# Tariff Order

# 2012-13

# On Generation Tariff

# For

# UJVN Ltd.

**April 04, 2012**

**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 Nos.: 08 of 2011 to 17 of 2011**

**In the Matter of:**

Petitions Filed by UJVN Ltd. for determination of Annual Fixed Charges (AFC) and Generation Tariff for FY 2012-13 for its ten large hydro generating Stations.

**AND**

**In the Matter of:**

UJVN Ltd.

UJJWAL, Maharani Bagh, G.M.S Road, Dehradun. ………..Petitioner

**Coram**

**Shri Jag Mohan Lal** **Chairman**

**Date of Order : April 04, 2012**

Section 64(1) read with Section 61 and 62 of the Electricity Act, 2003 (hereinafter referred to as "Act") requires Generating Companies and the Licensees to file an application for determination of tariff before the Appropriate Commission in such manner and along with such fee as may be specified by the Appropriate Commission through Regulations. In compliance with above provisions of the Act and Regulation 56 (4) of UERC (Conduct of Business) Regulations, 2004, Uttarakhand Jal Vidyut Nigam Limited (hereinafter referred to as "UJVN Ltd." or "Generating Company" or "Petitioner") filed separate Petitions (Petition Nos. 08/2011 to 17/2011 and hereinafter referred to as the "Petitions") for its ten Large Hydro-generating Stations (LHPs), on November 29, 2011. Through above Petitions, UJVN Ltd. made available detailed calculations of Annual Fixed Charges (AFC) for its different generating Stations for FY 2012-13. Along-with the above Petitions, the Petitioner also submitted the audited results for FY 2008-09 and FY 2009-10 and requested for final true up of its expenses for FY 2008-09 and FY 2009-10.

The Commission vide its Order dated December 08, 2011, provisionally admitted the Petitions with the condition that UJVN Ltd. 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 on the due date for last information sought by the Commission and the Commission would proceed to dispose of the matter as it deems fit based on the information available with it.

This Order, accordingly, relates to the Tariff Petitions filed by UJVN Ltd. for the determination of Annual Fixed Charges (AFC) and Tariffs for its 10 LHPs for the FY 2012-13 as well as true up for the FY 2008-09 and FY 2009-10, and is based on the original as well as all the subsequent submissions made by UJVN Ltd. during the course of the proceedings.

Tariff determination being the most vital function of the Commission, it has been the practice of the Commission in the past many Tariff Orders, to detail the procedure and explain the principles utilized by it in the determination of tariffs. Accordingly, in the present Order also, in line with past practices, the Commission has tried to detail the procedure and principles followed by it in determining the AFC of the medium and large generating Stations of UJVN Ltd. The AFC of UJVN Ltd. is to be recovered from the beneficiaries, viz. UPCL and HPSEB, where UPCL holds a larger share in the generation. As most of the AFC for UJVN Ltd. is paid for by UPCL, hence it has been the endeavour of the Commission in past also, to issue Tariff Orders for UJVN Ltd. concurrently with the issue of Order on retail Tariff for UPCL, so that UPCL is able to honour the payment liability towards purchase of energy from the LHPs of UJVN Ltd. For the sake of convenience and clarity, this Order has further been divided into following Chapters:

# 1 Background and Procedural History

As mentioned earlier also, in accordance with provisions of the Act and Regulation 56(4) of the UERC (Conduct of Business) Regulations, 2004, Generating Companies are required to file a Petition for determination of the generation tariff for supply of electricity to a distribution company. In accordance with the Regulations of the Commission, such filings are required to be made for the ensuing financial year, on or before, 30th November of the current financial year. UJVN Ltd. filed the Petitions for determination of tariff for its 10 LHPs, namely Dhakrani, Dhalipur, Chibro, Khodri, Kulhal, Ramganga, Chilla, Maneri Bhali-I, Maneri Bhali-II and Khatima for FY 2012-13 on November 29, 2011. Electricity generated at these generating Stations is supplied to Uttarakhand Power Corporation Ltd. (UPCL, the sole distribution licensee in the State) and Himachal Pradesh State Electricity Board (HPSEB), which, as per an old scheme, has share in five of these generating Stations, viz. Dhakrani (25%), Dhalipur (25%), Chibro (25%), Khodri (25%) and Kulhal (20%). Through above Petitions, UJVN Ltd. also submitted the audited financial results for the FY 2008-09 and FY 2009-10 and requested the Commission for final truing up of AFC for 9 of its LHPs (i.e. excluding Maneri Bhali-II). For Maneri Bhali-II, the Petitioner requested for re-determination of final tariff w.e.f. FY 2007-08 to FY 2010-11 based on the revised audited Capital Cost. The above Petitions were admitted by the Commission provisionally vide its Order dated December 8, 2011 with the condition that UJVN Ltd. 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 on the due date for last information sought by the Commission and the Commission would proceed to dispose of the matter as it deems fit based on the information available with it. The Commission, through its above Admittance Order dated December 8, 2011 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 Generating Company, also directed UJVN Ltd. to publish the salient points of its proposals in the leading newspapers. The salient points of the proposal were published by the Petitioner in the following newspapers:

**Table 1.1 : Publication of Notice**

| S.No. | Newspaper Name | Date Of Publication |
|---|---|---|
| 1 | Amar Ujala | December 10, 2011 |
| 2 | Hindustan Times | December 11, 2011 |

Through above notice, stakeholders were requested to submit their objections/suggestions/comments latest by January 15, 2012. (copy of the notice is enclosed at Annexure 1). The Commission received in all 06 numbers of objections/suggestions/comments in writing on the Petitions filed by UJVN Ltd. for FY 2012-13. The list of stakeholders who have submitted their objections/suggestions/comments in writing is enclosed at Annexure-2.

The Commission on its own initiative also sent copies of salient points of tariff proposals to members of the State Advisory Committee and the State Government. The salient points of the tariff proposals submitted by UJVN Ltd. were also made available on the website of the Commission, i.e. www.uerc.gov.in. The Commission also organized a meeting with the members of the Advisory Committee on March 20, 2012, wherein, detailed deliberations were held with the members of the Advisory Committee on the various issues linked with the tariff Petitions filed by UJVN Ltd. as well as other licensees for the FY 2012-13.

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

**Table 1.2 : Schedule of Hearing**

| S.No | Place | Date |
|---|---|---|
| 1 | Bhimtal | February 23, 2012 |
| 2 | Rudrapur | February 24,2012 |
| 3 | Chamba | March 12,2012 |
| 4 | Dehradun | March 14, 2012 |

# 2 Petitioner's Submissions and Proposals

This Chapter gives a brief summary of the UJVN Ltd. original submissions for the determination of AFC and tariff for 10 large hydro generating Stations for the FY 2012-13. The contents of this Chapter are based on the original submissions of the Petitioner and do not incorporate changes in information and data as submitted subsequently by the Petitioner. Additional submissions made by UJVN Ltd. have been considered by the Commission only under Chapter 5, i.e. Commission's Analysis, Scrutiny and Conclusion.

The Petitioner has filed separate Petitions for the determination of tariff for 10 large hydro generating Stations for the FY 2012-13 on November 29, 2011. Through its present Petitions, UJVN Ltd. has also requested for truing up of AFC and tariffs for FY 2008-09 and FY 2009-10 for 9 of its LHPs (i.e. excluding Maneri Bhalli-II), based on the audited financial results. For Maneri Bhali-II, the Petitioner requested for re-determination of final tariff, w.e.f. FY 2007-08 to FY 2010-11 based on the revised audited Capital Cost. The AFC claimed by the Petitioner for its different generating Stations for the FY 2012-13 vis-à-vis AFC approved by the Commission for the FY 2011-12 is as given below:

**Table 2.1 : AFC Claimed by UJVN Ltd. for FY 2012-13 (Rs. Crore)**

| Station Name | AFC Approved by the Commission for FY 2011-12 | AFC Projected by the UJVN Ltd. for FY 2012-13 |
|---|---|---|
| Dhakrani | 8.88 | 11.33 |
| Dhalipur | 13.39 | 17.08 |
| Chibro | 37.93 | 41.19 |
| Khodri | 23.21 | 25.58 |
| Kulhal | 8.20 | 10.37 |
| Ramganga | 22.26 | 25.98 |
| Chilla | 36.24 | 44.95 |
| Maneri Bhali-I | 36.24 | 45.24 |
| Khatima | 11.76 | 11.74 |
| Maneri Bhali-II | 291.70 | 370.45 |

Similarly, the AFC claimed by the Petitioner based on audited results for the FY 2008-09 and FY 2009-10 vis-à-vis numbers approved by the Commission are as below:

**Table 2.2 : AFC for FY 2008-09 and FY 2009-10 claimed by UJVN Ltd. (Rs. Crore)**

| Station Name | AFC Approved by the Commission | AFC Claimed by UJVN Ltd. based on audited accounts | AFC Approved by the Commission | AFC Claimed by UJVN Ltd. based on audited accounts |
|---|---|---|---|---|
| | FY 2008-09 | | FY 2009-10 | |
| Dhakrani | 6.36 | 5.93 | 8.81 | 9.58 |
| Dhalipur | 9.40 | 9.00 | 13.12 | 14.48 |
| Chibro | 27.44 | 27.59 | 33.40 | 38.36 |
| Khodri | 17.50 | 17.99 | 21.36 | 24.61 |
| Kulhal | 6.25 | 6.26 | 8.36 | 9.47 |
| Ramganga | 15.79 | 17.34 | 18.27 | 25.22 |
| Chilla | 25.52 | 29.01 | 30.94 | 36.89 |
| Maneri Bhali-I | 25.32 | 29.21 | 30.69 | 41.24 |
| Khatima | 7.26 | 8.10 | 10.12 | 10.65 |
| Maneri Bhali-II | 282.65 | 332.52 | 307.78 | 376.62 |

For Maneri Bhali–II, against the AFC approved by the Commission for FY 2007-08, 2008-09, 2009-10 and 2010-11, UJVN Ltd. has further claimed the AFCs as detailed below based on the revised capital cost of MB-II.

**Table 2.3 : AFC Approved vis-à-vis AFC Claimed by UJVN Ltd. for MB-II (Rs. Crore)**

| Financial Year | AFC Approved by the Commission | AFC Claimed by UJVN Ltd. based on revised Capital Cost |
|---|---|---|
| FY 2007-08 | 11.25 | 14.38 |
| FY 2008-09 | 282.65 | 332.52 |
| FY 2009-10 | 307.78 | 376.62 |
| FY 2010-11 | 295.80 | 387.59 |

## 2.1 Generation

### *2.1.1 Installed Capacity*

The total installed capacity of the 10 large generating Stations of UJVN Ltd. is 1252.15 MW. Though HPSEB also has its share in 5 of these generating Stations, most of this capacity is allocated to UPCL as per details given below:

**Table 2.4 : Installed Capacity and Firm Capacity Allocation to UPCL and HPSEB**

| Station | Capacity | UPCL's Capacity Allocation | | HPSEB's Capacity Allocation | |
|---|---|---|---|---|---|
| | MW | % | MW | % | MW |
| Dhakrani | 33.75 | 75% | 25.31 | 25% | 8.44 |
| Dhalipur | 51.00 | 75% | 38.25 | 25% | 12.75 |
| Chibro | 240.00 | 75% | 180.00 | 25% | 60.00 |
| Khodri | 120.00 | 75% | 90.00 | 25% | 30.00 |
| Kulhal | 30.00 | 80% | 24.00 | 20% | 6.00 |
| Ramganga | 198.00 | 100% | 198.00 | - | - |
| Chilla | 144.00 | 100% | 144.00 | - | - |
| Maneri Bhali-I | 90.00 | 100% | 90.00 | - | - |
| Khatima | 41.40 | 100% | 41.40 | - | - |
| Maneri Bhali-II | 304.00 | 100% | 304.00 | - | - |
| **Total (MW)** | **1252.15** | | **1134.96** | | **117.19** |

### *2.1.2 Capacity Index*

For recovery of full capacity charges, UJVN Ltd. has not sought any deviation in the normative capacity index and has considered the same normative capacity index as specified under the UERC (Terms and Conditions for Determination of Hydro Generation Tariff) Regulations, 2004 for storage type and run of the river stations with pondage. For Maneri Bhali–II, in line with the provisions of the above Regulations, the Petitioner has considered a normative capacity index of 80% only during the first year of commercial operation i.e. FY 2008-09 and 85% for the subsequent years. The capacity index as submitted by UJVN Ltd. for different generating Stations for FY 2012-13 are given in the Table below:

**Table 2.5 : Normative Capacity Index proposed by the Petitioner**

| Name of the Generating Station | Capacity (MW) | FY 2012-13 |
|---|---|---|
| Dhakrani | 33.75 | 90% |
| Dhalipur | 51.00 | 90% |
| Chibro | 240.00 | 85% |
| Khodri | 120.00 | 85% |
| Kulhal | 30.00 | 90% |
| Ramganga | 198.00 | 85% |
| Chilla | 144.00 | 90% |
| Maneri Bhali-I | 90.00 | 85% |
| Khatima | 41.40 | 90% |
| Maneri Bhali-II | 304.00 | 85% |

### 2.1.3 *Projected Gross Generation*

The Station-wise projected gross generation during FY 2012-13 as submitted by the Petitioner is given in the Table below:

**Table 2.6 : Proposed Generation**

| Name of the Generating Station | Expected Generation (MU) |
|---|---|
| Dhakrani | 156.88 |
| Dhalipur | 192.00 |
| Chibro | 750.00 |
| Khodri | 345.00 |
| Kulhal | 153.91 |
| Ramganga | 311.00 |
| Chilla | 671.29 |
| Maneri Bhali-I | 395.00 |
| Khatima | 194.05 |
| Maneri Bhali-II | 1566.10 |
| **Total** | **4735.23** |

This expected generation has been treated as Primary Energy by the Petitioner for computation of Saleable Primary Energy and its rate as per the Regulations.

### 2.1.4 *Auxiliary Energy Consumption and Transformation Losses*

The Petitioner has submitted that it has computed transformation losses and auxiliary consumption in accordance with Regulation 13(1), 13(2) and 13(4) of the UERC (Terms and Condition for Determination of Hydro Generation Tariff) Regulations, 2004. Accordingly, it has considered auxiliary consumption of 0.2% for surface HEP Stations with rotating exciters, 0.5% for surface HEP Stations with static excitation system and 0.7% for underground HEP Stations with static excitation system. The Station-wise Auxiliary Consumption and Transformation Losses for FY 2012-13 as projected by the Petitioner are given in the Table below:

**Table 2.7 : Auxiliary Consumption and Transformation Losses for FY 2012-13**

| Name of the Generating Station | Aux. Consumption | | Transformation Loss | |
|---|---|---|---|---|
| | % | MU | % | MU |
| Dhakrani | 0.20% | 0.31 | 0.50% | 0.78 |
| Dhalipur | 0.20% | 0.38 | 0.50% | 0.96 |
| Chibro | 0.70% | 5.25 | 0.50% | 3.75 |
| Khodri | 0.50% | 1.73 | 0.50% | 1.73 |
| Kulhal | 0.20% | 0.31 | 0.50% | 0.77 |
| Ramganga | 0.20% | 0.62 | 0.50% | 1.56 |
| Chilla | 0.50% | 3.36 | 0.50% | 3.36 |
| Maneri Bhali-I | 0.20% | 0.79 | 0.50% | 1.98 |
| Khatima | 0.20% | 0.39 | 0.50% | 0.97 |
| Maneri Bhali-II | 0.50% | 7.83 | 0.50% | 7.83 |
| **Total** | | **20.97** | | **23.69** |

### 2.1.5 *Total Saleable Units*

After deducting from the expected gross generation, the above mentioned figures of Auxiliary Consumption and Transformation Losses, the Petitioner has computed total saleable units to be 4,690.59 MU for FY 2012-13 as shown in the following Table:

**Table 2.8 : Gross Primary Energy and Saleable Primary Energy for FY 2012-13**

| Name of the Generating Station | Gross Primary Energy | Aux. consumption | | Transformation Loss | | Saleable Primary Energy |
|---|---|---|---|---|---|---|
| | MU | % | MU | % | MU | MU |
| Dhakrani | 156.88 | 0.20% | 0.31 | 0.50% | 0.78 | 155.78 |
| Dhalipur | 192.00 | 0.20% | 0.38 | 0.50% | 0.96 | 190.66 |
| Chibro | 750.00 | 0.70% | 5.25 | 0.50% | 3.75 | 741.00 |
| Khodri | 345.00 | 0.50% | 1.73 | 0.50% | 1.73 | 341.55 |
| Kulhal | 153.91 | 0.20% | 0.31 | 0.50% | 0.77 | 152.83 |
| Ramganga | 311.00 | 0.20% | 0.62 | 0.50% | 1.56 | 308.82 |
| Chilla | 671.29 | 0.50% | 3.36 | 0.50% | 3.36 | 664.58 |
| Maneri Bhali-I | 395.00 | 0.20% | 0.79 | 0.50% | 1.98 | 392.24 |
| Khatima | 194.05 | 0.20% | 0.39 | 0.50% | 0.97 | 192.69 |
| Maneri Bhali-II | 1566.1 | 0.50% | 7.83 | 0.50% | 7.83 | 1550.44 |
| **Total** | **4735.23** | | **20.97** | | **23.69** | **4690.59** |

## 2.2 Capital Cost and Additional Capitalisation

### *2.2.1 Capital Cost*

The Petitioner has submitted that there has been limited transfer of historical data from Uttar Pradesh Jal Vidyut Nigam Limited (UPJVNL) to UJVN Ltd. and despite repeated requests and follow-up, complete technical details are yet to be received. The Petitioner further submitted that certain essential documents such as the Detailed Project Reports, CEA clearances or Project Completion Reports have also not been received from UPJVNL. The Petitioner, therefore, is not in a position to provide details regarding the break-up of original costs of fixed assets as approved by the competent authority on COD (i.e. Date of Commercial Operation). The Petitioner has indicated that the Transfer Scheme for UJVN Ltd. has not yet been finalised, however, it expects a decision from the Government of India (GoI) shortly.

The Petitioner has further submitted that GoU had notified the provisional transfer scheme vide its notification no. 70/AS (E)/I/2008-04 (3)/22/08 dated March 7, 2008 and the value of opening Gross Fixed Assets (GFA) for 9 old Stations (i.e. excluding MB-II) as notified by GoU and the amount adopted by the Commission in its Tariff Order dated March 18, 2008 was Rs. 503.96 Crore. It has been further submitted that the Commission has provisionally considered an amount of Rs. 2.21 Crore paid by Government of Uttarakhand attributable to MB-I HEP in compliance with the Hon'ble High Court Order dated May 14, 2007 and accordingly, the opening value of GFA as considered by the Commission in its Order dated April 05, 2010 amounts to Rs. 506.17 Crore for the nine Stations (excluding Maneri Bhali-II). Pending finalisation and notification of the Transfer Scheme, the Petitioner submitted that the value of opening GFA of Rs. 506.17 Crore as approved by the Commission in its Order dated April 05, 2010 for 9 Large Hydro Power Stations (LHPs) transferred to UJVN Ltd. is acceptable to it.

The Commission in the Order dated December 30, 2009 had directed the Petitioner to conduct an Independent audit of the capital cost of Maneri Bhali-II within 6 months of the issue of the Order. The Petitioner in its Petition for tariff determination for FY 2011-12 submitted that the independent audit has been carried out by M/s. Sumit Sabharwal and Associates, Chartered Accountant. For Maneri Bhali-II the Petitioner submitted that the capital cost depicted in the auditor report was Rs. 1894.81 Crore as shown in the audited balance sheet for FY 2007-08. However, since the audit report did not provide complete details as per the scope of work as required by the Commission and as per Petitioner's own submissions, some of the Capital works related to Maneri Bhali-II were still to be completed, the Commission, therefore, couldn't carry out a thorough prudence check of Capital Cost in its Tariff Order for FY 2011-12. The Commission subsequent to the Tariff Order dated May 10, 2011 vide its letter No. 549/UERC/6/TF/11 dated July 28, 2011 directed UJVN Ltd. to constitute a Expert committee to examine in details the reasons for time and cost over-run, 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 Committee has been constituted by the Petitioner on August 10, 2011. The Petitioner submitted that the work entrusted to the Committee is in final stages and the report shall be submitted to the Commission shortly.

The Petitioner further submitted that capital cost of Maneri Bhali-II as on March 15, 2008 claimed earlier as Rs. 1894.81 Crore has been enhanced by Rs. 63.32 Crore as detailed below:

**Table 2.9 : Original Capital Cost of Maneri Bhali-II claimed by the Petitioner (Rs. Crore)**

| S. No. | Particulars | Amount |
|---|---|---|
| **1** | Capital cost claimed earlier based on audited accounts for the F.Y 2007-08 | 1894.81 |
| **2** | Add: Adjustment on account of guarantee fee payable to GoU pertaining to the period prior to CoD, i.e. 15.03.2008 | 18.81 |
| **3** | Add: Adjustment on account of DRB award paid but not capitalized as per AS-16 | 44.51 |
| | **Total** | **1958.13** |

The Petitioner submitted that the above detailed enhancement in the capital cost is due to the following reasons:

1. Guarantee fee on outstanding PFC loan amount at the commencement of the financial year is payable to GoU @ 1%. Such guarantee fee is payable at the beginning of the financial year. In case of deferment in payment of such guarantee fee, the applicable rate is 2% as per GoU Orders in this regard. Prior to CoD, i.e. March 15, 2008 such guarantee fee was paid subsequent to the financial year in which it became due. The Petitioner submitted that it requested GoU to waive off the additional 1%guarantee fee, however, the Petitioner's request was not accepted by GoU and hence, provision of the same has been made in the accounts for FY 2009-10.

Since the amount pertains to the period prior to COD, i.e. March 15, 2008 the same has been added to the capital cost as on COD i.e. March 15, 2008.

2. DRB (Dispute Resolution Board) had awarded an amount of Rs. 69.60 Crore in favour of M/s Hydel Construction Co. Pvt. Ltd. one of the contractors of Maneri Bhali-II project in the FY 2003-04. An amount of Rs. 44.51 Crore (net) paid on account of the said award was not capitalised in accordance to the Accounting Standard -16.

   Since, the above referred amount of Rs. 44.51 Crore was incurred for Maneri Bhali-II project out of project specific funds, hence, the same has been included in the capital cost as on March 15, 2008.

The Petitioner has considered capital cost of Rs. 1958.13 Crore for Maneri Bhali-II as on March 15, 2008.

The Capital costs for different generating Stations, as claimed by the Petitioner are given in the Table below:

**Table 2.10 : Original Capital Cost claimed by the Petitioner (Rs. Crore)**

| Name of the Generating Station | Approved by the Commission | Claimed by UJVN Ltd. |
|---|---|---|
| Dhakrani | 12.40 | 12.40 |
| Dhalipur | 20.37 | 20.37 |
| Chibro | 87.89 | 87.89 |
| Khodri | 73.97 | 73.97 |
| Kulhal | 17.51 | 17.51 |
| Ramganga | 50.02 | 50.02 |
| Chilla | 124.89 | 124.89 |
| Maneri Bhali I | 111.93 | 111.93 |
| Khatima | 7.19 | 7.19 |
| Maneri Bhali II | 1741.72 | 1958.13 |
| **Total** | **2247.89** | **2464.30** |

### 2.2.2 *Additional Capitalisation*

UJVN Ltd. has submitted that the Audited Balance Sheets of FY 2008-09 and FY 2009-10 are available and the additional capitalisations for FY 2008-09 and FY 2009-10 have been claimed, accordingly. As regards the additional capitalisation for FY 2010-11, UJVN Ltd. has considered the provisional balance sheet for FY 2010-11. UJVN Ltd. in its Petition had not submitted the addition in GFA for 9 LHPs excluding Maneri Bhali-II for FY 2011-12, and further submitted that the additional capitalisation for FY 2011-12 (from April, 2011 to September, 2011) based on the provisional accounts is under compilation and shall be submitted shortly. Further, UJVN Ltd. has not considered the additional capitalisation projected for the period from October 2011 to March 2012. As regards the additional capitalisation, UJVN Ltd. submitted that in order to ensure the efficiency and safety as well as continuous operation of the plants, the additional capitalisation was required to be incurred and requested the Commission to allow the same. UJVN Ltd. further referred to Regulation 16(2) of the Tariff Regulations, 2004, which explicitly permit additional works/service, which may become necessary for efficient and successful operation of the plant.

As regards the allocation of additional capitalisation, UJVN Ltd. submitted that accounts are maintained centrally for the various HEPs and in certain instances one-to-one correlation of the accounting divisions is not possible with individual Stations. UJVN Ltd. has allocated additional capital expenses incurred by accounting divisions for more than one Station on the basis of the following:

- **Head Office/ Corporate Office:** 80% of the additional capital expenses have been apportioned on 9 HEPs excluding Maneri-Bhali-II which, further, have been allocated to each LHP on the basis of the installed capacity.
- **General Manager Office/ DGM/ Civil Division:** Allocated on LHPs within the control of the concerned GM/DGM which, further, has been allocated to each LHP on the basis of the installed capacity.

UJVN Ltd. has projected the plant-wise additional capital expenditure and asset addition in FY 2008-09, FY 2009-10 and FY 2010-11 on actual basis as per its audited/provisional accounts, which is given in the Table below:

**Table 2.11 : Proposed Additional Capitalisation for 9 LHPs (Rs. Crore)**

| Stations | FY 2008-09 | FY 2009-10 | FY 2010-11 |
|---|---|---|---|
| | Claimed for truing up | Claimed for truing up | Claimed for truing up |
| Dhakrani | 0.12 | 0.10 | 0.21 |
| Dhalipur | 0.18 | 0.15 | 0.32 |
| Chibro | 1.78 | 1.17 | 0.73 |
| Khodri | 3.52 | 2.81 | 0.85 |
| Kulhal | 0.11 | 0.09 | 0.19 |
| Ramganga | 0.48 | 0.25 | 0.22 |
| Chilla | 0.34 | 0.24 | 4.91 |
| Maneri Bhali-I | 0.48 | 1.52 | 3.79 |
| Khatima | 0.19 | 0.05 | 0.05 |
| **Total** | **7.20** | **6.38** | **11.27** |

It has also been submitted by UJVN Ltd. that Detailed Project Report (DPR) for Renovation, Modernisation and Up-gradation (RMU) works in total amounting to Rs. 78.50 Crore was approved by Central Electricity Authority (CEA) for Chilla, Chibro and Khodri Power Houses under Accelerated Power Development Programme (APDP) of Government of India. An amount of Rs. 39.25 Crore (90% in the form of Grant (Rs. 35.33 Crore) and 10%, i.e. Rs. 3.92 Crore as loan), being 50% of the approved cost for RMU works were released.

As regards additional capitalisation of Maneri Bhali-II, UJVN Ltd. has submitted that the Audited Balance Sheets of FY 2007-08, FY 2008-09 and FY 2009-10 are available and the additional capitalisations for FY 2007-08, FY 2008-09 and FY 2009-10 have been claimed accordingly. As regards the additional capitalisation for FY 2010-11, UJVN Ltd. has considered the provisional balance sheet for FY 2010-11. Further, UJVN Ltd. has not claimed any additional capitalisation for FY 2011-12 and FY 2012-13.

As regards the apportionment for allocating certain expenses that are incurred by the accounting divisions that serves more than one Station, UJVN Ltd. submitted that 10% of the total additional capital expenses incurred by such accounting divisions serving more than one Station, e.g. Head Office/ Corporate Office have been apportioned to Maneri Bhali-II. The details of additional capitalisation for Maneri Bhali – II is shown in the Table below:

**Table 2.12 : Proposed Additional Capitalisation for MB-II (Rs. Crore)**

| Particulars | Total Expenditure Incurred up to CoD,i.e. 15.03.08 | FY 2007-08 (From 15.03.08 to 31.03.08) | FY 2008-09 | FY 2009-10 | FY 2010-11 | Total Expenditure Actually Incurred |
|---|---|---|---|---|---|---|
| **Total** | 1958.13 | 0.095 | 2.11 | 0.879 | 7.854 | 1969.07 |

## 2.3 Interest on Loans

UJVN Ltd. has submitted that in accordance with the Tariff Regulations, interest on normative debt has been considered for nine LHPs excluding Maneri Bhali-II. The rate of interest for such debt has been considered as 12.50% p.a. and the loan repayment period of 10 years. As regards the interest claim for Maneri Bhali-II, the Petitioner has submitted that the interest on Power Finance Corporation (PFC) loan (Rs. 1200 Crore), additional PFC loan (Rs. 94.66 Crore) and GoU loan (Rs. 90 Crore) have been computed only on loan utilized. UJVN Ltd. has also claimed 1% guarantee fee paid to GoU on PFC loan that has been utilized. UJVN Ltd. further submitted that an additional interest amounting to Rs. 8.02 Crore was required to be paid to PFC on account of withdrawal of AG&SP subsidy in FY 2007-08, 2008-09 and FY 2009-10. As regards the same, UJVN Ltd. has requested the Commission to allow an additional interest of Rs. 8.01 Crore corresponding to the loan utilized.

The Station-wise interest on loan considered by the Petitioner for 9LHP's, excluding Maneri Bhali-II is given in the following Table:

**Table 2.13 : Proposed Interest on Loan for 9 LHP (Rs. Crore)**

| Stations | FY 2008-09 | | FY 2009-10 | | FY 2012-13 |
|---|---|---|---|---|---|
| | Approved in Order for FY 2008-09 | Claimed for Truing Up | Approved in Order for FY 2009-10 | Claimed for Truing Up | Projected |
| Dhakrani | 0.04 | 0.14 | 0.02 | 0.13 | 0.11 |
| Dhalipur | 0.01 | 0.21 | 0.04 | 0.20 | 0.17 |
| Chibro | 0.52 | 0.55 | 0.28 | 0.62 | 0.53 |
| Khodri | 0.05 | 0.48 | 0.21 | 0.71 | 0.53 |
| Kulhal | 0.01 | 0.12 | 0.02 | 0.12 | 0.10 |
| Ramganga | 0.06 | 0.22 | 0.14 | 0.22 | 0.18 |
| Chilla | 0.61 | 0.95 | 0.66 | 0.74 | 0.99 |
| Maneri Bhali-I | 0.10 | 0.10 | 0.24 | 0.23 | 0.48 |
| Khatima | 0.03 | 0.07 | 0.05 | 0.07 | 0.06 |
| **Total** | **1.43** | **2.84** | **1.66** | **3.04** | **3.15** |

For Maneri Bhali–II interest on loan considered by the Petitioner is as shown in the Table below:

**Table 2.14 : Proposed Interest on Loan for MB-II (Rs. Crore)**

| Particulars | FY 2007-08 | | FY 2008-09 | | FY 2009-10 | | FY 2010-11 | | FY 2012-13 |
|---|---|---|---|---|---|---|---|---|---|
| | Approved in Order for FY 2007-08 | Claimed for Final Tariff | Approved in Order for FY 2008-09 | Claimed for Final Tariff | Approved in Order for FY 2009-10 | Claimed for Final Tariff | Approved in Order for FY 2010-11 | Claimed for Final Tariff | Projected |
| a. PFC loan (Rs. 1200 Crore) including additional PFC loan of Rs. 94.66 Crore | | 1200.00 | | 1200.00 | | 1294.66 | | 1294.66 | 1294.66 |
| b. GoU Loan | | 90.00 | | 90.00 | | 90.00 | | 90.00 | 90.00 |
| Interest on above (a & b) including 1% guarantee fee | | 6.33 | | 149.64 | | 124.18 | | 128.04 | 104.26 |
| Additional interest paid against AG & SP subsidy | | 0.25 | | 6.12 | | 1.65 | | - | - |
| **Total** | **6.33** | **6.57** | **131.19** | **155.76** | **120.42** | **125.83** | **106.91** | **128.04** | **104.26** |

## 2.4 Return on Equity (RoE)

For nine LHPs excluding Maneri Bhali-II, UJVN Ltd. has submitted that it has claimed Return on Equity (RoE) on the closing equity assuming the normative debt-equity ratio of 70:30 in accordance with the Tariff Regulations, 2004. UJVN Ltd. has claimed RoE considering rate of return as 14% for 9 LHPs as shown in the Table below:

**Table 2.15 : Proposed Return on Equity for 9 LHP (Rs. Crore)**

| Stations | FY 2008-09 | | | FY 2009-10 | | | FY 2012-13 | |
|---|---|---|---|---|---|---|---|---|
| | Approved RoE in Order | Equity Claimed for Truing up | RoE claimed for Truing Up | Approved RoE in Order | Equity Claimed for Truing up | RoE claimed for Truing Up | Equity projected | RoE Projected |
| **Dhakrani** | 0.55 | 4.24 | 0.59 | 0.54 | 4.27 | 0.60 | 4.33 | 0.61 |
| **Dhalipur** | 0.86 | 6.89 | 0.96 | 0.88 | 6.93 | 0.97 | 7.03 | 0.98 |
| **Chibro** | 3.97 | 28.22 | 3.95 | 3.83 | 28.58 | 4.00 | 28.79 | 4.03 |
| **Khodri** | 3.12 | 24.07 | 3.37 | 3.22 | 24.91 | 3.49 | 25.17 | 3.52 |
| **Kulhal** | 0.74 | 5.17 | 0.80 | 0.75 | 5.74 | 0.80 | 5.79 | 0.81 |
| **Ramganga** | 2.14 | 15.88 | 2.22 | 2.19 | 15.96 | 2.23 | 15.96 | 2.23 |
| **Chilla** | 5.56 | 40.77 | 5.71 | 5.67 | 40.84 | 5.72 | 42.31 | 5.92 |
| **Maneri Bhali-I** | 4.67 | 33.98 | 4.76 | 4.66 | 34.44 | 4.82 | 35.57 | 4.98 |
| **Khatima** | 0.32 | 2.43 | 0.34 | 0.33 | 2.45 | 0.34 | 2.46 | 0.34 |
| **Total** | **21.93** | **161.65** | **22.70** | **22.08** | **164.12** | **22.97** | **167.41** | **23.42** |

As regards the claim of RoE for Maneri Bhali-II, the Petitioner submitted that the Commission in its Order dated May 10, 2011 has not considered Return on equity on the funds deployed by GoU out of Power Development Fund (PDF). UJVN Ltd. submitted that GoU has advised the Commission to allow Return on equity on the amount contributed by GoU out of withdrawal from PDF vide letter no. 337/1(2)/2011-04-(01)/84/2008 dated February 11, 2011. In view of the said recommendation of GoU, UJVN Ltd. has requested the Commission to allow the return on equity contributed by GoU out of withdrawal from PDF. UJVN Ltd. further submitted that equity for Maneri Bhali–II has been considered at 30% of capital employed in accordance with the Regulations. The year wise Return on Equity for Maneri Bhali–II as claimed by UJVN Ltd. is as shown in the Table below:

**Table 2.16 : Proposed Return on Equity for Maneri Bhali-II (Rs. Crore)**

| Component | FY 2007-08 | | FY 2008-09 | | FY 2009-10 | | FY 2010-11 | | FY 2012-13 |
|---|---|---|---|---|---|---|---|---|---|
| | Approved in Order | Claimed for Final Tariff | Approved in Order | Claimed for Final Tariff | Approved in Order | Claimed for Final Tariff | Approved in Order | Claimed for Final Tariff | Projected |
| Total Equity | 541.72 | 634.32 | 541.72 | 644.32 | 541.72 | 644.32 | 541.72 | 644.32 | 644.32 |
| Capital Cost with Additional Capacity | 1741.72 | 1958.22 | 1741.72 | 1960.34 | 1741.72 | 1961.22 | 1741.72 | 1969.07 | 1969.07 |
| 30% of the above Capital Cost | 522.52 | 587.47 | 522.52 | 588.10 | 522.52 | 588.37 | 522.52 | 590.72 | 590.72 |
| Equity for RoE purpose | 9.30 | 27.36 | 200.33 | 588.10 | 200.33 | 588.37 | 200.33 | 590.72 | 590.72 |
| Return on Equity. (ROE) | 1.30 | 3.83 | 28.05 | 82.33 | 28.05 | 82.37 | 28.05 | 82.70 | 82.70 |

## 2.5 Depreciation and Advance Against Depreciation

As regards the depreciation for nine LHPs excluding Maneri Bhali-II, UJVN Ltd. has submitted that it has computed the depreciation expense for FY 2012-13 based on the rates considered by the Commission in the Tariff Order dated May 10, 2011. The Petitioner has submitted that since the sub-classification of assets category is not available with it, hence, it has considered the depreciation rate as considered in the Order dated May 10, 2011. The depreciation on opening GFA has been considered at an average rate of 2.38% and depreciation on additional capitalisation has been considered at an average rate of 2.66%. Based on these principles, the Station-wise depreciation considered by the Petitioner is given in the Table below:

**Table 2.17 : Proposed Depreciation for 9 LHP (Rs. Crore)**

| Stations | FY 2008-09 | | FY 2009-10 | | FY 2012-13 |
|---|---|---|---|---|---|
| | Approved in Order for FY 2008-09 | Claimed for true up | Approved in Order for FY 2009-10 | Claimed for true up | Projected |
| Dhakrani | 0.02 | 0.05 | 0.01 | 0.05 | 0.05 |
| Dhalipur | 0.00 | 0.07 | 0.01 | 0.07 | 0.08 |
| Chibro | 0.18 | 0.16 | 0.11 | 0.20 | 0.22 |
| Khodri | 1.78 | 1.93 | 1.84 | 2.00 | 2.02 |
| Kulhal | 0.42 | 0.46 | 0.23 | 0.26 | 0.05 |
| Ramganga | 0.02 | 0.07 | 0.06 | 0.08 | 0.08 |
| Chilla | 3.20 | 3.19 | 3.25 | 3.20 | 3.33 |
| MB-I | 2.65 | 2.70 | 2.70 | 2.74 | 2.84 |
| Khatima | 0.01 | 0.02 | 0.02 | 0.03 | 0.03 |
| **Total** | **8.28** | **8.65** | **8.23** | **8.63** | **8.70** |

As regards the depreciation and advance against depreciation for Maneri Bhali-II, UJVN Ltd. submitted that depreciation expense has been computed based on the asset classification and the applicable depreciation rates for these asset categories. UJVN Ltd. has further submitted that the rates have been considered based on the Schedule provided as Appendix-I to the Tariff Regulations, 2004.

**Table 2.18 : Proposed Depreciation for MB-II (Rs. Crore)**

| Component | FY 2007-08 | | FY 2008-09 | | FY 2009-10 | | FY 2010-11 | | FY 2012-13 |
|---|---|---|---|---|---|---|---|---|---|
| | Approved in Order for FY 2007-08 | Claimed for Final Tariff | Approved in Order for FY 2008-09 | Claimed for Final Tariff | Approved in Order for FY 2009-10 | Claimed for Final Tariff | Approved in Order for FY 2010-11 | Claimed for Final Tariff | Projected |
| Depreciation | 2.07 | 2.34 | 44.54 | 50.44 | 44.54 | 50.50 | 44.54 | 50.75 | 50.75 |
| Adv. Against Dep. (AAD) | 0.00 | 0.00 | 43.39 | 12.72 | 75.46 | 77.00 | 75.46 | 80.84 | 79.50 |
| **Total Dep.** | **2.07** | **2.34** | **87.93** | **63.16** | **120.00** | **127.50** | **120.00** | **131.59** | **130.25** |

## 2.6 Operation and Maintenance (O&M) Expenses

UJVN Ltd. submitted that O&M expenses for FY 2012-13 have been projected over the approved O&M expenses for FY 2010-11 considering escalation factor of 6.29% as approved by the Commission in its Tariff Order dated May 10, 2011. For FY 2008-09 and FY 2009-10, UJVN Ltd. submitted that the O&M expenses have been claimed as per audited accounts.

UJVN Ltd. submitted that in addition to above, following expenses should also be considered as part of O&M expenses as approved by the Commission in its Tariff Order dated May 10, 2011:

- **Regulatory Fee:** UJVN Ltd. submitted that as the Tariff filing fee for Petition of each Generating Station is Rs. 10 Lakh, accordingly, the Commission should allow Rs. 10 Lakh per Petition as part of O&M expenses on account of the said fees;
- **Insurance:** UJVN Ltd. submitted that the actual insurance expenses incurred during FY 2011-12 are Rs. 4.69 Crore and it has assumed that the similar policy would be availed in FY 2012-13 and, hence, requested the Commission to allow the insurance expenses of Rs 4.69 Crore.
- **Cost of Concessional Supply of Electricity to Employees residing in Colonies:** It has been submitted by the Petitioner that it has calculated cost of colony consumption for 9 LHPs excluding Maneri Bhali-II for FY 2008-09 and FY 2009-10 in accordance with the Tariff Order dated May 10, 2011. For projecting the cost of colony consumption for FY 2012-13, UJVN Ltd. has provisionally considered the colony consumption for FY 2011-12 as approved by the Commission in its Tariff Order dated May 10, 2011.
- **Cost of Concessional Supplies to Past & Present Employees of UJVN Ltd. residing in areas outside the Colonies:** UJVN Ltd. submitted that the Commission in its earlier Tariff Order dated May 10, 2011 had approved Rs. 0.40 Crore for FY 2011-12 on account of the cost towards such supplies on the basis of the prevalent demand tariff rate of Rs. 2.35/kWh in accordance with the rate under category RTS-1. Accordingly, UJVN Ltd. submitted that the additional cost of Rs. 0.40 Crore may be considered and approved for FY 2012-13 also.

UJVN Ltd. has also submitted that the cost of concessional supply to past and present employees of UJVN Ltd. residing in areas outside the colonies for the year FY 2008-09 and FY 2009-10 may be considered and approved as per the tariff Order dated October 21, 2009, i.e. Rs. 0.34 Crore.

- **Impact of Arrears of Pay Revision:** As regards the arrears of Pay Revision, UJVN Ltd. submitted that in the Tariff Order dated May 10, 2011, the Commission has allowed the payment of arrear of VI Pay Commission on cash basis. Hence, the Petitioner has considered the financial impact of arrear of VI Pay Commission in FY 2009-10 on cash basis. UJVN Ltd. further submitted that the arrear of VI Pay Commission accrued in FY 2008-09 has not been considered in truing up for FY 2008-09.

**Table 2.19 : Proposed O&M Expenses for 9 LHP (Rs. Crore)**

| Stations | FY 2008-09 | | FY 2009-10 | | FY 2012-13 (Claimed) | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Approved in Tariff Order of FY 08-09 | Claimed for Truing up | Approved in Tariff Order of FY 09-10 | Claimed for Truing up | O&M Expense | Colony Consumption | Regulatory Expenses | Insurance | Cost Of Concessional Supplies | Total |
| Dhakrani | 5.57 | 4.99 | 7.95 | 8.50 | 9.90 | 0.06 | 0.10 | 0.08 | 0.01 | **10.15** |
| Dhalipur | 8.25 | 7.51 | 11.76 | 12.79 | 14.95 | 0.04 | 0.10 | 0.13 | 0.02 | **15.24** |
| Chibro | 21.95 | 22.15 | 28.03 | 32.34 | 33.66 | 0.44 | 0.10 | 0.60 | 0.10 | **34.90** |
| Khodri | 12.02 | 11.70 | 15.34 | 17.61 | 17.82 | 0.22 | 0.10 | 0.30 | 0.05 | **18.49** |
| Kulhal | 4.90 | 4.71 | 7.09 | 7.99 | 8.80 | 0.05 | 0.10 | 0.08 | 0.01 | **9.03** |
| Ramganga | 13.10 | 14.34 | 15.24 | 21.90 | 21.28 | 0.56 | 0.10 | 0.50 | 0.08 | **22.53** |
| Chilla | 15.36 | 18.32 | 20.24 | 26.00 | 32.35 | 0.15 | 0.10 | 0.36 | 0.06 | **33.02** |
| Maneri Bhali-I | 17.14 | 20.81 | 22.01 | 32.08 | 34.64 | 0.25 | 0.10 | 0.23 | 0.04 | **35.26** |
| Khatima | 6.70 | 7.45 | 9.41 | 9.89 | 10.58 | 0.11 | 0.10 | 0.10 | 0.02 | **10.91** |
| **Total** | **104.98** | **111.98** | **137.06** | **169.10** | **183.98** | **1.88** | **0.90** | **2.38** | **0.39** | **189.53** |

As regards O&M expenses for Maneri Bhali-II, UJVN Ltd. submitted that it has considered O&M expenses for FY 2007-08 to FY 2010-11 as per the audited Accounts for FY 2007-08 to FY 2009-10 and provisional Accounts for FY 2010-11. For FY 2011-12 and FY 2012-13 expenses have been calculated by escalating the O&M expenses of FY 2010-11 considering the average escalation rate of 6.29% as allowed by the Commission in accordance with the UERC Regulations, 2008 (Terms and Condition for escalation factor)). The summary of the O&M expenses as submitted by UJVN Ltd. for

FY 2012-13 against those approved by the Commission till FY 2010-11 is as shown in the Table below:

**Table 2.20 : Proposed O&M Expenses for MB-II (Rs. Crore)**

| Particulars | FY 2007-08 | | FY 2008-09 | | FY 2009-10 | | FY 2010-11 | | FY 2012-13 |
|---|---|---|---|---|---|---|---|---|---|
| | Approved in Order | Claimed for Final Tariff | Approved in Order | Claimed for Final Tariff | Approved in Order | Claimed for Final Tariff | Approved in Order | Claimed for Final Tariff | Projected |
| O & M expenses | 1.21 | 0.12 | 27.17 | 24.76 | 30.32 | 32.05 | 32.30 | 36.42 | 41.15 |
| Colony Consumption | - | - | - | 0.37 | - | 0.34 | - | 0.27 | 0.27 |
| Regulatory Expenses | - | - | - | - | - | - | - | - | 0.10 |
| Insurance | - | - | - | - | - | - | - | - | 2.22 |
| **Total** | **1.21** | **0.12** | **27.17** | **25.13** | **30.32** | **32.39** | **32.39** | **36.69** | **43.74** |

## 2.7 Interest on Working Capital

UJVN Ltd. has stated that it has claimed interest on working capital in accordance with the provisions of UERC (Terms and Conditions for Determination of Hydro Generation Tariff) Regulations, 2004 and projected the working capital for each of the generating Stations considering the following components of working capital:

- O&M expenses at one month of projected expenses;
- Maintenance spares at 1% of project cost, along with 6.00% annual escalation in value;
- Receivables at two months of revenue from sale of electricity.

UJVN Ltd. has claimed interest on working capital at 13.25% per annum on the basis of the PLR of the State Bank of India (SBI) as on April 1, 2011.

**Table 2.21 : Proposed Interest on Working Capital (Rs. Crore)**

| Stations | 2008-09 | | 2009-10 | | 2012-13 |
|---|---|---|---|---|---|
| | Approved in Order | Claimed for truing up | Approved in Order | Claimed for truing up | Projected |
| Dhakrani | 0.18 | 0.16 | 0.29 | 0.30 | 0.40 |
| Dhalipur | 0.27 | 0.25 | 0.43 | 0.45 | 0.60 |
| Chibro | 0.82 | 0.77 | 1.16 | 1.21 | 1.52 |
| Khodri | 0.53 | 0.51 | 0.75 | 0.80 | 1.02 |
| Kulhal | 0.18 | 0.17 | 0.28 | 0.30 | 0.38 |
| Ramganga | 0.47 | 0.48 | 0.64 | 0.78 | 0.96 |
| Chilla | 0.79 | 0.84 | 1.11 | 1.23 | 1.69 |
| Maneri Bhali–I | 0.77 | 0.85 | 1.08 | 1.37 | 1.69 |
| Khatima | 0.19 | 0.21 | 0.32 | 0.32 | 0.40 |
| **Total** | **4.20** | **4.24** | **6.06** | **6.76** | **8.66** |

For Maneri Bhali–II, UJVN Ltd. has submitted interest on working capital as shown in the Table below:

**Table 2.22 : Proposed Interest on Working Capital for Maneri Bhali-II (Rs. Crore)**

| Particulars | FY 2007-08 | | FY 2008-09 | | FY 2009-10 | | FY 2010-11 | | FY 2012-13 |
|---|---|---|---|---|---|---|---|---|---|
| | Approved in Order | Claimed for Final Tariff | Approved in Order | Claimed for Final Tariff | Approved in Order | Claimed for Final Tariff | Approved in Order | Claimed for Final Tariff | Projected |
| Working Capital | | 14.72 | | 59.93 | | 69.57 | 72.74 | 72.90 | 71.66 |
| Interest on working Capital. | 0.34 | 1.51 | 8.31 | 6.14 | 8.99 | 8.52 | 8.55 | 8.57 | 9.50 |

## 2.8 Abstract of Tariff of UJVN Ltd. Generating Stations for FY 2012-13

On the basis of the actual expenses for FY 2008-09 and FY 2009-10 and projected expenses for FY 2012-13, the Petitioner has claimed total Annual Fixed Charges (AFC), for its 9 large hydro generating Stations. The Station-wise break-up of AFC for FY 2008-09, 2009-10 & FY 2012-13 and per unit tariff as proposed by the Petitioner is given in the Table below:

**Table 2.23 : AFC proposed for 9 LHP for truing up of FY 2008-09**

| Stations | Approved AFC in Order (Rs. Crore) | Interest on Loan (Rs. Crore) | Depreciation (Rs. Crore) | O&M Expenses (Rs. Crore) | Interest on WC (Rs. Crore) | RoE (Rs. Crore) | AFC Claimed (Rs. Crore) | Non Tariff Income (Rs. Crore) | Net AFC Claimed (Rs. Crore) | Saleable Primary Energy (MU) | Tariff (Paisa/ kWh) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Dhakrani | 6.36 | 0.14 | 0.05 | 4.99 | 0.16 | 0.59 | 5.93 | 0.27 | 5.65 | 155.78 | 36.29 |
| Dhalipur | 9.40 | 0.21 | 0.07 | 7.51 | 0.25 | 0.96 | 9.00 | 0.36 | 8.64 | 190.66 | 45.33 |
| Chibro | 27.44 | 0.55 | 0.16 | 22.15 | 0.77 | 3.95 | 27.59 | 1.66 | 25.93 | 741.00 | 34.99 |
| Khodri | 17.50 | 0.48 | 1.93 | 11.70 | 0.51 | 3.37 | 17.99 | 0.92 | 17.07 | 341.55 | 49.98 |
| Kulhal | 6.25 | 0.12 | 0.46 | 4.71 | 0.17 | 0.80 | 6.26 | 0.21 | 6.05 | 152.83 | 39.59 |
| Ramganga | 15.79 | 0.22 | 0.07 | 14.34 | 0.48 | 2.22 | 17.34 | 1.37 | 15.97 | 308.82 | 51.71 |
| Chilla | 25.52 | 0.95 | 3.19 | 18.32 | 0.84 | 5.71 | 29.01 | 1.21 | 27.80 | 664.58 | 41.84 |
| MB-I | 25.32 | 0.10 | 2.70 | 20.81 | 0.85 | 4.76 | 29.21 | 0.64 | 28.58 | 392.24 | 72.86 |
| Khatima | 7.26 | 0.07 | 0.02 | 7.45 | 0.21 | 0.34 | 8.10 | 0.35 | 7.75 | 192.69 | 40.21 |
| **Total** | **140.82** | **2.84** | **8.65** | **111.98** | **4.24** | **22.70** | **150.43** | **6.99** | **143.44** | **3140.15** | **45.68** |

**Table 2.24 : Total AFC proposed for 9 LHP for truing up of FY 2009-10**

| Stations | Approved AFC (Rs. Crore) | Interest on Loan (Rs. Crore) | Depreciation (Rs. Crore) | O&M Expenses (Rs. Crore) | Interest on WC (Rs. Crore) | RoE (Rs. Crore) | AFC Claimed (Rs. Crore) | Non Tariff Income (Rs. Crore) | Net AFC Claimed (Rs. Crore) | Saleable Primary Energy (MU) | Tariff (Paisa/ kWh) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Dhakrani | 8.81 | 0.13 | 0.05 | 8.50 | 0.30 | 0.60 | 9.58 | 0.61 | 8.97 | 155.78 | 57.56 |
| Dhalipur | 13.12 | 0.20 | 0.07 | 12.79 | 0.45 | 0.97 | 14.48 | 0.81 | 13.67 | 190.66 | 71.72 |
| Chibro | 33.40 | 0.62 | 0.20 | 32.34 | 1.21 | 4.00 | 38.36 | 3.77 | 34.59 | 741.00 | 46.68 |
| Khodri | 21.36 | 0.71 | 2.00 | 17.61 | 0.80 | 3.49 | 24.61 | 1.91 | 22.70 | 341.55 | 66.67 |
| Kulhal | 8.36 | 0.12 | 0.26 | 7.99 | 0.30 | 0.80 | 9.47 | 0.47 | 9.00 | 152.83 | 58.88 |
| Ramganga | 18.27 | 0.22 | 0.08 | 21.90 | 0.78 | 2.23 | 25.22 | 3.08 | 22.14 | 308.82 | 71.68 |
| Chilla | 30.94 | 0.74 | 3.20 | 26.00 | 1.23 | 5.72 | 36.89 | 2.29 | 34.60 | 664.58 | 52.06 |
| Maneri Bhali-I | 30.69 | 0.23 | 2.74 | 32.08 | 1.37 | 4.82 | 41.24 | 1.45 | 39.78 | 392.24 | 101.43 |
| Khatima | 10.12 | 0.07 | 0.03 | 9.88 | 0.32 | 0.34 | 10.65 | 0.66 | 9.99 | 192.69 | 51.82 |
| **Total** | **175.07** | **3.04** | **8.63** | **169.09** | **6.76** | **22.97** | **210.50** | **15.05** | **195.44** | **3140.15** | **62.44** |

**Table 2.25 : Total AFC Proposed for 9 LHP for FY 2012-13**

| Stations | Approved AFC (Rs. Crore) | Interest on Loan (Rs. Crore) | Depreciation (Rs. Crore) | O&M Expenses (Rs. Crore) | Interest on WC (Rs. Crore) | RoE (Rs. Crore) | AFC Projected (Rs. Crore) | Non Tariff Income (Rs. Crore) | Net AFC Projected (Rs. Crore) | Saleable Primary Energy (MU) | Per Unit Tariff (paisa/ kWh) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Dhakrani | 8.88 | 0.11 | 0.05 | 10.15 | 0.40 | 0.61 | 11.33 | 0.00 | 11.33 | 155.78 | 72.72 |
| Dhalipur | 13.39 | 0.17 | 0.08 | 15.24 | 0.60 | 0.98 | 17.08 | 0.00 | 17.08 | 190.66 | 89.58 |
| Chibro | 37.93 | 0.53 | 0.22 | 34.90 | 1.52 | 4.03 | 41.19 | 0.00 | 41.19 | 741.00 | 55.59 |
| Khodri | 23.21 | 0.53 | 2.02 | 18.49 | 1.02 | 3.52 | 25.58 | 0.00 | 25.58 | 341.55 | 74.90 |
| Kulhal | 8.20 | 0.10 | 0.05 | 9.03 | 0.38 | 0.81 | 10.37 | 0.00 | 10.37 | 152.83 | 67.85 |
| Ramganga | 22.26 | 0.18 | 0.08 | 22.53 | 0.96 | 2.23 | 25.98 | 0.00 | 25.98 | 308.82 | 84.12 |
| Chilla | 36.24 | 0.99 | 3.33 | 33.02 | 1.69 | 5.92 | 44.95 | 0.00 | 44.95 | 664.58 | 67.64 |
| Maneri Bhali-I | 36.24 | 0.48 | 2.84 | 35.26 | 1.69 | 4.98 | 45.24 | 0.00 | 45.24 | 392.24 | 115.33 |
| Khatima | 11.76 | 0.06 | 0.03 | 10.91 | 0.40 | 0.34 | 11.74 | 0.00 | 11.74 | 192.69 | 60.92 |
| **Total** | **198.12** | **3.15** | **8.70** | **189.53** | **8.66** | **23.42** | **233.46** | **0.00** | **233.46** | **3140.15** | **74.35** |

For Maneri Bhali –II, UJVN Ltd. has claimed the AFC as shown in the Table below:

**Table 2.26 : Total AFC Proposed for MB-II (Rs. Crore)**

| Particulars | FY 2007-08 | | FY 2008-09 | | FY 2009-10 | | FY 2010-11 | | FY 2012-13 |
|---|---|---|---|---|---|---|---|---|---|
| | Approved in Order | Claimed for Final Tariff | Approved in Order | Claimed for Final Tariff | Approved in Order | Claimed for Final Tariff | Approved in Order | Claimed for Final Tariff | Projected |
| Interest on Loan Capital | 6.33 | 6.57 | 131.19 | 155.76 | 120.42 | 125.83 | 106.91 | 128.04 | 104.26 |
| Depreciation | 2.07 | 2.34 | 44.54 | 50.44 | 44.54 | 50.50 | 44.54 | 50.75 | 50.75 |
| Advance Against Depreciation | 0.00 | 0.00 | 43.39 | 12.72 | 75.46 | 77.00 | 75.46 | 80.84 | 79.50 |
| O&M Expense | 1.21 | 0.12 | 27.17 | 25.13 | 30.32 | 32.39 | 32.30 | 36.69 | 43.74 |
| Interest on Working Capital | 0.34 | 1.51 | 8.31 | 6.14 | 8.99 | 8.52 | 8.55 | 8.57 | 9.50 |
| Return on Equity | 1.30 | 3.83 | 28.05 | 82.33 | 28.05 | 82.37 | 28.05 | 82.70 | 82.70 |
| **Annual Fixed Charges** | **11.25** | **14.38** | **282.65** | **332.52** | **307.78** | **376.62** | **295.80** | **387.59** | **370.45** |
| Non Tariff Income | 0.00 | 0.00 | 0.00 | 15.35 | 0.00 | 7.02 | 0.00 | 2.07 | 0.00 |
| **Net AFC** | **11.25** | **14.38** | **282.65** | **317.17** | **307.78** | **369.60** | **295.80** | **385.52** | **370.45** |

Accordingly, UJVN Ltd. has submitted the per unit cost of power for Maneri Bhali–II as shown in the Table below:

**Table 2.27 : Per Unit Cost Proposed for Maneri Bhali-II**

| Particulars | Unit | Tariff Year (2007-08) | Tariff Year ( 2008-09) | Tariff Year ( 2009-10) | Tariff Year ( 2010-11) | Tariff Year ( 2012-13) |
|---|---|---|---|---|---|---|
| Net Annual Fixed Charges | (Rs. Crore) | 14.38 | 317.17 | 369.60 | 385.52 | 370.45 |
| Saleable Energy | (MU) | 72.21 | 1550.44 | 1550.44 | 1550.44 | 1550.44 |
| **Per unit Rate of Saleable Energy** | **(Rs./unit)** | **1.99** | **2.05** | **2.38** | **2.49** | **2.39** |

# 3 Stakeholders' Responses & Petitioner's Comments

The Commission has received 06 Objections/Suggestions/Comments on the proposals of UJVN Ltd. 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 UJVN Ltd. 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 below. 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 Annual Fixed Charges and Tariffs for different generating stations of UJVN Ltd.

## 3.1 General

### *3.1.1 Stakeholder's Comment*

Shri. Pankaj Gupta, President, Industries Association of Uttarakhand submitted that the tariff proposal filed by UJVN Ltd. is not in the interest of the people. It has been the past experience that all the utilities are not working within the cost approved by the Commission in its Tariff Orders. He further submitted that utilities come out with their actual cost during truing-up exercise, which are always different from the cost approved by the Commission and then they plead for acceptance of their actual cost as pass through in the ensuing year. The same phenomenon is seen in this year Tariff Petition also.

Shri. Shanti Prasad Bhatt (Kendriya Mahamantri, Uttarakhand Kranti Dal) suggested that the report of Administrative Reforms Commission should be followed during the determination of tariff for resolving the objections of the stakeholders.

### *3.1.2 Petitioner's Response*

UJVN Ltd. submitted that the Tariff Petition is proposed on normative basis in accordance with the Regulations and truing up for past year is requested based on actual audited expenditure. UJVN Ltd., further submitted that it continuously makes efforts to ensure strict commercial discipline and strives to protect the public interest at large. All efforts are being made to comply with the directives of the Commission which are issued from time to time.

### 3.1.3 *Commission's Views*

The Commission, in this regard, would like to clarify that as the tariff is approved for the ensuing year based on projected expenses, there is bound to be some variation in actual expenses as compared to approved expenses either due to uncontrollable factors or controllable factors. While carrying out the truing up of expenses and revenue for previous years based on actual figures in accordance with UERC (Terms and Conditions for Truing Up of Tariff) Regulations, 2008, any variation in expenditure incurred by the Petitioner is allowed only after due prudence check and after ascertaining that such cost is legitimate.

## 3.2 Making Available information in Hindi

### 3.2.1 *Stakeholder's Comment*

Shri Arvind Kumar Jain and representatives from Uttarakhand Kranti Dal submitted that the tariff petition, notices published in the newspapers inviting for objections on the Utility's Petition and the Order of the Commission should be widely circulated in Hindi and that too in simple and general spoken Hindi as against using difficult terminology, not understandable by a common man and, therefore, doesn't serve the purpose.

### 3.2.2 *Petitioner's Reply*

The Petitioner has not responded on the issue.

### 3.2.3 *Commission's Views*

The Commission, in this regard would like to state that it has taken all necessary steps to publish notices both in English and Hindi language. However, the Commission would like to refer to the UERC (Conduct of Business) Regulations, 2004 which specifies that the proceedings can be conducted either in English or Hindi. Commission would ensure, as far as possible, to conduct proceedings of the Commission including Public Hearing in Hindi. The Commission would also like clarify that Regulations of the Commission are published in both English and Hindi language. Since Tariff Orders of the Commission have to be widely circulated in all the States, Central

Ministry and their Departments, Planning Commission etc., therefore, Tariff Orders are issued in English. However, the operative portion of UPCL's Tariff Order viz. Rate Schedule is also published in Hindi.

## 3.3 Increase in Generation Tariff

### *3.3.1 Stakeholder's Comment*

Shri. Manmohan Kansal (President of the Dakpathar Vyapar Mandal of Dehradun), Shri. S.S. Anand of M/s Greenply Industries Ltd., M/s Asahi India Glass Limited, Shri. Shanti Prasad Bhatt (Kendriya Mahamantri, Uttarakhand Kranti Dal) and Shri. G. S. Bedi (General Manager, Indian Drugs & Pharmaceuticals Ltd., Rishikesh) submitted that the tariff hike of 64.36% (UPCL proposal of average tariff hike of 46.36% for FY 2012-13 and, further, hike of 18%, on acceptance of PTCUL & UJVN Ltd. Tariff Petitions for FY 2012-13) will burden the electricity consumers of the State and is unjustified. Shri. S.S. Anand of M/s Greenply Industries Ltd. further submitted that tariff hike needs to be rejected because increase has already been made w.e.f. May 1, 2011, which consumers are hardly been able to absorb.

Shri. Manmohan Kansal (President of the Dakpathar Vyapar Mandal of Dehradun) further submitted that the five hydroelectric projects in district Dehradun had the record generation in FY 2011-12. There was a record generation of 9.515 MU per day and 3055.484 MU during the period from April 2011 to September 18, 2011. Further, there was a generation of 626.258 MU in September 2011 in comparison to 531.550 MU in September 2010. The discharge limit was increased from 200 cusecs to 210 cusecs. This resulted in the increase in generation in Chibro Powerhouse and Khodri Powerhouse from 185 MU and 82 MU to 201 MU and 88 MU, respectively. He further asked for the clarification regarding increase in tariff inspite of increased generation of hydro electric stations in the State.

Shri. Shanti Prasad Bhatt (Kendriya Mahamantri, Uttarakhand Kranti Dal) further submitted that expenditure incurred due to power generation loss/other losses should not be included in UJVN Ltd.'s expenses for tariff determination and should be reimbursed from the salaries of Assistant Engineer/higher officials, responsible for losses. Further, the extra high expenses of power purchase from other sources should not be included in determination of tariff and should be recovered from the salaries of the officers, who are responsible for mismanagement and delayed maintenance of hydro power projects of UJVN Ltd.

Shri. Shanti Prasad Bhatt (Kendriya Mahamantri, Uttarakhand Kranti Dal) further submitted that UJVN Ltd. should auction needless scrap equipments & materials and the amount collected from the auction should be reduced from the company's expenses, thereby, decreasing tariff. He further submitted that the tariff determination of UJVN Ltd. should not include medical expenses of its terminated Chairman/Directors and its guest house expenses in Uttarakhand/outside Uttarakhand. He further submitted that there should be the record of employees absent due to involvement in demonstration, strikes, rallies, relegation, etc. and, accordingly, their salaries should be deducted.

### *3.3.2 Petitioner's Response*

The Petitioner submitted that the Petitions for determination of tariff are prepared in accordance with the Regulations notified by the Commission. The tariff for ensuing year is proposed on normative basis, in accordance to the Regulations and truing up for past year is requested based on actual audited expenditure. UJVN Ltd. continuously makes efforts to ensure strict commercial discipline and strives to protect the public interest at large. All efforts are being made to comply with the directives of the Commission which are issued from time to time.

Further, the Petitioner submitted that no employees of UJVN Ltd. has been found guilty of causing any generation loss or financial loss and all the hydro stations are giving maximum possible generation. As regard to scrap lying at various divisions and sub divisions, the Petitioner submitted that the identification of scrap material is under progress and further steps shall be taken after the identification of scrap material.

On the issue raised of not including medical expenses of terminated Chairman/Directors, the Petitioner responded that no Managing Director/ Chairman have been terminated till date. As regard, non-inclusion of expenses incurred on guest houses, the Petitioner submitted that guest houses are crucial for quick execution of work and the guest house in Delhi is also meant for officials of UJVN Ltd. as frequent visits related to various works are made to offices of Central Electricity Authority, Power Finance Corporation, Ministry of Environment and Forest and other offices. UJVN Ltd. also clarified that in order to prevent strikes, frequent meetings are conducted with representatives of employee unions and it follows no work no pay policy.

### *3.3.3 Commission's Views*

With regard to points raised for increase in ARR/tariff, 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. The Commission before allowing any tariff increase carries out due diligence and prudence check for all the expenses incurred by the Petitioner before considering it as part of annual revenue requirement. The Commission ascertains that no unnecessary cost arising out of inefficiencies of the Petitioner is loaded on to the consumers.

As regards to increase in generation from hydel stations in the State during FY 2011-12, the Commission would like to clarify that the actual generation from hydel stations and actual energy supplied by UJVN Ltd. to UPCL during FY 2011-12 will be duly considered by the Commission while carrying out the truing up for FY 2011-12.

## 3.4 Capital Cost of Maneri Bhali-II

### *3.4.1 Stakeholder's Comment*

Shri. Pankaj Gupta, President, Industries Association of Uttarakhand submitted that UERC, in its order of May 10, 2011, had given the comments on capital cost of Maneri Bhali II as given below:-

*"The issues related to prudent Capital Cost of MB-II generating station as on CoD have been discussed in detail under Chapter 4 i.e. Approach of the Commission. As regards fixation of Capital Cost of MB-II on the date of its Commercial Operation (CoD), the Commission had directed the Petitioner to get a capital cost audit done as per the scope of work approved by the Commission. As mentioned in Chapter 4 of the Order, the Commission observed that the report has not served its intended purpose as the reasons for cost and time over-runs along with quantification of impact of such over-runs on Capital Cost with variance analysis have not been provided in the report. Even though the auditor had recognized a time overrun of 1 year and 3.5 months, it did not quantify the*

*impact of time overrun and made a simple passing remark that all the time overruns had been approved by the various authorities of the Irrigation Department.*

*In this context it would be relevant to point out that the project was envisaged to be commissioned by 31st March 2007, i.e. by Xth Plan Period wherein it was eligible for interest subsidy from PFC. The delay in commissioning of the project, therefore, not only led to the company losing interest subsidy both prior and subsequent to the commissioning of the project but also the burden of IDC for the extended period.*

*From the above Table, it may be seen that due to the delay in commissioning of the project not only IDC component increased by Rs. 115.74 crores but the benefit of AG&SP subsidy to the tune of Rs. 66.64 crores was also lost. Thus, the total implication of time overrun has been about Rs. 182.38 crores. The Commission would also like to underline that the final cost of the project may exceed even the cost approved by PFC as some works in the project are still incomplete and contracts have not been closed. The Commission, therefore, in the absence of required data, is unable to carry out the proper prudence check of capital cost of MB-II, and as discussed in Chapter 4, the Commission will constitute a high level expert Committee and will approve the final Capital Cost and Means of Financing after submission of report by the Committee.*

*The Commission at this stage has, therefore, considered the already approved capital cost of Rs. 1741.72 crores and financing as on CoD, for working out the AFC for MB-II for FY 2011-12."*

There seems to be no fresh input or addition by UJVN Ltd. in this Tariff Petition for MB-II. Therefore, there seems to be no further logic in accepting any change from the stand taken by the Commission in its earlier Tariff Orders and that the Commission should fix Net Annual Fixed Charges based on the Project Cost approved in earlier Tariff Orders.

Whereas, in respect of other power stations, UJVN Ltd. has more or less accepted the orders given by the Commission in the past.

### 3.4.2 Petitioner's Response

UJVN Ltd. submitted that tariff proposal for MB-II has been prepared on the basis of capital expenditure actually incurred on the project. A Expert Committee has already been constituted in compliance to the Commission directives. The report of the said Committee shall be submitted to the Commission shortly.

### 3.4.3 *Commission's Views*

In this regard, the Commission would like to clarify that the Petitioner in its reply dated March 14, 2012 submitted that it will be submitting the Expert committee's report on Capital Cost of MB-II shortly. However, the same has not been received by the Commission and, therefore, the Commission for reasons spelt out in Chapter 4 of this Order has considered the capital cost as approved by the Commission in its previous Order dated May 10, 2011.

## 3.5 ROE for Maneri Bhali-II

### 3.5.1 *Stakeholder's Comment*

Shri. Pankaj Gupta, President, Industries Association of Uttarakhand submitted that the Commission should not allow Return on Equity on funds deployed by the GoU out of PDF (Power Development Fund) as PDF is a dedicated fund created in accordance with the provisions of the PDF Act passed by the GoU. It is further submitted that PDF Act and Rules made there-under 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 more than 10 year old hydro generating station. The cost of such cess is further passed on to UPCL 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.

### *3.5.2 Petitioner's Response*

UJVN Ltd. submitted that Government of Uttarakhand has recommended to UERC to allow Return on Equity on funds deployed by the GoU out of PDF (Power Development Fund). The Commission has been requested to take a view in this regard.

### *3.5.3 Commission's Views*

GoU vide its letter dated February 11, 2011, had advised the Commission to allow RoE on the amount contributed by GoU out of PDF. The Commission in its previous Tariff Orders had not allowed any return on equity provided by GoU through PDF for reasons spelt out in the said Orders. This issue has been addressed by the Commission adequately in subsequent Chapters.

## 3.6 Design Energy/Actual Energy Generated

### *3.6.1 Stakeholder's Comment*

Shri. Pankaj Gupta, President, Industries Association of Uttarakhand submitted that while giving its earlier orders, the Commission had taken the average of annual generation of last 15 years as projected generation for the year 2004-05. Lower of this projected generation and the plant wise design energy mutually agreed between UPJVNL and UPPCL was taken for the purpose of working out the primary energy rate and, therefore, the Commission had fixed 3169.13 as approved primary energy generation for nine LHPs excluding Maneri-Bhali II for the year 2004-05.

In this regard, he further submitted that this analogy should not hold good for future years. The same was acceptable as far as sufficient data was not available and keeping in account the pleading of UJVN Ltd. that the plant were not kept on good condition and, therefore, the design energy could not be achieved in the previous years. He further submitted that as UJVN Ltd. is claiming that it has moved a long distance in setting right their generation stations by taking appropriate steps and, therefore, there is substantial improvement in availability and hence, the Commission should revisit the design energy and allow the benefit of better generation to the consumers. This will also be in line with the Tariff Policy of Govt. of India in respect of operating norms, which says that operating norms should be at normative levels only and not at lower of normative and actual. This is essential to encourage better operating performance.

#### *3.6.2 Petitioner's Response*

UJVN Ltd. submitted that their operational LHPs are very old and as such it is difficult to achieve design energy as envisaged in the DPR. However, if systematic and comprehensive Renovation and Modernization work is carried out, the efficiency of these old machines will be increased and will lead to life enhancement with increased generation.

It is, therefore, submitted that average generation of last 15 years may kindly be considered instead of design energy till completion of modernization and up gradation of all the power stations.

#### *3.6.3 Commission's Views*

As the Petitioner has informed that it would be carrying out the major RMU works, hence, the Commission would revisit this issue based on the RMU works proposed in Business Plan and MYT Petition for the first control period from FY 2013-14 to FY 2015-16. Further, the saleable primary energy considered by the Commission is only for computing primary energy rate. The actual energy generated by UJVN Ltd. is sold to UPCL, after excluding HP's share.

### 3.7 Major Repair and Maintenance Expenses

#### *3.7.1 Stakeholder's Comment*

Shri. Pankaj Gupta, President, Industries Association of Uttarakhand submitted that any major Repair and Maintenance works could not be expected to be recurring in nature like the normal R&M work and will yield benefit to UJVN Ltd. for long terms. Such expenses should be capitalized and approval of the Commission be obtained before they are incurred.

#### *3.7.2 Petitioner's Response*

UJVN Ltd. submitted that Repair, Maintenance and capital expenses have been booked in the books of accounts as per the applicable Accounting Standards.

#### *3.7.3 Commission's Views*

The Commission, in this regard, would like to clarify that R&M expenses incurred by the Petitioner is allowed only after due prudence check and only legitimate expenses required, for proper plant operation, is allowed and no expenses of capital nature is allowed as revenue expenditure under R&M expenses. The Commission has discussed the detailed approach for allowing such expenses in the subsequent Chapters.

## 3.8 Other Expenses

### *3.8.1 Stakeholder's Comment*

Shri Yogendra Singh Rathi, editor of Dainik Unnati Time and President of Bharat Nirman Trust, Dehradun submitted that UJVN Ltd. provides rented vehicles to its employees, who are not eligible for the facility. This results in loss of lakhs of rupees per year.

### *3.8.2 Petitioner's Response*

The Petitioner has not responded on this issue.

### *3.8.3 Commission's Views*

The above issue pertain to internal functioning of the Corporation and should be best handled by UJVN Ltd. keeping in view the prudency of such expenses, and also considering the interests of the Corporation and consumers of the State.

## 3.9 Projected Generation from UJVN Ltd. Stations

### *3.9.1 Stakeholder's Comment*

Shri V.V.Joshi, AGM, Tata Motors Ltd. submitted that UJVN Ltd. has projected the availability of power from UJVN Ltd. stations as 4429.35 MU vis-à-vis 4825.87 MU considered by UPCL in its Petition. Actual power available to UPCL is calculated based on firm allocated share and un-allocated share of UPCL in different stations as per CEA reports and Commission's guidelines described in the Tariff Order. This is done on the basis of calculations of following Table:

**Table 3.1 : Availability of Power from UJVN Ltd. Stations**

| S.No. | Station | MW | UPCL's Share (MW) | Availability as per saleable energy by UJVN Ltd. for FY 2012-13 (MU) | Availability as per UPCL (Format 4, Page 131 of ARR Petition for FY 2012-13) (MU) |
|---|---|---|---|---|---|
| **1.** | **Main Stations** | | | | |
| i) | Chibro | 240.00 | 180.00 | 555.75 | 3332.23 |
| ii) | Chilla | 144.00 | 144.00 | 664.58 | |
| iii) | Dhakrani | 33.75 | 25.31 | 116.83 | |
| iv) | Dhalipur | 51.00 | 38.25 | 142.50 | |
| v) | Khatima | 41.40 | 41.40 | 192.69 | |
| vi) | Khodri | 120.00 | 90.00 | 256.16 | |
| vii) | Kulhal | 30.00 | 24.00 | 122.26 | |
| viii) | Maneri Bhali-I | 90.00 | 90.00 | 392.24 | |
| ix) | Ramganga | 198.00 | 198.00 | 308.82 | |
| | **Total 1** | | | **2751.83** | **3332.23** |
| x) | Maneri Bhali-II | 304.00 | 304.00 | 1550.44 | 1366.56 |
| xi) | Small Hydro | 12.20 | 12.20 | 127.08 | 127.08 |
| | **Total 2** | | | **4429.35** | **4825.87** |

### 3.9.2 *Petitioner's Response*

The Petitioner has not responded on this issue.

### 3.9.3 *Commission's Views*

The Commission has elaborated on the issue of design energy and availability from UJVN Ltd. Stations in Chapters 4 and 5 of the Order. However, with regard to the energy availability from UJVN Ltd. and other firm sources including central generating station will be adequately dealt while dealing with UPCL's Tariff Order for FY 2012-13.

## 3.10 Metering of Electricity Consumption of Present and Past Employees of UJVN Ltd.

### 3.10.1 *Stakeholder's Comment*

Shri. Pankaj Gupta (President, Industries Association of Uttarakhand) submitted that the directions of the Commission in respect of metering of electricity consumption of past and present employees have not been followed by UJVN Ltd. This must be enforced for proper discipline by the present and past employees.

Shri Manmohan Kansal (President of the Dakpathar Vyapar Mandal of Dehradun) submitted that the employees of state power utilities are misusing the electricity.

### *3.10.2 Petitioner's Response*

UJVN Ltd. submitted that in respect of metering of electricity consumption of past and present employees, all the required information has been submitted to the Commission.

With regards to the misuse of electricity by state power utilities, the Petitioner submitted that the metering have been done in their premises.

### *3.10.3 Commission's Views*

The Commission in its Tariff Order dated May 10, 2011 observed that the colony consumption data was erroneous and, therefore, directed the Petitioner to reconcile the data and submit a report on the same to the Commission within 3 months of the issuance of the Order along with the corrective steps to be taken in this regard. The Petitioner in this regard, in the current filing, submitted that the data has been reconciled and such reconciled data has already been submitted to Commission.

The Commission, in the current tariff proceedings, has also dealt with the matter in details and given appropriate directions for segregation of supply to other offices, water supply system in correctly including in the colony consumption and same has been discussed in detail in Chapter 5 of this order.

## 3.11 Operational performance of UJVN Ltd.

### *3.11.1 Stakeholder's Comment*

Shri Rajeev Agarwal applauded the Operational performance of UJVN Ltd. generating stations. He submitted that because of the pro-active Renovation & Modernisation activities undertaken by UJVN Ltd. for few of its generating stations, it has been able to generate valuable power for the State. Mr. Agarwal submitted that UJVN Ltd. should continue to plan and undertake the Renovation & Modernisation activities in respect of the remaining stations.

### 3.12 Views of State Advisory Committee

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

- Return on PDF should not be allowed as PDF has been financed out of money contributed by the consumers. Hence, if return and depreciation are allowed on the assets financed through PDF, it would tantamount to loading the cost on the consumers twice.
- Actual expenses claimed by the Company are found to have exceeded the expenses approved by the Commission, without any justification regarding the increase.
- Design energy of the stations considered by the Commission should be reassessed in light of increased generation in the past two years.

# 4 Commission's Approach

## 4.1 General

It had been the approach of the Commission to detail with the principles and practices adopted by it in determining the AFC as well as tariffs for the different generating stations of the Petitioner in the previous Tariff Orders. Continuing with the past practice, the Commission, in the present Chapter has tried to explain the principles followed by it in determining the various components of AFC as well as tariffs for different generating stations of the Petitioner. Before detailing its approach, the Commission would, however, like to indicate that it has tried to detail separately, as far as possible, the scrutiny and analysis of Maneri Bhali-II Petition as Maneri Bhali–II is a new generating station and the issues linked with it are slightly different from the issues related to the old generating stations of UJVN Ltd.

## 4.2 Statutory Requirements

Section 64 of the Act requires the generating companies and 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 the above provisions of the Act, the Commission had specified the Uttarakhand Electricity Regulatory Commission (Terms & Conditions for Determination of Hydro Generation Tariff) Regulations, 2004 (hereinafter referred as Tariff Regulations, 2004). The above Regulations are presently valid till April 30, 2012. For the purposes of this Tariff Order, the Commission shall, therefore, be guided by the said Regulations, subject, however to the relaxations granted by the Commission in the Tariff Orders dated December 16, 2004, read with Commission's Order dated July 12, 2006, March 14, 2007, March 18, 2008, October 21, 2009, December 30, 2009, April 05, 2010 and May 10, 2011 for various valid reasons recorded therein. The Commission proposes to continue with its approach elaborated in the earlier Tariff Orders, unless it comes across convincing reasons for doing otherwise.

While nine of the total ten medium and large generating plants have been in operation for quite some time, their transfer first from Uttar Pradesh State Electricity Board (UPSEB) to Uttar Pradesh Jal Vidyut Nigam Ltd. (UPJVNL) and then from UPJVNL to the Petitioner threw up issues like capital cost of assets of these stations, Petitioner's investment in these assets, etc. Different claims and views pertaining to such issues have been considered in depth and decided by the Commission in its previous Tariff Orders. As the issues have been clearly spelt out and decided by the Commission in the previous Tariff Orders, it finds no reason to revisit the issues earlier decided, unless some new facts are now brought to its knowledge during the course of the present proceedings.

By and large, in line with the provisions of the Tariff Regulations, 2004, the Commission shall be following the cost plus approach subject to specified operational norms/prudence check under this Tariff Order.

**4.3 True Up of past years' data**

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 its present filing, the Petitioner has submitted data relating to its expenses and revenues for FY 2008-09 and FY 2009-10 for nine LHPs on the basis of the audited accounts and has, accordingly, requested the Commission to take up the truing up exercise for FY 2008-09 and FY 2009-10 on the basis of audited accounts submitted by it.

The Commission, with regards to the Repairs & Maintenance (R&M) Expenses, had in its Tariff Order dated October 21, 2009 directed the Petitioner as under:

> *"...the Commission directs UJVNL to carry out an independent audit of all the R&M expenses for the period from FY 2001-02 onwards and submit a report within six months from the date of this Order. The Commission further directs UJVNL to have accounting of R&M expenses station-wise so that truing up of R&M expenses may be done on the basis of audit report on actual R&M expenses of revenue nature for each station."*

The Commission again, in its Tariff Order dated May 10, 2011, directed the Petitioner to submit the audit report of R&M expenses before it within one month of the date of issuance of the said Order. The Petitioner, in compliance of the Commission's directions, submitted the report to the Commission. The report, so submitted was voluminous and, hence, the Commission asked the Petitioner to summarise the complete details for each station, clearly, showing the individual and total amount of expenses wrongly booked for each stations for each year.

The Petitioner vide its reply dated March 14, 2012 submitted the summary sheet. On examination of the submissions, the Commission observed that there were instances of some wrong bookings done for the said years.

For instance, in case of Chilla, as per the audit report submitted, wrong bookings reported for FY 2007-08 and FY 2008-09 were Rs 1.52 Crore and Rs 1.05 Crore. Further, in case of Maneri Bhali-I there were wrong bookings of approximately Rs 1.42 Crore, Rs 1.49 Crore and Rs 0.98 Crore for FY 2006-07, FY 2007-08 and FY 2008-09 respectively. Similarly, wrong bookings have been observed in other plants also.

Further, the Commission, while going through the submission for FY 2008-09 and FY 2009-10, observed that the R&M expenses for some of the stations were considerably higher than that approved in FY 2007-08. For example the R&M expenses for Maneri Bhali-I as approved in FY 2007-08 was Rs. 5.58 Crore against which the R&M expenses claimed for FY 2008-09 was Rs. 11.48 Crore, which has increased by over 100% of the expenses approved for FY 2007-08 which has again increased to Rs. 18.35 Crore in FY 2009-10. Even actual R&M expenses claimed for FY 2008-09 for Ramganga and Chilla have been Rs. 2.12 Crore, and Rs. 6.80 Crore, respectively, against the trued up R&M expenses of Rs. 0.85 Crore and Rs. 4.52 Crore for the said years, which signifies substantial increase in R&M expenses. Further R&M expenses for FY 2009-10 for these two stations namely, Ramganga and Chilla have been claimed as Rs 2.30 Crore and Rs. 7.21 Crore, respectively. The Commission in order to ascertain that the expenses submitted for 9 LHPs were legitimate, asked the Petitioner to submit the details of repairs and maintenance expenses as claimed by the Petitioner for FY 2008-09 and FY 2009-10. The Petitioner in its reply dated February 17, 2012 submitted the details for some of the plants. The Commission went through the submissions made by the Petitioner and observed that the Petitioner had included some of the expenses of capital nature under R&M expenses forming considerable part of the total R&M expenses. The Commission, accordingly, asked the Petitioner to submit the necessary justification for considering expenses of capital nature as revenue expenditure under R&M expenses.

The Petitioner in its reply dated March 14, 2012 submitted that as per Para 23 of Accounting Standard (AS-10) on "Accounting for Fixed Assets" issued by the Institute of Chartered Accountants of India, subsequent expenditure related to an item of fixed asset should be added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance. The Petitioner further referred to the opinion of the Expert Advisory Committee dated 25.11.1994 on the query pertaining to capitalisation of expenditure incurred on replacement/improvements of machines which states that Repairs implies restoration of the capital assets to its field productive capacity after damage, expenditure, or prolong use, without increase in the previously estimated service life or capacity. The Petitioner further submitted that the works highlighted by the Commission as expenses of capital nature treated as revenue expenditures by the utility are essentially in the nature of Restoration of the capital assets which neither increase the overall life of the plant or its capacity. Hence, the expenses so cited are revenue in nature rather than being capital in nature.

The Commission while going through the submissions of the Petitioner on R&M expenses and additional capitalisation observed that the Petitioner has considered minor expenditures on furniture, etc. as capital nature while major expenditures have been treated as revenue expenditure and the same are presented in the Tables given below:

**Table 4.1 : Minor expenses treated as additional capitalisation**

| S. No. | Particulars | Amount (Rs.) |
|---|---|---|
| 1 | Godrej Chair | 17,624.00 |
| 2 | Godrej Perforated Bench | 17,082.00 |
| 3 | Fax Machine - Sharp | 8,777.00 |
| 4 | Wooden side Rack 1 No | 100.00 |

**Table 4.2 : Major expenses treated as revenue under R&M expenses**

| S. No. | Particulars | Amount (Rs.) |
|---|---|---|
| 1 | Procurement of New Runner 1 | 3,20,00,000.00 |
| 2 | Cost of procurement of SS Labyrinths | 48,00,000.00 |
| 3 | Major O/H of U#2 - Part Replacement | 50,00,000.00 |
| 4 | Procurement of HVOF Coating | 68,00,000.00 |
| 5 | Installation of new fire fighting system | 14,75,019.00 |
| 6 | Supply & Installation of Voltas AC | 12,89,250.00 |
| 7 | Procurement of new Water Boat | 3,85,000.00 |
| 8 | Purchase of furniture | 2,62,642.50 |

As evident, the Petitioner has capitalised assets like chair and bench while expenditures on procurement of new runner, SS labyrinth, new fire fighting system, Air conditioner and water boats have been booked under R&M expenses. The Commission, while going through the justification provided by the Petitioner, for considering expenses as capital expenses and revenue expenses, is unable to comprehend the rationale adopted by it in segregating expenses of capital and revenue nature.

Para 8.3 of AS-10 is reproduced hereunder:

*"In certain circumstances, the accounting for an item of fixed asset may be improved if the total expenditure thereon is allocated to its component parts, provided they are in practice separable, and estimates are made of the useful lives of these components. For example, rather than treat an aircraft and its engines as one unit, it may be better to treat the engines as a separate unit if it is likely that their useful life is shorter than that of the aircraft as a whole."*

Life of a hydro generating station is normally considered as 35 years, but the station has different class of assets, categorised into plant and machinery, vehicles, furniture and fixtures, etc. whose useful life varies from 5 years to 50 years. The Petitioner Company also records the expenditure incurred on the generating station to different class of assets. Thus, a capital expenditure incurred may not increase the capacity of the generating station, but it will definitely increase the performance of the class of asset to which it relates to.

The Commission, in this regard, would also like to point out that the Expert Advisory Committee has defined repairs as restoration of a capital asset to its full productive capacity after damage, accident, or prolonged use, without increase in service life or capacity, frequently involving replacement of parts. Further, the Committee has also defined betterment as implying an expenditure having the effect of extending the useful life of the asset, increasing the normal rate of output, lower the operating costs or adding to the benefits it can yield. Thus, replacement of runner and other parts will lead to increase in the performance and availability of the machine and, thereby, increased output and high capacity utilization. Further, replacement of runner will also lower the operating costs as the cost incurred in frequent repairs and maintenance of the runner would be reduced by installing a new runner. Moreover, replacement of runner also results in the extension of life of the machine as a whole. Thus, it should have been capitalised rather than treating it as revenue expenditure and booking it in R&M expenses. The Commission is of the view that replacements of such items would result in an increase in the future benefits to the utility through sustainable and uninterrupted generation derived for more than one year and, therefore, booking the total expenses in a single year would not be correct.

Even the Hon'ble Supreme Court in its Order in CIT V. Ramaraju Surgical Cotton Mills 2007 - TMI - 2064 held that any expenditure to fall in the purview of capital expenditure definition should provide long term benefit.

Further, it is to be understood that revenue expenditure is recurring and regular in nature and its benefit is received within the year whereas capital expenditure is non-recurring and irregular and the benefit is received for a number of years in future. Hence, it is unimaginable as to how installation of Air Conditioner, procurement of new Water Boat and furniture are booked into R&M

expenses. These expenses relate to procurement of new assets and they ought to have been capitalised in accordance with AS-10 as they would extend long term benefits to the Petitioner.

Even Regulation 16(2) of UERC (Terms and Conditions for Determination of Hydro Generation Tariff) Regulations, 2004 specifies as under:

> *"Subject to the provision of sub-regulation (3) of this regulation, the capital expenditure of the following nature actually incurred after the cut off date may be admitted by the Commission subject to prudence check:*
>
> *(i) Deferred liabilities relating to works/services within the original scope of work,*
>
> *(ii) Liabilities to meet award of arbitration or in compliance of the order or decree of a Court,*
>
> *(iii) On account of change in law, and*
>
> *(vi) Any additional works/service which has become necessary for efficient and successful operation of plant but not included in the original capital cost."*

Thus, in accordance with the Regulations for tariff purposes, irrespective of the Petitioner's normal practice of accounting, some of the expenditures cited above in Table 4.2 should have been treated as capital expenditure since they would have been incurred for efficient and successful operation of plant and capital related expenses, like depreciation, return, interest, etc. would have been admissible on the same rather than treating it as revenue expenditure.

Hence, the Commission for reasons mentioned above is of the opinion that R&M expenses claimed for FY 2008-09 and FY 2009-10 will have to be scrutinised properly and, would require detailed examination. This is all the more necessary as the expenses for these years shall form the basis for determination of tariffs in the first Control period under the UERC (Terms and Conditions for Determination of Tariff) Regulations, 2011. Hence, for these reasons, the Commission is not carrying truing up for FY 2008-09 and FY 2009-10 for 9 LHPs. The Commission has decided to appoint an Expert Consultant to examine the R&M expenses incurred during FY 2008-09 and FY 2009-10 and based on its report, the Commission will carry out the truing up for these years in the next Tariff proceedings.

As regard Maneri Bhali-II generating station, the Petitioner has requested the Commission for re-determination of AFC from FY 2007-08 to FY 2012-13 based on revised audited Capital Cost. In this context, it would be relevant to mention that in its Order dated December 30, 2009, the Commission had directed the Petitioner to get an independent audit of the capital cost of the MB-II project done within 6 months of the issuance of the Tariff Order:

*"25… the Commission directs the Petitioner to get an independent audit of the capital cost of the project done within 6 months of the issue of this Order. The work of assessing and estimating the capital cost may be awarded to any independent audit firm by proper tendering process and the scope of work for this assignment should include the scope as laid down…."*

The Commission had further stated that:

*"29. The Commission had already advanced the reasons for considering the capital cost including IDC of Rs. 1741.72 Crore in its Order dated 28.11.2008. Thus, based on the above discussions there seems no reason material enough for the Commission to alter the capital cost already approved by the Commission till the Board of UJVNL approves the capital cost of the project and the report of independent audit is available before the Commission. The Commission would then scrutinize the Capital Cost and reasons for any increase in the same for prudence check. Without such a check, the cost and financing of the incremental cost arising due to cost/time over runs cannot be passed on to consumers in tariff.*

*30. Thus, based on the above, the total capital cost as on CoD approved by the Commission is Rs. 1,741.72 Crore against the Petitioner's claim of Rs. 1,950.27 Crore. As the project cost still remains provisional, the tariff determined now cannot be final tariff and is again provisional subject to the adjustments on final determination based on finally approved capital cost."*

The Petitioner through its letter number 374/DGM (Comm.)/UJVN Ltd. dated December 04, 2010 submitted the independent audit report with respect to Capital Cost of MB-II Project. After examination of the independent audit report submitted by the Petitioner, the Commission in its Order dated May 10, 2011 observed that the audit report was not complete as it did not provide the reasons for cost and time over-runs along with the quantification of impact of such over-runs on Capital Cost with variance analysis. Further, the report did not classify the factors leading to cost and time over-runs into controllable and un-controllable factors as per the scope of work.

The Commission in its Order dated May 10, 2011 stated as follows:

> *"Since, the audit report does not provide complete details as per the scope of work approved by the Commission and as per Petitioner's own submissions, some of the Capital Works related to MB-II project are still to be completed, the Commission is unable to conduct a thorough prudence check of the Capital cost of the Project. The Commission is further of the view that unless proper prudence check of the Capital Cost has been carried out, the increase in cost due to cost and time over runs cannot be passed on to the beneficiaries in the tariffs. Accordingly, for thorough prudence check of the Capital Cost of MB-II project, the Commission will constitute a High Level Expert Committee to examine in details the reasons for time and cost over-run, 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 and Means of Finance for MB-II Project after submission of report by the Committee. The Commission also directs the Petitioner to extend all possible help to the members of the Committee in ascertaining the final project cost of the MB-II project."*

The Commission vide its letter No. 549/UERC/6/TF/11 dated 28.07.2011 directed the Petitioner to constitute a Committee to comply with the above referred directives of the Commission. The Petitioner, in its Petition, submitted that the desired Committee has been constituted by the Petitioner and the Committee is examining, in details, the reasons for time and cost over-run, 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 Petitioner further submitted that the work entrusted to the Committee is in final stages and its report shall be submitted shortly.

The Commission through its letter dated UERC/UJVN ARR/12-13/2012/1315 dated January 06, 2012 asked UJVN Ltd. to submit the said report to which UJVN Ltd. submitted that relevant details are under preparation and final report of the Committee constituted for the purpose shall be submitted shortly.

The Commission, in its data gaps, again sent to the Petitioner though letter dated February 21, 2012 once again asked the Petitioner to submit the said report by March 05, 2012. The Petitioner in its reply dated March 14, 2012 submitted that the report shall be submitted shortly. However, no report has been submitted by the Petitioner, therefore, the Commission is unable to conduct a thorough prudence check of the Capital cost of the Project including proper identification of various factors leading to time and cost over-runs into controllable and un-controllable factors.

Further, the Petitioner filed a supplementary Petition on March 21, 2012, in which, it submitted a letter of Principal Secretary, GoU dated 25.07.2011 informing that Rs. 60.84 Crore towards the civil works of MB-II shall be paid by UJVN Ltd. to the Irrigation Department towards establishment expenses in lieu of Centage charges. The Petitioner, further submitted that the Board of Directors of UJVN Ltd. has accorded its approval for payment of this amount to the Irrigation department. The Petitioner on account of the same requested the Commission to consider the amount while determining the Annual Fixed Charges for FY 2012-13.

Based on the analysis of the Supplementary Petition, the Commission observed that the Petitioner had received the letter regarding payment to Irrigation Department on July 27, 2011 and, hence, this information was available with the Petitioner on the date of filing of the Petition, i.e. November 29, 2011. The Commission fails to understand as to why the Petitioner had not included this information in the original Petition for determination of Tariff for FY 2012-13. The Commission is of the view that it may not be appropriate to consider this submission of the Petitioner which has been filed after all the public hearings have been concluded. The Commission would like to point out that the current submission of considering Rs. 60.84 Crore while determining the AFC for FY 2012-13 pleaded through supplementary Petition is of considerable significance for the consumers and, hence, the consumers should have been informed well in advance to submit their views during public hearings for Commission's consideration. The Commission, therefore, at this point, cannot consider any such additional information which will have a considerable impact on the generation tariff without hearing the views of the concerned consumers on the said submissions.

Further, as discussed in previous paragraphs, the Commission is yet to receive the Expert Committee report on the detailed examination of the reasons for time and cost over-run and 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 re-iterates its views that unless proper prudence check of the Capital Cost has been carried out, the increase in cost due to cost and time over-runs cannot be passed on to the beneficiaries in the tariffs. The Commission will take a final view with respect to actual completed Capital Cost of the Project and Means of Finance for MB-II Project alongwith the cost submitted in the Supplementary Petition after receipt of the detailed report of the Committee constituted by the Petitioner. Hence, for the purpose of tariff determination for FY 2012-13, the Commission has taken the capital cost as approved by it in the Order dated May 10, 2011. **The Commission directs the Petitioner to submit the report of the Expert Committee based on views expressed by the Commission in its earlier Tariff Order dated May 10, 2011 to ascertain the Capital Cost of MB-II Project, within 3 months from the date of this Order.**

### 4.4 Disposal of Petitions through single order

In the previous Tariff Orders, the Commission had been directing the Petitioner to get the transfer scheme finalized and also to maintain separate accounts for all its generating stations so that tariffs for each of the generating stations could be determined independently for each station. However, due to non-availability of separate historical data related to opening values of gross fixed assets etc., (due to non-finalization of transfer scheme), for each of the generating stations and structure inherited by it (detailed in the previous Tariff Orders), wherein certain functions for more than one generating stations are being performed by one single office/headquarter, the Petitioner has been requesting the Commission to allow it to apportion the common expenses based on certain assumptions. Since, no immediate solution to the above problem is available, the Commission had been, for practical considerations, allowing the Petitioner to allocate the common expenses in certain proportions. The above practice, however, requires the Petitions to be dealt with simultaneously and for better clarity to be disposed of through single Order. The Commission is, accordingly, disposing of present set of 10 Petitions for the FY 2012-13 filed by UJVN Ltd., for 10 LHPs owned by it, through single Order.

### 4.5 Primary Energy and Saleable Primary Energy

Due to non-availability of reliable information on the Design Energy for nine old generating stations (i.e. except Maneri Bhali-II), the Commission had to consider the lower of 15 years' average annual generation or the plant-wise Design Energy (as mutually agreed between UPJVNL and UPPCL) as the projected primary energy generation of these generating stations for the tariff purposes. In absence of any new facts, the Commission is adopting the same approach for fixing the projected Primary Energy from these plants. Further, in line with the past practice, in this Tariff Order also, the Saleable Primary Energy has been derived by deducting the normative auxiliary consumption and transformation losses from the above projected primary energy. Since the Petitioner has informed that it would be carrying out the major RMU works, hence, the Commission would revisit this issue when the RMU works are completed and design energy of nine generating stations are firmed up.

However, for MB-II generating station, which is a new generating station, the Commission has computed the primary energy considering the normative capacity index as 85%.

As regard computation of secondary energy the Commission will go by the stand taken by it in Para 5.3.9 of the Order dated 16.12.2004, relevant portion of which is reproduced below:

> *".... Secondary Energy will be computed only when the actual generation exceeds Design Energy. As provided in Regulation 20(1), recovery from Primary Energy Charges shall in no case exceed the Annual Fixed Cost. ..."*

From above, it is amply clear that the Petitioner can get the benefits of Secondary Energy only in case it is able to generate energy more than the Original Design Energy. To provide necessary clarity on the issue the Commission would like to quote from its Tariff Order dated October 21, 2009:

> *"Further, since the Petitioner is allowed to recover its entire AFC at a projected generation, which is lower than the Original Design Energy in some of these plants, the Petitioner recovers additional Primary Energy Charges in excess of the approved AFC when the actual generation exceeds this projected level. This situation continues till the generation reaches the Original Design Energy level. As per Regulations, the Primary Energy is reckoned upto the level of Original Design and, accordingly, the charges recovered would be considered as Primary Energy Charges upto the Original Design Energy. However, since the Primary Energy Charges actually recovered at the approved Primary Energy Rates may be higher than approved AFC in the aforesaid circumstances, the excess AFC recovered through Primary Energy Charges needs to be adjusted/refunded to the concerned beneficiary."*

Further, as regards the Design Energy and Saleable Primary Energy for MB-II, the Commission has considered the values as approved in the Tariff Order dated May 10, 2011 for determination of tariff for MB-II for FY 2011-12.

### 4.6 Capitalisation of new assets

As regards the capital expenditure and additional capitalisation, Regulation 16(2) of the Tariff Regulations, 2004 stipulates as under:

> *"16 (2) …the capital expenditure of the following nature actually incurred after the cutoff date may be admitted by the Commission subject to prudence check: …*
>
> *(iv) Any additional works/service which has become necessary for efficient and successful operation of plant but not included in the original capital cost."*

Thus, for tariff purposes, the Tariff Regulations, 2004 recognise only the additional capital expenditure actually incurred. The Commission in relaxation to this stipulation had considered projected capitalizations in previous Tariff Orders for other Utilities. However, it was noticed that the approach of accepting and taking into account projections for commissioning and capitalisation of new assets was being misused and there was a wide gap between the value of assets projected to be capitalized and the value actually capitalized.

The Commission in Para 4.2 of its Order dated July 12, 2006 on ARR and Transmission Tariff Determination of PTCUL for FY 2006-07 has dealt with this issue and considered the actual asset capitalisation and not the projected asset capitalisation. The relevant extract of the said Order is given below:

> *"For determining capital related expenditure, in the last tariff Order the Commission had accepted and taken into account Petitioner's projections for commissioning and capitalisation of new assets. It has been noticed that this approach is being misused and there is wide gap between the value of assets projected to be capitalized and the value actually capitalized. Over-projection on this account results in inflating capital related costs and in turn the current tariffs. Therefore, the Commission is accepting only the capital cost of assets actually commissioned and capitalised and ignoring the value of assets projected for capitalisation. Further, additions in value of capital assets, if any, will be taken*

*into account in the next tariff determination exercise with such truing up of related costs as may be warranted by facts of each such case."*

The Commission is of the view that the over-projection on this account results in inflating of capital costs and, therefore, related expenses, which in turn inflates the tariffs to be determined for these generating stations. To avoid this, the Commission, in line with the approach taken by it in the Tariff Order dated May 10, 2011, is accepting only the capital cost of assets actually commissioned and capitalized till September, 2011 during FY 2011-12, and accordingly, considering the figures of actual capitalisation as provided by the Petitioner for the period from April to September 2011. Hence, difference in capital cost additions, if any, based on the audited results shall be trued up by the Commission along with the tariff determination exercise for the next year.

### 4.7 Depreciation and Advance against Depreciation

The Commission has been considering the claims of depreciation and advance against depreciation in accordance with the Tariff Regulations, 2004. Regulation 23 of the above Tariff Regulations, 2004, provides that depreciation shall be allowed only upto 90% of the asset cost, which is also the normal practice. The Commission is, accordingly, providing depreciation on the opening GFA for Maneri Bhali-I, Maneri Bhali-II, Khodri and Chilla generating stations and is not providing depreciation on opening GFA for Khatima, Kulhal, Dhakrani, Dhalipur, Ramganga and Chibro generating stations where the accumulated depreciation upto March 31, 2011 has already reached 90% of the opening GFA. However, in addition to depreciation on opening GFA of the above referred four plants, the Commission has also allowed depreciation on approved additional capitalization for all the plants.

As regards the depreciation for MB-II, the Commission has considered the depreciation rates as considered in its Tariff Order dated May 10, 2011 for determination of tariff for MB-II for FY 2012-13. The Commission has further allowed Advance Against Depreciation in the case of MB-II as per provisions of the Regulations.

### 4.8 Return on Equity

As regards the RoE on opening GFA, the Commission, in its Tariff Order dated March 18, 2008 stipulated as under:

*"Further, with regard to equity corresponding to opening GFA of UJVNL, GoU vide its letter No. 70/AS(E)/I/2008-04(3)/22/08 dated March 7, 2008 addressed to the Commission has recommended that RoE to UJVNL may be awarded/allowed on the equity of Rs 151.19 Crore being 30% of Gross Fixed Assets of Rs 503.96 Crore. It has also been mentioned that a formal notification in this regard will be issued later. This recommendation is as per decision taken in the meeting held between Government, UJVNL and the Commission on February 01, 2008 in the Commission's office, where it was also agreed that the Government would reduce the cess to absorb the resulting impact of this allowance.*

*As the recommendation of GoU is in accordance with the Paras 24 and 26 of above referred Order of the Hon'ble ATE, the Commission in the present exercise has considered RoE on the equity of Rs 151.19 Crore being 30% of GFA of Rs 503.96 Crore as assessed by the Commission. The allowance is, however, provisional subject to adjustment as and when Final Transfer Scheme is notified. The Commission has also provisionally considered impact of 10 paisa/unit towards allowing return on this equity and tax thereon to be absorbed in cess applicable for purchase of power by UPCL from these stations, in anticipation of issuance of notification in this regard by the Government."*

Accordingly, for the purpose of computing RoE on opening equity of Rs. 151.19 Crore, the Commission has considered the same approach as was considered in its Tariff Order dated March 18, 2008. In addition, the Commission has also allowed the RoE @ 14% on the equity portion of the additional capitalisation as incurred by the Petitioner on the existing generating stations, considering a normative debt-equity of 70:30, where no loan was taken to fund the additional capitalisation and the funding of the same has been done through the internal resources of the Petitioner and on actual basis in other cases subject to a cap of 30% as specified in the Tariff Regulations.

For approving the RoE for MB-II generating station, the Commission has considered the opening equity as approved in its Tariff Order dated May 10, 2011 for determination of tariff for MB-II for FY 2012-13. However, the Commission has not allowed return on equity invested out of Power Development Fund (PDF) in line with its approach adopted in the Order dated May 10, 2011. 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 from more than 10 year old Hydro Generating Station. The cost of such cess is further passed on to UPCL 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 the licensee. As both these form part of respective utilities' ARR and, therefore, would ultimately be recovered from the final consumers of electricity through tariffs.

### 4.9 Operation & Maintenance Expenses

It has been the philosophy of the Commission to allow all genuine O&M expenses as they are required for maintaining the plants in healthy condition. The Commission has, accordingly, been considerate all through in allowing the Petitioner, O&M expenses by resetting the base year and reviewing and revising the escalation rates.

In order to capture the impact of Sixth Pay Commission's recommendations, the Commission in its Tariff Orders dated October 21, 2009, April 05, 2010 and May 10, 2011 had further relaxed the norm and approved the O&M expenses separately for Employee, A&G and R&M expenses, after the prudence check. UJVN Ltd., in its Petition, while calculating the O&M expenses for FY 2012-13 has considered O&M expenses of FY 2010-11 as the base year expenses and has escalated it to arrive at the total O&M expenses for FY 2012-13. The Commission, in its previous Tariff Orders had taken O&M expenses for FY 2008-09 as the base year expense. As the Petitioner has submitted the audited balance sheet for FY 2009-10, the Commission in this Order has considered the O&M expenses for FY 2009-10, except for R&M expenses, as the base year expense and escalated the same in accordance with the Regulations.

The Commission observed that the actual R&M expenses for some of the stations for FY 2008-09 and FY 2009-10 was substantially higher than the R&M expenses approved by the Commission and, therefore, the Commission asked UJVN Ltd. to submit the item wise details of expenditure booked under R&M expenses for all the stations. After going through the submission made by UJVN Ltd., it was observed that some of the expenses booked under R&M expense were of capital nature which UJVN Ltd. has considered as revenue expenditure. The Commission, for reasons as mentioned in Para 4.3, has refrained from carrying out the truing up for FY 2008-09 and FY 2009-10 and is of the view that for the reasons given in Para 4.3, R&M expenses incurred during FY 2008-09 and FY 2009-10 cannot be used as base for projecting the R&M expenses for FY 2012-13. The Commission has, therefore, for projecting the R&M expenses for FY 2012-13 considered R&M expenses as approved for FY 2011-12 as base expenses and suitably projected it for FY 2012-13.

As regards O&M expenses for MB-II generating station, the Commission has considered the allowable O&M expenses for the base year, i.e. FY 2007-08 as 1.5% of the Capital Cost in accordance with the Tariff Regulations and the same has been escalated considering the escalation rates determined in accordance with UERC (Terms and Conditions for Determining Escalation Factor) Regulations, 2008 for approving the O&M expenses for FY 2012-13.

However, all along, the Commission has been forthwith in allowing O&M expenses genuinely required by the utility for the efficient operation of the plants in the sustainable manner. In the Tariff Order dated 21st October 2009, the Commission had directed UJVN Ltd. to conduct a performance benchmarking study. The relevant extract from this Order is reproduced below:

> *"For further improvement in efficiency of these plants, the Petitioner is directed to conduct a benchmarking study of its plants with other efficient utilities like NHPC, to see further scope of improvement in technical losses and manpower rationalisation. Based on this study the Petitioner should submit a report on its action plan for implementation of efficiency improvement and manpower rationalisation measures giving target dates for completion of each milestone of proposed plan within 6 months of issuance of this Order."*

The Commission, in its Order dated May 10, 2011, directed the Petitioner to submit the benchmarking report to the Commission within three months from the date of issuance of the Order.

The Petitioner, in its current filling submitted that the benchmarking studies of four power plants namely Chilla, Pathri, Mohammadpur and Khatima in comparison to Tanakpur power plant of NHPC were conducted and were submitted to the Commission. The Petitioner, further, submitted that it has requested NHPC and SJVNL to provide benchmarking study report of their hydro plants and to provide key parameters of their Hydro Plants enabling the Petitioner to conduct such studies on the same lines and with respect to the key parameters. It further submitted that inspite of following up with NHPC and SJVNL, no responses have been received till date and the matter is being further pursued.

The Petitioner in its current Petitions has submitted that it is still pursuing the matter with NHPC. **The Commission is of the view that comparison of performance parameters including per unit operating costs with only one station of NHPC cannot be considered as a Benchmarking study in true sense and, therefore, directs the Petitioner to complete the benchmarking study for all its stations and submit the report to the Commission within 3 months from the date of this Order.**

### 4.10 Rebate on Payment made by UPCL through Letter of Credit

The Petitioner filed a supplementary Petition on March 21 2012 submitting the Power Purchase Agreements (PPAs) signed between the Petitioner and UPCL dated 29.09.2010, 21.01.2011 and 27.07.2011. The Petitioner submitted that as per the PPAs executed, the Petitioner shall provide 2% rebate on energy charges for payment made through Letter of Credit (LC). On account of this, the Petitioner proposed an amount of Rs. 9.57 Crore as an additional expenditure and requested the Commission to consider the expenditure pertaining to such allowances of rebate while determining the Annual Fixed Charges and corresponding tariff for energy sales from the 10 LHPs to UPCL.

The Commission in this regard is of the view that Regulation 21 of UERC (Terms and Conditions for Determination of Hydro Generation Tariff) Regulations, 2004 does not include Rebate as element of Annual Fixed Charges to be approved by the Commission. Further, the Commission is of the view that the PPAs executed between the Petitioner and UPCL are commercial arrangements between the parties and all the provisions of commercial arrangements cannot be allowed as pass through in tariffs, if the Regulations does not provide for those provisions. Further, if the payment by UPCL is made through LC to the Petitioner, it will improve the cash flow position of the Petitioner and also its average collection period and debtors turnover ratio, which in turn will reduce the working capital requirement of the Petitioner. As the Commission is allowing interest on normative working capital by considering two months receivables, the savings in working capital interest will offset the additional cost of rebate incurred by the Petitioner to certain extent.

As the Regulations does not provide for inclusion of rebate as part of AFC, the Commission is not considering rebate while determining the Annual Fixed Charges.

### 4.11 Pending Disputes with UPCL

In its submissions for the FY 2012-13, the Petitioner has submitted that the matter of applicability and payment of capacity charges as well as the methodology for computing the said charges, Capacity Index incentive and Deemed Generation Charges has been a matter of dispute between UJVN Ltd. and UPCL in the past. The Petitioner further submitted that even on clarification issued by the Commission, UPCL continues to withhold payments towards the said charges billed by UJVN Ltd. It further submitted that in accordance with the directives of the Commission, meetings of the Group constituted in this regard were held. The Petitioner requested the Commission to issue suitable directions, as the Commission deems appropriate, on the subject so as to avoid ambiguity at a later date between UJVN Ltd. and UPCL.

The Commission in its Order dated May 10, 2011 has stated as follows:

> *"The Petitioner is advised to take up the matter urgently with UPCL and SLDC in accordance with the Commission's directions given in the meeting of the Coordination Forum and settle the same amicably. It should be noted that the ARR & Tariff determination process is an independent exercise and the same should not be treated as a dispute settlement mechanism. If any dispute exists between the generating company and the distribution licensee, either of the parties can approach the Commission to adjudicate upon the dispute between them under Section 86(1)(f) of the Act. The Petitioner is advised to take note of the Commission's approach, reproduced above and adopted in the previous Order and proceed to resolve the matter cordially."*

The Commission re-iterates its views in this regard that the Petitioner should sort out this matter with UPCL amicably. Further, the Commission expects that the Petitioner and UPCL shall resolve this issue amongst themselves in the near future. However, if they are unable to resolve the issue, they may approach the Commission under Section 86(1)(f) of the Electricity Act, 2003 for adjudication of disputes.

The Petitioner also submitted that in accordance with Regulation 8 of UERC (Terms and Conditions for Determination of Hydro Generation Tariff) Regulations, 2004, a tax escrow account is required to be maintained by the beneficiary from where the generation company is authorised to withdraw the amount for settling the tax liability. The Petitioner further submitted that in spite of repeated requests, UPCL has not maintained any Tax Escrow Account. The Petitioner has already raised the bills on account of Income Tax paid by UJVN Ltd., remittances which are still pending from UPCL. The Petitioner further requested the Commission to consider the Income Tax Liability while determining the Tariff for FY 2012-13.

Regulation 7 of UERC (Terms and Conditions for Determination of Hydro Generation Tariff) Regulations, 2004 stipulates as under:

*"(1) Tax on the income streams of the generating company from its core business shall be computed as an expense and shall be recovered from the beneficiaries."*

Further, Regulation 10 of UERC (Terms and Conditions for Determination of Hydro Generation Tariff) Regulations, 2004 stipulates as below:

*"Recovery of Income Tax and Foreign Exchange Rate Variation shall be done directly by the generating company from the beneficiaries without making any application before the Commission."*

It is amply clear from the reading of the Regulations that recovery of income tax is required to be made directly by the generating company from the beneficiaries without making any application to the Commission. Further, income tax is not a part of Annual Fixed Charges of the generating company. However, all the taxes, incentives paid by the distribution licensee to the generating company in addition to the Fixed and Variable Charges are passed through as expense while determining the Annual Revenue Requirement of the Distribution Licensee.

Hence, the Commission has not considered the Income Tax while determining the tariff of these generating stations for FY 2012-13. Further, the Commission expects that UJVN Ltd. and UPCL shall resolve the issue amongst themselves in the near future. However, if they are unable to resolve the issues, they may approach the Commission under Section 86(1)(f) of the Electricity Act, 2003 for adjudication of disputes. **The Commission directs the Petitioner to resolve these matters amicably with UPCL and in case the matter is not resolved the Petitioner can approach the Commission under Section 86(1)(f) of the Electricity Act, 2003 for adjudication of disputes. The Petitioner, however, should not include them as a part of ARR filing in future as these do not form part of the tariff proceedings.**

# 5 Commission's Analysis, Scrutiny and Conclusions

## 5.1 Physical Parameters

### 5.1.1 *Energy Generation and Saleable Primary Energy*

#### *A. Old Nine Large Generating Stations*

Due to non-availability of reliable information on the Design Energy for nine old generating stations (i.e. except Maneri Bhali-II), the Commission had to consider the lower of 15 years' average annual generation or the plant-wise Design Energy (as mutually agreed between UPJVNL and UPPCL) as the gross primary energy generation from these generating stations for the tariff purposes. Thereafter, for ascertaining the saleable primary energy, normative auxiliary consumption and transformation losses as specified in the UERC (Terms and conditions for determination of Hydro Generation Tariff) Regulation 2004 were deducted from the gross primary energy. In line with the above approach, the Petitioner has assessed the saleable primary energy for FY 2012-13 as 3140.13 MUs from its nine old Large Hydro-generating Stations. Since, the approach of the Petitioner is in line with the approach of the Commission in the previous Tariff Orders, the Commission approves the same.

**Table 5.1 : Primary Energy and Saleable Primary Energy for FY 2012-13**

| Name of the Generating Station | Gross Primary Energy | Auxiliary consumption | | Transformation Loss | | Saleable Primary energy |
|---|---|---|---|---|---|---|
| | MU | % | MU | % | MU | MU |
| Dhakrani | 156.88 | 0.20% | 0.31 | 0.50% | 0.78 | 155.78 |
| Dhalipur | 192.00 | 0.20% | 0.38 | 0.50% | 0.96 | 190.66 |
| Chibro | 750.00 | 0.70% | 5.25 | 0.50% | 3.75 | 741.00 |
| Khodri | 345.00 | 0.50% | 1.73 | 0.50% | 1.73 | 341.55 |
| Kulhal | 153.91 | 0.20% | 0.31 | 0.50% | 0.77 | 152.83 |
| Ramganga | 311.00 | 0.20% | 0.62 | 0.50% | 1.56 | 308.82 |
| Chilla | 671.29 | 0.50% | 3.36 | 0.50% | 3.36 | 664.58 |
| Maneri Bhali-I | 395.00 | 0.20% | 0.79 | 0.50% | 1.98 | 392.24 |
| Khatima | 194.05 | 0.20% | 0.39 | 0.50% | 0.97 | 192.69 |
| **Total** | **3169.13** | | **13.14** | | **15.85** | **3140.13** |

The Commission would, however, like to clarify that the Saleable Primary Energy, as approved in the above Table, is for the purpose of computing the primary energy rate for recovery of AFC and not for ascertaining the quantum of secondary energy generated by a particular generating station. This is similar to the approach adopted by the Commission in its previous Orders as also discussed under Chapter 4 of this Tariff Order, i.e. 'Commission's Approach. Since the Petitioner has informed that it would be carrying out the major RMU works, hence, the Commission would revisit this issue based on the RMU works proposed in the Business Plan and MYT Petition for the first control period from FY 2013-14 to FY 2015-16.

***B. Maneri Bhali-II***

As regards Maneri Bhali-II generating station, the Petitioner has considered the Design Energy of 1566.10 MUs as per the DPR of the project. Saleable Primary Energy has further been ascertained as 1550.44 MUs by deducting the auxiliary consumption (@ 0.5% of the gross generation) and transformation losses (@ 0.5% of the gross generation) from the gross generation of 1566.10 MU, as per the provisions of Regulation 2004. The same is in line with the Saleable Primary Energy as determined by the Commission in its previous Orders for determination of tariff for Maneri Bhali-II large hydro power project. The Commission, accordingly, approves the same.

## 5.2 Financial Parameters

### *5.2.1 Apportionment of common expenses*

The Commission, in line with the proposal of the Petitioner, in its previous Tariff Orders, had been allocating common/indirect expenses on 9 LHPs, MB-II and SHPs in the ratio of 80:10:10. The Commission in this regard, in the Tariff Order dated May 10, 2011 directed the Petitioner as follows:

> *"The Commission, accordingly, directs the Petitioner to examine the practices being followed in similar utilities in other States as well as Central Sector utilities like NTPC, NHPC, etc. and submit it a report for the consideration of the Commission within 6 months from issuance of this order. "*

The Petitioner in response submitted that it had requested NHPC and SJVNL to communicate the practice followed by NHPC/SJVNL of allocating indirect expenses at various power stations and the Petitioner submitted copies of correspondences. The Petitioner further submitted that in spite of persuasion and follow up, no response has been received till date and the matter is further being pursued.

**The Commission re-iterates its direction to complete the exercise of examining the practices being followed in similar Utilities in Other States as well as Central Sector utilities and submit the report to the Commission within 3 months from the date of this Order.**

The Commission for the purpose of this Tariff Order has adopted the same approach followed by it in previous Tariff Orders for apportionment of common expenses.

### *5.2.2 Capital Cost*

#### *A. Old Nine Generating Stations*

Pending finalization of the Transfer Scheme, for various reasons recorded in the previous Tariff Orders, the Commission had been approving opening GFA for the nine old LHPs as on January 14, 2000, as Rs. 506.17 Crore. Since, the Transfer Scheme is yet to be finalized, the Commission for the purposes of this Tariff Order is considering the opening GFA of nine old LHPs, as on January 14, 2000, as Rs. 506.17 Crore only as per the details given below:

**Table 5.2 : Approved Capital Cost (Rs. Crore)**

| Name Of the Generating Station | Claimed | Approved |
|---|---|---|
| Dhakrani | 12.40 | 12.40 |
| Dhalipur | 20.37 | 20.37 |
| Chibro | 87.89 | 87.89 |
| Khodri | 73.97 | 73.97 |
| Kulhal | 17.51 | 17.51 |
| Ramganga | 50.02 | 50.02 |
| Chilla | 124.89 | 124.89 |
| Maneri Bhali-I | 111.93 | 111.93 |
| Khatima | 7.19 | 7.19 |
| **Total** | **506.17** | **506.17** |

### B. Maneri Bhali-II

The issues related to prudent Capital Cost of MB-II generating station as on CoD have been discussed in detail under Chapter 4, i.e. Approach of the Commission. As regards fixation of Capital Cost of MB-II on the date of its Commercial Operation (CoD), the Commission in its Order dated December 30, 2009 had directed the Petitioner to get an audit of its capital cost done as per the scope of work approved by the Commission. The Petitioner in its filing for FY 2011-12, submitted the report, however, the Commission observed that the said report did not serve the purpose for reasons detailed in the Tariff Order dated May 10, 2011. The Commission directed the Petitioner to constitute a Expert Committee to examine the capital cost incurred and asked the Petitioner to submit the report to the Commission. As mentioned in Chapter 4 of the Order, the Petitioner has not submitted the said report till date.

In this context, it would be relevant to point out that the project was envisaged to be commissioned by March 31, 2007, i.e. by Tenth Plan Period wherein it was eligible for interest subsidy from PFC. The delay in commissioning of the project, therefore, not only led to the company losing interest subsidy both prior and subsequent to the commissioning of the project but also the burden of IDC for the extended period. The Table below shows the capital expenditure and IDC as submitted by the Petitioner for MB-II Project:

**Table 5.3 : Capital Expenditure including IDC for MB-II Project (Rs. Crore)**

| Particulars | Envisaged in DPR | II$^{nd}$ approval by PFC | Capital Cost if the project was commissioned by 31.03.2007 | Claimed |
|---|---|---|---|---|
| Capital exp. Exc. IDC | 1,002.69 | 1,559.91 | 1,494.70 | 1,494.70 |
| **IDC** | | | | |
| Interest paid to PFC | 246.49 | 154.50 | 171.83 | 287.57 |
| Guarantee Fee | - | - | 40.86 | 40.86 |
| Intt. On GoU Loan | - | - | 5.04 | 5.04 |
| Intt. Repayment AGSP | - | - | - | 66.64 |
| **Total IDC** | **246.49** | **154.50** | **217.73** | **400.11** |
| Guarantee Fee | - | - | - | 18.81 |
| Adjustment of account of DRB award paid but not capitalised as per AS-16 | - | - | - | 44.51 |
| **Total** | **1,249.18** | **1,714.41** | **1,712.43** | **1958.13** |

The Petitioner submitted that Capital Cost of Maneri Bhali-II as on 15.03.2008 earlier claimed was Rs. 1894.81 Crore and that the said capital cost has increased by Rs. 63.32 Crore as detailed above due to the following reasons:

(i) Guarantee fee on outstanding PFC loan at the commencement of the financial year is payable to GoU @ 1% at the beginning of the financial year. In case of deferment in payment of such guarantee fee the applicable rate is 2%. Prior to CoD, i.e. 15.03.2008 such guarantee fee was paid subsequent to the financial year in which it became due. UJVN Ltd. requested GoU to waive off the additional 1% of the guarantee fee. The Petitioner further submitted that as its request of waiver of additional guarantee fee was not accepted by GoU, hence, it has made the provision of the same in the accounts for F.Y. 2009-10. The Petitioner further submitted that since the amount pertains to the period prior to CoD, i.e. 15.03.2008, hence, the same has been added to the capital cost as on CoD, i.e. 15.03.2008.

(ii) The Petitioner also submitted that the Dispute Resolution Board had awarded an amount of Rs. 69.60 Crore in favour of M/s. Hydel Construction Co. Pvt. Ltd., one of the contractors of MB-II project in the FY 2003-04. An amount of Rs. 44.51 Crore (net) paid on account of the said award was not capitalised in accordance to the Accounting Standard (AS-16). Since this amount of Rs. 44.51 Crore was incurred for MB-II project out of the project specific funds, hence, the same has been included in the capital cost as on 15.03.2008. The Petitioner requested the Commission to consider the said amount of Rs. 44.51 Crore as a part of Capital Cost of MB-II as on CoD.

The Commission in its data gaps asked the Petitioner to submit necessary justification as to why the additional guarantee fee should be allowed as pass through in tariff, since it was a penal charge levied on account of delay in making the payment of guarantee fee by the Petitioner. The Petitioner in its reply requested the Commission to allow the same specifically in view of the non acceptance of UJVN Ltd.'s request by GoU for waiver of additional guarantee fee.

The Commission observes that prior to CoD, the Petitioner has been paying guarantee fee at the end of the financial year in which it became due instead of paying it at the beginning of the financial year. This has resulted in payment of 1% extra guarantee fee as penalty. This excess guarantee fee paid by the Petitioner is due to the delayed payment and could have been avoided in case timely payments were made and, hence, it would not be appropriate to load the inefficiencies of the Petitioner on to the consumers and recovered from tariffs. The Petitioner is expected to ensure prudence and propriety while incurring any expenditure during its day to day operations. Therefore, the Commission has not considered the excess payment made towards guarantee fee as an addition to Capital cost of the Project.

With regards to the DRB claim of Rs 44.51 Crore, the Commission asked the Petitioner to submit the necessary justification for including such expenses in the Capital Cost and also asked the Petitioner to submit the DRB award copy. In its reply, while submitting the copy of the DRB award, the Petitioner reproduced its notes to accounts attached to and forming part of the balance sheet which is reproduced below:

> *"Other liabilities include Rs.69.60 crore payable to M/s Hydel Construction Co. (P) Ltd., against the award of DRB vide its order dated 24th May, 2003. Out of the above, Rs.21.81 Crore pertaining to works/escalation etc., directly attributable to the project had been capitalized and the balance of Rs.47.79 Crore pertaining to interest & compensation had been charged to Profit & Loss Account under the head interest & other charges as the same relates to interest & compensation pertaining to suspended period of project as per Accounting Standard-16.*
>
> *Other Incomes includes Rs.3.28 Crore awarded by DRB against M/s Hydel Construction Co (P) Ltd. vide its order dated 24.5.2003. "*

The Commission is of the view that as the final Capital Cost is yet to be approved by the Commission based on the outcome of the report of the Expert Committee, there is no merit in re-determining the capital cost as on CoD with every filing and shall take a view on this issue while approving the Capital Cost of MB-II Project as on CoD, once the report of the Expert Committee is received.

The Commission at this stage has, therefore, considered the already approved capital cost of Rs. 1741.72 Crore and financing as on CoD, for working out the AFC for MB-II for FY 2012-13.

**Table 5.4 : Approved Capital Cost & Financing for MB-II as on CoD (Rs. Crore)**

| Name of the Generating Stations | Claimed | Approved |
|---|---|---|
| Capital Cost | 1958.13 | 1741.72 |
| **Means of Financing** | | |
| PFC Loan | 1200.00 | 1200.00 |
| Govt. Loan | 0.00 | 0.00 |
| PFC Additional Loan | 0.00 | 0.00 |
| Unpaid liability | 142.49 | 0.00 |
| Guarantee Fee Payable | 18.81 | 0.00 |
| **Total debts** | **1361.30** | **1200.00** |
| Equity by UJVN Ltd. | 596.83 | 541.72 |
| **Total Loan and Equity** | **1958.13** | **1741.72** |

### *5.2.3 Additional Capitalisation*

#### *A. Old Nine Generating Stations*

In addition to the opening GFA of Rs. 506.17 Crore as on January 14, 2000, as approved by the Commission in the previous Tariff Order dated May 10, 2011, the Petitioner has claimed additional capitalisation of Rs. 52.97 Crore for the period 01.04.2001 to 30.09.2011.

As regards, the additional capitalisation for FY 2006-07 to FY 2007-08, the Commission observed that in the current Petition, the Petitioner had changed the values of additional capitalisation instead of considering the additional capitalization approved by the Commission in the Tariff Order dated 10.05.2011 for FY 2011-12. The Commission in its data gaps asked the Petitioner to give the reasons for variations in values of additional capitalisation. The Petitioner in its reply admitted the mistake and submitted the additional capitalisation for FY 2006-07 to FY 2007-08 as approved in the Order dated May 10, 2011. The Petitioner in its current Petition also revised additional capitalisation details for FY 2008-09 to FY 2010-11 on the basis of audited accounts for FY 2008-09 and FY 2009-10 and provisional accounts for FY 2010-11.

The Commission asked the Petitioner to submit the details of actual additional capitalisation incurred for the period of April 2011 to September 2011 which was submitted subsequently by the Petitioner. The Commission, for reasons discussed in Chapter 4, is not carrying out the final truing up of AFC for Old Nine Large Hydro-generating Stations for FY 2008-09 and FY 2009-10 in this Order. Accordingly, the Commission at this stage has not considered the impact of revision in capitalisation figures submitted by the Petitioner up to 30.09.2011, on AFC for the said years. Since, the truing up of AFC for these years, based on audited accounts, is yet to be carried out and, hence, the Commission will consider the impact of revision in capitalisation figures on AFC for these years while carrying out the final truing up.

For determining the Annual Fixed Charges for FY 2012-13, the Commission has considered the value of year-wise actual additional capitalisation till FY 2011-12 as submitted by the Petitioner. The Commission has, however, allocated the common capitalised assets pertaining to Head Office etc., based on the approach followed by it in the previous Tariff Orders.

Based on the submissions made by the Petitioner, the year-wise revised additional capitalisation as considered by the Commission is summarized in the Table below:

**Table 5.5 : Additional Capitalisation as considered by the Commission (Rs. Crore)**

| Stations | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Dhakrani | 0.02 | 0.04 | 0.08 | 0.03 | 0.04 | 0.94 | 0.42 | 0.12 | 0.10 | 0.21 | 0.07 | **2.08** |
| Dhalipur | 0.03 | 0.06 | 0.12 | 0.04 | 0.06 | 1.43 | 0.63 | 0.18 | 0.15 | 0.32 | 0.11 | **3.14** |
| Chibro | 0.15 | 0.50 | 0.61 | 0.28 | 0.27 | 0.51 | 1.94 | 1.78 | 1.17 | 0.73 | 0.49 | **8.44** |
| Khodri | 0.07 | 0.17 | 0.48 | 0.22 | 0.29 | 0.27 | 1.18 | 3.52 | 2.81 | 0.85 | 0.26 | **10.11** |
| Kulhal | 0.02 | 0.04 | 0.07 | 0.02 | 0.04 | 0.84 | 0.37 | 0.11 | 0.09 | 0.19 | 0.06 | **1.84** |
| Ramganga | 0.05 | 0.13 | 0.51 | 0.40 | 0.25 | 0.28 | 0.69 | 0.48 | 0.25 | 0.22 | 0.29 | **3.56** |
| Chilla | 0.04 | 1.18 | 2.10 | 2.58 | 2.33 | 1.98 | 0.37 | 0.34 | 0.23 | 4.91 | 0.04 | **16.11** |
| Maneri Bhali-I | 0.02 | 0.06 | 0.25 | 0.08 | 0.12 | 0.12 | 0.21 | 0.48 | 1.52 | 3.79 | 0.03 | **6.69** |
| Khatima | 0.01 | 0.03 | 0.10 | 0.11 | 0.08 | 0.05 | 0.33 | 0.19 | 0.05 | 0.05 | 0.01 | **1.01** |
| **Total** | **0.41** | **2.21** | **4.33** | **3.75** | **3.49** | **6.43** | **6.15** | **7.21** | **6.38** | **11.26** | **1.35** | **52.97** |

### *B. Maneri Bhali-II*

As regards the additional capitalisation for MB-II from CoD till September 2011, the Commission vide its letter dated January 06, 2012 had asked the Petitioner to submit the details of additional capitalisation. In response, the Petitioner submitted the required details.

However, as the Commission is yet to approve the final Capital Cost as on CoD for reasons mentioned in Chapter 4 of this Order, the Commission has not considered any additional capitalisation and the means of financing for additional capitalisation including GoU loan, PFC additional loan, additional equity, etc. while working out the AFC for FY 2012-13 for MB-II. The Commission will consider the additional capitalisation for MB-II after approval of Capital Cost as on CoD while carrying out the truing up during next tariff exercise.

#### *5.2.4 Depreciation*

##### *A. Old Nine Large Generating Stations*

The Petitioner has submitted that while computing the depreciation, it has considered 90% of the opening GFA as the permissible limit. Accordingly, for the plants where accumulated depreciation on the approved opening GFA has already reached 90%, such as Khatima, Dhakrani, Dhalipur, Ramganga, Kulhal and Chibro, the Petitioner has not claimed any depreciation. The Petitioner has claimed depreciation on the opening GFA only for the remaining three plants, i.e. Khodri, Chilla and Maneri Bhali-I.

In addition to the above, the Petitioner has also claimed depreciation on additional capitalization for all the plants. In the absence of category-wise asset classification, the Petitioner has claimed depreciation on opening GFA of these three generating station at a weighted average rate of 2.38% and that on additional capitalization for all the plants at a weighted average rate of 2.66%, in accordance with the approach of the Commission in the previous Tariff Orders. In its Tariff Order dated October 21, 2009, the Commission had directed the Petitioner to prepare Fixed Asset Registers and maintain asset-wise classification for claiming depreciation in the future years. In this regard, the Petitioner submitted that the Fixed Asset Registers are already being maintained by it, however, the asset-wise classification of Opening Gross Fixed Asset is not available as the Transfer Scheme has not yet been finalised. The Commission, accordingly, approves the depreciation as per the weighted average rates considered in the previous Tariff Orders, however, as per the computations of the Commission, the depreciation on additional capitalization works out to Rs. 1.41 Crore as against the Petitioner's claim of Rs. 1.30 Crore for FY 2012-13. The depreciation worked out by the Commission is higher than that claimed by the Petitioner, as the Commission has also considered additional capitalization for the period April 2011 to September 2011 which was not considered by the Petitioner in its Petition. Further, the difference is also due to the variation in values of additional capitalisation for FY 2006-07 and FY 2007-08 in the original Petition with respect to additional capitalisation allowed by the Commission in its Tariff Order dated May 10, 2011, which has been subsequently modified by the Petitioner to the values approved by the Commission in its tariff order dated May 10, 2011. **The Commission, however, directs the Petitioner to claim the depreciation on additional capitalisation from the next Tariff filing in accordance with the rates specified under the Regulations for different class of assets instead of claiming it at 2.66%.**

The summary of depreciation as claimed by the Petitioner and that approved by the Commission for FY 2012-13 is shown in the Table given below:

**Table 5.6 : Depreciation approved for FY 2012-13 (Rs. Crore)**

| Particulars | On Opening GFA | | On Additional Capitalisation | | Total Depreciation | |
|---|---|---|---|---|---|---|
| | Claimed | Approved | Claimed | Approved | Claimed | Approved |
| Dhakrani | 0.00 | 0.00 | 0.05 | 0.06 | 0.05 | 0.06 |
| Dhalipur | 0.00 | 0.00 | 0.08 | 0.08 | 0.08 | 0.08 |
| Chibro | 0.00 | 0.00 | 0.22 | 0.22 | 0.22 | 0.22 |
| Khodri | 1.76 | 1.76 | 0.26 | 0.27 | 2.02 | 2.03 |
| Kulhal | 0.00 | 0.00 | 0.05 | 0.05 | 0.05 | 0.05 |
| Ramganga | 0.00 | 0.00 | 0.08 | 0.09 | 0.08 | 0.09 |
| Chilla | 2.97 | 2.97 | 0.36 | 0.43 | 3.33 | 3.40 |
| Maneri Bhali-I | 2.66 | 2.66 | 0.18 | 0.18 | 2.84 | 2.84 |
| Khatima | 0.00 | 0.00 | 0.03 | 0.03 | 0.03 | 0.03 |
| **Total** | **7.40** | **7.40** | **1.30** | **1.41** | **8.70** | **8.81** |

### B. *Maneri Bhali-II*

As regards the depreciation for MB-II for FY 2012-13, the Commission has continued with the approach adopted in the Tariff Order for MB-II dated December 30, 2009 wherein the Commission had provisionally accepted the categorization of assets submitted by the Petitioner pending final approval of the capital cost and the weighted average rate of depreciation of 2.57% claimed by it. Further, Advance Against Depreciation had been worked out according to the Regulations on the basis of the repayment schedule of PFC.

In line with the above approach, the Commission has computed the depreciation and Advance Against Depreciation for FY 2012-13 for MB-II on the approved GFA of Rs. 1741.72 Crore. The total depreciation including Advance Against Depreciation for MB-II for FY 2012-13, accordingly, works out to Rs. 120.00 Crore as given in the Table below:

**Table 5.7 : Advance Against Depreciation allowed for FY 2012-13 (Rs. Crore)**

| S.No. | Particulars | Claimed | Approved |
|---|---|---|---|
| a. | Depreciation | 50.75 | 44.78 |
| b. | Loan Repayment during the year | 130.25 | 120.00 |
| c. | 1/10th of the Loan | 138.47 | 120.00 |
| d. | Amount Admissible under AAD [Minimum of the b and c] | 130.25 | 120.00 |
| e. | Advance Against Depreciation (AAD) [only if +ve] {d-a} | 79.50 | 75.22 |
| f. | Cumulative Depreciation | - | 181.19 |
| g. | Cumulative Repayment | - | 420.00 |
| h. | AAD restricted to {g-f} | - | 238.81 |
| i. | Allowable AAD (lower of e or h) | | 75.22 |

### 5.2.5 *Return on Equity*

#### *A. Old Nine Large Generating Stations*

Regulation 18(1) of UERC (Terms and Conditions for Determination of Hydro Generation Tariff) Regulations, 2004 stipulates as under:

*"In case of all generating stations, 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 determination of tariff shall be limited to 30% and the balance amount shall be considered as the normative loan. Provided that in case actual equity employed is less than 30%, the actual debt and equity shall be considered for determination of tariff".*

In accordance with the above provisions of the Regulation, pending finalisation of the Transfer Scheme of the Petitioner, the Commission has allowed RoE on the provisional value of opening equity of Rs. 151.19 Crore in accordance with the directions of the Hon'ble Appellate Tribunal for Electricity, as detailed in the Order dated March 14, 2007. As regard RoE on Additional Capitalisation, the Commission has considered a normative equity of 30% where financing has been done through internal resources and on actual basis in other cases subject to a ceiling of 30% as specified in the Regulations. Further, for estimating the RoE on equity portion of opening GFA as well as additional capitalization, the Commission has considered the allowable return @ 14% post tax in accordance with the Tariff Regulations, 2004.

As regards finalization of Transfer Scheme, the Commission in its Tariff Order dated October 21, 2009, had directed the Petitioner to submit a report on the status of Transfer Scheme and steps being taken by it to help the process. The above direction of the Commission is reproduced below:

> *"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."*

With regard to the above direction, the Petitioner has submitted that it has already approached the Government for early finalization of the Transfer Scheme. However, the transfer scheme has not yet been finalized and stands provisional.

**The Commission, once again, directs the Petitioner to take necessary steps for the finalisation of the transfer scheme without further delay and submit the report to the Commission.**

As the Transfer Scheme is yet to be finalized, the Commission is provisionally allowing a return on normative equity @ 14% post tax in accordance with the provisions of the Tariff Regulations. The summary of the Return on Equity approved for 9 LHPs for FY 2012-13 is shown in the Table given below:

**Table 5.8: Equity and Return on Equity for Nine Old LHPs for FY 2012-13 (Rs. Crore)**

| Name of the Generating Station | Claimed | | Approved | | | | |
|---|---|---|---|---|---|---|---|
| | Equity | RoE | On Transferred Asset | | On Additional Capitalisation | | Total |
| | | | Normative Equity | RoE | Opening Equity | RoE | |
| Dhakrani | 4.33 | 0.61 | 3.72 | 0.52 | 0.62 | 0.09 | **0.61** |
| Dhalipur | 7.03 | 0.98 | 6.11 | 0.86 | 0.94 | 0.13 | **0.99** |
| Chibro | 28.79 | 4.03 | 26.37 | 3.69 | 2.35 | 0.33 | **4.02** |
| Khodri | 25.17 | 3.52 | 22.19 | 3.11 | 2.97 | 0.42 | **3.52** |
| Kulhal | 5.79 | 0.81 | 5.25 | 0.74 | 0.55 | 0.08 | **0.81** |
| Ramganga | 15.96 | 2.23 | 15.01 | 2.10 | 1.07 | 0.15 | **2.25** |
| Chilla | 42.31 | 5.92 | 37.47 | 5.25 | 4.67 | 0.65 | **5.90** |
| Maneri Bhali-I | 35.57 | 4.98 | 32.92 | 4.61 | 2.01 | 0.28 | **4.89** |
| Khatima | 2.46 | 0.34 | 2.16 | 0.30 | 0.30 | 0.04 | **0.34** |
| **Total** | **167.41** | **23.42** | **151.19** | **21.17** | **15.48** | **2.17** | **23.33** |

### *B. Maneri Bhali-II*

The Petitioner, in its Petition, submitted that it has computed Return on Equity assuming a normative debt equity ratio of 70:30 in accordance with the Regulations of the Commission. The Petitioner further submitted that against the equity employed of Rs. 644.32 Crore, equity considered for RoE purpose is 30% of the Capital cost in accordance with the Regulations.

The Petitioner has further submitted that GoU vide its letter dated February 11, 2011, had advised the Commission to allow RoE on the amount contributed by GoU out of PDF.

As discussed in Chapter 4 of the Order and Para 5.2.2.B of this Chapter, the Commission has considered a Capital Cost of Rs. 1741.42 Crore on CoD for the purposes of allowing Capital related expenditures for the FY 2012-13. As per the financing considered by the Commission of the approved total Capital Cost of Rs. 1741.42 Crore, Rs. 541.72 Crore have been funded through equity. However, since, out of the total equity of Rs. 541.72 Crore, Rs. 341.39 Crore had come through PDF, the Commission has considered the balance equity of Rs. 200.33 Crore only for the purposes of allowing return in the previous Tariff Orders for various reasons given therein.

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 from more than 10 year old Hydro Generating Station. The cost of such cess is further passed on to UPCL, 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 contributions 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 the utilities as both these form part of respective utilities' ARR and would ultimately be recovered from the final consumers of electricity through tariffs.

The utilities should also remember that equity made available to them for investments in the new projects is from the contributions made by the consumers of the State and that if any return should be admissible, it should be available to the consumers. Had the PDF not been created, it would have been difficult for the utilities to garner funds to meet their equity requirement for investments in new projects as most of the financial institutions are sanctioning loan upto 70% of the cost of the project and balance 30% is to be met out of the equity.

Further, since the Commission in its previous Tariff Orders for FY 2009-10, FY 2010-11 and FY 2011-12 had not allowed any return on funds provided by GoU out of money recovered from consumers by way of PDF for reasons given in the said Orders, hence, 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.

The Commission has, accordingly, allowed a post tax return of 14% on the equity of Rs. 200.33 Crore, which works out to Rs. 28.05 Crore for FY 2012-13.

### *5.2.6 Income Tax*

The Petitioner has submitted that in accordance with Regulation 8 of UERC (Terms and Conditions for Determination of Hydro Generation Tariff) Regulations, 2004, beneficiaries are required to maintain a tax escrow account for settling tax liability of the generating station to the extent of their share in the generating Station. The Petitioner further submitted that in spite of repeated requests, UPCL has not created any Tax Escrow Account. The Petitioner has already raised bills on account of Income Tax paid by the Petitioner which is not yet paid by UPCL. The Petitioner has, therefore, requested to consider the income tax liability while determining the tariff for FY 2012-13.

In this regard, Regulation 7 of UERC (Terms and Conditions for Determination of Hydro Generation Tariff) Regulations, 2004 stipulates as follows:

> *"(1) Tax on the income streams of the generating company from its core business shall be computed as an expense and shall be recovered from the beneficiaries."*

In this context the Commission would also like to quote Regulation 10 of UERC (Terms and Conditions for Determination of Hydro Generation Tariff) Regulations, 2004 which stipulates as below:

> *"Recovery of Income Tax and Foreign Exchange Rate Variation shall be done directly by the generating company from the beneficiaries without making any application before the Commission."*

It is amply clear from the reading of the Regulations that recovery of income tax is required to be made directly by the generating company from the beneficiaries without making any application to the Commission. Further, income tax is not a part of Annual Fixed Charges of the generating company. However, all the taxes, incentives paid by the distribution licensee to the generating company in addition to the Fixed and Variable Charges are passed through as expense while determining the Annual Revenue Requirement of the Distribution Licensee.

Hence, the Commission has not considered the Income Tax while determining the tariff of these generating stations for FY 2012-13.

### *5.2.7 Interest on Loans*

#### *A. Old Nine Generating Stations*

The Petitioner has claimed interest on normative debt equivalent to 70% of the amount of additional capitalisation in accordance with the Regulations. The Petitioner has further considered interest rate of 12.50% for the old generating stations, except for Chibro for which the interest rate has been taken as 14% and repayment period of 10 years for working out the interest charges on the above normative debt.

For interest computation, the Commission has determined the normative loan in accordance with the Regulations. Further, for calculating the interest expense, the Commission has considered an interest rate of 11% and repayment period of 10 years on the normative loan as approved by the Commission in its previous Tariff Order for FY 2011-12. The Commission would like to indicate that it would not be appropriate to revise the interest on normative loan as interest rate for normative loans is calculated based on the weighted average interest rate of the existing actual loans during the year and, since, no actual loans exists during the year, it is only appropriate to consider the normative interest rate of 11% as allowed by the Commission in the previous Tariff Orders. Accordingly, the Commission has considered the interest on normative loan @ 11% as approved in the previous Tariff Order for FY 2011-12. As regards the APDP loan, the Commission has considered the repayment period and interest rates as per the terms and conditions of the loan agreement.

In accordance with the decision of the Government of Uttarakhand, vide their letter no. 90/1/2005-06/77/2003 dated June 29, 2007 and Order of the Hon'ble High Court dated May 14, 2007, the Commission had provisionally considered an amount of Rs. 2.21 Crore as part of the Capital Cost on the date of Commissioning of MB-I in its previous Orders. The Commission had treated the above amount as loan advanced to the Petitioner by the Government with terms similar to other new loans given by the Government to the Petitioner. The Commission had, accordingly, considered an interest rate of 9% per annum and repayment period of 10 years for the purposes of above normative loan. Based on the above considerations, the Commission has calculated the consolidated interest expense of UJVN Ltd. of Rs. 2.63 Crore for FY 2012-13 against the Petitioner's demand of Rs. 3.15 Crore. Plant wise details of interest allowed for the FY 2012-13 are available in the Table given below:

**Table 5.9 : Interest on Loan for Nine Old LHPs for FY 2012-13 (Rs. Crore)**

| Name of the Generating Station | Interest Claimed | Approved | | |
|---|---|---|---|---|
| | | Opening Loan | Closing Loan | Interest |
| Dhakrani | 0.11 | 0.84 | 0.69 | 0.08 |
| Dhalipur | 0.17 | 1.26 | 1.04 | 0.13 |
| Chibro | 0.53 | 4.11 | 3.54 | 0.43 |
| Khodri | 0.53 | 5.08 | 4.39 | 0.52 |
| Kulhal | 0.1 | 0.74 | 0.61 | 0.07 |
| Ramganga | 0.18 | 1.34 | 1.09 | 0.13 |
| Chilla | 0.99 | 7.09 | 6.06 | 0.73 |
| Maneri Bhali-I | 0.48 | 3.72 | 3.25 | 0.49 |
| Khatima | 0.06 | 0.38 | 0.31 | 0.04 |
| **Total** | **3.15** | **24.56** | **20.98** | **2.63** |

The difference in the interest expenses claimed by the Petitioner and approved by the Commission is mainly on account of higher interest rate of 12.50% and 14% considered by the Petitioner as against 11% allowed by the Commission.

***B. Maneri Bhali-II***

The Petitioner submitted that the interest on PFC loan of Rs. 1200 Crore and additional PFC loan of Rs. 94.66 Crore and GoU Loan of Rs. 90 Crore have been computed only on loan utilised although the actual interest due is higher than the interest claimed by the Petitioner. In addition, the Petitioner has also claimed the guarantee fee to be paid to GoU on the loan raised through PFC. It has been submitted that though the actual guarantee fee paid to the GoU is higher, the Petitioner has claimed 1% of guarantee fee on the outstanding PFC loan to the extent utilized. The Petitioner has, accordingly, projected an interest expense of Rs. 104.26 Crore for FY 2012-13.

As the Commission is not revising the capital cost for Maneri Bhali-II, therefore, for computing the interest expenses for MB-II, the Commission has relied on the approach adopted by it in the Order dated December 30, 2009. The Commission in its data gaps sent on February 09, 2012, asked the Petitioner to submit the details of actual interest due and paid to PFC and GoU on loans against Maneri Bhali-II with the outstanding principal due and repaid. The Petitioner in its reply dated February 17, 2012 submitted the details along with interest refund received for the years. From the data submitted by the Petitioner, the Commission derived the weighted average rate of interest for 2011-12 from the interest paid to PFC and outstanding PFC loans during 2011-12 which works out to 11.31% (approx.). The same has been utilized to approve interest expenses for FY 2012-13 considering the repayment schedule approved by PFC. Variation in the actual interest liability and interest expenses approved by the Commission due to change in rates, shall be trued up when a Petition in this regard would be filed for truing up based on audited accounts.

The Commission in continuation with its approach followed in the Tariff Order dated May 10, 2011, allows guarantee fees on the closing balance of Rs. 660 Crore as on 31.03.2013 worked out considering the repayment schedule approved by PFC, which works out to Rs. 6.60 Crore for FY 2012-13.

The summary of the interest expenses for FY 2012-13 as approved by the Commission is shown in the Table below:

**Table 5.10 : Interest on Loan for Maneri Bhali-II (Rs. Crore)**

| Particulars | Amount |
|---|---|
| Loan from PFC as on 01.04.2012 | 780.00 |
| Weighted average rate of Interest | 11.31% |
| Loan as on 15.04.2012 | 750.00 |
| Loan as on 15.07.2012 | 720.00 |
| Loan as on 15.10.2012 | 690.00 |
| Loan as on 15.01.2013 | 660.00 |
| Interest from 01.04.2012 to 14.07.2012 | 24.53 |
| Interest from 15.07.2012 to 14.10.2012 | 20.53 |
| Interest from 15.10.2012 to 14.01.2012 | 19.67 |
| Interest from 15.01.2012 to 31.03.2013 | 15.54 |
| **Total Interest for FY 2012-13** | **80.27** |

The Commission, accordingly, approves a total expense of Rs. 86.87 Crore including guarantee fees of Rs. 6.60 Crore for FY 2012-13 as interest and finance expense of the Petitioner.

## 5.3 Operation & Maintenance (O&M) Expenses for Nine Old Large Generating Stations

For estimating the O&M expenses for FY 2012-13, the Petitioner has escalated the actual O&M expenses for FY 2010-11 by the escalation factor of 6.29% per annum, as approved in the previous Tariff Order dated May 10, 2011.

In addition to the above, the Petitioner has also claimed the following expenses for FY 2012-13:

- Cost of electricity consumption in colonies and barrages –Rs. 1.88 Crore.
- Regulatory fee – Rs. 0.90 Crore.
- Insurance expenses - Rs. 2.38 Crore.
- Cost for concessional supply to past and present employees of the Petitioner residing outside the colonies – Rs. 0.39 Crore.

Before going into the process of estimating the O&M expenses for FY 2012-13, the Commission would like to underline that the Commission has re-determined the escalation factor as 7.04% in accordance with the UERC (Terms and Conditions for Determining Escalation

Factor) Regulations, 2008. The Commission shall, however, re-determine the actual escalation factor for FY 2012-13 at the time of truing up of the expenses for FY 2012-13 when actual data is available for the same.

### *5.3.1 Utilisation of Expenses approved by the Commission*

As regards utilisation of O&M expenses vis-a-vis the approved value, the Commission had directed the Petitioner, in the Tariff Order dated October 21, 2009, to ensure that the direct O&M expenses as approved by the Commission are actually utilised in maintaining the plants in healthy conditions. The Commission had also indicated that it would consider truing up of these expenses only to the extent they are actually utilised in each plant and subject, of course, to prudence check. The Commission reiterates that it shall go by the above philosophy while carrying out the true up exercise from FY 2009-10 onwards and, accordingly, advises the Petitioner to ensure that the O&M expenses as allowed by the Commission are actually utilized on the maintenance and upkeep of these plants. **The Commission directs UJVN Ltd. to prepare an annual budget for FY 2012-13 for each and every plant and submit the same to the Commission within one month of the issuance of this Order.**

### *5.3.2 Employee Cost*

The Petitioner has claimed the employee expenses for the FY 2012-13 by escalating the actual employee expenses for FY 2010-11 by 6.29% per annum. However, the approach is not correct as the employee cost for the FY 2010-11 includes the arrear amount towards implementation of report of the VIth Pay Commission, as a result of which not only the arrear amount is getting escalated but the arrear amount is being double accounted as no payments of arrears will take place in FY 2012-13.

The Commission observed that the Petitioner has claimed interest on GPF trust for FY 2008-09 and FY 2009-10. The Commission in its data gaps sent on January 06, 2012 asked the Petitioner to submit the total amount to be received from UPJVNL GPF Trust along with the current status, year-wise details of opening balance, additions, and payments during the year & closing balance of funds in UJVN Ltd. GPF Trust, year-wise interest to be provided by GPF trust and earned by GPF trust. The Petitioner in its response submitted the said details. Further, the Petitioner stated that it has been consistently pursuing the matter with UPJVNL for remitting the amount to UJVN Ltd. The Commission in this context asked the Petitioner to submit the correspondences with UPJVNL in this matter. The Petitioner in its reply dated March 14, 2012 submitted all the correspondence letters with UPJVNL. The Commission while going through the submission observed that the Petitioner's claim of consistently pursuing the matter with the concerned authorities of UPJVNL cannot be justified by the correspondence letters submitted by the Petitioner. As per the submissions, the Commission observed that in the past six years there has been only three letters written from UJVN Ltd. to UPJVNL with regards to refund of GPF trust amount. The first letter dates to almost five and a half years back, sent on June 13, 2006. The next two letters were sent on October 7, 2011 and December 15, 2011. The Commission is of the view that the Petitioner has not been following up this matter seriously and regularly. The Petitioner should follow up the matter more vigorously. **Therefore, the Commission directs the Petitioner to consistently pursue this matter and report the status to the Commission on half yearly basis till the matter is resolved.**

With regards to the claim of interest on GPF trust, interest is payable by the GPF Trust of UJVN Ltd. on the outstanding balances of GPF liability towards employees. Some of this liability relating to old employees is unfunded as the liability of the employees transferred to the Petitioner from erstwhile UPSEB has been assumed by UP Government by issuing bonds in favour of UP Power Sector Employees Trust (UPPSET). The share of UJVN Ltd. employees is to be claimed by the Uttarakhand Trust. The interest on this portion of GPF liability towards employees is being earned and, hence, accruing on the bonds available with UPPSET. The Uttarakhand Trust and the Petitioner should make efforts to get their share of bonds or an equivalent sum of money from UPPSET/GoUP. The other portion of this liability is the cash available with the trust by collection of current GPF contribution from employees, excluding the loans, if any, on which the Trust is earning interest. Hence, allowing interest on this entire liability would tantamount to providing the interest twice on the two portions of this liability. In any case, this entire liability is that of the UJVN Ltd. Trust and not of the Petitioner. Further, as is evident from the Petitioner's submissions, Rs. 91.40 Crore due as on September, 2011, is to be recoverable from UPPSET comprising of the amount of GPF contribution and also the interest accrued thereon, hence, the Petitioner should make concerted efforts to realize this money.

It would also be relevant to note that the Commission has already allowed difference of cash available with the Trust and cash payments required in its previous tariff orders till the unfunded liability of the Trust is made good. It may be recalled that the Commission while determining tariff for FY 2006-07 in its Order dated 12.07.2006 declined to take cognisance of UJVN Ltd.'s late submission of tariffs for 2005-06 and did not approve the same. By default, therefore, the tariffs finalised for FY 2004-05 in March 2007 were also applicable for FY 2005-06. Accordingly, the revenue of Rs. 8.40 Crore made available to the Petitioner for meeting cash shortfalls of the GPF Trust for FY 2004-05 was also recovered by it in FY 2005-06, making the total revenue available with it as Rs. 16.80 Crore till the end of FY 2005-06. In order to know the exact amount of such payouts, the Commission sought the actual figures of the differential amount upto FY 2011-12 from the Petitioner. The Petitioner has submitted the following details of cash available with the trust and cash payments made by it to serving/retiring employees:

**Table 5.11 : Details of Actual Cash Inflows and Outflows of GPF Trust (Rs. Crore)**

| Year | Opening Bank Balance | Contribution from Salary | Interest Earned | Maturity of FD | Investment in FD | Total Fund Available | Payment | Excess Cash Outflow |
|---|---|---|---|---|---|---|---|---|
| | | A | B | C | D | E | F | F-E |
| 2003-04 | 0.00 | 0.00 | 0.00 | 0.00 | 5.14 | 0.00 | 0.00 | 0.00 |
| 2004-05 | 0.05 | 7.54 | 0.20 | 0.00 | 0.00 | 7.77 | 10.94 | 3.15 |
| 2005-06 | 0.01 | 8.42 | 0.22 | 0.00 | 0.00 | 8.78 | 9.55 | 0.90 |
| 2006-07 | 0.36 | 8.53 | 0.25 | 0.00 | 0.00 | 9.14 | 9.71 | 0.57 |
| 2007-08 | 0.17 | 9.29 | 0.69 | 5.14 | 4.00 | 11.29 | 11.57 | 0.29 |
| 2008-09 | 0.27 | 9.90 | 0.10 | 4.00 | 1.00 | 13.27 | 13.04 | 0.00 |
| 2009-10 | 1.21 | 21.47 | 1.21 | 1.00 | 0.00 | 24.89 | 15.19 | 0.00 |
| 2010-11 | 9.76 | 22.30 | 0.61 | 15.80 | 33.70 | 14.77 | 14.74 | 0.00 |
| 2011-12* | 0.03 | 18.62 | 1.68 | 9.90 | 15.30 | 14.93 | 13.59 | 0.00 |
| **Total** | | **106.07** | **4.96** | **35.84** | **59.14** | **104.84** | **98.33** | **4.91** |

- upto 31.12.2011

The Commission has not scrutinised the above figures for correctness. However, it is amply clear from the above Table that out of total revenue of Rs. 16.80 Crore made available to the Petitioner till FY 2005-06 for meeting the cash shortfall, the Petitioner/Trust has utilised only Rs. 4.91 Crore till FY 2011-12 and would still be left with a cash of Rs. 11.89 Crore after FY 2011-12. **The Petitioner is again directed to keep the funds allowed by the Commission in a separate account for utilisation in the specified manner and to settle its claims with UP and immediately intimate the same to the Commission so that the amount of Rs. 16.80 Crore may be adjusted in future ARRs.**

Since, there is no material reason for the Commission to deviate from its earlier stand, the Commission in continuation with its previous approach is not allowing the interest paid to GPF trust.

For projecting the employee cost for the FY 2012-13, the Commission has considered the actual salary details (without arrears) for the period from April 2011 to December 2011 as provided by the Petitioner. The Commission has considered the annual increments as per Sixth Pay Commission's recommendations and DA rates of 65% for first 3 months, 71% for the next 6 months and 75% for the balance 3 months of the FY 2012-13. Terminal benefits, including pension, gratuity, employer's share towards EPF contribution, have been considered at 17.72% of Basic Salary, Grade Pay and DA. As regard other allowances, the actual figures for the nine month period of FY 2011-12 have been annualised and, thereafter, escalated at the rate of 7.04% to arrive at the estimated figures for FY 2012-13. The Commission has, accordingly, estimated the total employee expenses for the Petitioner for FY 2012-13 as Rs. 150.47 Crore, which on allocation to nine LHPs, in the proportions approved by the Commission in previous Tariff Order works out to Rs. 104.04 Crore.

The plant-wise employee expense as approved for FY 2012-13 are given below:

**Table 5.12 : Employee Expenses as Approved for FY 2012-13 (Rs. Crore)**

| Name of Generating Stations | Amount |
|---|---|
| Dhakrani | 5.77 |
| Dhalipur | 8.73 |
| Chibro | 21.80 |
| Khodri | 12.41 |
| Kulhal | 5.13 |
| Ramganga | 14.56 |
| Chilla | 16.01 |
| Maneri Bhali-I | 12.60 |
| Khatima | 7.01 |
| **Total** | **104.04** |

### *5.3.3 Repairs and Maintenance Expenses*

The Petitioner submitted R&M expenses for FY 2008-09 and FY 2009-10 as per the audited balance sheet.

The Commission as stated in Chapter 4 of this Order is not carrying out any truing up of FY 2008-09 and FY 2009-10, primarily on account of R&M expenses for reasons discussed in the aforesaid Chapter. The Commission has, therefore, not considered the R&M expenses of FY

2009-10 as the base expenses and has considered the R&M expenses approved for FY 2011-12 as base expenses and has projected R&M expenses for FY 2012-13 by applying an escalation rate of 7.04 %.

The plant-wise R&M expense so approved for FY 2012-13 is given in the following Table:

**Table 5.13 : R&M Expenses as Approved for FY 2012-13 (Rs. Crore)**

| Name of the Generating Station | Direct Expenses | Indirect Expenses | Total Expenses |
|---|---|---|---|
| Dhakrani | 1.24 | 0.38 | 1.62 |
| Dhalipur | 1.87 | 0.58 | 2.45 |
| Chibro | 5.45 | 2.72 | 8.17 |
| Khodri | 1.77 | 1.36 | 3.13 |
| Kulhal | 1.10 | 0.34 | 1.44 |
| Ramganga | 1.26 | 1.09 | 2.35 |
| Chilla | 7.69 | 0.79 | 8.47 |
| Maneri Bhali-I | 14.10 | 0.48 | 14.59 |
| Khatima | 3.40 | 0.22 | 3.63 |
| **Total** | **37.88** | **7.97** | **45.85** |

### *5.3.4 Administrative & General Expenses*

The Petitioner has projected A&G expenses for FY 2012-13 after escalating the actual A&G expenses for FY 2010-11 by 6.29%. For estimating A&G expenses for FY 2012-13, the Commission has considered FY 2009-10 as the base year as this is the latest audited figures available and verified by the Commission. On examining the details of A&G expenses for FY 2009-10 submitted by the Petitioner, the Commission has recomputed the A&G expenses for FY 2009-10 after excluding the insurance and regulatory expenses, as these expenses have been provided for, separately, by the Commission. The base A&G expenses have then been escalated by an escalation factor of 6.29% for projecting it for FY 2010-11 and 7.04% for projecting it for FY 2011-12 and FY 2012-13 to derive the allowable A&G expenses for FY 2012-13.

The Plant wise A&G expenses, excluding insurance and regulatory expenses, approved for FY 2012-13 are shown in the following Table:

**Table 5.14: A&G Expenses as Approved for FY 2012-13 (Rs. Crore)**

| Name of the Generating Station | Direct Expenses | Indirect Expenses | Total Expenses |
|---|---|---|---|
| Dhakrani | 0.16 | 0.21 | 0.38 |
| Dhalipur | 0.28 | 0.35 | 0.63 |
| Chibro | 0.42 | 1.51 | 1.93 |
| Khodri | 0.12 | 0.85 | 0.97 |
| Kulhal | 0.14 | 0.18 | 0.32 |
| Ramganga | 0.15 | 1.01 | 1.16 |
| Chilla | 0.42 | 1.19 | 1.61 |
| Maneri Bhali-I | 0.22 | 0.45 | 0.67 |
| Khatima | 0.07 | 0.16 | 0.22 |
| **Total** | **1.99** | **5.91** | **7.89** |

The Insurance and regulatory fee for FY 2012-13 have been separately allowed as additional expenses. Since the tariff filing fees for each generating station is Rs. 10 Lakh, the Commission approves an amount of Rs. 90 Lakh for 9 LHPs towards the Regulatory expenses for FY 2012-13. For FY 2012-13, the Petitioner has claimed insurance charges of Rs. 2.38 Crore based on the actual expenses for FY 2010-11. The Commission, further, observed that the Petitioner has apportioned the total insurance cost among the stations on the basis of capacity and not on the previous principle of 80:10:10 for sharing of expenses among 9 LHPs, Maneri Bhali-II and SHPs respectively. The Commission in its data gaps sent on February 23, 2012 asked the Petitioner to give the reasons for deviation from earlier principle approved by the Commission and further to resubmit the apportionment on the basis of 80:10:10 principles by March 05, 2012. The Petitioner in its reply submitted that it has apportioned the insurance charges on 9 LHPs on the same basis as adopted in the earlier years.

Further, the Petitioner has claimed insurance charges under separate policies which includes Standard Fire Policy, Allied Perils for Large Hydro Power plants, Public Liability Policy, Money Insurance Policy, Directors' and Officers' liabilities insurance policies and Workmen Compensation insurance policy and consequential Loss (Fire) Policy. Apart from it, insurance of vehicles have also been claimed by the Petitioner.

The Commission through its data gaps sent on February 21, 2012 asked the Petitioner to submit the details of Insurance policies along with the cover notes by March 05, 2012.

The Commission while examining the submissions made by the Petitioner observed that under the Workmen Compensation policy, total staff strength, comprising of technical and administrative staff, has been taken as 2348 which is almost equal to the total existing employees of UJVN Ltd. However, while apportioning the cost among the hydro stations, the Petitioner has not allocated this cost on Maneri Bhali-II. Further, in case of Directors and Officers Liability Insurance and Company Reimbursement Liability Insurance, the Petitioner has not allocated the premium expenses of this policy towards Maneri Bhali-II, which is unacceptable for the Corporation as a whole.

The Commission for the purpose of tariff determination has considered the insurance charges as Rs. 1.81 Crore including vehicle insurance as approved by the Commission for FY 2011-12. The Commission shall approve the actual insurance charges at the time of truing up for FY 2012-13 subject to prudence check.

**The Commission, hereby, directs the Petitioner to separate and segregate insurance policies taken by the Petitioner and allocate them to 9 LHPs, Maneri Bhali-II and SHPs while seeking Truing Up for FY 2012-13.**

#### *5.3.5 Cost of Consumption in colonies/dam/barrages*

With regards to Colony Consumption, the Commission in its data gaps sought clarification from the Petitioner regarding the details of consumers covered under Colony consumption. The Petitioner in its reply dated March 14, 2012 submitted that the consumers covered under colony consumption includes employees of other departments, offices, street light and metered water supply. In its internal correspondences submitted before the Commission, it was also observed that not only the employees are being supplied electricity without meters but almost other consumers such as street lights, tube wells, non-residential buildings are also receiving un-metered supply.

The Commission is of the view that there is no merit in including consumption of other employees/consumers except the departmental employees of UJVN Ltd. in colony consumption.

**The Commission directs the Petitioner to segregate the consumption of employees of other departments, offices, etc. and also install the meters in all the un-metered connections including connections given to its employees. The Petitioner is also directed not to include the consumption of consumers other than its departmental employees, while claiming cost of**

**colony consumption in future. Further, the Petitioner should submit the compliance report for the same within three months from the date of issue of this Order.**

With regards to colony consumption for FY 2012-13, the Petitioner has submitted that it has considered the quantum of colony consumption for FY 2012-13 as approved by the Commission for FY 2011-12 as 29.27 MU. The Petitioner has submitted that for the purpose of computing the cost of colony consumption, it has taken primary energy rate as approved in the Tariff Order dated May 10, 2011. The cost of colony consumption so projected by the Petitioner is Rs. 1.88 Crore for FY 2012-13.

The Commission has allowed Petitioner's claim of 29.27 MU as colony consumption for FY 2012-13, however, the Commission shall re-examine the quantum of energy included under colony consumption in detail while carrying out the truing up for FY 2012-13. Thus, the Commission has considered the consumption as 29.27 MU and has, accordingly, calculated the cost of colony consumption as Rs. 1.94 Crore based on the Primary Energy Rate for FY 2012-13. The Commission also observed that the supply to the colonies of Dhakrani, Chibro, Khodri and Kulhal are met through Dhakrani Hydro Station and, therefore, for computing the cost of colony consumption for these LHPs, the primary energy rate of Dhakrani LHP has been considered. Accordingly, the cost of colony consumption for 9 LHPs is depicted in the Table given below:

**Table 5.15: Cost of Colony Consumption for Nine Old LHPs for FY 2012-13**

| Particulars | Capacity (MW) | Colony consumption Claimed (MU) | Colony consumption Approved (MU) | Cost of colony consumption Approved (Rs. Crore) |
|---|---|---|---|---|
| Dhakrani | 33.75 | 13.55 | 1.08 | 0.06 |
| Dhalipur | 51.00 | 0.54 | 0.54 | 0.04 |
| Chibro | 240.00 | 0.00 | 7.67 | 0.45 |
| Khodri | 120.00 | 0.00 | 3.84 | 0.22 |
| Kulhal | 30.00 | 0.00 | 0.96 | 0.06 |
| Ramganga | 198.00 | 7.84 | 7.84 | 0.57 |
| Chilla | 144.00 | 2.78 | 2.78 | 0.16 |
| Maneri Bhali-I | 90.00 | 2.70 | 2.70 | 0.26 |
| Khatima | 41.40 | 1.86 | 1.86 | 0.12 |
| **Total** | **948.15** | **29.27** | **29.27** | **1.94** |

Further, the Commission in its Tariff Order dated May 10, 2011 had observed that the Petitioner has been maintaining distribution works in three of its Plant colonies and supplying power to sundry consumers in these colonies and that the Petitioner was billing these sundry consumers and retaining the amount billed with it. The Commission in this regard directed UJVN Ltd. to transfer the net revenue realized up to FY 2010-11 of Rs. 9.27 Crore after deducting its costs to UPCL as revenue earned from the sale of electricity to sundry consumers as the same was not legally allowed to be retained by UJVN Ltd. in the absence of proper distribution licence for selling the electricity under the Electricity Act, 2003. In this regard, UJVN Ltd. submitted that it had remitted the electricity charges and duties to UPCL. The details enclosed by UJVN Ltd. shows that the amount of EC/ED remitted by it to UPCL for the period April, 2007 To September, 2010 was in respect of officers/staff posted at Head Quarter, Dehradun. From the same, it is not clear that the amount realised from employees living elsewhere have been remitted to UPCL. **Therefore, the Commission directs the Petitioner to submit a complete compliance report within three months from the date of issue of this tariff order.**

In addition to above, the Petitioner has also considered the cost of concessional supplies to past and present employees residing in areas outside the colonies as approved by the Commission in its Tariff Order dated May 10, 2011 considering the prevalent retail tariff of Rs. 2.35 per unit in accordance with the rate under category RTS-1 and with fixed charges of Rs. 20/connection/month. The Petitioner, has, accordingly, claimed Rs. 0.40 Crore for FY 2012-13.

For projecting the cost for FY 2012-13, the Commission has considered the rate at the average supply tariff of Rs. 2.25/kWh in accordance with the rates specified in RTS–1 category of UPCL and monthly fixed charge of Rs. 25/connection per month. Further, electricity duty of Rs. 0.15/kWh has also been added to this cost. The Commission has, accordingly, allowed Rs. 0.41 Crore towards concessional supply for FY 2012-13. This has been apportioned to the 9 LHPs on the basis of their installed capacities.

Based on the above, the Commission has approved the O&M expenses for FY 2012-13 as Rs. 162.84 Crore which includes colony consumption, Insurance charges, cost of concessional supply, impact of arrears and Regulatory Fee. The O&M expenses as approved by the Commission for FY 2012-13 for the nine generating stations are summarised in the Table below:

**Table 5.16 : O&M Expenses for Nine Old LHPs for FY 2012-13 (Rs. Crore)**

| Name of the Generating Station | Claimed by UJVN Ltd. | Approved by the Commission | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Employee Expenses | A&G Expenses | R&M Expenses | Regulatory Fees | Insurance | Cost of Colony Consumption | Cost of Concessional Supplies | Total O&M Expenses |
| Dhakrani | 10.15 | 5.77 | 0.38 | 1.623 | 0.10 | 0.06 | 0.06 | 0.01 | 8.02 |
| Dhalipur | 15.24 | 8.73 | 0.63 | 2.453 | 0.10 | 0.10 | 0.04 | 0.02 | 12.07 |
| Chibro | 34.90 | 21.80 | 1.93 | 8.169 | 0.10 | 0.46 | 0.45 | 0.10 | 33.01 |
| Khodri | 18.49 | 12.41 | 0.97 | 3.126 | 0.10 | 0.23 | 0.22 | 0.05 | 17.11 |
| Kulhal | 9.03 | 5.13 | 0.32 | 1.443 | 0.10 | 0.06 | 0.06 | 0.01 | 7.12 |
| Ramganga | 22.53 | 14.56 | 1.16 | 2.347 | 0.10 | 0.38 | 0.57 | 0.09 | 19.21 |
| Chilla | 33.02 | 16.01 | 1.61 | 8.473 | 0.10 | 0.27 | 0.16 | 0.06 | 26.69 |
| Maneri Bhali-I | 35.26 | 12.60 | 0.67 | 14.587 | 0.10 | 0.17 | 0.26 | 0.04 | 28.43 |
| Khatima | 10.91 | 7.01 | 0.22 | 3.630 | 0.10 | 0.08 | 0.12 | 0.02 | 11.18 |
| **Total** | **189.53** | **104.04** | **7.89** | **45.85** | **0.90** | **1.81** | **1.94** | **0.41** | **162.84** |

## 5.4 O&M Expenses for Maneri Bhali-II

The Commission has been allowing normative O&M cost for MB-II generating station based on the provisions of the Tariff Regulations. Accordingly, for computing the allowable O & M cost for FY 2012-13, the Commission has first calculated the base O&M cost as 1.5% of the Capital Cost of Rs. 1,741.72 Crore as on CoD, and then suitably escalated it with escalation rate applicable for the years (6.51% for FY 2008-09 and FY 2009-10, 6.29% for FY 2010-11 and 7.04% for FY 2011-12 and FY 2012-13) computed in accordance with the provisions of UERC (Terms and Conditions for Determining Escalation Factor) Regulations, 2008. The Commission, accordingly, for MB-II generating station, approves an O&M cost of Rs. 36.09 Crore for FY 2012-13.

## 5.5 Interest on Working Capital

### *A. Old Nine Medium and Large Generating Stations*

The Petitioner has claimed that it has projected the working capital for each plant in accordance with the provisions of the Regulations on normative levels. The rate of interest considered by the Petitioner for computing interest on working capital has been considered as 13.25%.

The components of working capital as per the Regulations are as follows:

- O&M expense at one month of projected expenses;
- Maintenance spares @ 1% of project cost escalated @ 6% per annum from the date of commercial operation (in case of UJVN Ltd.'s stations transferred from UPJVNL, historical cost shall be the cost as on the date of unbundling of UPSEB to be escalated @ 6% p.a., thereafter); and
- Receivables at two months of revenue from sale of electricity.

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

The annual O&M expenses, as approved by the Commission are Rs. 162.84 Crore for FY 2012-13. Based on the above approved O&M expenses, one month's O&M expenses works out to Rs. 13.57 Crore for FY 2012-13. The same has been considered by the Commission for working out the working capital requirement.

### 5.5.2 *Maintenance Spares*

The Commission has considered the maintenance spares in accordance with Tariff Regulations of the Commission. For old assets, the Commission has considered maintenance spares @ 1% of the historical cost transferred from UPJVNL as on January 14, 2000 and escalated @ 6% per annum, thereafter. For assets capitalised during subsequent years, maintenance spares have been considered @ 1% of the additional capitalisation and escalated by 6% per annum. The value of maintenance spares, thus, works out as Rs. 10.90 Crore for FY 2012-13.

### 5.5.3 *Receivables*

Regulations envisage receivables equivalent to two months of fixed charges for sale of electricity as an allowable component of working capital. Annual Fixed Charges (AFC) for the Petitioner include O&M expenses, depreciation, interest on loan, return on equity and interest on working capital. The Commission has considered the receivables for two months based on the approved AFC of Rs. 205.39 Crore for FY 2012-13.

The total working capital allowed by the Commission under the three components discussed above, accordingly, works out to Rs. 58.70 Crore for FY 2012-13. As regards the interest on working capital, Regulation 27(2) of the UERC (Terms and Conditions for Determination of Hydro Generation Tariff) Regulations, 2004 stipulates:

*"Rate of interest on working capital shall be 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 generating unit/station is declared under commercial operation, whichever is later. The interest on working capital shall be payable on normative basis notwithstanding that the generating company has not taken working capital loan from any outside agency."*

The Commission, in its Order dated October 21, 2009, accommodating the request of the Petitioner, while estimating the interest on working capital, had considered the prevailing PLR, so as to effectively capture the existing market conditions. Accordingly, in the present Tariff Order also, the Commission has considered prevailing SBI PLR of 13.25% as on April 1, 2011, that is the year preceding the tariff year. The Commission has, thus, allowed Rs. 7.78 Crore as interest on working capital for FY 2012-13. The plant-wise details of working capital and interest thereon for FY 2012-13 are given hereunder:

**Table 5.17 : Interest on working Capital for Nine LHPs for FY 2012-13 (Rs. Crore)**

| New Generating Stations | Approved | | | | Interest on Working Capital | |
|---|---|---|---|---|---|---|
| | 1 month O&M Expenses | 1% Maintenance Spares | 2 months Receivables | Total Working Capital | Claimed | Approved |
| Dhakrani | 0.67 | 0.28 | 1.51 | 2.46 | 0.40 | 0.33 |
| Dhalipur | 1.01 | 0.45 | 2.29 | 3.75 | 0.60 | 0.50 |
| Chibro | 2.75 | 1.88 | 6.53 | 11.16 | 1.52 | 1.48 |
| Khodri | 1.43 | 1.62 | 4.02 | 7.06 | 1.02 | 0.94 |
| Kulhal | 0.59 | 0.38 | 1.40 | 2.37 | 0.38 | 0.31 |
| Ramganga | 1.60 | 1.06 | 3.76 | 6.41 | 0.96 | 0.85 |
| Chilla | 2.22 | 2.74 | 6.37 | 11.34 | 1.69 | 1.50 |
| M Bhali I | 2.37 | 2.33 | 6.35 | 11.06 | 1.69 | 1.46 |
| Khatima | 0.93 | 0.16 | 2.00 | 3.09 | 0.40 | 0.41 |
| **Total** | **13.57** | **10.90** | **34.23** | **58.70** | **8.66** | **7.78** |

### B. *Maneri Bhali-II*

As regards the interest on working capital for MB-II, the Commission has computed the same based on the Tariff Regulations, 2004, and considering the prevalent PLR of SBI of 13.25% as on April 01, 2011. The summary of the interest on working capital for MB-II for FY 2012-13 is shown in the Table below:

**Table 5.18 : Interest on Working Capital for MB-II for FY 2012-13 (Rs. Crore)**

| Name of the Generating Station | Approved | | | | Interest on Working Capital | |
|---|---|---|---|---|---|---|
| | 1 month O&M Expenses | 1% Maintenance Spares | 2 months Receivables | Total Working Capital | Claimed | Approved |
| Maneri Bhali - II | 3.01 | 23.31 | 46.78 | 73.10 | 9.50 | 9.69 |

## 5.6 Annual Fixed Charges and Primary Energy Rate for FY 2012-13 for Nine LHPs

Based on the above analysis for all the heads of expenses of AFC, the Commission has approved a sum of Rs. 205.39 Crore against Rs. 233.46 Crore claimed by UJVN Ltd. for FY 2012-13 as the total Annual Fixed Charges (AFC) of the Petitioner attributable to its two beneficiaries. The Commission has allocated the net AFC among the two beneficiaries of the Petitioner, viz. UPCL and HPSEB, based on their share in Dhakrani, Dhalipur, Chibro, Khodri and Kulhal and 100% on UPCL for other plants. Accordingly, out of the total AFC of Rs. 205.39 Crore, Rs. 182.18 Crore is attributable to UPCL and balance Rs. 23.21 Crore is attributable to HPSEB. The summary of Annual Fixed Charge for FY 2012-13 is given in Table below:

**Table 5.19 : AFC Charges Approved for FY 2012-13 (Rs. Crore)**

| Name of Generating Station | Depreciation | Interest on loan | Interest on Working Capital | O&M expenses | RoE | Total Annual Fixed Costs | Total AFC attributable to UPCL | Total AFC attributable to HPSEB |
|---|---|---|---|---|---|---|---|---|
| Dhakrani | 0.06 | 0.08 | 0.33 | 8.02 | 0.61 | **9.09** | 6.82 | 2.27 |
| Dhalipur | 0.08 | 0.13 | 0.50 | 12.07 | 0.99 | **13.76** | 10.32 | 3.44 |
| Chibro | 0.22 | 0.43 | 1.48 | 33.01 | 4.02 | **39.16** | 29.37 | 9.79 |
| Khodri | 2.03 | 0.52 | 0.94 | 17.11 | 3.52 | **24.12** | 18.09 | 6.03 |
| Kulhal | 0.05 | 0.07 | 0.31 | 7.12 | 0.81 | **8.37** | 6.70 | 1.67 |
| Ramganga | 0.09 | 0.13 | 0.85 | 19.21 | 2.25 | **22.54** | 22.54 | - |
| Chilla | 3.40 | 0.73 | 1.50 | 26.69 | 5.90 | **38.23** | 38.23 | - |
| M Bhali I | 2.84 | 0.49 | 1.46 | 28.43 | 4.89 | **38.12** | 38.12 | - |
| Khatima | 0.03 | 0.04 | 0.41 | 11.18 | 0.34 | **12.00** | 12.00 | - |
| **Total** | **8.81** | **2.63** | **7.78** | **162.84** | **23.33** | **205.39** | **182.18** | **23.21** |

Based on the station-wise approved Annual Fixed Charges (AFC) and Saleable Primary Energy, Primary Energy Rates have been worked out for each of these nine generating stations. The summary of Annual Fixed Charges and Primary Energy Rates for FY 2012-13 applicable for UPCL and HPSEB is as shown below:

**Table 5.20 : Approved AFC and Primary Energy Rate Approved for UPCL for FY 12-13**

| Name of Generating Station | AFC recoverable from UPCL | Saleable Primary Energy to UPCL | Primary Energy Rate |
|---|---|---|---|
| | (Rs. Crore) | (MU) | (Ps./kWh) |
| Dhakrani | **6.82** | 116.84 | 58.34 |
| Dhalipur | **10.32** | 143.00 | 72.18 |
| Chibro | **29.37** | 555.75 | 52.85 |
| Khodri | **18.09** | 256.16 | 70.62 |
| Kulhal | **6.70** | 122.26 | 54.78 |
| Ramganga | **22.54** | 308.82 | 72.98 |
| Chilla | **38.23** | 664.57 | 57.52 |
| Maneri Bhali-I | **38.12** | 392.23 | 97.19 |
| Khatima | **12.00** | 192.69 | 62.26 |
| **Total** | **182.19** | **2,752.32** | **66.19** |

**Table 5.21: Approved AFC and Primary Energy Rate Approved for HPSEB for FY 12-13**

| Name of Generating Station | AFC recoverable from HPSEB | Saleable Primary Energy to HPSEB | Primary Energy Rate |
|---|---|---|---|
| | (Rs. Crore) | (MU) | (Ps./kWh) |
| Dhakrani | **2.27** | 38.95 | 58.34 |
| Dhalipur | **3.44** | 47.67 | 72.18 |
| Chibro | **9.79** | 185.25 | 52.85 |
| Khodri | **6.03** | 85.39 | 70.62 |
| Kulhal | **1.67** | 30.57 | 54.78 |
| Ramganga | **0.00** | - | - |
| Chilla | **0.00** | - | - |
| Maneri Bhali-I | **0.00** | - | - |
| Khatima | **0.00** | - | - |
| **Total** | **23.21** | **387.81** | **59.84** |

The Commission, hereby, approves the Primary Energy Rates as mentioned in Table 5.20 for supply to UPCL from the above nine generating stations for FY 2012-13, i.e. with effect from April 01, 2012. The Pooled Average Cost of generation payable by HPSEB shall be Paisa 59.84/kWh with total AFC of Rs. 23.21 Crore. These rates will continue to be the approved rates for sales to UPCL and HPSEB till revised by the Commission. In case, the recovery from the Primary Energy Charges from UPCL is less than its AFC, the difference between AFC and Primary Energy Charges shall be recoverable as Capacity Charges subject to the provisions of the Regulations. In accordance with the provisions of the Regulations, the Secondary Energy Rate shall be equal to the Primary Energy Rate and shall be applicable when the Saleable Primary Energy exceeds the Original Design Energy.

Further, the Commission in Para 5.5.1 of its Tariff Order dated 21.10.2009 had carried out the provisional truing up for FY 2007-08 and FY 2008-09 and had worked out an amount of Rs. 9.48 Crore excess recovered by the Petitioner from UPCL, after truing up the revenues and expenses for the two years and had directed the Petitioner to refund the excess charges of Rs. 9.48 Crore to UPCL through their respective bills in 5 equal monthly instalments beginning November 2009. However, UPCL has submitted that UJVN Ltd. has so far not refunded this amount and the Commission may direct UJVN Ltd. to refund this amount to UPCL. **The Commission taking serious note of the non-compliance of its directions by the Petitioner, directs it once again to refund the amount to UPCL in 3 monthly instalments failing which action would be taken against it under the Act for non-compliance of the Commission's directions.**

Based on different cost elements of AFC for MB-II as detailed above, the Commission approves total AFC of Rs. 280.70 Crore for MB-II, against the Petitioner's claim of Rs. 370.45 Crore for FY 2012-13. The details are given in the Table below:

**Table 5.22 : AFC and Primary Energy Rate Approved for FY 2012-13 for MB-II (Rs. Crore)**

| Particulars | Claimed | Approved |
|---|---|---|
| Interest on Loan Capital | 104.26 | 86.87 |
| Depreciation | 50.75 | 44.78 |
| Advance Against Depreciation | 79.50 | 75.22 |
| O&M Expense | 43.74 | 36.09 |
| Interest on Working Capital | 9.50 | 9.69 |
| Return on Equity | 82.70 | 28.05 |
| **Annual Fixed Charges** | **370.45** | **280.70** |

The AFC for MB-II would be recovered through Primary Energy Charges and balance through Capacity Charges, subject to the condition that the generating station achieves the normative capacity index. Tariff Regulations provide that the Primary Energy Rate for computation of Primary Energy Charge shall be the lowest variable charges of the central sector thermal power generating station in Northern Region. The Commission, accordingly, approves Rs. 1.11 /kWh as the primary energy rate for FY 2012-13. The balance recovery of Annual Fixed Charges will be through Capacity Charges in accordance with the Regulations 12, 20 and 28 and NOTE given in Regulation 12, which stipulates as follows:

> *"There shall be pro rata recovery of capacity charges in case the generating station achieves capacity index below the prescribed normative levels. At zero capacity index no capacity charges shall be payable to the generating station."*

The AFC for FY 2012-13 shall be deemed to be recoverable in 12 equal monthly instalments subject to achievement of normative capacity index for each month. Pro-rata recovery of monthly capacity charges for monthly capacity index being less than normative level shall be done subject to adjustment at the year end on the basis of annual capacity index. In accordance with the provisions of Regulations, the secondary energy rate shall be equal to the primary energy rate and shall be applicable when the Saleable Primary Energy exceeds the Original Design Energy. In addition to this, the Petitioner is also entitled to recover incentive on achieving Capacity Index higher than normative levels in accordance with the provisions of the Regulations. The tariffs approved in this Order shall continue to apply till further Orders of the Commission.

# 6 Directives

## 6.1 Compliance to the Directives Issued in Order dated October 21, 2009

### *6.1.1 Performance Improvement Measures*

The Commission in its Tariff Order dated October 21, 2009 directed the Petitioner to conduct a benchmarking study of its plants with other efficient utilities like NHPC, to explore further scope of improvement in technical losses and manpower rationalisation including incentive mechanism. The Petitioner was further directed to submit an action taken report for implementation of efficiency improvement and manpower rationalisation measures giving target dates for completion of each milestone of proposed plan within 6 months of issuance of the Order dated October 21, 2009.

The Commission with respect to this direction, in its Tariff Order dated April 5, 2010 further observed as follows:

*"The Commission has so far not heard anything from the Petitioner in this regard. The Commission is, however, hopeful that UJVNL would conduct such a study in its own commercial interest and submit a report to the Commission within the timelines specified in the previous order."*

The Petitioner, during the tariff proceedings for FY 2011-12 submitted that the data obtained from NHPC is being analyzed by UJVN Ltd. and the report would be submitted shortly. However, the Petitioner did not submit the report. Accordingly, the Commission issued the following directions:

*"The Commission directs the Petitioner to complete the benchmarking study for all its stations and submit the report to the Commission within 3 months from the date of this Order".*

The Petitioner, during the current tariff filing submitted that the Benchmarking studies of four power plants namely Chilla, Pathari, Mohamadpur and Khatima in comparison to Tanakpur power plant of NHPC were conducted and submitted to the Commission in June 2011.

The Petitioner further submitted that NHPC and SJVNL were requested to provide benchmarking study report of their hydro plants and to provide key parameters of their Hydro

Plants enabling the Petitioner to conduct such studies on the same lines and with respect to the key parameters. The Petitioner submitted the copies of said letters. Further, the Petitioner submitted that in spite of persuasion and follow up, no response has been received from NHPC and SJVNL till date and UJVN Ltd. is following up the matter with NHPC and SJVNL.

**The Commission in this regard, directs the Petitioner to pursue this matter and get the benchmarking study done for all its generating stations and submit a quarterly progress report to the Commission on the steps taken by the Petitioner in this regard.**

### *6.1.2 RMU Schemes*

The Commission in its Tariff Order dated October 21, 2009 with the intention of improving the generation capacities of these generating stations, directed the Petitioner as below:

*"The Commission, therefore, directs the Petitioner to make comprehensive RMU schemes for efficiency improvement and life extension of these plants and submit the DPRs for the same to the Commission within a period of six months giving roadmap for implementation of these schemes."*

In this regard the Commission in its Tariff Order dated May 10, 2012, further directed the Petitioner as follows:

*"Petitioner to exercise caution while incurring the expenditure as any expenditure which does not pass the test of prudence will not be allowed by the Commission in future tariffs. Further, UJVNL is also directed to ensure timely completion of the RMU works so that the benefit of the same is available on time. Further, the Commission also directs UJVNL to submit a report wherein the reasons for not achieving the generation equal to the design energy for MB-II should be provided along with the Action Plan to improve the generation of MB-II."*

The Petitioner in this regard submitted that the DPRs of the proposed RMUs of all the plants have been submitted to the Commission for consideration. The status of the proposed RMU schemes of Chilla HEP was also submitted by the Petitioner.

Further, the Petitioner submitted that copy of the report wherein the reasons for not achieving the generation equal to the design energy for MB-II was submitted separately with the Tariff Petition of MB-II HEP.

### *6.1.3 Repairs and Maintenance Expenses*

The Commission in its Tariff Order dated October 21, 2009 directed UJVN Ltd. to carry out an independent audit of all the R&M expenses for the period from FY 2001-02 onwards and submit a report within six months from the date of this Order and to have accounting of R&M expenses station-wise so that truing up of R&M expenses may be done on the basis of audit report on actual R&M expenses of revenue nature for each station.

Further, with respect to the above direction, the Commission in its Tariff Order dated April 5, 2010 observed as follows:

> *"In this regard, UJVNL has submitted that in accordance to the above directive of the Commission it has appointed M/s Mohit Goyal & Company, Chartered Accountants through a tender process to conduct independent audit for R&M expenses for the period from FY 2001-02 onwards and the Firm has already commenced its work. Taking note of the steps taken by the Petitioner, the Commission directs UJVNL to submit the report of the auditor at the earliest and within the stipulated timeframe."*

The Commission in its Tariff Order dated May 10, 2011, further directed the Petitioner as under:

> *"The Commission re-iterates its direction to submit the independent audit of all the R&M expenses for the period from FY 2001-02 onwards to the Commission within 3 months from the date of this Order."*

In this regard, the Petitioner submitted that audit report of Repair & Maintenance expenses for the period from FY 2001-02 to FY 2008-09 pertaining to 5 LHPs in Yamuna Valley are being submitted in the current filling with the respective Petition. The said reports pertaining to 4 LHPs in Ganga Valley are under finalization and shall be submitted shortly. The Petitioner, subsequently, submitted the audit report for all 9 LHPs in this regard.

## 6.2 Compliance to the Directives Issued in Order dated April 05, 2010.

### *6.2.1 Depreciation:*

The Commission has given various directives in its Tariff Order dated 05.04.2010 contained in Para 5.2.3, 5.2.4, 5.2.5, 5.3.4, 5.3.6 and in Chapter 6 as reproduced below:

*"The Commission directs the Petitioner to claim depreciation in future filings based on the rates for various categories of assets as specified in the Tariff Regulations instead of claiming depreciation on weighted average rate for all the 10 large generating stations. "*

The Petitioner, in its Petition has submitted that in absence of category-wise asset classification, it has claimed depreciation against opening GFA at a weighted average rate of 2.38% and that against additional capitalization at a weighted average rate of 2.66%, in accordance with the approach of the Commission in the previous Tariff Orders.

**The Commission, however, directs the Petitioner to claim the depreciation on additional capitalisation from the next Tariff filing in accordance with the rates specified under the Regulations for different class of assets instead of claiming it at 2.66%.**

### *6.2.2 Return on Equity*

The Commission in its Tariff Order dated April 05, 2010 had directed the Petitioner as under:

*"The Commission, accordingly, directs the Petitioner to make all out efforts in the FY 2010-11 so as to ensure finalization of Transfer Scheme within the next financial year itself. "*

With respect to the above direction, the Commission in its Tariff Order dated May 10, 2011 stated as follows:

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

The Petitioner in its current filing has submitted that it has already approached the Government for early finalization of the Transfer Scheme. However, the transfer scheme has not yet been finalized and stands provisional.

**The Commission once again directs the Petitioner to take necessary steps for the finalisation of the transfer scheme without further delay and submit the report to the Commission.**

### 6.3 Compliance to directives issued in Order dated May 10, 2011

#### 6.3.1 *Apportionment of Common/Indirect Expenses.*

The Commission vide its Tariff Order dated October 21, 2009, had directed the Petitioner to submit the probable alternatives for rationally allocating the common/indirect expenses in the present context as well as considering future scenarios within a period of 3 months along with actual data, if any.

In the Tariff Order dated May 10, 2011, the Commission directed the Petitioner as follows:

> *"The Commission, accordingly, directs the Petitioner to examine the practices being followed in similar utilities in other States as well as Centre Sector utilities like NTPC, NHPC, etc. and submit it a report for the consideration of the Commission within 6 months from issuance of this Order. "*

The Petitioner in this respect submitted that NHPC and SJVNL were requested to communicate the practice followed by NHPC/SJVNL of allocating indirect expenses at various power stations. The Petitioner also submitted the correspondence letters in this regard. Further, the Petitioner submitted that inspite of persuasion and follow up, no response has been received till date and the matter is further being pursued.

**The Commission re-iterates its direction to complete the exercise of examining the practices being followed in similar Utilities in Other States as well as Central Sector utilities and submit the report to the Commission within 3 months from the date of this Order.**

### 6.3.2 *Utilisation of Expenses approved by the Commission*

The Commission in its Order dated May 10, 2011 directed the Petitioner as follows:

*"The Commission directs UJVNL to prepare an annual budget for FY 2011-12 for each and every plant and submit the same to the Commission within one month of the issuance of this Order."*

The Petitioner in this regard, submitted that copy of Annual Budget has already been submitted to the Commission.

**The Commission directs UJVN Ltd. to prepare an annual budget for FY 2012-13 for each and every plant and submit the same to the Commission within one month of the issuance of this Order.**

### 6.3.3 *Colony Consumption*

The Commission in its order dated May 10, 2011 stated as follows:

*"The Commission observed that the data submitted for colony consumption was erroneous and therefore, the prudence check cannot be done on the basis of this data.*

*Further, it was also evident that the auxiliary consumption and transformation losses incurred on the stations were excessively high when compared to the norms specified in the Regulations. For instance in Dhakrani the auxiliary consumption is 1.49% and transformation losses is 12.17% against the norm of 0.2% and 0.5% respectively. This indicates that either the data collected is incorrect or there is some problem in the equipments installed in the stations which require immediate attention.*

*Therefore, the Commission directs the Petitioner to reconcile the data and submit a report on the same to the Commission within 3 months of the issuance of this Order along with the corrective steps to be taken in this regard."*

The Petitioner in this regard in the current filing submitted that the data has been reconciled and such reconciled data has already been submitted to Commission.

The Commission observed that not only the employees of UJVN Ltd. are being supplied electricity without meters but almost other consumers such as street lights, tube wells, non-residential buildings are also receiving un-metered supply.

The Commission is of the view that there is no merit in including consumption of other employees/consumers except the departmental employees of UJVN Ltd. in colony consumption.

**The Commission directs the Petitioner to segregate the consumption of employees of other departments, offices, etc. and also install the meters in all the un-metered connections including connections given to its employees. Further, the Petitioner is also directed not to include the consumption of consumers other than its departmental employees, while claiming cost of colony consumption in future. Further, the Petitioner should submit the compliance report for the same within three months from the date of issue of this order.**

### *6.3.4 Cost of Consumption of the employees of UJVN Ltd., residing outside the colonies*

The Commission in its Tariff Order dated May 10, 2011 observed that since, UPCL was not raising bills for consumption made by the employees of UJVN Ltd., the Commission directed UJVN Ltd. to remit this additional amount allowed by it to UPCL as it is in lieu of electricity supplied by UPCL to UJVN Ltd's employees residing outside the colonies. The Commission, further, directed UJVN Ltd. to submit the details of total amount collected from its employees from 01.04.2007 to 31.03.2011 along with the details of amount remitted to UPCL.

The Petitioner, in its Petition, submitted the details of Electricity charges and Electricity duty remitted to UPCL.

The Commission observed that the details enclosed by UJVN Ltd. provides the amount of EC/ED remitted by it to UPCL for the period April, 2007 To September, 2010 in respect of officers/staff posted at Head Quarter, Dehradun. From the same, it is not clear that the amount realised from all the employees have been remitted to UPCL.

**Therefore, the Commission directs the Petitioner to submit a complete compliance report within three months from the date of issue of this Tariff Order.**

### *6.3.5 Income from electricity distribution to Sundry Consumers*

The Commission in its Tariff Order dated May 10, 2011 observed that the Petitioner is maintaining distribution works in three of its Plant colonies and supplying power to sundry consumers in these colonies. Since, sale of power to other consumer by a generating company is not permissible under the Act, the Commission directed the Petitioner as follows:

> *"The Commission directs the Petitioner as well as UPCL to resolve this issue amongst them and report compliance to the Commission within 6 months of the date of this Order. The Commission further directs the Petitioner to transfer the net revenue realized upto 2010-11 after deducting its costs to UPCL as revenue earned from sale of power to sundry consumers is legally not allowed to it in absence of proper licence for the same.*
>
> *Further, the Commission directs the Petitioner that the electricity supplied by UJVNL to its employees staying in the colonies should also be metered and recorded separately and the same cannot be considered as auxiliary consumption. The Commission further directs the UJVNL to submit the consumption data of all the employees residing in colonies and outside based on meter readings along with the next Tariff Petition."*

The Petitioner in its current filing submitted that the Petitioner has approached UPCL to take over the distribution of other consumers and further enclosed the copy of correspondence exchanged in this regard. The Petitioner further submitted that the matter shall be pursued with UPCL.

Further, with respect to the consumption data, the Petitioner submitted that the consumption data of the employees residing in the colonies shall be submitted separately. However, as regards consumption data pertaining to employees residing outside, the Petitioner submitted that the meters are installed by UPCL and, hence, if deemed appropriate, suitable directives may be given to UPCL in this regard.

**The Petitioner is hereby directed to follow up this matter closely to handover the distribution of other consumer to UPCL and submit quarterly progress report to the Commission.**

## 6.4 New Directives Issued

### *6.4.1 Expert Committee Report on Capital Cost of Maneri Bhali-II*

The Commission in its Order Dated May 10, 2011 stated as follows:

*".....Accordingly, for thorough prudence check of the Capital Cost of MB-II project, the Commission will constitute a High Level Expert Committee to examine in details the reasons for time and cost over-run, 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 and Means of Finance for MB-II Project after submission of report by the Committee. The Commission also directs the Petitioner to extend all possible help to the members of the Committee in ascertaining the final project cost of the MB-II project."*

The Petitioner in its Petition submitted that it shall be submitting the said report to the Commission shortly. However, the said report has not been submitted till date.

In this regard, **the Commission directs the Petitioner to submit the report of the Expert Committee based on the views expressed by the Commission in its earlier tariff Order dated May 10, 2011 to ascertain the Capital Cost of MB-II Project within 3 months from the date of this Order.**

### *6.4.2 Interest on GPF Trust*

The Petitioner, in its Petition, submitted that it has been consistently pursuing the matter with UPJVNL for remitting the amount to UJVN Ltd. The Commission in this context asked the Petitioner to submit the correspondences with UPJVNL in this matter. The Petitioner in its reply dated March 14, 2012 submitted all the correspondence letters with UPJVNL. As discussed in Chapter-5, the Commission while going through the submission observed that the Petitioner's claim of consistently pursuing the matter with the concerned authorities of UPJVNL cannot be justified by the correspondence letters submitted by the Petitioner.

The Commission is of the view that the Petitioner has not been following up this matter seriously and regularly. **Therefore, the Commission directs the Petitioner to consistently pursue this matter and report the status to the Commission on half yearly basis till the matter is resolved.**

Further, for reasons stated in Chapter 5 of the Order, the Commission observed that, out of total revenue of Rs. 16.80 Crore made available to the Petitioner till FY 2005-06 for meeting the cash shortfall, the Petitioner/Trust has utilised only Rs. 4.91 Crore till FY 2011-12 and would still be left with a cash of Rs. 11.89 Crore after FY 2011-12.

**The Petitioner is again directed to keep the funds allowed by the Commission in a separate account for utilisation in the specified manner and to settle its claims with UP and immediately intimate the same to the Commission so that the amount of Rs. 16.80 Crore may be adjusted in future ARRs.**

### *6.4.3 Segregation of Insurance Policies*

For reasons stated in Chapter 5 of the Order, the Commission expressed its reservation on the correctness of allocation of cost of insurance policies done by the Petitioner. Therefore, t**he Commission hereby directs the Petitioner to separate and segregate insurance policies taken by the Petitioner and allocate them to 9 LHPs, Maneri Bhali-II and SHPs while seeking Truing Up for FY 2012-13.**

### *6.4.4 Pending Disputes with UPCL*

In its submissions for the FY 2012-13, with regards to payment of capacity charges as well as the methodology for computing the said charges, Capacity Index incentive and Deemed Generation Charges, UJVN Ltd. submitted that UPCL continues to withhold payments towards the said charges billed by the UJVNL.

Further, the Petitioner also submitted that inspite of repeated requests, UPCL has not maintained any Tax Escrow Account. The Petitioner has already raised the bills on account of Income Tax paid by UJVN Ltd., remittances which are still pending from UPCL. The Petitioner further requested the Commission to consider the Income Tax Liability while determining the Tariff for FY 2012-13.

In this regard, **the Commission directs the Petitioner to resolve these matters amicably with UPCL and in case the matter is not resolved the Petitioner can approach the Commission under Section 86(1)(f) of the Electricity Act, 2003 for adjudication of disputes. The Petitioner however, should not include them as a part of ARR filing in future as these do not form part of tariff proceedings.**

At the end, the Commission would expect from UJVN Ltd. to ensure compliances on the directives issued by the Commission in a timely manner. The Commission would also like to add that it expects that the efficiency at each level of Officers and staff of UJVN Ltd. shall improve from current level and will be at par with the best standard in the Sector.

**(Jag Mohan Lal)**
**Chairman**

# 7 Annexures

## 7.1 Annexure 1: Public Notice

**UJVN LIMITED**

**PUBLIC NOTICE**

**Inviting Comments on Petition filed by UJVN Limited before the Uttarakhand Electricity Regulatory Commission for Determination of Generation Tariff for its 10 main generating stations for FY 2012-13**

**Salient Points of the ARR/Tariff Petition**

1. UJVN Limited, a Government owned company, has filed the petitions for the determination of generation tariff for the financial year 2012-13 for its 10 main generating stations before the Uttarakhand Electricity Regulatory Commission (Commission). Through the above petitions, UJVN Limited has also proposed truing up of its expenses for FY 2008-09 & 2009-10 for its 9 old generating stations based on the audited accounts and for Maneri Bhali-II has proposed truing up for FY 2007-08 to 2010-11 based on the audit of capital cost, audited accounts for FY 2007-08 to FY 2009-10 and provisional accounts for FY 2010-11. The gist of tariff petitions filed by UJVN Limited for the financial year 2012-13 for its 10 main generating stations, with comparative figures for the financial year 2011-12 are given in the table below:

*(In ₹ Crore)*

| Station | Installed Capacity (MW) | CoD | Particulars | Operation & Maintenance Expenses | Interest on working Capital | Interest on Loan | Return on Equity | Depreciation including AAD | Annual Fixed Charges | Saleable Energy (MUs) | Primary Energy Rate (p/u) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Dhakrani | 33.75 | 1965-70 | Approved for 11-12 | 7.87 | 0.28 | 0.08 | 0.60 | 0.05 | 8.88 | 155.78 | 57.00 |
| | | | Projected for 2012-13 | 10.15 | 0.40 | 0.11 | 0.61 | 0.05 | 11.33 | 155.78 | 72.72 |
| Dhalipur | 51 | 1965-70. | Approved for 11-12 | 11.78 | 0.43 | 0.13 | 0.97 | 0.08 | 13.39 | 190.66 | 70.23 |
| | | | Projected for 2012-13 | 15.24 | 0.60 | 0.17 | 0.98 | 0.08 | 17.08 | 190.66 | 89.58 |
| Chibro | 240 | 1974-76 | Approved for 11-12 | 32.30 | 1.26 | 0.32 | 3.91 | 0.15 | 37.93 | 741.00 | 51.19 |
| | | | Projected for 2012-13 | 34.90 | 1.52 | 0.53 | 4.03 | 0.22 | 41.19 | 741.00 | 55.59 |
| Khodri | 120 | 1983-84 | Approved for 11-12 | 16.69 | 0.79 | 0.39 | 3.39 | 1.95 | 23.21 | 341.55 | 67.95 |
| | | | Projected for 2012-13 | 18.49 | 1.02 | 0.53 | 3.52 | 2.02 | 25.58 | 341.55 | 74.90 |
| Kulhal | 30 | 1974-76 | Approved for 11-12 | 7.00 | 0.27 | 0.07 | 0.81 | 0.04 | 8.20 | 152.83 | 53.65 |
| | | | Projected for 2012-13 | 9.03 | 0.38 | 0.10 | 0.81 | 0.05 | 10.37 | 152.83 | 67.85 |
| Ramganga | 198 | 1976-78 | Approved for 11-12 | 19.08 | 0.74 | 0.13 | 2.23 | 0.08 | 22.26 | 308.82 | 72.08 |
| | | | Projected for 2012-13 | 22.53 | 0.96 | 0.18 | 2.23 | 0.08 | 25.98 | 308.82 | 84.12 |
| Chilla | 144 | 1980-81 | Approved for 11-12 | 25.52 | 1.26 | 0.49 | 5.70 | 3.27 | 36.24 | 664.58 | 54.53 |
| | | | Projected for 2012-13 | 33.02 | 1.69 | 0.99 | 5.92 | 3.33 | 44.95 | 664.58 | 67.64 |
| Maneri Bhali -I | 90 | 1984-85 | Approved for 11-12 | 27.46 | 1.23 | 0.18 | 4.67 | 2.70 | 36.24 | 392.24 | 92.39 |
| | | | Projected for 2012-13 | 35.26 | 1.69 | 0.48 | 4.98 | 2.84 | 45.24 | 392.24 | 115.33 |
| Khatima | 41.4 | 1955-56 | Approved for 11-12 | 11.00 | 0.36 | 0.04 | 0.34 | 0.03 | 11.76 | 192.69 | 61.03 |
| | | | Projected for 2012-13 | 10.91 | 0.40 | 0.06 | 0.34 | 0.03 | 11.74 | 192.69 | 60.92 |
| Maneri Bhali -II | 304 | 2007-08 | Approved for 11-12 | 33.35 | 8.62 | 101.68 | 28.05 | 120.00 | 291.70 | 1,550.44 | 188.14 |
| | | | Projected for 2012-13 | 43.74 | 9.50 | 104.26 | 82.70 | 130.25 | 370.45 | 1,550.44 | 238.93 |
| **Total** | 1252.15 | | **Approved for 11-12** | 192.05 | 15.24 | 103.51 | 50.67 | 128.35 | 489.81 | 4,690.59 | 104.42 |
| | | | **Projected for 2012-13** | 233.27 | 18.16 | 107.41 | 106.12 | 138.95 | 603.91 | 4,690.59 | 128.75 |

2. The details of truing up sought by UJVN Limited for its 09 old generating stations and Maneri Bhali-II vis-à-vis provisionally trued up/approved expenses are given below:

*(In ₹ Crore)*

| Station | Particulars | Operation & Maintenance Expenses | Interest on working Capital | Interest on Loan | Return on Equity | Depreciation including AAD | Annual Fixed Charges | Less: Non-Tariff Income | Net Annual Fixed Charges |
|---|---|---|---|---|---|---|---|---|---|
| Dhakrani | Trued up for 2008-09 | 5.86 | 0.18 | 0.02 | 0.53 | 0.01 | 6.61 | 0.01 | 6.60 |
| | Truing up claimed for 2008-09 | 4.99 | 0.16 | 0.14 | 0.59 | 0.05 | 5.93 | 0.27 | 5.65 |
| | Approved for 2009-10 | 7.95 | 0.29 | 0.02 | 0.54 | 0.01 | 8.81 | - | 8.81 |
| | Truing up claimed for 2009-10 | 8.50 | 0.30 | 0.13 | 0.60 | 0.05 | 9.58 | 0.61 | 8.97 |
| Dhalipur | Trued up for 2008-09 | 8.62 | 0.28 | 0.04 | 0.88 | 0.01 | 9.82 | 0.01 | 9.81 |
| | Truing up claimed for 2008-09 | 7.51 | 0.25 | 0.21 | 0.96 | 0.07 | 9.00 | 0.36 | 8.64 |
| | Approved for 2009-10 | 11.76 | 0.43 | 0.04 | 0.88 | 0.01 | 13.12 | - | 13.12 |
| | Truing up claimed for 2009-10 | 12.79 | 0.45 | 0.20 | 0.97 | 0.07 | 14.48 | 0.81 | 13.67 |
| Chibro | Trued up for 2008-09 | 20.91 | 0.77 | 0.29 | 3.82 | 0.10 | 25.89 | 0.01 | 25.88 |
| | Truing up claimed for 2008-09 | 22.15 | 0.77 | 0.55 | 3.95 | 0.16 | 27.59 | 1.66 | 25.93 |
| | Approved for 2009-10 | 28.03 | 1.16 | 0.28 | 3.83 | 0.11 | 33.40 | - | 33.40 |
| | Truing up claimed for 2009-10 | 32.34 | 1.21 | 0.62 | 4.00 | 0.20 | 38.36 | 3.77 | 34.59 |
| Khodri | Trued up for 2008-09 | 11.95 | 0.53 | 0.20 | 3.20 | 1.82 | 17.70 | 0.09 | 17.61 |
| | Truing up claimed for 2008-09 | 11.70 | 0.51 | 0.48 | 3.37 | 1.93 | 17.99 | 0.92 | 17.07 |
| | Approved for 2009-10 | 15.34 | 0.75 | 0.21 | 3.22 | 1.84 | 21.36 | - | 21.36 |
| | Truing up claimed for 2009-10 | 17.61 | 0.80 | 0.71 | 3.49 | 2.00 | 24.61 | 1.91 | 22.70 |
| Kulhal | Trued up for 2008-09 | 5.22 | 0.19 | 0.02 | 0.75 | 0.43 | 6.60 | 0.01 | 6.59 |
| | Truing up claimed for 2008-09 | 4.71 | 0.17 | 0.12 | 0.80 | 0.46 | 6.26 | 0.21 | 6.05 |
| | Approved for 2009-10 | 7.09 | 0.28 | 0.02 | 0.75 | 0.23 | 8.36 | - | 8.36 |
| | Truing up claimed for 2009-10 | 7.99 | 0.30 | 0.12 | 0.80 | 0.26 | 9.47 | 0.47 | 9.00 |
| Ramganga | Trued up for 2008-09 | 11.79 | 0.44 | 0.14 | 2.19 | 0.05 | 14.61 | 0.02 | 14.59 |
| | Truing up claimed for 2008-09 | 14.34 | 0.48 | 0.22 | 2.22 | 0.07 | 17.34 | 1.37 | 15.97 |
| | Approved for 2009-10 | 15.24 | 0.64 | 0.14 | 2.19 | 0.06 | 18.27 | - | 18.27 |
| | Truing up claimed for 2009-10 | 21.90 | 0.78 | 0.22 | 2.23 | 0.08 | 25.22 | 3.08 | 22.14 |
| Chilla | Trued up for 2008-09 | 15.44 | 0.79 | 0.70 | 5.67 | 3.25 | 25.85 | 0.18 | 25.67 |
| | Truing up claimed for 2008-09 | 18.32 | 0.84 | 0.95 | 5.71 | 3.19 | 29.01 | 1.21 | 27.80 |
| | Approved for 2009-10 | 20.24 | 1.11 | 0.66 | 5.67 | 3.25 | 30.94 | - | 30.94 |
| | Truing up claimed for 2009-10 | 26.00 | 1.23 | 0.74 | 5.72 | 3.20 | 36.89 | 2.29 | 34.60 |
| Maneri Bhali-I | Trued up for 2008-09 | 18.27 | 0.80 | 0.26 | 4.66 | 2.69 | 26.67 | 0.02 | 26.65 |
| | Truing up claimed for 2008-09 | 20.81 | 0.85 | 0.10 | 4.76 | 2.70 | 29.22 | 0.64 | 28.58 |
| | Approved for 2009-10 | 22.01 | 1.08 | 0.24 | 4.66 | 2.70 | 30.69 | - | 30.69 |
| | Truing up claimed for 2009-10 | 32.08 | 1.37 | 0.23 | 4.82 | 2.74 | 41.24 | 1.45 | 39.78 |
| Khatima | Trued up for 2008-09 | 7.13 | 0.20 | 0.05 | 0.33 | 0.02 | 7.72 | 0.07 | 7.65 |
| | Truing up claimed for 2008-09 | 7.45 | 0.21 | 0.07 | 0.34 | 0.02 | 8.09 | 0.35 | 7.75 |
| | Approved for 2009-10 | 9.41 | 0.32 | 0.05 | 0.33 | 0.02 | 10.12 | - | 10.12 |
| | Truing up claimed for 2009-10 | 9.89 | 0.32 | 0.07 | 0.34 | 0.03 | 10.65 | 0.66 | 9.99 |
| Maneri Bhali-II | Approved for 07-08 | 1.21 | 0.34 | 6.33 | 1.30 | 2.07 | 11.25 | - | 11.25 |
| | Provisional Truing up claimed for 2007-08 | 0.12 | 1.51 | 6.57 | 3.83 | 2.34 | 14.38 | - | 14.38 |
| | Approved for 08-09 | 27.17 | 8.31 | 131.19 | 28.05 | 87.93 | 282.65 | - | 282.65 |
| | Provisional Truing up claimed for 2008-09 | 25.13 | 6.14 | 155.76 | 82.33 | 63.16 | 332.52 | 15.35 | 317.17 |
| | Approved for 09-10 | 30.32 | 8.99 | 120.42 | 28.05 | 120.00 | 307.78 | - | 307.78 |
| | Provisional Truing up claimed for 2009-10 | 32.39 | 8.52 | 125.83 | 82.37 | 127.50 | 376.62 | 7.02 | 369.60 |
| | Approved for 10-11 | 32.30 | 8.55 | 106.91 | 28.05 | 120.00 | 295.80 | - | 295.80 |
| | Provisional Truing up claimed for 2010-11 | 36.69 | 8.57 | 128.04 | 82.70 | 131.59 | 387.59 | 2.07 | 385.52 |
| **Total** | **Approved/trued up till 2010-11** | 333.26 | 36.43 | 368.23 | 129.55 | 346.61 | 1,214.02 | 0.42 | 1,213.60 |
| | **Truing up claimed till 2010-11** | 375.41 | 35.74 | 422.08 | 296.90 | 341.86 | 1,472.03 | 46.48 | 1,425.55 |

3. UJVN Limited has proposed a hike of 23.29% for FY 2012-13 on the existing AFC for 2011-12. Further, the impact of truing up would lead to an additional increase of about 43% implying a total increase of 67%. In case the entire claim of UJVN Limited is accepted by the Commission, an additional hike of about 9% in consumer tariff shall be required over and above the hike proposed by UPCL and PTCUL.
4. Detailed proposals as submitted by UJVN Limited can be seen free of cost on any working day at the Commission's office at **Institution of Engineers (I), Building, 1st floor, Near ISBT, Majra, Dehradun** or at the office of UJVN Limited, "UJJWAL", Maharani Bagh, GMS Road, Dehradun. Relevant extracts can also be obtained from the above mentioned office of UJVN Limited.
5. The proposals filled by the UJVN Limited are also available at the website of the Commission (www.uerc.gov.in) and at the UJVN Limited's website (www.uttaranchaljalvidyut.com).
6. Responses/suggestions, if any are sought from all consumers and other stakeholders on the above proposals. Responses may be sent to 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 documents and evidence in support thereof so as to reach the Secretary, UERC by 15.01.2012.

पत्र संख्या: 545 / युजेवीएन लिमिटेड / महाप्रबन्धक (प्र०नि०का०) / विज्ञापन दिनांक: 09.12.2011

"Avoid Wasteful Use of Electricity"

## 7.2 Annexure 2: List of Respondents

| Sl. No. | Name | Designation | Organization | Address |
|---|---|---|---|---|
| 1. | Sh. Manmohan Kansal | Chairman | Dakpatthar Vyapar Mandal | Dakpatthar-248125, Dehradun |
| 2. | Sh. Pankaj Gupta | President | Industries Association of Uttarakhand | Mohabewala Industrial Area, Dehradun-248110 |
| 3. | Sh. Shanti Prasad Bhatt | Kendriya Mahamantri | Uttarakhand Kranti Dal | Kendriya Karyalala : 10-Court Road, Dehradun |
| 4. | Sh. H.K. Sharma | SEE/TRD/HQ | Northern Railway | Headquarters Office, Baroda House, New Delhi-110001 |
| 5. | Sh. Yogendra Singh Rathi | Editor | Dainik Unnati Times | 34 & 35, Mayur Vihar, Sahastradhara Road, Dehradun |
| 6. | - | - | M/s Asahi India Glass Ltd. | Integrated Glass Plant, Village-Latherdeva Hoon, Manglaur-Jhabrera Road, P.O. Jhabrera, Tehsil Roorkee, Distt. Haridwar, Uttarakhand |
| 7. | Sh. G.S. Bedi | General Manager | Indian Drugs & Pharmaceuticals Ltd. | Virbhadra-249202, Rishikesh, Uttarakhand |
| 8. | Sh. S.S. Anand | - | M/s Greenply Industries Ltd. | Engineered Panel Division, Plot No. 2, Sector-9, I.I.E., Pant Nagar, Rudrapur, Udhamsingh Nagar-263153 |
| 9. | Sh. V.V. Joshi | AGM | M/s TATA Motors Ltd. | Plot No. 1, Sector-11, Integrated Industrial Estate, SIDCUL, Pantnagar-263145, Udhamsingh Nagar |

## 7.3 Annexure 3: List of Participants in Public Hearings

**List of Participants in Hearing at Bhimtal on 23.02.2012**

| Sl. No. | Name | Designation | Organization | Address |
|---|---|---|---|---|
| 1. | Sh. Madan Singh Fartyal | - | - | Adarsh Nagar, Gali No. 2, Talli Bamauri, Adarsh Nagar, Haldwani |
| 2. | Sh. Dharmanand Joshi | Sabhasad | Bhartiya Janta Party | Nagar Panchayat, Bhimtal, Nainital |
| 3. | Sh. Rajesh Garg | - | KBM Cables | A-1/Part, Industrial Area, Industrial Area, Bhimtal |
| 4. | Sh. Vinod Chandra Gunwant | - | Relation Hotel | Bhimtal, Nainital |
| 5. | Sh. Khadak Singh Bohra | Hon'ble MLA | - | Nainital |

## List of Participants in Hearing at Rudrapur on 24.02.2012

| Sl. No. | Name | Designation | Organization | Address |
|---|---|---|---|---|
| 1. | Sh. Mukesh Tyagi | - | BST Textile Mills | 11-E, Pantnagar, Uttarakhand |
| 2. | Sh. Amit Tyagi | - | MINDA Industries | Plot No. 5, Sector-10, Rudrapur, Distt.-Udham Singh Nagar |
| 3. | Sh. Dinesh Adhikari | - | Aurangabad Elec. Ltd. | Sector-10, Plot No. 6, IIE, Rudrapur, Distt.- Udham Singh Nagar |
| 4. | Sh. Darbara Singh | President | Kumaon Garhwal Chamber of Commerce & Industry | Chamber House, Industrial Estate, Bazpur Road, Kashipur, Distt.- Udham Singh Nagar |
| 5. | Sh. R.K. Gupta | - | M/s. Gujarat Ambuja Exports Ltd. | C-50, ESIP, Sitarganj, Distt.- Udham Singh Nagar |
| 6. | Sh. Suresh Kumar | - | M/s. La-opala RGLN | B-108, Eldeco, SIDCUL Industrial Park, Sitarganj, Distt.- Udhamsingh Nagar |
| 7. | Sh. Mohit Agarwal | - | Radico Khaitan Ltd. | Sultanpur Patti, Bazpur, Distt.- Udham Singh Nagar |
| 8. | Sh. Jai Dev Bahuguna | - | Bajaj Auto Ltd. | Pantnagar, Distt.- Udham Singh Nagar |
| 9. | Sh. Manish Tanwar | - | HCL Infosystems Ltd. | Plot No. 1&2, Sector-5, IIE, Pant Nagar, SIDCUL, Distt.- Udham Singh Nagar |
| 10. | Sh. Jai Bhagwan Agrawal | Director | Kashi Vishwanath Steels Ltd. | Narain Nagar Industrial Estate, Nainital Road, Kashipur-244713, Distt.- Udham Singh Nagar |
| 11. | Sh. Surendra Gupta | - | Kashi Vishwanath Textile Mills Ltd. | 5 K.M. Stone, Ram Nagar Road, Kashipur-244713, Distt - Udham Singh Nagar |
| 12. | Sh. Rajeev Gupta | - | M/s. Galwalia Ispat Udyog Ltd. | Narain Nagar Industrial Estate, Bazpur Road, Kashipur, Distt.- Udham Singh Nagar |
| 13. | Sh. V.V. Joshi | - | M/s. Tata Motors Ltd. | Plot No. 1, Sector 11, IIE, SIDCUL, Pant Nagar, Udhamsingh Nagar |
| 14. | Sh. Ashok Bansal | - | M/s. Rudrapur Solvents Pvt. Ltd. | Lalpur, Rudrapur, Distt.- Udhamsingh Nagar |
| 15. | Sh. Jagdish Chandra Singh | - | Bhramari Steels, (Pvt.) Ltd. | Kishanpur, Kichha, Distt.- Udhamsingh Nagar |
| 16. | Sh. Tushar Agrawal | - | BTC Industries Ltd. | Kishanpur, Kichha, Distt.- Udhamsingh Nagar |
| 17. | Sh. Rakesh Rana | - | SRF Ltd. | Plot No.-12, Rampura, Ramnagar Road, Kashipur, Distt.- Udhamsingh Nagar |
| 18. | Sh. P.K. Agrawal | - | - | 88, Vivekanand Nagar, Rudrapur, Distt.- Udhamsingh |

**List of Participants in Hearing at Rudrapur on 24.02.2012**

| Sl. No. | Name | Designation | Organization | Address |
|---|---|---|---|---|
| | | | | Nagar |
| 19. | Sh. Bhupesh Chandra Sharma | - | Dukes Products (India) Ltd. | Plot No. 8, Sector-1, IIE, SIDCUL, Pantnagar, Distt.- Udhamsingh Nagar |
| 20. | Sh. Balkar Singh | - | - | Raipur Khurd, P.O.-Kashipur, Distt.- Udhamsingh Nagar |
| 21. | Sh. Teeka Singh Saini | - | - | 33-Katoratal, Kashipur, Distt.- Udhamsingh Nagar |
| 22. | Sh. Amreek Singh Chadda | - | ALP Overseas Pvt. Ltd. | Delhi Road, Opp. Degree Road, Rudrapur, Distt.- Udham Singh Nagar |
| 23. | Sh. S.S. Anand | - | M/s. Greenply Industries Ltd. | Plot No. 2, Sector – 9, IIE, Pantnagar, Distt.- Udhamsingh Nagar |
| 24. | Sh. Pukhraj Kushwaha | - | M/s Khatema Fibres Ltd. | UPSIDC Industrial Area, Khatima-262308, Uttarakhand |
| 25. | Sh. S.K. Agrawal | - | Nature & Time Formulations | 17, Sector-3, SIDCUL, Pant Nagar, Distt.- Udhamsingh Nagar |
| 26. | Sh. Poshak Mehta | - | SAM Udhyog | Unit of Mehta Bishan Das & Associates, Teen Pani, P.O.-64, Kartarpur Road, Rudrapur, Distt.- Udham Singh Nagar |
| 27. | Sh. P.K. Mishra | - | Wheel India Ltd. | Pantnagar, Distt.- Udham Singh Nagar |
| 28. | Sh. M.S. Nayal | - | – | Near Tarai Petrol Pump, Haldwani Marg, Bazpur Distt.- Udham Singh Nagar |
| 29. | Sh. Chaudhary Rai Singh | State President | Bhartiya Kisan Union | Gadarpur, Distt.- Udham Singh Nagar |
| 30. | Sh. Jaswant Singh | Block President | - | Khokhra Tal, Kashipur, Distt.- Udham Singh Nagar |
| 31. | Sh. Kuldeep Singh | - | - | Vill.-Dhakiya Kalaan, P.O.- Dhakiya No. 1, Distt.- Udham Singh Nagar |
| 32. | Sh. Jeet Singh | - | - | Vill.- Dhakiya Kalaan, P.O.- Dhakiya No. 1, Distt.- Udham Singh Nagar |
| 33. | Dr. Ganesh Upadhyaya | Jila Saansad Pratinidhi | - | Village & P.O.-Shantipuri No.-2, Kichha, Distt.-Udham Singh Nagar |
| 34. | Sh. Himanshu Negi | - | - | 31-PAC, Rudrapur, Distt.- Udham Singh Nagar |
| 35. | Sh. Krishna Gopal Sagar | - | - | Ward No. 5, Pakka Kheda, Rudrapur Distt.- Udham Singh Nagar |

## List of Participants in Hearing at Chamba on 12.03.2012

| Sl. No. | Name | Designation | Organization | Address |
|---|---|---|---|---|
| 1. | Sh. Brijesh Bhatt | - | - | E-Block, Type-II, 18/4, New Tehri, Tehri Garhwal |
| 2. | Ms. Rekha Pundeer | - | - | Gram Kotiyaad, P.O.-Kote, Chamba, Tehri Garhwal |
| 3. | Sh. Buddhi Singh Pundeer | - | - | Kotiyaad, Chamba, Tehri Garhwal |
| 4. | Ms. Usha Devi | - | - | Syul, Chamba, Tehri Garhwal |
| 5. | Sh. Swarna Singh | - | - | Block Chamba, Chamba, Tehri Garhwal |
| 6. | Sh. Bhagwati Prasad | - | - | Sur Singh Dhar, Chamba, Tehri Garhwal |
| 7. | Sh. K.N. Joshi | General Manager (Elec.) | THDC Ltd. | Administrative Block, Bhagirathi Puram, Tehri |
| 8. | Sh. Jagmohan Singh | - | - | New Tehri |
| 9. | Sh. Rajpal Pundeer | - | - | Village-Bada Syuta, P.O.-Chamba, Tehri Garhwal |
| 10. | Sh. Arvind Kumar | - | - | 9-B, Baradi, Chamba, Tehri Garhwal |
| 11. | Sh. Ramesh Singh | - | - | B-48, Sector-5A, Chamba, New Tehri |
| 12. | Sh. H.S. Negi | - | - | C-Block, 5/2, Type-II, Chamba, Tehri Garhwal |
| 13. | Sh. Narendra Chandra Ramola | - | - | Mussoorie Road, Chamba, Tehri Garhwal |
| 14. | Sh. Bharat Singh Negi | - | - | Village & P.O.-Jardhar Gaon, Distt.-Tehri Garhwal, Uttarakhand |
| 15. | Sh. Kailash Uniyal | - | - | Mussoorie Road, Chamba, Tehri Garhwal |
| 16. | Sh. Satveer Pundeer | - | - | Village-Syula Bada Chamba, Tehri Garhwal |

**List of Participants in Hearing at Dehradun on 14.03.2012**

| Sl. No. | Name | Designation | Organization | Address |
|---|---|---|---|---|
| 1. | Sh. N. Ram Mohan | Vice President | Polyplex Corporation Ltd. | B-37, Sector-1, Noida-201301, Distt. Gautam Budh Nagar, Uttar Pradesh |
| 2. | Sh. Pankaj Gupta | President | Industries Association of Uttarakhand | C/o Satya Industries, Mohabewala Industrial Area, Dehradun |
| 3. | Sh. Rajiv Agarwal | Sr. Vice-president | Industries Association of Uttarakhand | 32- Inder Road, Dalanwala, Derhadun |
| 4. | Sh. Anil Goyal | General Secretary | Uttaranchal Udyog Vyapar Pratinidhi Mandal | 13- Gandhi Road, Dehradun |
| 5. | Sh. Sanjay Agrawal | President | Industries Association of Uttarakhand | 104/34, Dehradun Road, Rishikesh, Uttarakhand |
| 6. | Sh. Hemant Koorich | Secretary | Industries Association of Uttarakhand | 2-B, Industrial Estate, Patelnagar, Dehradun |
| 7. | Sh. Naval Duseja | AGM(F&A) | Flex Foods Ltd. | Lal Tappar Industiral Area, Haridwar Road, Dehradun |
| 8. | Sh. Vishnu Dutt Tyagi | - | Ultimate Flexipack Ltd. | Plot No. 12, Sector-11, SIDCUL, Haridwar |
| 9. | Sh. Harminder | - | Polyplex Corporation Ltd. | B-37, Sector-1, Noida, Distt. Gautam Budh Nagar, Uttar Pradesh |
| 10. | Sh. Pramod Kulani | - | OASIS Laboratories | E-18, Selaqui Industrial Area, Dehradun |
| 11. | Sh. Sanjay Sikaria | - | - | E-20, UPSIDC, Selaqui, Dehradun |
| 12. | Sh. Ram Kumar | Vice President | Hotel Association, Mussoorie | Hotel Vishnu Palace, Gandhi Chowk, Mussoorie |
| 13. | Sh. G.S. Manchanda | Proprietor | Hotel India | Library, Mussoorie – 248179 |
| 14. | Sh. Ajay Bhargava | Secretary | Mussoorie Hotel Association | Hotel Surya Kiran, Mall Road, Mussoorie |
| 15. | Sh. Kailash Sharma | Mahamantri | Devbhoomi Dharm Prabhandak Sabha | Narsingh Bhawan, Upper Road, Haridwar |
| 16. | Sh. S.K. Singh | Managing Director | Shivalik Rasayan Ltd. | Vill.- Kolhupani, P.O. Chandanwari, Via Prem Nagar, Dehradun – 248007 |
| 17. | Sh. P.N. Giri | - | Ceasefire Industry Ltd. | E-6, Industrial Area, Selaqui, Dehradun |
| 18. | Sh. B. B. Yadav | | SINCOM Health Care Ltd. | UPSIDC, Plot No. D-42, Selaqui, Dehradun |
| 19. | Sh. Harindra Kumar Garg | Regional Chairman | Industries Association of | C/o Cello Industries, Plot No. 3&4, Sector No. 3, SIDCUL, |

## List of Participants in Hearing at Dehradun on 14.03.2012

| Sl. No. | Name | Designation | Organization | Address |
|---|---|---|---|---|
| | | (Garhwal) | Uttarakhand | Haridwar |
| 20. | Sh. Rakesh Kr. Tyagi | GM (Operation) | Creative Industries | Plot – 5/5A, Sector 3, SIDCUL, IIE, Haridwar |
| 21. | Sh. Yogendra Singh Rathi | Editor | Unnati Times Daily | 34&35, Mayur Vihar, Kandoli, Dehradun |
| 22. | Sh. Gulshan Khanduja | - | Shri Ganesh Roller Flour Mill | Mohabbewala, Dehradun |
| 23. | Sh. Munish Talwar | Head (Electrical & Instr.) | M/s Asahi India Glass Ltd. | Integrated Glass Plant, Village-Latherdeva Hoon, Manglaur-Jhabrera Road, P.O. Jhabrera, Tehsil Roorkee, Distt. Haridwar, Uttarakhand |
| 24. | Sh. D.K. Malhotra | - | Kalindi Medicare Pvt. Ltd. | Pharmacity, Selaqui, Dehradun |
| 25. | Sh. P.K. Rajput | - | ALPS Industries Ltd. | 1-A, Sector-10, SIDCUL, Haridwar |
| 26. | Sh. Rajeev Kumar Maheshwari | - | Shashwat Cables (P) Ltd. | Industrial Area, Langha Road, Charba, Dehradun – 248197 |
| 27. | Sh. R.K. Srivastav | - | Birla Power Solar Ltd. | Lal Tappar, Dehradun |
| 28. | Sh. Ashok Goswami | Manager | Jeewani Mai Trust | Haridwar Road, Rishikesh |
| 29. | Sh. Hari Shankar Agrawal | - | - | 86/1, Govind Garh-III, Shanti Vihar, Dehradun |
| 30. | Sh. Arvind Kumar Jain | Member | Tarun Kranti Manch (Regd.)-Delhi | 6 – Ramleela Bazar, Dehradun |
| 31. | Sh. Shanti Prasad Bhatt | - | Uttarakhand Kranti Dal | 10-Court Road, Dehradun |
| 32. | Sh. G.D. Madhok | - | - | 146/1, Rajendra Nagar, Dehradun |
| 33. | Sh. Surendra Nautiyal | - | - | Nehru Gram-Lower, P.O.-Nehru Gram, Dehradun |
| 34. | Sh. K.S. Pundeer | - | - | Shanti Kunj, 1-A, Lower Natthanpur, Dehradun |
| 35. | Sh. Pramod Dobhal | - | - | Prempur Maafi, Kaulagarh, Dehradun |