed business if such investment is above the limits laid down by the Commission in the Licence Conditions."

The Petitioner is hereby directed to take note of its duties listed under the Act, Regulations, etc. and ensure compliances of the same, failing which the implication of the same would be to its account. Since, the REC-IV scheme has not been approved by the Commission, guarantee fee on the same is not allowed. For FY 2009-10, the Commission has allowed the guarantee fee for FY 2005-06 to FY 2009-10 as this was not allowed to the Petitioner earlier & is payable. Thus, the total guarantee fee approved for FY 2009-10 and FY 2011-12 worked out on the closing balance of the REC old loan is Rs. 4.55 Crore and Rs. 0.49 Crore respectively. Thus, considering the Guarantee fees approved above, total interest and financing charges approved for FY 2009-10 and FY 2011-12 is Rs. 18.37 Crore and Rs. 20.62 Crore respectively.

5.6 Return on Equity

The Petitioner in its Petition has submitted that pending finalisation of its transfer scheme its equity has not been ascertained by GoU. On finalisation of the capital structure, as part of the finalized Transfer Scheme, the Petitioner would approach the Commission for claiming Return on Equity on the transfer value of equity funds. In the Petition, the Petitioner has claimed RoE on the contribution made by GoU on the assets capitalised or likely to be capitalised during FY 2010-11. The Petitioner, further submitted that GoU made regular counterpart equity contributions against capital expenditure under Old REC and NABARD Schemes over FY 2004-05 to FY 2009-10. The Petitioner further submitted that in its books of accounts it is showing the contribution received from the Government out of PDF fund as equity provided by the GoU for creation of assets. It has claimed a RoE of Rs. 24.50 Crore for the FY 2011-12 on the contribution made by GoU from time to time out of PDF fund for creation of various assets upto 31.03.2011 from the date of transfer, i.e. 01.05.2004 by considering 14% as the rate of return on equity. The Petitioner further submitted that as per Generally Accepted Accounting Practices (GAAP), it is bound to provide a return to its shareholders irrespective of the source from where the shareholder has acquired money.

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

Meanwhile, the Commission received a letter from Additional Secretary (Power), GoU wherein the Commission was requested to allow RoE on equity transferred to the Petitioner from PDF. In one of its submission made before the Commission, the Petitioner also requested the Commission to allow it return on normative basis on the value of assets inherited by it from UPCL.

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

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

Further, since the Commission in its previous Tariff Order for FY 2009-10 and FY 2010-11 had not allowed any return on funds provided by GoU out of money recovered from consumers by way of PDF for reasons spelt out in the said Orders, at present also, there seems no reason to revisit this issue and the Commission is, therefore, not allowing any return on equity utilized for creation of assets funded out of PDF.

Further, regarding the submission of the Petitioner that return should be allowed to it on normative basis on assets inherited from UPCL, it would be relevant to take note of the submission of the Petitioner in this Petition as well as previous Petitions that pending finalisation of its transfer scheme, its equity has not been ascertained by GoU. On finalisation of the capital structure, as part of the finalized Transfer Scheme, the Petitioner would approach the Commission for claiming Return on Equity on the transfer value of equity funds. Moreover, in its Balance Sheet the Petitioner itself has considered the difference between assets transferred and liabilities inherited from UPCL amounting to Rs. 188.81 Crore as interest free unsecured loan and return is not allowed on loans. Further, this issue is linked to the finalisation of the transfer scheme not only between UPCL and PTCUL but also linked to UPPCL and UPCL. Hence, unless the said transfer schemes are finalised and notified by the GoU, the Commission feels it appropriate to maintain status quo in the matter. Accordingly, the Commission has allowed the return on equity only on the opening normative equity of Rs. 0.96 Crore and Rs. 1.11 Crore for FY 2009-10 and FY 2011-12 respectively which at the rate of 14% works out to Rs. 0.13 Crore for FY 2009-10 and Rs. 0.16 Crore for FY 2011-12.

5.7 Operation and Maintenance (O&M) expenses

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

In response to the above, the Petitioner submitted the details of actual employee expenses (salary details), A&G expenses and R&M expenses for the first eight months of FY 2010-11 which included the amount paid towards arrears also. Subsequently, the Petitioner also submitted the actual salary details for the months of March 2010 to January 2011 and arrears paid in FY 2009-10.

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

5.7.1 Employee Expenses

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

The Petitioner has submitted that it has estimated the Salaries (which includes Basic Salary and Grade Pay) for FY 2011-12 by increasing the salaries for FY 2009-10 by 3% to account for annual increments to work out the estimated cost for FY 2010-11 which was again escalated by 3% to project the salaries for FY 2011-12. However, on examining the calculation submitted by the Petitioner, it was observed that the escalation rate has been considered as 5% instead of 3% mentioned by the Petitioner. Further, this method had a major flaw. The salaries considered by the Petitioner for estimating the basic salary for FY 2011-12 includes a component of arrears paid towards implementation of VI Pay Commission as is evident from the fact that gross salary for FY 2009-10 for existing employees which had a component of VI Pay Commission arrear was Rs. 47.87 Crore which became Rs. 55.89 Crore for FY 2010-11 and Rs. 66.07 Crore for FY 2011-12.

For estimating the employee expenses for FY 2011-12, the Commission first analysed the employee cost for existing employees for FY 2010-11 based on employee cost details for the first ten months of FY 2010-11 from April, 2010 to January, 2011 submitted by the Petitioner. However, on detailed analysis of the information submitted by the Petitioner, the Commission observed that the actual salary details submitted by the Petitioner were inclusive of the Sixth Pay Commission arrears which cannot be considered for projecting the employee expenses for FY 2011-12. Therefore, the Commission has projected the Employee Expenses for FY 2011-12 based on actual employee expenses for FY 2009-10 after duly escalating the same.

Thus, for estimating the basic salaries for FY 2011-12, the Commission considered the actual salary details excluding arrears of Sixth Pay Commission submitted by the Petitioner for FY 2009-10 which were Rs. 34.91 Crore. The Commission first projected the basic salaries for the FY 2010-11 considering an increment of 3% on the basic salary in the month of July 2010 and another 3% in the month of January 2011 for 50% of employees at a time. After estimating the Basic Salary for FY 2010-11 on the above basis, the Commission, for projecting the basic salaries for FY 2011-12 considered an increment of 3% on the basic salary in the month of July 2011 and another 3% in the month of January 2012 for 50% of employees at a time.

The Commission also considered an enhanced DA rate of 51% for the first three months, 60% for the next six months and 67% for the balance 3 months of FY 2011-12. As regards other allowances/expenses, the same were estimated by escalating the actual allowances/expenses for FY 2009-10 @ 6.28% which is the escalation rate considered by the Commission for FY 2011-12 in accordance with Uttarakhand Electricity Regulatory Commission (Terms and Conditions for Determining Escalation Factor) Regulations, 2008. The Commission further estimated the leave encashment and leave salary contributions in the same proportion of actual for FY 2009-10. Further, terminal benefits were estimated in the same proportion of the salary as was considered in the previous Order.

Further, the Petitioner in its Petition submitted that it would be recruiting 67 employees in FY 2010-11 and 60 employees during FY 2011-12 at different scales of pay. During the second TVS held with the Petitioner, the status of proposed recruitment was confirmed from the Petitioner. The Petitioner confirmed that no recruitment took place in FY 2010-11 and that it proposes to recruit all the 127 employees in FY 2011-12. The Commission has, thus, also estimated the employee expenses for the additional 127 employees for FY 2011-12 considering the initial basic salary and grade pay of the scale to which they would be recruited. Further, DA rate has been taken as mentioned in the Para above. Other allowances and employer's contribution has been estimated based on average projected salary of existing 909 employees for FY 2011-12. Employer's contribution towards EPF has been projected at 13.61% of their basic salary and DA and provision for gratuity has been made equivalent to 15 days salary in accordance to the claim of the Petitioner.

The Commission has computed capitalisation for FY 2011-12 in proportion to the actual capitalisation details submitted by the Petitioner for FY 2009-10. The Commission also noted that the Petitioner is maintaining separate records for its employees working on projects. The Commission has, accordingly, deducted the salary for UITP employees as submitted by the Petitioner from the net employee cost for FY 2011-12 to project the employee cost attributable to PTCUL other than UITP.

The Commission has further considered an arrear payment liability of Rs. 6.48 Crore for FY 2009-10 on basis of the details of the actual arrears paid by the Petitioner for FY 2009-10. For FY 2011-12, the Commission has considered the arrears payment liability in proportion to the arrears paid by the Petitioner for FY 2009-10.

The following Table shows the summary of the claimed and approved employee expenses for FY 2009-10 and FY 2011-12:

Table 5.19: Employee cost for FY 2009-10 (Rs. Crore)

S.No.	Item	Approved	Claimed	Approved on truing up
1	Salaries	20.56	29.90	23.42
2	Dearness Allowance	5.47	6.18	6.18
3	Other allowances	5.54	1.69	1.69
4	Bonus / exgratia	0.35	0.27	0.27
	Sub-total (1 to 4)	**31.91**	**38.04**	**31.56**
5	Medical reimbursement	-	0.22	0.22
6	Leave Travel Assistance	-	-	-
7	Interim Relief	-	-	-
8	Earned Leave encashment	2.18	2.39	2.39
9	Leave salary contribution		1.57	1.57
10	Payment under Workmen's Compensation Act	-	-	-
11	Other Cost	-	0.04	0.04
12	Staff welfare expenses	-	0.05	0.05
	Sub-total (5 to 12)	**2.18**	**4.26**	**4.26**
13	Employer's contribution towards pension & gratuity	4.39	3.92	3.92
14	Employer's contribution towards EPF		1.65	1.65
	Gross Employee cost	**38.49**	**47.87**	**41.39**
	Less: Capitalization	3.50	6.85	6.85
16	**Net charged to Revenue**	**34.98**	**41.02**	**34.54**
17	**Arrears of Salary (VI Pay Commission)**	**6.14**	**-**	**6.48**
18	Less: Salary for UITP Projects	1.12	1.82	1.82
	Net charged to Revenue	**40.01**	**39.20**	**39.20**

Table 5.20: Employee cost for FY 2011-12 (Rs. Crore)

S.No.	Item	Proposed			Approved		
		For Existing Employees	For Additional Manpower	Total Empl. Cost	For Existing Employees	For Additional Manpower	Total Empl. Cost
1	Salaries	32.54	1.15	33.69	24.48	1.12	25.61
2	Dearness Allowance	9.15	0.69	9.83	14.58	0.67	15.25
3	Other allowances	2.40	0.07	2.47	1.91	0.14	2.05
4	Bonus / exgratia	0.05	0.00	0.05	0.30	-	0.30
	Sub-total (1 to 4)	**44.14**	**1.91**	**46.05**	**41.28**	**1.93**	**43.21**
5	Medical reimbursement	0.48	0.01	0.50	0.25	0.02	0.27
6	Leave Travel Assistance	-	-	-	-	-	-
7	Interim Relief	-	-	-	-	-	-
8	Earned Leave encashment	4.01	0.00	4.01	3.15	0.23	3.38
9	Leave salary contribution	2.57	0.08	2.64	2.07	-	2.07
10	Payment under Workmen's Compensation Act	-	-	-	-	-	-
11	Other Cost	-	-	-	0.05	0.00	0.05
12	Staff welfare expenses	0.06	0.00	0.06	0.06	0.00	0.06
	Sub-total (5 to 12)	**7.12**	**0.09**	**7.21**	**5.58**	**0.25**	**5.83**
13	Employer's contribution towards pension & gratuity	5.64	0.10	5.74	6.59	0.32	6.91
14	Employer's contribution towards EPF	2.38	0.25	2.63	-	-	-
	Gross Employee cost	**59.28**	**2.35**	**61.63**	**53.45**	**2.50**	**55.94**
	Less: Capitalization	0.00	0.00	8.82	8.84	0.41	9.26
16	**Net charged to Revenue**	**59.28**	**2.35**	**52.82**	**44.60**	**2.08**	**46.69**
17	**Arrears of Salary (VI Pay Commission)**	**6.79**	**-**	**6.79**	**4.86**	**-**	**4.86**
18	Less: Salary for UITP Projects	-	-	2.34	2.34	-	2.34
	Net charged to Revenue	**66.07**	**2.35**	**57.26**	**47.12**	**2.08**	**49.21**

5.7.2 *Repairs and Maintenance Expenses*

The Petitioner has projected the gross R&M expenses of Rs. 29.09 Crore for FY 2011-12. The above expenses are approximately 169% higher than the R&M expenses of Rs. 10.83 Crore approved by the Commission for FY 2010-11 and 138% higher than the actual expenses for FY 2009-10. It has been submitted by the Petitioner that its transmission system would undergo significant additions during FY 2010-11 and FY 2011-12 and, therefore, R&M expenditure for FY 2010-11 and FY 2011-12 would be significantly higher as compared to previous years. The Petitioner has, accordingly, projected R&M expense of Rs. 29.09 Crore for FY 2011-12.

During the TVS, the Petitioner was asked to submit the reason for claiming higher R&M

expenses. The Petitioner submitted that in FY 2010-11 natural calamities occurred and because of incessant rains and landslides most of its system is in need of major R&M works. It is to be understood that whatever nomenclature is assigned to capital works, the same cannot be a part of revenue expenses. The Petitioner is advised to plan all such major R&M works necessary in its system and approach the Commission for prior approval of the same in accordance to the provisions of the Regulations. Such major R&M works cannot be expected to be recurring in nature like the normal R&M works and will yield benefits to the Petitioner for longer tenure.

For the purpose of truing up of R&M expenses for FY 2009-10 the Commission has considered the actual R&M expenses given in the provisional account of the Petitioner. The Commission has escalated the actual R&M expenses for FY 2009-10 of Rs. 12.25 Crore with the escalation factor of 6.28% in accordance with Uttarakhand Electricity Regulatory Commission (Terms and Conditions for Determining Escalation Factor) Regulations, 2008 to estimate the R&M expenses for FY 2011-12. Accordingly, the Commission has approved R&M expenses of Rs. 13.83 Crore for FY 2011-12 against Petitioner's claim of Rs. 29.09 Crore.

The following Table shows the summary of the trued up R&M expenses for FY 2009-10 and approved R&M expenses for FY 2011-12:

Table 5.21: R&M Expenses (Rs. Crore)

S.No.	Item	FY 2009-10			FY 2011-12	
		Approved	**Actual**	**Approved on truing up**	**Projected**	**Approved**
1	Plant & Machinery	7.81	8.15	8.15	19.37	9.21
2	Buildings	0.51	1.36	1.36	3.23	1.54
3	Civil Works	0.10	0.26	0.26	0.61	0.29
4	Hydraulic Works	0.00	0.00	0.00	0.00	0.00
5	Lines & Cable Network	1.75	2.46	2.46	5.84	2.78
6	Vehicles	0.00	0.01	0.01	0.03	0.01
7	Furniture & Fixtures	0.00	0.00	0.00	0.01	0.00
8	Office equipment	0.00	0.00	0.00	0.00	0.00
9	Others	0.00	0.00	0.00	0.00	0.00
10	**Total expenses**	**10.17**	**12.25**	**12.25**	**29.09**	**13.83**
11	*Less:* Capitalised	-	-	-	-	-
12	**Net expenditure**	**10.17**	**12.25**	**12.25**	**29.09**	**13.83**

5.7.3 Administrative and General Expenses

The Petitioner has projected the gross A&G expenses of Rs. 19.03 Crore for FY 2011-12. The above expenses are approximately 88 % higher than the A&G expenses of Rs. 10.10 Crore approved by the Commission for FY 2010-11.

The Commission for determining the A&G expenses for FY 2011-12 escalated the actual A&G expenses submitted by the Petitioner for FY 2009-10 other than the license fees and guarantee fees with the escalation factor of 6.28% in accordance with Uttarakhand Electricity Regulatory Commission (Terms and Conditions for Determining Escalation Factor) Regulations, 2008 to estimate the A&G expenses for FY 2011-12.

In addition, the Petitioner in a subsequent submission requested that it is planning to carry out a comprehensive training programme during FY 2011-12. The Commission, recognising the need and essence of training has considered the training expenses as submitted by Petitioner for FY 2011-12. The Commission notes that this is a necessary expenditure for skill upgradation, optimum utilization of human resources of the Petitioner's staff and has, accordingly, accepted the claim of the Petitioner under this head over and above the approved level. The same shall, however, be trued up based on actual expenditure made by the Petitioner during the ensuing year. The license fees payable for FY 2011-12 has been taken as that projected by the Petitioner of Rs. 5.65 Crore.

Further, the Commission has not considered guarantee fee as part of the A&G expenses as it should be considered as part of Interest and Financing Charges. This has already been dealt with by the Commission in Para 5.5 and is not being repeated again. The Commission also advises the Petitioner to exercise control over its A&G expenses. In its projections for FY 2011-12, the Petitioner has projected an abnormal increase of about 300% more than the actual expenses in FY 2009-10 in Conveyance & Travelling and security expenses. The management of PTCUL should realise the utility of such expenditure before approving the same. The Commission cautions the Petitioner that it is expected to exercise efficiency and economy in spending the money and that it would allow only such expenses which were uncontrollable based on the prudence check.

Accordingly, the Commission has approved A&G expenses of Rs. 13.61 Crore for FY 2011-12 against Petitioner's claim of Rs. 19.03 Crore.

The following Table shows the summary of the approved A&G expenses for FY 2009-10 and FY 2011-12:

Table 5.22: A&G Expenses Approved by the Commission (Rs. Crore)

S.No.	Item	FY 2009-10			FY 2011-12	
		Approved	Actual	Approved on truing up	Projected	Approved
1	Rent, Rates & Taxes	0.54	0.41	0.41	0.35	0.46
2	Insurance	0.01	0.01	0.01	0.02	0.01
3	Telephone postage & Telegrams	0.47	0.41	0.41	0.57	0.46
4	Legal Charges	0.07	0.05	0.05	0.18	0.05
5	Audit Fees	0.19	0.22	0.22	0.37	0.25
6	Consultancy Charges	0.34	0.50	0.50	0.90	0.56
7	Technical Fees	0.00	0.18	0.18	0.00	0.20
8	License Fee	4.15	4.16	4.16	5.65	5.65
9	Conveyance & Travelling	0.83	0.73	0.73	2.95	0.83
10	Electricity & water charges	0.01	0.10	0.10	0.12	0.11
11	Printing & Stationery	0.13	0.11	0.11	0.19	0.13
12	Advertisement	0.61	0.54	0.54	0.79	0.61
13	Books & Periodicals	0.05	0.00	0.00	1.98	0.00
14	Training Expenses	0.07	0.41	0.41	2.02	1.98
15	Security Charges	0.00	0.54	0.54	1.29	0.61
16	Guarantee Fees	0.00	6.20	0.00	1.66	0.00
17	Other expenses	1.89	1.50	1.50	1.29	1.70
18	**Total expenses**	**9.36**	**16.06**	**9.86**	**19.03**	**13.61**
19	Less : Capitalised	1.41	3.09	3.09	3.67	4.14
20	**Net charged to Revenue**	**7.95**	**12.97**	**6.77**	**15.37**	**9.47**

Accordingly, the Commission has approved net A&G expenses of Rs. 9.47 Crore for FY 2011-12 against Petitioner's claim of Rs. 15.37 Crore.

5.7.4 O&M Expenses

Apart from the above, the Commission has further added 1.5% of asset capitalisation during FY 2010-11 to the allowable O&M expenses comprising of employee expenses, A&G expenses and R&M expenses for FY 2011-12 as discussed above after escalating the same by 6.28% as per the Regulations and similar to the approach adopted by the Commission in the previous Orders. The total O&M expenses claimed and approved for FY 2009-10 and FY 2011-12 based on the discussion above, are given in the following Table:

Table 5.23: Approved O&M expenses for FY 2009-10 and 2011-12 (Rs. Crore)

Particulars	FY 2009-10			FY 2011-12	
	Approved	Actual	Approved on truing up	Projected	Approved
Employee Cost	40.01	39.20	39.20	57.26	49.21
A&G Expenses	7.95	12.97	6.77	15.37	9.47
R&M Expenses	10.17	12.25	12.25	29.09	13.83
Add: For Capitalisation in 2010-11	0.01		-		1.52
Total O&M expenses	**58.14**	**64.42**	**58.22**	**101.72**	**74.02**

The Commission has, accordingly, approved the O&M expenses of Rs. 74.02 Crore for FY 2011-12. The Commission in its Tariff Orders for FY 2009-10 and FY 2010-11 had directed the

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

5.8 Interest on working Capital

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

"Working Capital shall cover:

a) Operation and Maintenance expenses for one month;

b) Maintenance spares @ 1% of the historical cost escalated @ 6% per annum from the date of commercial operation (in case of PTCUL's transmission system transferred from UPPCL, historical cost shall be the cost as on the date of unbundling of UPSEB to be escalated @ 6% p.a. thereafter), and

c) Receivables equivalent to two months of transmission charges calculated on target availability level.

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

In accordance with the provisions of the Regulations, the Petitioner has estimated Working Capital requirement for FY 2011-12 as Rs. 68.73 Crore and considering the working capital interest rate of 10.75% (SBI short term PLR rate), the interest on working capital estimated by the Petitioner for FY 2011-12 is Rs. 7.39 Crore.

5.8.1 *One Month O&M Expenses*

The annual O&M expenses approved by the Commission are Rs.58.22 Crore & Rs. 74.02 Crore for FY 2009-10 & 2011-12 respectively. Based on the approved O&M expenses, one month's O&M expenses works out to Rs. 4.85 Crore for FY 2009-10 & Rs. 6.17 Crore for FY 2011-12.

5.8.2 *Maintenance Spares*

The Commission has considered the maintenance spares on the basis of the relevant Regulations on the historical cost as well as on the additional capitalisation, which works out to Rs. 6.86 Crore for FY 2009-10 & Rs. 8.07 Crore for FY 2011-12.

5.8.3 *Receivables*

The Commission has approved the receivables for two months based on the approved Annual Transmission Charges for FY 2009-10 & FY 2011-12, which works out to Rs. 17.69 Crore for FY 2009-10 & Rs. 21.37 Crore for FY 2011-12.

Based on the above, the total working capital requirement of the Petitioner for the FY 2009-10 works out to Rs. 29.39 Crore & that for FY 2011-12 works out to Rs. 35.61 Crore. For FY 2009-10, the rate of interest on working capital has been considered as the short term Prime Lending Rate (PLR) of SBI as on 01.04.2009. For FY 2011-12, the rate of interest on working capital has been considered as 11.75% which is the short term PLR of SBI as on 01.04.2010 in accordance with the principle adopted in previous Tariff Orders. Accordingly, the interest on working capital works out to Rs. 3.60 Crore for FY 2009-10 & Rs. 4.18 Crore for FY 2011-12. The interest on working capital for FY 2011-12 approved by the Commission is shown in the Table below:

Table 5.24: Interest on Working Capital for FY 2009-10 and FY 2011-12 (Rs. Crore)

Particulars	FY 2009-10			FY 2011-12	
	Approved	Actual	Approved on truing up	Projected	Approved
O&M expenses	4.85	6.35	4.85	9.71	6.17
Maintenance Spares	5.47	9.11	6.86	16.99	8.07
Receivables	17.09	12.64	17.69	42.02	21.37
Net Working Capital	**27.41**	**28.10**	**29.39**	**68.73**	**35.61**
Rate of Interest on Working Capital	12.25%	10.75%	12.25%	10.75%	11.75%
Interest on Working Capital	**3.36**	**3.02**	**3.60**	**7.39**	**4.18**

5.9 Non-Tariff Income

The Petitioner has estimated his non-tariff income for FY 2011-12 as Rs. 2.86 Crore. In absence of any yardstick for estimating the non-tariff income of the Petitioner, the Commission provisionally accepts the same for FY 2011-12. The same shall, however, be trued up based on actual audited accounts for FY 2011-12.

5.10 Annual Transmission Charges (ATC) for 2011-12

Based on the above, the Commission approves a total ATC of Rs. 131.82 Crore for FY 2011-12 including the provisional truing up impact of FY 2009-10. The Commission has also carried out the true up for FY 2009-10. The component-wise break-up of the same as proposed by the Petitioner for FY 2009-10 and FY 2011-12 and as approved by the Commission is given in the Table below:

Table 5.25: Annual Transmission Charges for FY 2009-10 and FY 2011-12 (Rs. Crore)

Particulars	FY 2009-10			FY 2011-12	
	Approved	Actual	Approved on truing up	Projected	Approved
Net O&M expenses	58.14	64.42	58.22	101.72	74.02
Interest charges net of capitalization	17.32	26.50	18.37	40.49	20.62
Depreciation	15.57	15.86	12.00	38.22	14.40
Advance Against Depreciation	14.26	8.15	16.66	11.62	17.71
Interest on Working Capital	3.36	3.02	3.60	7.39	4.18
Reasonable Return	0.13	13.46	0.13	24.50	0.16
Net expenditure	**108.78**	**131.41**	**108.98**	**223.95**	**131.08**
Add: Truing up for FY 2007-08 and FY 2008-09	-26.72	-	-26.72	-	-
Add: Truing up for FY 2009-10	-	-	-	26.01	3.60
Less: Non-Tariff Income	6.25	2.86	2.86	2.86	2.86
Aggregate Revenue Requirement(ARR)	**75.81**	**128.55**	**79.41**	**247.10**	**131.82**

The total Annual Transmission Charges for FY 2011-12 after carrying out the provisional truing up for FY 2009-10, accordingly, work out to Rs. 131.82 Crore.

5.11 Transmission Losses

The Petitioner has estimated the Transmission losses for FY 2011-12 as 1.76%. The Petitioner has further submitted the actual transmission losses for different years as under:

Table 5.26: Actual Transmission Losses of PTCUL for the past years

Year	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Transmission Loss %	2.33%	2.41%	1.74%	1.36%	1.86%	1.76%

For FY 2011-12, the Commission has approved the transmission losses of 1.76% equal to the actual transmission loss achieved during FY 2009-10.

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

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

The Commission in its last year tariff order has pointed out that the Petitioner has not complied with the direction and has not submitted any information in this regard and directed the Petitioner to submit the report within a period of three months from the Order. However, the Commission notes that no report have been submitted by the Petitioner till now. **The Commission, therefore, once again directs the Petitioner to devise and develop, in consultation with the beneficiary, a suitable infrastructure and mechanism, for collection and collation of information required for calculation of actual auxiliary consumption in substations, voltage-wise losses in various parts and availability, in accordance with the Regulations and submit a report thereon within a period of three months from this Order.**

5.12 Target Availability

As per the UERC (Terms and conditions for determination of Transmission Tariff) Regulations 2004, the Petitioner is entitled to full recovery of Annual Transmission Charges only if it achieves target availability of 98% for its AC system and in case the Availability is less than 98%, the recovery of ATC gets reduced to that extent on pro-rata basis. The Commission vide its letter no 1296/UERC/08/59 dated December 12, 2008 directed the Petitioner to submit transmission availability report for each month within 7 days of each month in prescribed formats both in hard copy and soft copy. However, the Petitioner has adopted an inconsistent approach towards submission of the report and has not been submitting the transmission availability reports to the Commission. The Commission vide its letter dated April 08, 2011 had asked the Petitioner to submit the availability of its transmission system during FY 2009-10 & FY 2010-11. The Petitioner vide its reply dated April 20, 2011 informed the Commission that its annual system availability during FY 2009-10 was 99.24% & during FY 2010-11 was 99.14%.

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

5.13 SLDC Charges

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

In its Petition for the FY 2010-11, PTCUL had indicated that it plans to start the work towards creation of SLDC in the current financial year itself. It also indicated that scheme involving setting up of the SLDC and associated works is one of the nineteen schemes being proposed under REC New Scheme and PTCUL had earmarked an expenditure of Rs. 10 Crore for the FY 2009-10 and another Rs. 10 Crore for the FY 2010-11.

The Petitioner, in the current year tariff exercise, has submitted the trial balance of SLDC for FY 2009-10 and for the first six months of financial year 2010-11, i.e. from April to September 2010 but has not submitted the projected ARR of SLDC for FY 2011-12 separately. The Commission has analysed the details submitted by the Petitioner and is of the view that it may not be appropriate to approve the SLDC ARR just on basis of actual expenses.

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

The Commission would also like to highlight that the policy maker at the highest level have reached to the conclusion that creation of separate SLDC is in the spirit of the Act and is essential for promoting open access and trading in power which in turn is necessary for promoting competition and thereby efficiencies in the sector. The Commission, accordingly, advises PTCUL to go through the report and recommendations of "Pradhan Committee" dated 11th August 2008 and document "Open Access – Theory & Practices" prepared by Forum of Regulators.

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

Further, in absence of required data the Commission is unable to determine the ARR of SLDC for FY 2011-12 separately. The expenses of SLDC are, accordingly, included in the ARR of PTCUL for FY 2011-12.

5.14 Recovery of Annual Transmission Charge

Having considered the submissions made by PTCUL, the response of the stakeholders in context of Petitioner's proposals for ARR and under the relevant provisions of the Electricity Act, 2003 and Regulations of the Commission, the Commission hereby approves that:

- **Power Transmission Corporation of Uttarakhand Ltd., the transmission licensee in the State will be entitled to recover Annual Transmission Charges of Rs. 131.82 Crore for FY 2011-12 from its beneficiaries in accordance with the provisions of the Regulations.**
- **UPCL being the main beneficiary at present, this amount shall be paid by UPCL to PTCUL**. The payments, however, shall be subject to adjustment, if any other beneficiary (including long term open access customer) is using the Petitioner's system, by an amount equal to the charges payable by that beneficiary. In that case, the charges recoverable from the new beneficiary (ies), including long term open access customers, shall be refunded to UPCL within one month after close of the financial year.
- **The Annual Transmission Charges approved for FY 2011-12 will be applicable with effect from April 01, 2011 till further Orders.**

6 Commission's Directives

The Commission in its previous Orders had issued a number of specific directions to PTCUL with an objective of attaining operational efficiency and streamlining the flow of information, which would be beneficial for the Sector and the Petitioner both in short and long term. This Chapter deals with the compliance status and Commission's views thereon as well as the summary of new directions (dealt with in preceding Chapters of this Order) for compliance and implementation by PTCUL.

6.1 Compliance of Directives Issued in Tariff Order for FY 2010-11

The Commission had issued certain directions in the Tariff order for FY 2010-11, which alongwith the compliance reported by the Petitioner on the same and fresh directives given in different sections of this Tariff Order are discussed below:

6.1.1 Capital cost of transferred assets

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

Petitioner's Submissions

The Petitioner submitted that request has been made by PTCUL to the State Government for finalisation of Transfer Scheme between UPCL and PTCUL. The finalisation of transfer scheme between UPPCL and UPCL is still under process.

Fresh Directives

The Commission further directs PTCUL, to make sincere and all out efforts for getting the Transfer Scheme finalized within the ensuing financial year. (Para 4.4)

6.1.2 Capital cost of transferred assets

The Commission, however, directs PTCUL, to submit the duly complete audit report covering reasons for cost and time over-runs alongwith quantification of impact of such over-runs on Capital Cost with variance analysis within six months of the issue of this order.

Petitioner's Submissions

The Petitioner submitted that it had submitted the Audit Report in compliance of the direction of the Commission.

6.1.3 Electrical Inspector Certificate

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

Petitioner's Submissions

The Petitioner submitted that the Electrical Inspector Certificates have been obtained and submitted to the Commission.

Fresh Directives

The Commission directs the Petitioner to get prior clearance of the Electrical Inspector before charging the project or capitalising the same. The Commission would like to inform that for this tariff determination exercise, it is not making any correction due to the fact that the Electrical Inspector's clearance has been received subsequent to the date of capitalisation, however, from the ensuing tariff proceedings, the Commission would consider the date of capitalisation of new projects as the date on which clearance has been granted by the Electrical Inspector in accordance with the requirement of the Electricity Rules, 1956. (Para 5.1.1)

The Petitioner has not submitted the Clearance certificate from the Electrical Inspector for construction of 4 Nos 132 KV Bay at 132 kV S/S Kotdwar. **The Petitioner is directed to approach the Electrical Inspector to get the bays cleared and submit the certificate to the Commission in the next tariff proceedings alongwith the status of utilisation of the 4 bays at Kotdwar and the Commission would consider the same in the next tariff determination exercise along with the truing up of capital related expenses. (Para 5.1.3)**

6.1.4 Additional Capitalisation

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

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

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

Petitioner's Submissions

The Petitioner submitted that the details under various schemes including the points as directed by the Commission will be submitted by December 31, 2010.

6.1.5 Truing up of Past Year Expenses

The Commission also directs the Petitioner to file the truing up Petition for seeking final true up for expenses of FY 2004-05 to FY 2008-09 based on audited accounts alongwith next ARR Petition for FY 2012-13. (Para 4.3)

6.1.6 REC-IV Scheme

Fresh Directives

The Commission, therefore, directs the Petitioner to submit all the requisite information

sought by the Commission within 1 month of the date of the Order so that the Commission may scrutinise the works and grant approval to the same. (Para 5.1.4)

6.1.7 REC-V Scheme

Fresh Directives

The Commission, therefore, directs the Petitioner to submit all the requisite information sought by the Commission within 1 month of the date of the Order so that the Commission may scrutinise the works and grant approval to the same. (Para 5.1.5)

6.1.8 Interest on Loan

Fresh Directives

The Petitioner is hereby directed to take note of its duties listed under the Act, Regulations, etc. and ensure compliances of the same failing which the implication of the same would be to its account. (Para 5.5)

6.1.9 Operation and Maintenance Expenses

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

Petitioner's Submissions

The Petitioner submitted that separate accounts for projects meant for evacuation of power outside the State and project for supply of power within the State are being maintained by PTCUL.

Fresh Directives

Hence, the Commission reiterates its direction and **directs the Petitioner to maintain separate accounts for projects meant for evacuation of power outside the State and projects for supply of power within the State.(Para 5.7.4)**

6.1.10 SLDC Charges

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

Petitioner's Submissions

The Petitioner submitted that a report on separation of assets & accounts of SLDC has been submitted to the Commission vide letter no 1173/MD/PTCUL/UERC dated September 09, 2010.

Fresh Directives

The Commission once again directs the Petitioner to complete the process and submit a final compliance report on ring fencing of SLDC and also for separation of assets & accounts of SLDC within 3 months of this order. The petitioner is also directed to file a separate ARR Petition for SLDC from the next year onwards. (Para 5.13)

6.1.11 Non-Tariff Income

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

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

Petitioner's Submissions

The Petitioner submitted that the audit report (Long Term Funds & Capital Cost of the Projects) has been submitted by PTCUL vide letter no 1200/MD/PTCUL/UERC dated September 09, 2010.

6.1.12 Transmission Losses

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

Petitioner's Submissions

The Petitioner submitted that for compliance of the directive of the Commission more than 60% work has been done and rest is expected to be completed within three months.

Fresh Directives

The Commission, therefore, once again directs the Petitioner to submit the report within three months from the issuance of this Order. (Para 5.11)

Finally, the Commission would like to add that in this tariff order the main focus was to allow all the efficient and prudent cost incurred by the licensee for improving their capacity to serve the consumers of the State in a reasonable and efficient manner. The Commission expects the licensee to complete their ongoing projects in time and within the approved budgets, in accordance with Commission's Orders & Regulations so that they get their due returns and the consumers are also not unduly burdened.

(Anand Kumar)
Member

7 Annexures

7.1 Annexure 1: Public Notice

Power Transmission Corporation Of Uttarakhand Ltd.

(A Govt. of Uttarakhand Undertaking)

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

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

PUBLIC NOTICE

Inviting Comments on the Petition filed by PTCUL for approval of the ARR & Proposed Transmission Charges for FY 2011-12

Salient Points of the ARR/Tariff Petition

1. Power Transmission Corporation of Uttarakhand Limited (PTCUL), a Transmission licensee in the State of Uttarakhand has filed a petition before the Commission for approval of its Annual Revenue Requirement (ARR) & Transmission Charges for the Financial Year 2011-12. PTCUL has proposed truing up for 2009-10 and 2010-11 on the basis of provisional accounts for FY 2009-10 and information available. The summary of the projections for FY 2011-12 along with the revised estimate for FY 2009-10 and FY 2010-11 is given in the following Table:

Summary of the ARR of PTCUL (FY 2011-12) - Rs in Lakh

S. No	Particulars	FY 2009-10 Approved	FY 2009-10 Revised Estimates	FY 2010-11 Approved	FY 2010-11 Revised Estimates	2011-12 (Projected)
1.	Depreciation	1557	1586	1292	1650	3822
2.	Advance Against Depreciation	1426	815	1047	3055	1162
3.	O&M Expenses	5814	6442	6168	7847	10172
4.	Interest on Long Term Loans	1732	2650	1486	2929	4049
5.	Interest on Working Capital	336	302	340	404	739
6.	**Gross Expenditure**	**10865**	**11795**	**10333**	**15885**	**19944**
7.	Add: Return on Equity	13	1346	13	1807	2450
8.	Less: Non Tariff Income	625	286	173	286	286
9.	**Annual Revenue Requirement (ARR)**	**10253**	**12854**	**10173**	**17406**	**22108**
10.	Add: Truing up for previous years	(-) 2672	-	-	-	2601
11.	**Annual Transmission Charges**	**7581**	**12854**	**10173**	**17406**	**24710**

2. The Transmission Tariff for FY 2011-12 has been proposed as Rs. 103.49/kW/month of contracted/allocated capacity on basis of the assumption that the capacity to be handled during FY 2011-12 will be 1989.68 MW. The recovery of these charges have been proposed on equal monthly proportion of the ARR. Assuming the energy to be transmitted through its network of about 11500 MU the Transmission Tariff proposed for FY 2011-12 in paise works out to be 21.49 paise per unit.
3. The revenue gap in the ARR for FY 2011-12 has been estimated to be Rs. 14537 lacs which does not include the gap of Rs. 7233 lacs on account of proposed true-up for FY 2010-11. In case, the entire claim of PTCUL including that for FY 2010-11 is accepted by the Commission, additional hike of 8.05% in consumer tariff shall be required over and above the hike proposed by UPCL.
4. Detailed proposals can be seen free of cost on any working day at the Commission's office or at the office of Managing Director, Power Transmission Corporation of Uttaranchal Limited, 7-B, Lane No. 1, Vasant Vihar Enclave, Dehradun - 248006. Relevant extracts can also be obtained from the above mentioned offices of the Petitioner.
5. The proposals are also available at the website of the Commission (www.uerc.gov.in) and at PTCUL's website (www.ptcul.org).
6. Responses/ suggestions if any are sought from the consumers and other stakeholders on the above proposals. Responses may be sent of the Secretary, Uttarakhand Electricity Regulatory Commission, Ist Floor, Institution of Engineers (I) Building, Near I.S.B.T., Majra, Dehradun either in person or by post or through e-mail to uttaranchalerc@rediffmail.com as a statement of objections or comments with copies of the documents and evidence in support thereof so as to reach the Secretary by 10.01.2011

पत्रांक 618/प्र0भु0ई0/पिटकुल दिनांक : 10/12/2010

"SAVE ELECTRICITY IN THE INTEREST OF NATION"

7.2 Annexure 2: List of Respondents

Sl. No.	Name	Designation	Organization	Address
1.	Sh. Pankaj Gupta	President	Industries Association of Uttarakhand	Mohabewala Industrial Area, Dehradun-248110
2.	Sh. Shanti Prasad Bhatt	Kendriya Mahamantri	Uttarakhand Kranti Dal	Kendriya Karyalaya-10, Court Road, Dehradun
3.	Sh. Mohan Prasad Khansali	Private Secretary (Retd.)	&&	Gram Ratanpur, Nayagaon, Shimla Road, Dehradun
4.	Smt. Suman	Prantiya Adhyaksh	Uttarakhand Mahila Vikas Evam Bhrashtachar Unmulan Samiti	Kendriya Karyalaya-146/1, Block-III, Eidgah, Dehradun
5.	Sh. Devendra Dhyani	Member	Chhetra Panchayat	Gram-Sauli Malla, P.O.-Kilbaukhal, Vikaskhand-Rikhnikhal, Distt. Pauri Office : 39/29/3, Balbeer Road, Dehradun
6.	Sh. K.G. Behl (Retd.)	President	All India Consumers Council (AICC) Uttaranchal	8-A, Nemi Road, Dalanwala, Dehradun – 248001

7.3 Annexure 3: List of Participants in Public Hearings

List of Participants in Hearing at Haldwani on 28.02.2011

SL. No.	Name	Designation	Organization	Address
1.	Shri Bhupinder Singh Sarraf	Block Adyaksha	Bhartiya Kisan Union	Jaspur, District - Udham Singh Nagar
2.	Shri R.S. Yadav		India Glycols Ltd.	Kashipur, District- Udham Singh Nagar
3.	Shri Kuldeep Singh		KGCCI	Chamber House, Industrial Estate, Bazpur Road, Kashipur, District - Udhamsingh Nagar
4.	Shri G.D. Punera S/o Sh. V.K. Punera, Retd. Commander			Punera Cottage, Gram Gaujajali Bichli, Bareilly Road, Haldwani
5.	Shri Balkar Singh, Fauzi, Ex. A.C. B.S.F.		Bhartiya Kisan Union	Vill- Raipur, Kashipur, Distt. Udhamsingh Nagar
6.	Shri J.B. Agarwal	Director	Kashi Vishwanath Steels Ltd.	Bazpur Road, Kashipur, District – Udhamsingh Nagar
7.	Shri Puneet Mohindra		KVS Infratech Ltd.	Bazpur Road, Kashipur, District – Udhamsingh Nagar
8.	Shri V.V. Joshi		Tata Motors Ltd.	Plot No. 1, Sector 11, IIE Sidcul, Pantnagar – 263153
9.	Shri R.K. Singh		Tata Motors Ltd.	Plot No. 1, Sector 11, IIE Sidcul, Pantnagar – 263153
10.	Shri Manmatha K. Mahapatra		Tata Motors Ltd.	Plot No. 1, Sector 11, IIE Sidcul, Pantnagar – 263153
11.	Shri Rajeev Gupta		Kashi Enterprises	Bazpur Road, Kashipur, District – Udhamsingh Nagar
12.	Shri Jeet Singh		Bhartiya Kisan Union	Dhakia No. 2, P.O. Dhakia No. 1, Kashipur, District – Udhamsingh Nagar
13.	Shri Tika Singh Saini	President	Sanyukta Kisan Sangharsh Samiti, Kashipur	33, Katoratal, Kashipur, District – Udhamsingh Nagar
14.	Shri Kuldeep Singh Cheema		Bhartiya Kisan Union	Vill- Dhakiya kalan, P.O. Dhakia No. 1, Kashipur, District – Udhamsingh Nagar
15.	Shri Mukesh Tyagi	Director	BST Textile Mills, Pvt. Ltd.	SIDCUL, Pantnagar, District – Udhamsingh Nagar
16.	Shri R.P. Joshi			Abhinandan Furniture, Near Hanuman Mandir, Kusumkhera, Haldwani, District – Nainital
17.	Shri M.C. Joshi			Nawabi Road, Govind Niwas, Malla-Gorakhpur, Halwani, District – Nainital
18.	Shri Balbir Singh			Village- Dhakia No. 1, P.O. Dhakia No. 1, Kashipur, District – Udhamsingh Nagar

List of Participants in Hearing at Haldwani on 28.02.2011

SL. No.	Name	Designation	Organization	Address
19.	Shri Nishar Singh			Barkhera Rajput, P.O. Kashipur, District – Udhamsingh Nagar
20.	Shri Navin Chandra Verma	General Secretary	Prantiya Udyog Vyapar Mandal (Uttaranchal)	Sharda Market, Haldwani, District – Nainital
21.	Shri S.S. Anand		Greenply Industries Ltd.	Plot No. 2, Sector 9, SIDCUL, IIE, Pantnagar, District – Udhamsingh Nagar
22.	Shri M.S. Fartyal			Adarsh Nagar, Gali No. 2, Talli Bamori, Haldwani, District – Nainital
23.	Shri Tushar Agrawal		BTC Industries Ltd.	Near Mandi Gate, Bareilly Road, Haldwani, District – Nainital
24.	Er. Ravi Pal		Govt. Medical College, Haldwani (STMH)	Rampur Road, Haldwani, District – Nainital
25.	Shri Bharat Saigal		Innovative Textile Pvt. Ltd.	Plot No. 8, Block-B, Phase-1, Sidcul Industrial Park, Sitarganj, District - Udham Singh Nagar
26.	Shri H.K. Chand		Polyplex Corporation Ltd.	Khatima, District – Udhamsingh Nagar
27.	Shri Vikas Jindal	Senior Vice President	KGCCI	Chamber House, Industrial Estate, Bazpur Road, Kashipur, Distict.- Udhamsingh Nagar
28.	Shri Alok Kumar Goel	Treasurer	KGCCI	Chamber House, Industrial Estate, Bazpur Road, Kashipur, Distict.- Udhamsingh Nagar
29.	Shri Ashok Bansal		Rudrapur Solvents Pvt. Ltd.	P.O. Lalpur, Kicchha, District – Udhamsingh Nagar
30.	Shri R.C. Binjola	Secretary	Himalayan Chamber of Commerce & Industry	"Chamber House", Sharda Building, Nainital Road, Kathgodam, District – Nainital
31.	Shri V.K. Lahoti	President	Himalayan Chamber of Commerce & Industry	"Chamber House", Sharda Building, Nainital Road, Kathgodam, District – Nainital
32.	Shri Prem Prakash		Kusalava International Ltd.	Plot No. 10, Sector-2, IIE, Sidcul, Pant Nagar, District-Udhamsingh Nagar
33.	Shri S.K. Agarwal		Himalayan Chamber of Commerce & Industry	"Chamber House", Sharda Building, Nainital Road, Kathgodam, District – Nainital
34.	Shri M.K. Pandey		Escorts Ltd.	Sector-1, Plot No. 9, IIE, SIDCUL, Pantnagar, Rudrapur, District – Udhamsingh Nagar
35.	Shri Ashutosh Kandwal		Himalayan Chamber of Commerce & Industry	"Chamber House", Sharda Building, Nainital Road, Kathgodam, District – Nainital

List of Participants in Hearing at Haldwani on 28.02.2011

SL. No.	Name	Designation	Organization	Address
36.	Shri Ganesh Sharma		Voltas Ltd.	Plot No. 2-5, Sector – 8, IIE, Pantnagar, District – Udhamsingh Nagar
37.	Shri Bhupinder Negi		Parle Biscuits Pvt. Ltd.,	Plot No. 3, Sector-1, IIE, Pantnagar, Rudrapur, Udhamsingh Nagar
38.	Manoj Dangwal		Parle Biscuits Pvt. Ltd.,	Plot No. 3, Sector-1, IIE, Pantnagar, Rudrapur, Udhamsingh Nagar

List of Participants in Hearing at Almora on 01.03.2011

SL. No.	Name	Designation	Organization	Address
1.	Shri Sanjay Kumar Agrawal (Advocate)	-	Shri Karuna Jan Kalyan Samiti	Sanjay Bhawan, Malla Joshi Khola, Almora
2.	Shri Ramesh Joshi	Ex-Jila Panchayat Sadasya	-	Gram & Post- Danya, Block-Dhoula Devi, Almora
3.	Shri N.C. Joshi	Ex- Warrant Officer	-	S/o Late Shri D.D. Joshi, Bouxi Khola, P.O. Almora, Distt.- Almora
4.	Shri K.B. Pandey (Hillman)	Rtd. Assistant Commandent	President, Ex-Para Military Welfare Association	Hilore Talla, Tilakpur, Distt.- Almora
5.	Shri Shyam Lal Shah	Jila Adyaksha	Vyapar Mandal, Almora	Kutchery Bazar, Distt.- Almora
6.	Shri M.S. Matela	-	-	Thapaliya, Almora, Distt.- Almora
7.	Shri Roop Singh Bisht	-	-	Distt.- Almora
8.	Shri Trilochan Joshi	Member	Nagar Palika	Dhar Ki Tuni, Almora, Distt.- Almora
9.	Shri P.C. Mahar	Pradesh Sachiv, Congress Party	-	Hari Niwas, Joshi Khola, Almora, Distt.- Almora
10.	Shri Kailash Ch. Gururani	Member	Nagar Palika	Talla Gururnai Khola, Almora, Disttt.- Almora

List of Participants in Hearing at Srinagar on 07.03.2011

SL. No.	Name	Designation	Organization	Address
1.	Shri J.S. Negi	-	-	Near Hanuman Mandir, Srinagar, Distt. Pauri Garhwal
2.	Shri Mayaram Bahuguna	-	-	Bugani Road, Bugani, Srinagar, Distt.- Pauri Garhwal
3.	Shri Devender Dhyani	Member	Chhetra Panchyat (Lekuli)	Vikas Khand-Rikhanikhal, Distt. Pauri Garhwal Office: 39/29/3, Balbeer Road, Dehradun
4.	Shri M.S. Miyan	-	-	Village Aithana, P.O. Srinagar, Distt.- Pauri Garhwal
5.	Shri Matavar Singh Rawat	-	-	Upper Bhaktiyana, Rajshri Vihar, Ward No-9, Srinagar, Distt.- Pauri Garhwal
6.	Shri J.P. Bahuguna	-	-	Electricity Distribution Division, UPCL, Srinagar
7.	Shri S.S. Gusain	-	-	Sangam Vihar, Faldu Chauras, Tehri Garhwal
8.	Shri Rajendra Singh Bisht	-	-	Pooja General Store, Srikot, Srinagr, Distt.- Pauri Garhwal
9.	Shri Ramvishnu Puri	-	-	Hanuman Mandir Road, Srinagar, Distt- Pauri Garhwal
10.	Shri Prabhudayal Dhyani	-	-	Kamleshwar, Srinagar, Distt.- Pauri Garhwal
11.	Shri Keshav Prasad Kala	-	-	Hanuman Mandir Road, Srinagar, Distt.- Pauri Garhwal
12.	Shri Chatar Singh Aswal	-	-	Dakbangla Colony, Srinagar, Distt.- Pauri Garhwal
13.	Shri Sudhir Naithani	-	-	Kala Road, Srinagar, Distt. Pauri Garhwal
14.	Shri Naresh Nautiyal	-	-	Gayatri Medical Store, Opp. SBI, Srikot, Srinagar, Distt.- Pauri Garhwal
15.	Shri Ajay Bhaguna	-	-	176 Badrinath Marg, Srinagar, Distt.- Pauri Garhwal
16.	Shri Pradeep Bhaguna	-	-	Brahman Mohalla, Srinagar, Distt- Pauri Garhwal
17.	Shri Shiv Singh Bisht	-	-	Srikot, Ganganali, P.O. Srikot,Srinagar, Distt.- Pauri Garhwal
18.	Shri Hari Saran Jugran	-	-	Srikot, Ganganali, P.O. Srikot, Srinagr, Distt.- Pauri Garhwal
19.	Shri Raghubir Singh	-	-	Srikot, Ganganali, P.O. Srikot, Srinagar, Distt.- Pauri Garhwal
20.	Shri D.S. Bhandari	-	-	Srikot, Ganganali, P.O. Srikot, Srinagr, Distt.- Pauri Garhwal
21.	Shri Hayat Singh Jhinkwan	-	-	Srikot, Ganganali, Distt.- Pauri Garhwal
22.	Shri S.P. Nautiyal	-	-	Srikot, Ganganali, P.O. Srikot, Srinagar, Distt.- Pauri Garhwal

List of Participants in Hearing at Srinagar on 07.03.2011

SL. No.	Name	Designation	Organization	Address
23.	Shri Kailash Pandey	-	-	Nageshwar Gali, Srinagar, Distt.- Pauri Garhwal
24.	Shri Indresh Maikhuri	-	-	Post Box-21, Srinagar, Distt.- Pauri Garhwal
25.	Shri B. Shanker Thapliyal	-	-	Editor, Regional Reporter, 76- Upper Bazar, Srinagar, Distt.- Pauri Garhwal
26.	Shri Naveen Prakash Nautiyal	-	-	Nursary Road, Near Treasury, Srinagar, Distt.- Pauri Garhwal
27.	Ms. Sita Devi	-	-	Village & P.O.- Maletha, Distt. Tehri Garhwal
28.	Shri Devender	-	-	Village & P.O.- Maletha, Distt. Tehri Garhwal
29.	Shri Surender Singh Negi	-	-	Village & P.O.- Maletha, Distt. Tehri Garhwal
30.	Shri Rebat Singh Miyan	-	-	Nigyana Chauras, PO-Kilkileshwar, Distt. Tehri Garhwal
31.	Shri D.S. Negi	-	-	Anchal Dugdh Dairy, Srinagar, Distt.- Pauri Garhwal
32.	Shri Vijander Singh	-	-	Village Jakhani, Kirtinagar, PO, Kirtinagar, Distt.- Tehri Garhwal
33.	Shri Bhag Singh	-	-	Village Chilro, Distt.- Tehri Garhwal

List of Participants in Hearing at Dehradun on 11.03.2011

SL. No.	Name	Designation	Organization	Address
1.	Shri Pankaj Gupta	President	Industries Association of Uttarakhand	C/o Satya Industries, Mohabewala Industrial Area, Dehradun
2.	Shri Man Mohan Kansal	President	Dakpather, Vyapar mandal Dakpather	Ram Kuti, Nehru Market Chowk, Dakpather, Dehradun
3.	Shri Rajiv Agarwal	Sr. Vice-president	Industries Association of Uttarakhand	32- Inder Road, Dalanwala, Derhadun
4.	Shri Anil Goyal	President	Uttaranchal Udyog Vyaper Pratinidhi Mandal	13- Gandhi Road, Dehradun
5.	Shri Riyaz Ahmad	-	Samridhi Bio Enegry(P) Ltd.	Khasra No. 579, Vill.- Gaddinegi, Kashipur, U.S. Nagar
6.	Shri Ashok Goswami	Manager	Jeewani Mai Trust	Haridwar Road, Rishikesh, Distt.- Dehradun
7.	Shri Khairati Lal Sharma			633- Ramnagar, Roorkee, Distt.- Haridwar
8.	Shri Munish Talwar	-	Asahi India Glass Ltd.	Latherdeva Hoon, Manglaur-Jhabrera Road, P.O. Jhabrera, Tehsil Roorkee, Distt. Haridwar
9.	Shri Arvind Saxena		Asahi India Glass Ltd.	Latherdeva Hoon, Manglaur-Jhabrera Road, P.O. Jhabrera, Tehsil Roorkee, Distt. Haridwar
10.	Shri Harbans Lal			Lane No-13 Turner Rod, Dehradun.
11.	Shri Ranjeet Singh Verma	President	Ucchartar Madhyamik Vidyalaya Prabandhak Mahasangh	94, Haridwar Road Dehradun.
12.	Shri S.C. Sharma	Secretary	Ucchartar Madhyamik Vidyalaya Prabandhak Mahasangh	94, Haridwar Road Dehradun.
13.	Shri Khushal Singh Bisht (Retd.)	-	-	Hari Bhagat Niwas, 50 Indiragandhi Marg, Niranjanpur P.O. Majra, Dehradun
14.	Shri G.C. Kala (Retd.)	-	-	54 Indira Gandhi Marg, Niranjanpur, P.O. Majra, Dehradun
15.	Shri Mohan Singh	-	-	126/127, Reetha Mandi, Patel Nagar Dehradun
16.	Shri T.Karmakar	-	M/s BOC India Ltd.	Khasra No. 122 MI, Selaqui, Dehradun -248197
17.	Shri M.K. Banrjee	-	M/s. BOC India Ltd.	Khasra No. 122 MI, Selaqui, Dehradun -248197
18.	Shri S.Singh	-	M/s. BOC India Ltd.	Khasra No. 122 MI, Selaqui, Dehradun -248197
19.	Shri. A. Paul	-	M/s. BOC India Ltd	Khasra No. 122 MI, Selaqui, Dehradun -248197

List of Participants in Hearing at Dehradun on 11.03.2011

SL. No.	Name	Designation	Organization	Address
20.	Shri D.K. Shukla	-	All India Consumer Counsel	8-A, Nemi Road, Dalanwala, Dehradun
21.	CA Manish Garg	-	-	10/94, Inder Road, Dehradun
22.	Shri Yogendra Singh Rathi	Journalist	-	34 & 35 Mayur Vihar, Kandoli, Dehradun
23.	Sri Arvind Jain	-	-	6 Ramleela Bazar Dehadun
24.	Shri K.D. Singh	Sr. DEE/ TRD	Northern Railway	Moradabad (Uttar Pradesh)
25.	Shri Narander Pal Singh	-	-	17 Ganga Nagar, Rishikesh, Distt. Derhadun
26.	Shri V.S. Bhatnagar	-	-	98/3 Bell Road Near –Jr. Hiltons School, P.O. Clment town, Dehradun.
27.	Shri D.K. Gupta	-	-	Main Bazar, Vikas Nagar, Dehradun
28.	Shri O.P. Raturi	-	-	THDC, India Ltd, NewTehri, Tehri Garhwal
29.	Shri R.N.S. Rawat	-	Rawat Engg. Tech Pvt. Ltd.	Mohebewala Industrial Area, Dehradun
30.	Shri Vikas	-	Dass Electronic	D-1 & D-2, Govt. Industrial Estate, Patel Nagar, Dehradun
31.	Shri Santosh Kumar Sharma	Vice President	Viduit Shakti Upbhokta Sangh Pachwa Doon, Vikasnagar	Village & Post Paschimiwala, Vikasnagar, Dehradun
32.	Shri S.K. Singh	-	Shivalik Rasayan Ltd	Kolhupani, P O Chandanwari, Via- Premnagar, Dehradun
33.	Shri Ashok Goyal	-	-	36/6 Mohebawala Industrial Area, Dehradun
34.	Shri S.P. Nautiyal	-	-	Nehrugram Lower, P.O. Nehrugram, Dehradun -248008
35.	Shri L.R. Bijalwan	-	-	D- 6/6, Shastri Nagar, Haridwar Road Dehradun
36.	Shri Naval Duseja	AGM(F&A)	Flex Foods Ltd	Lal Tappar Industiral Area, Haridwar Road, Dehradun
37.	Shri Ravinder Kumar	-	-	Lane No. C-13, Turner Road, Clement Town Dehradun
38.	Shri J.B. Garg	-	-	282- Chander Nagar, Dehradun
39.	Shri Harsh Parvatiya	-	-	Rochipura (Niranjan Pur) Majra, Dehradun
40.	Shri Rajendra Kumar	-	-	Ogal Bhatta, Society Area, Clement Town, Dehradun.
41.	Mohd. Sohel,	S/o Mohd. Sharafat Ali	-	Bada Bharuwala Clement Town, Dehradun
42.	Shri V. Veeru Bisht	-	Paryawaran Jan Kalyan Vikas Manch	Mohanpur, Premnagar, Dehradun
43.	Shri S.K. Singh	-	-	Lane No.-3, House No. 4, Dashmesh Vihar, Aamwala Tarla, Raipur Road, Dehradun

List of Participants in Hearing at Dehradun on 11.03.2011

SL. No.	Name	Designation	Organization	Address
44.	Shri Bahabur Singh Rawat		Uttarakhand Kranti Dal	10, Court Road, Dehradun
45.	Ms. Chandra Kanta	-	Uttarakhand Kranti Dal	10, Court Road, Dehradun
46.	Shri Vikas Bhatnagar	-	Air Liquid North India, Pvt. Ltd.	Plot No. 125, Asahi Industrial Estate, Manglore, Roorkee, Distt.-Haridwar
47.	Shri Pradeep Singh	-	-	Opposite 132 KV sub-station, Majra, Near ISBT, Dehradun
48.	Shri Mohan Prasad Khansali	-	-	Village Ratanpur Nayagaon, Shimla Road, Dehradun
49.	Shri Narandra Singh	-	-	House No. 1, Clement Town, Ogal Bhatta, Majra Dehradun
50.	Shri Kul Bhushan	-	-	50, Chander Nagar, Dehradun
51.	Shri K.M. Gupta	Secretary	PNB Enclave	Chandrawani Road, Dehradun
52.	Shri W.C. Sehgal	-	-	4 - Rohini Enclave, Dehradun
53.	Ms. Pushpa Dobhal		Uttarakhand Janmanch	Nehrugram Dobhal Chowk, Dehradun
54.	Shri Tej Singh Rawat	-	-	120 Karanpur, Dehradun
55.	Shri Vishwa Mitra	-	-	36, Pancheel Park, Chakrata Road, P.O. NewForest, Dehradun
56.	Shri Rakesh Negi	-	-	Village-Ratanpur, P.O. Nayagaon, Dehradun
57.	Shri Surendra Bhardwarj	Chairman,	Akhil Bhartiya Dharamshala Prabhandhak Sabha Haridwar	Seth Murlilal Dharamshala, Railway Road, Haridwar
58.	Shri Rajendra Singh	-	-	Village-Numbarpur, PO-Jassowala, Via- Harbertpur, Distt.-Dehradun
59.	Shri Pradeep Datta	-	-	11- Chander Road, Dehradun
60.	Shri Ashok Bahukhandi	-	-	325 - Khurbura Mohalla, Dehradun
61.	Shri Prem	-	-	Patel Nagar, Dehradun
62.	Shri J.S. Bisht	-	ADOS Engineering	Lal tappar industrial area, Dehradun
63.	Shri Rajesh	-	-	C-137, Sector-3, Defence Colony, Dehradun
64.	Shri N.K. Gusain	-	-	10- Kutchery.Road Dehradun
65.	Capt. K.S. Rana	-	-	Village- Ratanpur, Post Office-Naya Gaon, Dehradun
66.	Shri D.K Kamboj	-	-	Village- Majra, House No-11, Shakti Vihar Dehradun
67.	Shri G.S. Bedi	-	IDPL	Veer Bhadra, Rihsikesh

List of Participants in Hearing at Dehradun on 11.03.2011

SL. No.	Name	Designation	Organization	Address
68.	Shri R.C. Rastogi	-	IDPL	Veer Bhadra, Rihsikesh
69.	Chaudhry Sumer Singh	-	-	168 Vani Vihar, Raipur Road, Derhadun