Tariff Order

2012-13

For
Power Transmission Corporation of Uttarakhand 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 No.: 18 of 2011

In the Matter of:

ARR and Tariff Petition filed by Power Transmission Corporation of Uttarakhand Limited for determination of Aggregate Revenue Requirement (ARR) and tariff for the Financial Year 2012-13.

AND

In the Matter of:

Power Transmission Corporation of Uttarakhand Ltd.
7 B, Vasant Vihar Enclave, Street No. 1, 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 alongwith such fee as may be specified by the Appropriate Commission through Regulations. In compliance with the above provisions of the Act and Regulation 56(4) of UERC (Conduct of Business) Regulations, 2004, Power Transmission Corporation of Uttarakhand Limited (hereinafter referred to as "PTCUL" or "Petitioner" or "licensee") filed a Petition (Petition No. 18 of 2011 and hereinafter referred to as the "Petition"), giving details of its projected Annual Revenue Requirement (ARR) for FY 2012-13 on 30th November, 2011. Through the above Petition, PTCUL also requested for final true up for FY 2004-05 to FY 2010-11 based on the audited accounts.

The above Petition was admitted by the Commission provisionally vide its Order dated December 8, 2011 with the condition that PTCUL would furnish any further information/clarifications as deemed necessary by the Commission during the course of the proceedings failing which the Petition filed by the Petitioner would be treated as deemed returned.

This Order relates to ARR/Tariff Petition filed by PTCUL for the FY 2012-13 as well as true up for FY 2004-05 to FY 2010-11 and is based on the original as well as all the subsequent submissions made by PTCUL during the course of the proceedings.

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

Chapter 1 – Background and Procedural History

Chapter 2 – Petitioner's Submissions and Proposals

Chapter 3 – Stakeholders' Responses & Petitioner's Comments

Chapter 4 – Commission's Approach

Chapter 5 – Commission's Analysis, Scrutiny and Conclusion.

Chapter 6 – Commission's Directives

1 Background and Procedural History

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

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

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

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

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

d) To provide open access.

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

In exercise of power conferred to it under Section 61 of the Electricity Act, 2003, and all other powers enabling it in this behalf, the Commission issued the extension order dated November 29, 2011 extending the applicability of UERC (Terms and condition for Determination of Transmission Tariff) Regulations, 2004 till April 30, 2012.

As mentioned earlier also, in accordance with the provisions of the Electricity Act, 2003 and Regulation 56(4) of the UERC (Conduct of Business) Regulations, 2004 framed by the Commission, the licensees are required to file a Petition/application for determination of its ARR and Tariff for the ensuing Financial Year latest by 30th November of current Financial Year.

In compliance with the Regulations, PTCUL filed its Aggregate Revenue Requirement and Tariff application for FY 2012-13 on November 30, 2011. Through the above Petition, PTCUL has also sought final true up for FY 2004-05 to FY 2010-11 based on the audited accounts. The above Petition was admitted by the Commission provisionally vide its Order dated December 8, 2011 with the condition that PTCUL would furnish any further information/clarifications as deemed necessary by the Commission during the course of the proceedings failing which the Petition filed by it 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 Transmission Licensee, also directed PTCUL to publish the salient points of its proposals in the leading newspapers. The salient points of the proposal were published by the Petitioner in the following newspapers:

Table 1.1 : Publication of Notice

S. No.	Newspaper Name	Date Of Publication
1	Times of India	11.12.2011
2	Amar Ujala	11.12.2011
3	Dainik Jagran	11.12.2011

Through above notice, stakeholders were requested to submit their comments latest by January 15, 2012 (copy of the notice is enclosed at **Annexure 1**). The Commission received 07 numbers of objections/suggestions/comments in writing on the Petition filed by PTCUL 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 sent the copies of salient points of tariff proposals to Members of the State Advisory Committee and the State Government. The salient features of the tariff proposals submitted by the licensee were also made available by the Commission on its website. The Commission also organized a meeting with the Members of the Advisory Committee on 20.03.2012, wherein, detailed deliberations were held with the Members of the Advisory Committee on the various issues linked with the ARR/Tariff Petition filed by PTCUL.

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

Table 1.2 : Schedule of Hearing

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

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

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

Meanwhile, based on the scrutiny of the information submitted by the licensee, the Commission vide its letter no. 1314 UERC/PTCUL ARR/12-13/2012 dated January 6, 2012, pointed out certain data gaps in the Petition and sought following additional information/clarifications from the Petitioner:

- Detailed justification for truing up of O&M Expenses, Interest on Loan and Return on Equity for claiming the figures in final truing up from FY 2004-05 to FY 2010-11 as per audited accounts with break up of variations in expenses into controllable and uncontrollable factors.
- Scheme wise Cost and Time over run for all the schemes alongwith the justification and also the copies of the proposals sent to the financial institutions for approval of cost overruns.
- Preparedness to execute the Capital works proposed during second half of FY 2011-12 and FY 2012-13 in terms of Orders placed and funds tie-up.
- Status of actual capital expenditure as on December 31, 2011 for all the schemes proposed to be capitalised during FY 2011-12.
- Details of receipt and repayments of loans received under various schemes since creation of PTCUL.
- Grade-wise details of actual employee expenses and salary details excluding arrears on account of implementation of VI Pay Commission's Report, A&G expenses and R&M expenses for FY 2010-11 and for the first nine months of FY 2011-12, i.e. for the period from April 2011 to December 2011
- Monthly Trial Balance for FY 2009-10, FY 2010-11 & for the period from April 2011 to December 2011.
- Actual arrears assessed on implementation of Sixth Pay Commission and payment made during FY 2009-10, FY 2010-11 & FY 2011-12 on this account.
- Updated information with respect to actual arrears paid till December 2011.
- Basis of computation of employee cost charged to projects.
- Basis on which employee expenses and A&G expenses are being capitalised in

accounts.

- Details of SLDC expenses.

So as to have better clarity on the data filed by the Petitioner and to remove inconsistency in the data, a Technical Validation Session (TVS) was also held with the Petitioner's Officers on January 16, 2012, in which the issues raised in letter dated January 6, 2012 and other issues were discussed. Based on these discussions, the Commission vide its letter no. 1375/UERC/PTCUL ARR/12-13/1012 dated January 20, 2012 sought some more information from the Petitioner. Most of the information as sought by the Commission was submitted by the Petitioner vide letter no. 132/MD/PTCUL/UERC dated January 31, 2012.

On further examination of the Petition, certain other additional information was sought by the Commission vide its letter dated 08.2.2012 and 21.02.2012 and reply to same was submitted by PTCUL vide its letter dated 06.03.2012.

The submissions made by PTCUL in the Petition as well as in additional submissions have been discussed by the Commission at appropriate places in the Tariff Order along with the Commission's views on the same.

2 Petitioner's Submissions and Proposals

This Chapter gives a brief summary of the PTCUL's submissions for the determination of its ARR and Tariff for FY 2012-13. The Petitioner in its Petition has also asked for final truing up of Rs. 83.40 Crore for FY 2004-05 to FY 2010-11. The Petitioner has also sought approval of the ARR for associated transmission system of Bhilangana-III power plant. The contents of this Chapter are based on the original submissions of the Petitioner and do not incorporate changes in information and data as submitted subsequently by the Petitioner. Additional submissions made by PTCUL have been considered by the Commission only under Chapter 5, i.e. "Commission's Analysis, Scrutiny and Conclusion".

2.1 Abstract of Aggregate Revenue Requirement (ARR) of PTCUL

For the Financial Years 2010-11, 2011-12 and 2012-13, PTCUL has projected an ARR of Rs. 120.84 Crore, Rs. 221.09 Crore and Rs. 289.41 Crore respectively. Various components of ARR as estimated by PTCUL for these years are detailed below:

Table 2.1 : Annual Transmission Charges for FY 2012-13 (Rs. Lakh)

S.No.	Item	FY 2010-11 (Actual)	FY 2011-12 (Provisional)	FY 2012-13 (Proposed)
1	Employee cost	3,809.60	6,059.70	7,039.69
2	Arrears of VI Pay Commission	413.71	413.71	0.00
3	A & G Expenses	1,398.52	1,875.10	2,260.48
4	R&M expenses	1,174.99	1,851.03	2,021.69
5	Depreciation	1,775.00	2,283.04	4,691.12
6	Advance Against Depreciation	0.00	5,029.77	5,618.80
7	Interest on Long Term Loans	4,408.35	6,182.07	8,507.65
8	Interest on Working Capital	398.98	813.03	1,094.18
	Gross Expenditure	**13,379.13**	**24,507.45**	**31,233.60**
	Less: Expense capitalization			
9	Employee cost capitalized	454.78	723.39	840.38
10	Interest capitalized	1,377.35	2,163.01	2,898.65
11	A&G expenses capitalized	122.32	164.01	197.71
	Net Expenditure	**11,424.69**	**21,457.05**	**27,296.87**
12	Add: Return on Equity	768.11	768.11	1,767.96
	Add: Guarantee Fees	0.00	651.57	651.57
14	Less: Non Tariff Income	109.14	116.16	123.63
	Annual Revenue Requirement (ARR)	**12,083.66**	**22,109.00**	**28,941.20**

2.2 Final Truing-up for FY 2004-05 to FY 2010-11

The Petitioner requested for final truing up of ARR from FY 2004-05 to FY 2010-11 based on audited accounts. The Petitioner submitted that since the Audited Accounts for FY 2004-05 to FY 2010-11 were finalised and, therefore, it has sought truing up of expenses for FY 2004-05 to FY 2010-11 as per the audited accounts as applicable for various heads of expenditure. The summary of ARR claimed by the Petitioner for FY 2004-05 to FY 2010-11 is shown in the Table below:

Table 2.2: Final Truing up summary for FY 2004-05 to FY 2010-11 (Rs. Lakh)

S.No.	Item	Approved in Tariff Orders	Allowed after Provisional Truing up	Actuals as per Audited Accounts
1	Net O&M Expenses	26,778.00	21,068.00	29,172.62
2	Interest Charges net of Capitalisation	8,628.00	6,983.00	12,226.32
3	Depreciation	8,369.00	6,145.00	8,755.67
4	Advance Against Depreciation	2,473.00	1,666.00	0.00
5	Interest on Working Capital	1,356.00	1,086.00	1,680.62
6	Gross Expenditure	**47,604.00**	**36,948.00**	**51,835.23**
7	Reasonable Return	86.00	48.00	3,384.25
8	Less: Non Tariff Income	1,020.00	1,496.00	1,205.95
	Annual Revenue Requirement (ARR)	**46,670.00**	**35,500.00**	**54,013.53**
9	**Allowable truing up - Deficit / (Surplus) (c-b)**			**8,340.53**

2.2.1 *Opening Value of Gross Fixes Assets and Additional Capitalisation*

The Petitioner submitted that the Government of Uttarakhand(GoU) had notified a transfer scheme vide its Order no. 87/1/2004-06(3)/259/2002 dated May 31, 2004. Under such transfer scheme, the balance transferred to PTCUL was Rs. 263.17 Crore which was significantly higher than the GFA adopted by the Commission. Accordingly, the GFA value adopted in the audited accounts was Rs. 263.17 Crore in line with the provisional transfer scheme and such accounts have been audited upto FY 2010-11 and there were no adverse comments of the auditors. The Petitioner further submitted that the opening GFA value as on June 1, 2004 should be revised from Rs. 108.26 Crore to Rs. 263.17 Crore and consequent effect on tariff should be allowed in truing up for FY 2004-05 to FY 2010-11 and all ARR projections thereafter. The Table below shows the value of asset block for FY 2004-05 to FY 2010-11 submitted by the Petitioner:

Table 2.3: Gross Fixed Assets for FY 2004-05 to FY 2006-07 (Rs. Lakh)

S. No.	Assets Group	FY 2004-05 (Actual)			FY 2005-06 (Actual)			FY 2006-07 (Actual)		
		At the beginning of the year	Net Additions during the year	At the end of the year	At the beginning of the year	Net Additions during the year	At the end of the year	At the beginning of the year	Net Additions during the year	At the end of the year
1	Land & Rights	458.65	0.00	458.65	458.65	0.05	458.70	458.70	144.70	603.40
2	Buildings	3184.25	0.00	3184.25	3184.25	0.35	3184.60	3184.60	526.01	3710.61
3	Hydraulic Works	1.89	0.00	1.89	1.89	0.00	1.89	1.89	0.00	1.89
4	Other Civil works	158.86	0.00	158.86	158.86	0.00	158.86	158.86	0.00	158.86
5	Plant & Machinery	17307.77	406.93	17714.70	17714.70	2302.35	20017.05	20017.05	5111.60	25128.64
6	Lines & Cable Network	5137.31	1.28	5138.59	5138.59	458.45	5597.04	5597.04	3959.57	9556.60
7	Vehicles	81.46	0.00	81.46	81.46	7.90	89.36	89.36	-7.90	81.46
8	Furniture & Fixtures	4.91	0.20	5.11	5.11	19.30	24.41	24.41	1.04	25.45
9	Office Equipment	3.97	0.00	3.97	3.97	13.68	17.65	17.65	9.13	26.78
	Total	**26339.07**	**408.41**	**26747.48**	**26747.48**	**2802.07**	**29549.55**	**29549.55**	**9744.14**	**39293.69**

Table 2.4: Gross Fixed Assets for FY 2007-08 to FY 2009-10 (Rs. Lakh)

S. No.	Assets Group	FY 2007-08 (Actual)			FY 2008-09 (Actual)			FY 2009-10 (Actual)		
		At the beginning of the year	Net Additions during the year	At the end of the year	At the beginning of the year	Net Additions during the year	At the end of the year	At the beginning of the year	Net Additions during the year	At the end of the year
1	Land & Rights	603.40	22.82	626.22	626.22	1730.73	2356.95	2356.95	0.00	2356.95
2	Buildings	3710.61	0.00	3710.61	3710.61	0.44	3711.05	3711.05	-20.71	3690.34
3	Hydraulic Works	1.89	0.00	1.89	1.89	0.00	1.89	1.89	0.00	1.89
4	Other Civil works	158.86	0.00	158.86	158.86	0.00	158.86	158.86	0.00	158.86
5	Plant & Machinery	25128.64	488.86	25617.50	25617.50	1086.66	26704.16	26704.16	31.33	26735.49
6	Lines & Cable Network	9556.60	12676.68	22233.28	22233.28	389.40	22622.68	22622.68	5443.78	28066.46
7	Vehicles	81.46	-4.75	76.71	76.71	0.00	76.71	76.71	0.00	76.71
8	Furniture & Fixtures	25.45	9.78	35.23	35.23	34.10	69.34	69.34	17.90	87.24
9	Office Equipment	26.78	-9.11	17.66	17.66	56.58	74.24	74.24	33.07	107.31
	Total	**39293.69**	**13184.28**	**52477.97**	**52477.97**	**3297.91**	**55775.88**	**55775.88**	**5505.37**	**61281.25**

Table 2.5: Gross Fixed Assets for FY 2010-11 (Rs. Lakh)

S.No.	Assets Group	At the beginning of the year	Net Additions during the year	At the end of the year
1	Land & Rights	2356.95	1296.42	3653.36
2	Buildings	3690.34	553.35	4243.69
3	Hydraulic Works	1.89	18.02	19.91
4	Other Civil works	158.86	18.81	177.67
5	Plant & Machinery	26735.49	797.53	27533.02
6	Lines & Cable Network	28066.46	5108.42	33174.88
7	Vehicles	76.71	-0.13	76.58
8	Furniture & Fixtures	87.24	6.81	94.05
9	Office Equipment	107.31	13.77	121.08
	Total	**61281.25**	**7813.01**	**69094.26**

2.2.2 *Depreciation*

As regards depreciation, the Petitioner submitted that the depreciation has been computed in accordance with the rates specified in the UERC (Terms and Conditions of Transmission Tariff) Regulations, 2004 and for computation of depreciation for FY 2004-05 to FY 2010-11, these rates have been applied on the opening value of gross fixed assets and pro-rata depreciation is computed on the assets capitalised during the year. The Table below shows the depreciation for FY 2004-05 to FY 2010-11. Further, for assets created out of consumer contribution grants and deposit works, depreciation has not been considered in accordance with Regulations 18(2)(a).

Table 2.6: Depreciation for FY 2004-05 to FY 2010-11 (Rs. Lakh)

Assets	Rate	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Land & Rights	-	-	-	-	-	-	-	-
Buildings	1.80%	57.32	57.32	62.06	66.79	66.79	66.82	71.70
Hydraulic Works	2.57%	0.05	0.05	0.05	0.05	0.05	0.05	0.28
Other Civil works	1.80%	2.86	2.86	2.86	2.86	2.86	2.86	3.03
Plant & Machinery	3.60%	630.46	681.10	813.48	913.43	941.79	961.91	977.82
Lines & Cable Network	2.57%	132.05	137.95	195.74	408.50	576.40	651.36	812.80
Vehicles	18.00%	14.66	15.37	15.74	14.66	13.81	13.81	13.80
Furniture & Fixtures	6.00%	0.30	0.89	1.61	1.82	3.14	4.70	5.70
Office Equipment	6.00%	0.24	0.65	1.33	1.68	2.76	5.45	7.26
Total		**837.94**	**896.19**	**1092.88**	**1409.79**	**1607.59**	**1706.95**	**1892.40**
Less: Depreciation on Deposit work		0.05	106.57	111.94	117.31	117.40	117.40	117.40
Total Allowable Depreciation		**837.89**	**789.62**	**980.95**	**1292.48**	**1490.19**	**1589.55**	**1775.00**

2.2.3 *Advance Against Depreciation*

The Petitioner submitted that it has no claim towards Advance Against Depreciation. The Table below shows the computations of the advance against depreciation for FY 2004-05 to FY 2010-11.

Table 2.7: Depreciation for FY 2004-05 to FY 2010-11 (Rs. Lakh)

S. No.	Particulars	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
1	1/10th of the Loan	1,006	2,083	3,523	4,689	4,837	5,629	6,889
2	Repayment of the Loan(s) as considered for working out interest on Loan	-	-	566	3,471	2,447	4,243	7,841
3	**Minimum of the above**	**-**	**-**	**566**	**3,471**	**2,447**	**4,243**	**6,889**
4	Less: Depreciation during the year	838	790	981	1,292	1,490	1,590	1,775
5	(A) = 3 – 4	(838)	(790)	(415)	2,179	956	2,654	5,114
6	Cumulative Repayment of the Loan(s) as considered for working out Interest on Loan	**-**	**-**	**566**	**4,038**	**6,484**	**10,727**	**18,568**
7	Less: Cumulative Depreciation	12,133	12,923	13,904	15,196	16,686	18,276	20,051
8	(B) = 6 – 7	(12,133)	(12,923)	(13,337)	(11,159)	(10,202)	(7,549)	(1,483)
9	**Advance Against Depreciation (Minimum of A & B)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

2.2.4 *Interest on Loan*

The Petitioner estimated the truing up of Rs. 5243.32 Lakh towards net interest expense on long term loans for the period FY 2004-05 to FY 2010-11. The Table below shows the details of the loan profile of the Petitioner in respect of loan balances, loan drawls during the year, loan repayments and the yearly interest charges for FY 2004-05 to FY 2010-11:

Table 2.8: Actual Interest for FY 2004-05 to FY 2006-07 (Rs. Lakh)

S. N	Source	FY 2004-05					FY 2005-06					FY 2006-07				
		Opening Balance	**Receipts**	**Repayments**	**Closing Balance**	**Interest**	**Opening Balance**	**Receipts**	**Repayments**	**Closing Balance**	**Interest**	**Opening Balance**	**Receipts**	**Repayments**	**Closing Balance**	**Interest**
1	Old REC	4838	163	0	5002	446	5002	3722	0	8724	536	8724	3394	0	12117	888
2	New REC	0	0	0	0	0	0	0	0	0	0	0	8030	0	8030	172
3	NABARD	0	5059	0	5059	183	5059	7043	0	12102	460	12102	2979	566	14514	890
4	REC-III	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	REC-IV	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6	REC-V	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7	PFC-Gap funding	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8	REC Short Term Loa	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9	PFC Computer Loan	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sub-total		**4838**	**5222**	**0**	**10060**	**629**	**10060**	**10765**	**0**	**20825**	**997**	**20825**	**14402**	**566**	**34661**	**1950**
Less: Interest capitalized																913
Net total interest						**629**					**997**					**1037**

Table 2.9 : Actual Interest for FY 2007-08 to FY 2009-10 (Rs. Lakh)

S. No.	Source	FY 2007-08					FY 2008-09					FY 2009-10				
		Opening Balance	Receipts	Repayments	Closing Balance	Interest	Opening Balance	Receipts	Repayments	Closing Balance	Interest	Opening Balance	Receipts	Repayments	Closing Balance	Interest
1	Old REC	12117	0	2301	9816	1149	9816	0	1227	8589	971	8589	0	1227	7362	850
2	New REC	8030	2251	0	10281	978	10281	0	0	10281	1021	10281	0	0	10281	1068
3	NABARD	14514	9416	1170	22760	1012	22760	0	1220	21541	1455	21541	0	3016	18524	1276
4	REC-III	0	0	0	0	0	0	0	0	0	0	0	6080	0	6080	147
5	REC-IV	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6	REC-V	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7	PFC-Gap funding	0	0	0	0	0	0	1478	0	1478	9	1478	1842	0	3320	205
8	REC Short Term Loan	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9	PFC Computer Loan	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Sub-total	**34661**	**11667**	**3471**	**42857**	**3138**	**42857**	**1478**	**2447**	**41888**	**3456**	**41888**	**7922**	**4243**	**45568**	**3546**
Less:	Interest Capitalized					1530					1232					847
	Net total interest					**1608**					**2225**					**2699**

Table 2.10 : Actual Interest for FY 2010-11 (Rs. Lakh)

S.No.	Source	Opening Balance	Receipts	Repayments	Closing Balance	Interest
1	Old REC	7362	0	1227	6135	726
2	New REC	10281	0	899	9382	1184
3	NABARD	18524	0	4899	13625	1059
4	REC-III	6080	2556	812	7824	782
5	REC-IV	0	3018	0	3018	208
6	REC-V	0	2669	0	2669	6
7	PFC-Gap funding	3320	3087	0	6407	441
8	REC Short Term Loan	0	1200	0	1200	0
9	PFC Computer Loan	0	63	3	60	2
10	PFC Capex Loans	0	0	0	0	0
	Sub-total	**45568**	**12593**	**7841**	**50320**	**4408**
Less:	Interest Capitalized					1377
	Net total interest					**3031**

2.2.5 *Return on Equity*

The Petitioner submitted a truing up of Rs. 3336.25 Lakh towards variation in return on equity allowed by the Commission in its previous Tariff Orders vis-a-vis the eligible return on equity. The Table below shows the Equity and Return on Equity for FY 2004-05 to FY 2010-11:

Table 2.11 : Return on Equity for FY 2005-06 to FY 2007-08 (Rs. Lakh)

S. No	Head		FY 2004-05			FY 2005-06			FY 2006-07			FY 2007-08		
		Equity Contribution (%)	Opening Equity Invested in Assets	Additions	Closing Equity Invested in Assets	Opening Equity Invested in Assets	Additions	Closing Equity Invested in Assets	Opening Equity Invested in Assets	Additions	Closing Equity Invested in Assets	Opening Equity Invested in Assets	Additions	Closing Equity Invested in Assets
1	NABARD Scheme	22%	0	0	0	0	0	0	0	4148	4148	4148	270	4418
2	Old REC Scheme	24.50%	455	518	973	973	96	1069	1069	0	1069	1069	0	1069
3	New REC Scheme	0%	0	0	0	0	0	0	0	0	0	0	0	0
4	REC-IV	30%	0	0	0	0	0	0	0	0	0	0	0	0
5	REC-V	30%	0	0	0	0	0	0	0	0	0	0	0	0
6	PFC	30%	0	0	0	0	0	0	0	0	0	0	0	0
7	Others													
(a)	Deposit Works	0%	0	0	0	0	0	0	0	0	0	0	0	0
(b)	System Strengthening Works Other than Schemes	100%	0	0	0	0	0	0	0	0	0	0	0	0
(c)	Other Works	100%	0	0	0	0	0	0	0	0	0	0	0	0
	Total Eligible Equity		**455**	**518**	**973**	**973**	**96**	**1069**	**1069**	**4148**	**5217**	**5217**	**270**	**5487**
	Rate of Return				14%			14%			14%			14%
	Allowable RoE on Opening Equity Balance				**63.73**			**136.21**			**149.65**			**730.32**

Table 2.12: Return on Equity for FY 2008-09 to FY 2010-11 (Rs. Lakh)

S. No	Head		FY 2008-09			FY 2009-10			FY 2010-11		
		Equity Contribution (%)	Opening Equity Invested in Assets	Additions	Closing Equity Invested in Assets	Opening Equity Invested in Assets	Additions	Closing Equity Invested in Assets	Opening Equity Invested in Assets	Additions	Closing Equity Invested in Assets
1	NABARD Scheme	22%	4418	0	4418	4418	0	4418	4418	0	4418
2	Old REC Scheme	24.50%	1069	0	1069	1069	0	1069	1069	0	1069
3	New REC Scheme	0%	0	0	0	0	0	0	0	0	0
4	REC-IV	30%	0	0	0	0	0	0	0	0	0
5	REC-V	30%	0	0	0	0	0	0	0	0	0
6	PFC	30%	0	0	0	0	0	0	0	0	0
7	Others										
(a)	Deposit Works	0%	0	0	0	0	0	0	0	0	0
(b)	System Strengthening Works Other than Schemes	100%	0	0	0	0	0	0	0	0	0
(c)	Other Works	100%	0	0	0	0	0	0	0	0	0
	Total Eligible Equity		**5487**	**0**	**5487**	**5487**	**0**	**5487**	**5487**	**0**	**5487**
	Rate of Return				14%			14%			14%
	Allowable ROE on Opening Equity Balance				**768.11**			**768.11**			**768.11**

2.2.6 *Interest on Working Capital*

The Petitioner submitted that the working capital has been computed in accordance with the

Regulation 21 of UERC (Terms & Conditions for determination of Transmission Tariff) Regulations, 2004 on the allowable cost for the purposes of truing up. The Petitioner further submitted that rate of interest considered for calculating the interest on working capital is the same rate which the Commission had approved in the respective Tariff Orders. The Table below shows the year wise interest on working capital computation for FY 2004-05 to FY 2010-11:

Table 2.13: Interest on Working Capital for FY 2004-05 to FY 2010-11 (Rs. Lakh)

Item	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
O & M Expenses for 1 month	160	220	256	400	415	462	566
Spare (1% of historical cost)	283	328	445	604	673	695	815
Receivable (2 months)	579	744	871	1401	1614	1779	2014
Working Capital Total	**1022**	**1293**	**1572**	**2405**	**2702**	**2937**	**3396**
Working Capital Interest Rate (%)	10.25%	10.25%	10.25%	10.25%	10.25%	12.25%	11.75%
Working Capital Interest	**105**	**132**	**161**	**247**	**277**	**360**	**399**

2.2.7 *Operation and Maintenance (O&M) Expenses*

The Petitioner submitted that O&M expenses comprises of expenses towards employee costs, Administrative and General (A&G) expenses and expenses towards Repair and Maintenance (R&M). The Petitioner requested the Commission to allow the expenses in accordance with the audited accounts subject to prudence check. The Petitioner requested the Commission for truing up of Rs. 8104.62 Lakh towards variation in O&M expenses allowed in previous Tariff Orders & provisional truing up vis-a-vis the actual O&M expenses incurred by the Petitioner as per the audited accounts.

2.2.8 *Non Tariff Income*

The Petitioner submitted that actual non tariff income for FY 2004-05 to FY 2010-11 is Rs. 1206 Lakh as against Rs. 1496 Lakh approved by the Commission in its previous Tariff Orders. In this regard, the Petitioner requested the Commission to consider the actual non-tariff income.

2.2.9 *Carrying Cost on Under-Recovered Amounts*

The Petitioner submitted that the Commission should allow the carrying cost on the under-recovered amount computed as a result of the truing up exercise as such amounts are in the nature of deferred payments. Further, Petitioner submitted that in accordance with the Hon'ble ATE's Judgment in Appeal No. 117 of 2008 filed by Reliance Infrastructure Ltd.- Distribution Business-(RInfra-D) against the MERC's Order dated June 4, 2008 on APR Petition for FY 2007-08, Hon'ble

ATE ruled as under:

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

In this regard, Petitioner submitted that the carrying cost has been computed yearly on the under-recovered amount considering the applicable State Bank of India (SBI) PLR rate as approved by the Commission in the previous Tariff Orders for FY 2004-05 to FY 2011-12 and for FY 2012-13 SBI's PLR rate has been considered at 14.25%.

Table 2.14 : Computation of Carrying Cost for FY 2004-05 to FY 2010-11 (Rs. Lakh)

Particulars	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	Total
Net trued-up amount based on final truing up (Rs Lakh)	519.64	1,127.45	427.00	1822.59	2470.49	62.70	1910.66	-	-	**8340.53**
Interest Rate for carrying cost (%)	10.25%	10.25%	10.25%	10.25%	10.25%	12.25%	11.75%	14.25%	14.25%	
Carrying cost towards FY 2004-05 True-up amount			53.26	53.26	53.26	63.66	61.06	74.05	74.05	**432.60**
Carrying cost towards FY 2005-06 True-up amount				115.56	115.56	138.11	132.48	160.66	160.66	**823.04**
Carrying cost towards FY 2006-07 True-up amount					43.77	52.31	50.17	60.85	60.85	**267.94**
Carrying cost towards FY 2007-08 True-up amount						223.27	214.15	259.72	259.72	**956.86**
Carrying cost towards FY 2008-09 True-up amount							290.28	352.05	352.05	**994.37**
Carrying cost towards FY 2009-10 True-up amount								8.93	8.93	**17.87**
Carrying cost towards FY 2010-11 True-up amount									272.27	**272.27**

2.2.10 *Summary of Final Truing Up from FY 2004-05 to FY 2010-11*

The Petitioner submitted the final truing up for the period FY 2004-05 to FY 2010-11 as Rs. 12105.48 Lakh including carrying cost as shown in the Table below:

Table 2.15 : Summary of Final Truing Up from FY 2004-05 to FY 2010-11 (Rs. Lakh)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	Total
Net true-up amount	519.64	1127.45	427.00	1822.59	2470.49	62.70	1910.66	**8340.53**
Carrying cost	432.60	823.04	267.94	956.86	994.37	17.87	272.27	**3764.95**
Total	952.24	1950.49	694.94	2779.46	3464.87	80.56	2182.93	**12105.48**

2.3 Annual Revenue Requirement for FY 2011-12 and FY 2012-13

The Petitioner submitted the revised estimates for FY 2011-12 and Annual Revenue Requirement for FY 2012-13 for approval of the Commission in accordance with the UERC (Terms and Conditions for Determination of Transmission Tariff) Regulations 2004. The Petitioner submitted that the audited accounts for FY 2010-11 are available and the provisional half yearly estimates of expenses for FY 2011-12 (upto September 2011) are also available with the Petitioner. The Petitioner estimated the ARR for FY 2012-13 based on the audited accounts for FY 2010-11 and provisional half yearly accounts for FY 2011-12.

2.3.1 *Escalation Index*

The Petitioner proposed the escalation rate for projecting some components of O&M expenses for FY 2012-13 as 6.43% as shown in the Table below:

Table 2.16 : Proposed Escalation Index for FY 2012-13

Financial Year	WPI_SC	CPI_IW	Inflation WPI_SC	Inflation CPI_IW	Escalation Factor
2005-06	102.95	119.00			
2006-07	109.40	125.00	6.27%	5.04%	5.72%
2007-08	115.89	132.75	5.93%	6.20%	6.05%
2008-09	123.07	144.83	6.20%	9.10%	7.51%
2009-10	122.53	162.75	-0.44%	12.37%	5.33%
2010-11	128.93	179.75	5.22%	10.45%	7.57%
Average of Escalation Factors for Last 5 Years					**6.43%**

2.3.2 *Gross Fixed Asset*

The Petitioner submitted that the Commission should revise the opening GFA value as on June 1, 2004 from Rs. 108.26 Crore to Rs. 263.17 Crore and consequent effect on tariff should be allowed in truing-up for FY 2004-05 to FY 2010-11 and all ARR projections thereafter.

As regards capitalisation of new assets, the Petitioner submitted that the Commission has approved only such schemes/works for the purpose of allowing capital related expenses for which

Licensee has sought the prior approval/exemption of the Commission and for which the Electrical Inspector has given its clearance.

In this regard, the Petitioner submitted that the shortage of Electrical Inspectors and the uncontrollable delays which are incurred at the end of Electrical Inspectors in furnishing the clearance and approval certificates has led to the unforeseen delays in seeking clearances from the Electrical Inspector. The Petitioner submitted that it has also communicated this issue to the Electrical Inspector, GoU vide letter no. 1150/MD/PTCUL/G-1 dated August 20, 2009. In this regard, the Petitioner requested the Commission to relax the condition of getting prior clearance before admitting any capitalisation of investment scheme and also requested to impose a certain reasonable timeline for getting the clearances from the Electrical Inspector. The Petitioner further submitted that in accordance with the UERC (Conduct of Business) Regulations, 2004 it is required to obtain approval for making investments in the licensed business. As Petitioner is coordinating with all the entities mentioned under Section 39(2)(b) of the Electricity Act 2003 for planning its transmission system, in this regard the Petitioner requested the Commission to condone its violation of the Conduct of Business Regulations.

The Petitioner submitted that since the transmission system of the State is meshed with the inter-state network, approval of the ARR of these assets will allow the Petitioner to charge for the utilization of these assets from the generators and other inter-state users (through the CTU) in accordance with the new Point of Connection (PoC) based transmission pricing mechanism adopted by the Central Electricity Regulatory Commission.

The Petitioner further submitted that in accordance with the ATE Judgment in Appeal 77, 78 and 79 of 2006, the Commission may conduct a prudence check on the estimates submitted by the Petitioner, however the postponement of the allowance of capitalisation is a clear case of regulatory overreach by the Commission. It is pertinent to mention that the loan repayment starts immediately after the normal moratorium period which is generally linked with the commissioning period of a project. However, the allowance of tariff is postponed by the Commission which creates adverse working capital issues and precarious financial position. The Table below shows the value of asset block submitted by the Petitioner:

Table 2.17: Proposed Gross Fixed Assets (Rs. Lakh)

S. No.	Assets Group	FY 2011-12 (Provisional)				FY 2012-13 (Proposed)	
		At the beginning of the year	Additions during the year	Adjustments during the year	At the end of the year	Additions during the year	At the end of the year
1	Land & Rights	3653.36	0	0	3653.36	0	3653.36
2	Buildings	4243.69	0	0	4243.69	0	4243.69
3	Hydraulic Works	19.91	0	0	19.91	0	19.91
4	Other Civil works	177.67	0	0	177.67	0	177.67
5	Plant & Machinery	27533.02	14984.23	0	42517.25	46776.40	89293.66
6	Lines & Cable Network	33174.88	15672.43	0	48847.31	20276.65	69123.96
7	Vehicles	76.58	0	0	76.58	0	76.58
8	Furniture & Fixtures	94.05	0	0	94.05	0	94.05
9	Office Equipment	121.08	0	0	121.08	0	121.08
	Total	**69094.26**	**30656.66**	0	**99750.92**	**67053.05**	**166803.97**

2.3.3 *Depreciation*

The Petitioner submitted that the depreciation has been computed in accordance with the rates specified in the UERC (Terms and Conditions of Transmission Tariff) Regulations, 2004 on the opening value of GFA and for additions during the year, these rates have been applied on the pro-rata basis to calculate depreciation for the number of month in which the asset is in use. The Table below shows the depreciation for FY 2011-12 and FY 2012-13:

Table 2.18 : Proposed Depreciation (Rs. Lakh)

S. No	Item	Rate of Depreciation (%)	FY 2011-12 (Provisional)	FY 2012-13 (Proposed)
1	Land and Rights	-	-	-
2	Buildings	1.80%	76.39	76.39
3	Hydraulic Works	2.57%	0.51	0.51
4	Other Civil works	1.80%	3.20	3.20
5	Plant & Machinery	3.60%	1,125.63	2,468.55
6	Lines & Cable Network	2.57%	1,239.13	2,258.00
7	Vehicles	18.00%	13.78	13.78
8	Furniture & Fixtures	6.00%	5.64	5.64
9	Office Equipment	6.00%	7.26	7.26
	Total		**2471.55**	**4833.33**
	Less: Depreciation on Deposit Work		188.51	142.21
	Total		**2283.04**	**4691.12**

2.3.4 *Advance Against Depreciation*

The Petitioner submitted that the advance against depreciation has been computed in accordance with the UERC (Terms and Conditions of Transmission Tariff) Regulations, 2004. The Table below shows the Advance Against Depreciation claimed for FY 2011-12 and FY 2012-13:

Table 2.19 : Proposed Advance Against Depreciation (Rs. Lakh)

S. No	Item	FY 2011-12 (Provisional)	FY 2012-13 (Proposed)
1	1/10th of the Loan	9,111	12,833
2	Repayment of the Loan(s) as considered for working out interest on Loan	8,796	10,310
3	**Minimum of the above**	**8,796**	**10,310**
4	Less: Depreciation during the year	2,283	4,691
5	(A) = 3 – 4	6,513	5,619
6	Cumulative Repayment of the Loan(s) as considered for working out Interest on Loan	**27,364**	**37,674**
7	Less: Cumulative Depreciation	22,334	27,025
8	(B) = 6 – 7	5,030	10,649
9	**Advance Against Depreciation (Minimum of A & B)**	**5,030**	**5,619**

2.3.5 *Return on Equity*

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

The Petitioner has claimed Return on Equity on the contribution made by GoU in the following assets:

a) Assets capitalised up to March 31, 2011 since the date of transfer, i.e. April 1, 2004: PTCUL's Audited Accounts from FY 2004-05 to FY 2010-11 forms the basis for identification of assets capitalised during these years under the different heads.

b) Assets estimated to be capitalised during FY 2011-12: Assets that are likely to be capitalised during the year .

The Petitioner has submitted the details of the equity contribution, considered for the asset capitalisation, under various schemes as given in the Table below:

Table 2.20 : GoU Contribution towards Equity

S. No.	Heads	Equity Contribution (%)
1	NABARD Scheme	22%
2	Old REC Scheme	24.5%
3	New REC Scheme	0%
4	REC-IV	30%
5	REC-V	30%
6	PFC	30%
7	Others	
(a)	Deposit Works	0%
(b)	System Strengthening Works Other than Schemes	100%
(c)	Other Works	100%
8	ADB Scheme	30%

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

The Petitioner further submitted that the Equity to be infused by the GoU and the sources of funds available with the Government are the funds received from the Public through taxation, cess, etc. The Petitioner further contended that had the GoU infused the Equity from sources other than PDF, then RoE would have been allowed in accordance with the Commission's Regulations and Orders. The Petitioner has further indicated that in case RoE is not allowed, it would never have profits in its Audited Accounts, which in turn would adversely impact its financial ratios which a lender typically considers while sanctioning the loans and, therefore, on the basis of such Accounts, it would not be in a position to secure funding from Financial Institutions.

In this regard, the Petitioner requested the Commission to consider its claim in respect of Return on Equity and allow it in true up for the FY 2004-05 to FY 2010-11 and, thereafter, in the ARR projections of the Petitioner. The Table below shows the Equity and Return on Equity for FY 2011-12 and FY 2012-13:

Table 2.21 : Proposed Return on Equity (Rs. Lakh)

S. No	Item	2011-12 (Provisional)			2012-13 (Proposed)		
		Opening Equity Invested in Assets	Additions	Closing Equity Invested in Assets	Opening Equity Invested in Assets	Additions	Closing Equity Invested in Assets
1	NABARD Scheme	4418	0	4418	4418	0	4418
2	Old REC Scheme	1069	3324	4393	4393	0	4393
3	New REC Scheme	0	0	0	0	0	0
4	REC-IV	0	845	845	845	4367	5211
5	REC-V	0	2843	2843	2843	0	2843
6	PFC	0	131	131	131	8750	8881
7	Others	0	0	0	0	0	0
(a)	Deposit Works	0	0	0	0	0	0
(b)	System Strengthening Works Other than Schemes	0	0	0	0	0	0
(c)	Other Works	0	0	0	0	0	0
8	ADB Scheme	0	0	0	0	4951	4951
	Total Eligible Equity	**5487**	**7142**	**12628**	**12628**	**18068**	**30696**
	Rate of Return			14%			14%
	Allowable RoE on Opening Equity Balance			**768.11**			**1767.96**

2.3.6 *Interest & Finance Charges*

The Petitioner submitted that it has estimated Rs. 4019.06 Lakh in FY 2011-12 and Rs. 5609.00 Lakh in FY 2012-13 towards net interest expense (i.e., excluding interest capitalised) on the basis of the long term liabilities identified in the provisional accounts for FY 2009-10 and fresh loans drawn in the current financial year till September 2011 and projected loans to be drawn over the remaining period of FY 2011-12 and during FY 2012-13.

The Petitioner further submitted that the financial position of the Petitioner is so precarious that it was constrained to make borrowings to the tune of Rs. 1200 Lakh in FY 2010-11 and is further going to borrow around Rs. 4600 Lakh to avoid a default situation so as to avoid jeopardizing the power position of the State.

Further as per the stipulations of the Accounting Standards (AS)-16 on Borrowing Cost, the Petitioner has calculated the interest during construction (IDC) on various on-going schemes upto the date of their project capitalisation. The IDC amounts to Rs. 2163.01 Lakh in FY 2011-12 and Rs. 2898.65 Lakh in FY 2012-13. The Table below shows the Interest and Finance Charges proposed by the Petitioner in the Petition:

Table 2.22 : Estimated Interest Charges for FY 2011-12 (Rs. Lakh)

S. No.	Source	Opening Balance	Receipts	Repayments	Closing Balance	Rate of Interest	Interest
1	Old REC	6135	0	1227	4908	11.0%	718
2	New REC	9382	4095	899	12578	11.3%	1286
3	NABARD	13625	0	4687	8938	6.5%	742
4	REC-III	7824	1510	812	8522	11.0%	944
5	REC-IV	3018	3394	0	6412	11.5%	542
6	REC-V	2669	2366	0	5035	11.0%	424
7	PFC-Gap funding	6407	2344	0	8751	11.5%	872
8	REC Short Term Loan	1200	4600	1164	4636	13.5%	473
9	PFC Computer Loan	60	0	6	54	12.5%	7
10	PFC Capex Loans	0	1610	0	1610	11.5%	93
11	ADB Scheme Loans	1182	2299	0	3481	3.20%	82
	Sub-total	**51501**	**22218**	**8796**	**64924**		**6182**
Less:	Interest Capitalized						2163
	Net total interest						**4019**

Table 2.23: Proposed Interest Charges for FY 2012-13 (Rs. Lakh)

S. No.	Source	Opening Balance	Receipts	Repayments	Closing Balance	Rate of Interest	Interest
1	Old REC	4908	0	1227	3681	11.0%	540
2	New REC	12578	3420	899	15099	11.3%	1607
3	NABARD	8938	0	4687	4250	6.5%	581
4	REC-III	8522	0	812	7710	11.0%	937
5	REC-IV	6412	6435	302	12545	11.5%	1107
6	REC-V	5035	0	267	4768	11.0%	554
7	PFC-Gap funding	8751	2344	0	11095	11.5%	1141
8	REC Short Term Loan	4636	0	2109	2527	13.5%	626
9	PFC Computer Loan	54	0	6	47	12.5%	7
10	PFC Capex Loans	1610	17646	0	19256	11.5%	1200
11	ADB Scheme Loans	3481	7384	0	10865	3.20%	207
	Sub-total	**64924**	**37229**	**10310**	**91843**		**8508**
Less:	Interest Capitalized						2899
	Net total interest						**5609**

As regards financing charges, the Petitioner submitted that in the last year Tariff Order for FY 2011-12, the Commission had considered the guarantee fees as financing charges. Accordingly, the Petitioner had considered the guarantee fees of Rs. 633.50 Lakh in each year namely FY 2011-12 and FY 2012-13. The Petitioner submitted that the guarantee fee is payable on loans for which the GoU has given guarantee and is calculated on the sanctioned loan amount towards three schemes:

- REC I and III (REC Old)
- REC IV
- NABARD

The Petitioner further submitted that it has made an application before the GoU that the guarantee fees payable by the Petitioner to the GoU should only be on the outstanding loan balance and not on the sanctioned loan towards the aforementioned schemes. However, a final decision is yet to be received from the GoU. The Petitioner submitted that till a final decision is received from the GoU, the guarantee fees of Rs. 633.50 Lakh should be allowed for FY 2011-12 and 2012-13 respectively. In addition, commitment charges as specified in the ADB loan agreement to the tune of 0.15% of the loan amount, i.e. Rs. 18.07 Lakh has been considered as part of finance charges for FY 2011-12 and FY 2012-13. The Table below shows the Finance Charges proposed by the Petitioner in the Petition:

Table 2.24 : Proposed Finance Charges for FY 2011-12 & FY 2012-13 (Rs. Lakh)

S. No	Scheme	Scheme Cost	% of Loan Amount	Loan Amount	Provision of 1% Guarantee Fees for FY 2011-12	Provision of 1% Guarantee Fees for FY 2012-13
1	REC I & III	30466.00	75.5%	23001.83	230.02	230.02
2	REC-IV	23643.64	70.0%	16550.55	165.51	165.51
3	NABARD	30471.00	78.1%	23797.67	237.98	237.98
4	Commitment Charges towards ADB Scheme	17208.00	0.2%	12045.60	18.07	18.07
	Total	**101788.64**		**75395.65**	**651.57**	**651.57**

2.3.7 *Operation & Maintenance (O&M) Expenses*

The Operation & Maintenance (O&M) expenses comprises of Employee expenses, A&G expenses and Repairs and Maintenance (R&M) expenses. In addition to Employee expenses, A&G expenses and R&M expenses, the Petitioner has also proposed additional O&M expenses towards new assets. The Petitioner's submissions with respect to each of these elements of O&M expenses are given below.

a) Employee Expenses

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

- Employee cost for existing employees.
- Additional employee cost for new recruitments.

The Petitioner further submitted that in line with the recommendation of Sixth Pay Revision, GoU vide Order no. 1658/I(2)/2009-05/90TC/2008 dated October 27, 2009 has allowed its employees benefit of Assured Career Progression (ACP) scheme. Under this scheme employees of PTCUL are allowed their first, second and third time scale in 09th, 14th & 19th years of their service respectively.

The Petitioner further submitted that as per Implementation of Sixth Pay Revision Order, the first instalment of arrear payment schedule comprising of around 40% of the arrear was payable in FY 2009-10, 30% in FY 2010-11 and the final 30% in FY 2011-12. Accordingly, the arrear amount has been included in the employee expenses for FY 2011-12 to the tune of Rs. 413.71 Lakh. Employee cost has been forecasted considering the audited accounts of FY 2010-11 & half yearly provisional figures for FY 2011-12 till September, 2011.

- **Employee cost for existing employees**

(i) Basic Salaries

The Petitioner submitted that the significant increase in the salary expense in FY 2011-12 was due to the impact of implementation of third time scale retrospectively which was estimated to be Rs. 501.03 Lakh. The Petitioner submitted that salary expense for FY 2011-12 is projected in line with the provisional salary expense upto September 2011. To project the salaries for FY 2012-13, the Petitioner has further escalated above estimated salaries for FY 2011-12 by another 3%.

(ii) Dearness Allowance

The Petitioner has estimated Dearness Allowance (DA) by considering the basic pay and GP and applying an average DA rate of 72% for FY 2012-13, considering a half yearly increase of 7% in DA rates.

(iii) Employer's contribution towards pension and gratuity

As regards the Employer's contribution towards pension and gratuity, the Petitioner submitted that in accordance with GoU rules, the expense under this head is 19.08% of the Basic Salary, GP and DA. The expenses under this head have been computed by escalating the actual expenses in the same proportion of increase in expenses towards Basic Salary, GP and DA.

(iv) Employer's contribution towards EPF

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

(v) Employer's contribution towards Leave Encashment and other allowances

The Petitioner has projected the expenses by escalating the actual expenses in the same proportion of increase in Basic Salary, GP and DA.

- **Additional Employee Cost for new recruitment**

The Petitioner submitted that for new recruitments the Basic Salary and the Grade Pay have been considered at the initial values of their pay band. The expense under EPF has been considered as per the GoU rules, which is 13.61% (including administration charges of 1.11% and DLI of 0.50%) and 15 days salary (BP+GP+DA) under Gratuity.

- **Employee Expenses Capitalisation**

The Petitioner submitted that Capitalisation of Employee Expenses has been computed for FY 2011-12 and FY 2012-13 in the same proportion as per the actual capitalisation considered in the audited accounts for FY 2010-11.

The following Table shows the summary of employee expenses for FY 2011-12 and FY 2012-13:

Table 2.25 : Proposed Employee Expenses (Rs. Lakh)

S. No.	Item	FY 2011-12	FY 2012-13 (Proposed)		
		Provisional	Projected for Existing Employees	Employee Cost for Additional Manpower	Total Employee Cost
1	Salaries	2,480	2,555	32	2,586
2	Dearness Allowance	1,439	1,839	23	1,862
3	Other allowances	350	392	4	396
4	Bonus / exgratia	36	37	0	37
	Sub-total (1 to 4)	**4,305**	**4,824**	**58**	**4,882**
5	Medical expenses reimbursement	64	66	1	67
6	Leave Travel Assistance	0	0	0	0
7	Earned Leave encashment	255	286	0	286
8	Employer's Contribution towards leave encashment	496	556	2	558
9	Other Cost	0	1	0	1
10	Staff welfare expenses	1	1	0	1
	Sub-total (6 to 10)	**816**	**909**	**3**	**912**
11	Employer's contribution towards pension & gratuity	588	659	5	664
12	Employer's contribution towards EPF	257	288	7	295
13	Additional Employee Expenses towards new assets	94	286	0	286
	Gross Employee cost	**6,060**	**6,966**	**74**	**7,040**
14	*Less: Capitalization*	723	810	30	840
	Net charged to Revenue	**5,336**	**6,156**	**43**	**6,199**
15	Arrears of Salary (VI Pay Commission)	414	0	0	0
16	**Net charged to Revenue**	**5,750**	**6,156**	**43**	**6,199**

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

The Petitioner submitted that it has revised its A&G expense estimates for FY 2011-12 considering the half yearly provisional accounts (i.e. for the period from April to September 2011) available for the period upto September 2011. Further, Petitioner has projected A&G expenses for FY 2012-13 by considering an escalation rate of 6.43% on the previous year's expenses to compute the A&G expenses. The Petitioner submitted that additional consultancy charges to the tune of Rs. 15 Lakh are likely to be incurred towards RTI consultancy and Recruitment consultancy charges, etc. In addition, the Petitioner has also proposed training expenses of Rs. 197.93 Lakh as Petitioner has planned comprehensive training programme for FY 2012-13 for skill up-gradation.

The following Table shows the summary of A&G expenses for FY 2011-12 and FY 2012-13:

Table 2.26 : Proposed A&G expenses (Rs. Lakh)

S. No.	Item	2011-12	2012-13
		Provisional	Proposed
1	Rent, Rates & Taxes	15	15
2	Insurance	0	0
3	Telephone postage & Telegrams	47	50
4	Legal Charges	17	18
5	Audit Fees	10	11
6	Consultancy Charges	5	20
7	Technical fee/Registration fee /fee & Subscription	0	0
8	License Fee	1172	1247
9	Conveyance & Traveling	244	260
10	Electricity & water charges	3	3
11	Printing & Stationery	21	22
12	Advertisement	48	51
13	Training Expenses	9	198
14	Security Charges	229	243
15	Other expenses	28	29
16	Additional A&G expenses towards new assets	29	92
	Total expenses	**1875**	**2260**
Less :	*Capitalised*	164	198
	Net expenditure charged to Revenue	**1711**	**2062**

c) Repairs & Maintenance (R&M) Expenses

The Petitioner submitted that it has provided revised estimates of R&M expenses for FY 2011-12 considering the half yearly provisional accounts (i.e. for the period from April to September 2011) available for the period upto September 2011. Further, for projecting the R&M expenses for FY 2012-13, expenses for FY 2011-12 are escalated with an escalation rate of 6.43% to compute the R&M expenses for FY 2012-13. The following Table shows the summary of R&M expenses for FY 2011-12 and FY 2012-13:

Table 2.27 : Proposed R&M Expenses (Rs. Lakh)

S. No.	Item	FY 2011-12 (Estimated)	FY 2012-13 (Proposed)
1	Plant & Machinery	755	804
2	Buildings	177	189
3	Civil Works	75	80
4	Hydraulic Works	0	0
5	Lines & Cable Network	811	863
6	Vehicles	3	4
7	Furniture & Fixtures	0	0
8	Office equipment	0	0
9	Additional R&M expenses towards new assets	29	82
	Total expenses	**1851**	**2022**

d) Additional O&M Expenses towards New Assets

The Petitioner submitted that in addition to Employee expenses, A&G expenses and R&M expenses, the UERC (Terms and Conditions of for determination of Transmission Tariff) Regulations, 2004 also provides incremental O&M expenses towards new assets.

Considering the aforementioned Regulations, the Petitioner has computed the incremental O&M expenses towards new assets. The computed incremental O&M expenses are allocated across the individual elements of the O&M on the basis of contribution of each element in the gross O&M expenses excluding the incremental O&M expenses and Sixth Pay Revision instalment arrears. The following Table shows the Additional O&M expenses towards new assets for FY 2011-12 and FY 2012-13:

Table 2.28 : Additional O&M Expenses towards new assets for FY 2011-12 and FY 2012-13 (Rs. Lakh)

Particulars	FY 2011-12	FY 2012-13
GFA Addition in Previous Year	10116	30657
Additional O&M @ 1.5%	152	460
Employee Expenses	94	286
A&G Expenses	29	92
R&M Expenses	29	82
Total Additional O&M Expenses	**152**	**460**

e) Total Operation & Maintenance (O&M) Expenses

The total O&M expenses submitted by the Petitioner for FY 2011-12 and FY 2012-13 are tabulated below:

Table 2.29: Proposed O&M Expenses (Rs. Lakh)

S.No	Particulars	2011-12 Estimated	2012-13 Proposed
1	Employee Cost	6,060	7,040
2	Arrears of VI Pay Commission	414	0
3	Administrative & General Expenses	1,875	2,260
4	Repairs & Maintenance Expenses	1,851	2,022
	Gross O&M Expenses	**10,200**	**11,322**
Less:	*Capitalisation*		
5	Employee expenses capitalised	723	840
6	A&G Expenses capitalised	164	198
	Net O&M Expenses	**9,313**	**10,284**

2.3.8 Interest on Working Capital

The Petitioner has computed the Interest on Working Capital for FY 2012-13 as per the Regulations, which covers the following:

- O&M Expenses for 1 month.
- Maintenance at the rate of 1% of historical cost escalated @ 6% p.a. from the date of CoD.
- Receivables equivalent to 2 months of Transmission charges.

The total working capital projected by the Petitioner for FY 2012-13 is Rs. 7678 Lakh. By applying the interest rate of 14.25% (SBI short-term PLR rate) on the estimated working capital requirement, the Petitioner has estimated interest on working capital as Rs. 1094 Lakh for FY 2012-13. The Table below shows the interest on working capital estimated for FY 2011-12 and projected for FY 2012-13 by the Petitioner:

Table 2.30 : Proposed O&M Expenses (Rs. Lakh)

S. No.	Item	FY 2011-12 (Estimated)	FY 2012-13 (Proposed)
1	O & M Expenses for 1 month	850	943
2	Spare (1% of historical cost)	1171	1911
3	Receivable (2 months)	3685	4824
	Total Working Capital	**5705**	**7678**
4	Working Capital Interest Rate (%)	**14.25%**	**14.25%**
5	**Working Capital Interest**	**813**	**1094**

2.3.9 *Non-Tariff Income*

The Petitioner has submitted the non-tariff income for FY 2011-12 as Rs. 116.16 Lakh. The Petitioner has considered the Non-Tariff income for FY 2012-13 as Rs. 123.63 Lakh in line with the applicable escalation rate.

2.3.10 *Annual Revenue Requirement (ARR) & Proposed Tariff*

On the basis of projected expenses, RoE and Non-Tariff Income, the ARR for FY 2011-12 and FY 2012-13 is summarized in the following Table:

Table 2.31 : Proposed Annual Transmission Charges (Rs. Lakh)

S. No.	Item	FY 2011-12 (Provisional)	FY 2012-13 (Proposed)
1	Employee cost	6,059.70	7,039.69
2	Arrears of VI Pay Commission	413.71	-
3	A & G Expenses	1,875.10	2,260.48
4	R&M expenses	1,851.03	2,021.69
5	Depreciation	2,283.04	4,691.12
6	Advance Against Depreciation	5,029.77	5,618.80
7	Interest on Long Term Loans	6,182.07	8,507.65
8	Interest on Working Capital	813.03	1,094.18
	Gross Expenditure	**24,507.45**	**31,233.60**
	Less: Expense capitalization		
9	Employee cost capitalized	723.39	840.38
10	Interest capitalized	2,163.01	2,898.65
11	A&G expenses capitalized	164.01	197.71
	Net Expenditure	**21,457.05**	**27,296.87**
12	Add: Return on Equity	768.11	1,767.96
13	Add: Guarantee Fees	651.57	651.57
14	Less: Non Tariff Income	116.16	123.63
	Annual Revenue Requirement (ARR)	**22,109.00**	**28,941.20**

2.4 Transmission Tariff

In the Petition, the Petitioner had proposed the Transmission charges for FY 2012-13 on the basis of contracted/allocated capacity handled by it. Assuming a capacity of 1960.56 MW to be handled by the Transmission system, the transmission tariff based on projected ARR of Rs. 28941.20 Lakh has been worked out by the Petitioner as Rs. 123014/MW/Month of contracted/allocated capacity.

The Petitioner further submitted that as UPCL is the only beneficiary at present, the allowable Annual Transmission Charges would be recovered from UPCL. The payments, however, shall be subject to adjustment, if any other beneficiary (including long term open access customer) is using the PTCUL's system, by an amount equal to the charges payable by that beneficiary. In that case, the charges recoverable from the new beneficiary(ies), including long term open access customers, shall be refunded to UPCL within one month of closing of the financial year.

2.5 Associated Transmission System for Bhilangana-III Power Station

The Petitioner submitted that it has instituted a study of alternative Point of Connection (PoC) mechanisms that can be adopted at the State level and yet be integrated with the mechanism adopted by CERC. Further, the PoC mechanism adopted by CERC requires identification of state-owned lines which are being utilized for transfer of inter-state power. The charges for such lines will be reimbursed by the CTU after PTCUL signs Revenue Sharing Agreement (RSA), which has been approved by CERC, with the CTU. However, for this purpose the ARR of the assets being used for transfer of inter-State power needs to be approved by the Commission. The approval of ARR will allow PTCUL to charge for the intra-State lines being used by the generators for inter-State transfer of power.

The Petitioner submitted that it will submit the computations of PoC mechanism for consideration of the Commission along with proposed regulations on the PoC mechanism. However, till such time, the Petitioner requested the Commission to approve the ARR for Associated Transmission System of Bhilangana-III power plant.

The Petitioner submitted that the capital cost incurred on the Associated Transmission System of Bhilangana-III power plant is Rs. 3846.48 Lakh. The capital cost is likely to go up as some bills are yet to be raised by the contractors. The Table below shows the break-up of Capital cost:

Table 2.32 : Capital Cost of ATS of Bhilangana-III power plant (Rs. Lakh)

Capital Cost	Original Cost	Revised Cost	Total Capitalisation
Capital Cost of 220 kV D/C Ghansali-Bhilangana III (Ghuttu) Line	784.17	1966.07	1906.11
Construction of 220 kV Chamba Ghansali Line	2388.75	2269.31	1753.08
220 kV Bay at Chamba	133.57	176.53	187.29
Total	**3306.49**	**4411.91**	**3846.48**

The allowable transmission charges considering the provisional capital cost of Rs. 3846.48 Lakh, as proposed by the Petitioner is given in the Table below:

Table 2.33 : Transmission Charges of ATS of Bhilangana-III power plant (Rs. Lakh)

S. No.	Item	2011-12	Reference
1	O&M Expenses	57.70	Calculated as per Regulation 21(2)(b) of the Tariff Regulations
2	Interest on Loan Capital	309.64	Calculated as per Regulation 17; considering a debt/equity ratio of 70:30 and a rate of interest of 11.50%
3	Depreciation incl AAD	269.25	Calculated as per Regulation 18 and 19 of the Tariff Regulations
4	Interest on Working Capital	15.83	Calculated as per Regulation 22 of the Tariff Regulations
5	**Total Expenditure**	**652.43**	
6	Add: Return on Equity	161.55	Calculated as per Regulation 20 considering a debt/equity mix of 70:30 at the rate of 14%
7	**Annual Transmission Charges**	**813.98**	

3 Stakeholder's Responses and Petitioner's Comments

The Commission has received suggestions/objections on the PTCUL's ARR and Tariff Petition for FY 2012-13. Details of stakeholders who have submitted their Objections/Suggestions/Comments in writing are given at **Annexure-2** and the respondents who have raised the issues in the public hearings are enclosed at **Annexure-3**. The Commission has further obtained replies from PTCUL on the objections/suggestions/comments received from the stakeholders. For the sake of clarity, the objections raised by the stakeholders and response of the Petitioner have been consolidated and summarised issue-wise. Apart from the objections raised on PTCUL's ARR and Tariff Petition for FY 2012-13, several other issues were raised by the stakeholders, which have not been summarised in this Order as those issues were not related to ARR and Tariff determination of PTCUL. In the subsequent Chapters of this Order, the Commission has, as far as possible, tried to consider the objections/suggestions/comments of the stakeholders and reply of the Petitioner while deciding the ARR and Tariff for PTCUL.

3.1 General

3.1.1 Stakeholder's Comment

Shri. Yogendra Singh Rathi, editor of Dainik Unnati Times and President of Bharat Nirman Trust, Dehradun submitted that the primary reason deterioration of financial position of PTCUL was corruption, mismanagement and disregard towards work.

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.

3.1.2 Petitioner's Response

The Petitioner has not submitted any response on this issue.

3.1.3 Commission's Views

The Commission would like to clarify that corruption, mismanagement, disregard towards work and other interlinked issues are the internal issues of the utility and, therefore, the management of the utility is in a better position to deal with such issues.

As regards determination of Transmission Tariff, the Commission follows the UERC (Terms and condition for Determination of Transmission Tariff) Regulations, 2004 while fixing tariff for the transmission licensee.

3.2 Tariff Increase

3.2.1 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 & UJVNL Tariff Petitions for FY 2012-13) will burden the electricity consumers of the State and is unjustified.

Shri. Yogendra Singh Rathi, editor of Dainik Unnati Times and President of Bharat Nirman Trust, Dehradun suggested that rebate for electricity billing of PTCUL employees should be similar to the rebate provided by BSNL on the telephone calls/bills of its employees as this will result in significant saving.

3.2.2 Petitioner's Response

PTCUL submitted that it has projected certain elements of ARR for FY 2012-13 by considering the annual escalation index in accordance with the Commission's Regulations.

3.2.3 Commission's Views

The Commission would like to clarify that the Commission approves the Tariff in accordance with UERC (Terms and condition for Determination of Transmission Tariff) Regulations, 2004 and as per the Regulations, only legitimate costs are allowed to be recovered from the consumers.

3.3 O&M Expenses

3.3.1 Stakeholder's Comment

M/s Asahi India Glass Ltd., Roorkee submitted that PTCUL has projected very high R&M and A&G expenses. He further submitted that the escalation factor used for projecting O&M expenses have increased significantly from 5.33% in FY 2011-12 to 7.57% in FY 2012-13 and suggested that there should be proper methodology for computation of annual escalation factor in O&M expenses.

Shri. Yogendra Singh Rathi, editor of Dainik Unnati Times and President of Bharat Nirman Trust, Dehradun submitted that PTCUL provides rented vehicles to its employees, who are not eligible for the facility and further submitted that vehicles provided are misused by the employees. He further added that PTCUL has no departmental vehicles and, therefore, it has around 6 idle drivers having no work but are being paid a salary of around Rs. 40,000/month.

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

3.3.2 Petitioner's Response

PTCUL submitted that the UERC (Terms and Conditions of Determining Escalation Factor) Regulations 2008 provide that a generating company/licensee may be compensated for inflationary increases in expenses and provide a methodology for the computation of an annual escalation factor. Regulation 3(2) of the aforementioned Regulations provide that the annual escalation factor determined in accordance with such Regulations shall be used for the determination of annual escalation in O&M expenses, annual escalation for ceiling of capital cost determined in relevant Regulations for financial years subsequent to the year of issuance of those Regulations and for any other purposes deemed appropriate by the Commission.

PTCUL further submitted that the methodology for calculation of escalation factor is prescribed in Regulations 4 and 5 and the escalation factor for each financial year is determined by applying a weighted average of inflation in Consumer Price Index for Industrial Workers (CPI_IW) and an Index of Select Components of Wholesale Price Index (WPI_SC) in the ratio of 55:45, respectively. PTCUL further submitted that it has provided the detailed workings of the Escalation index in Section 3.1 of the Petition.

3.3.3 Commission's Views

The Commission, in this regard, would like to clarify that actual employee, R&M and A&G expenses submitted by the Petitioner as part of truing up of expenses and revenue based on actual figures are approved only after due prudence check, and therefore, only legitimate expenses are allowed. As regards escalation factor for projecting the O&M expenses, the Commission computes the escalation factor in accordance with the UERC (Terms and Conditions of Determining Escalation Factor) Regulations 2008. The detailed methodology adopted by the Commission for approving various elements of O&M expenses is elaborated in Chapter 5 of the Order.

3.4 Gross Fixed Assets

3.4.1 Stakeholder's Comment

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

3.4.2 Petitioner's Response

PTCUL submitted that it has elaborated its approach and philosophy in adopting the GFA at Rs. 263.17 crore in Section 2.1 of the Petition and has been reproduced below:

"The Hon'ble Commission has dealt with the issue of opening value of Gross Fixed Asset (GFA), as on November 9, 2001, in the previous Tariff Orders, wherein the opening value of GFA transferred to PTCUL was fixed based on the total asset base of Rs. 508 crores for UPCL as on November 9, 2001 instead of provisional value of Rs. 1058.18 crores taken by UPCL in its accounts. Accordingly, on pro-rata basis, the Hon'ble Commission had considered the value of old transmission assets transferred to the Petitioner from transmission assets of UPCL as Rs. 108.26 crores. The Hon'ble Commission had further allowed additional capitalizations of Rs. 37.88 crores on the transmission assets till May 31, 2004. The total value of opening GFA, thus, became Rs. 146.14 crores as on May 31, 2004 for PTCUL. The Hon'ble Commission has not revisited the opening GFA value in tariff orders upto FY 2011-12 citing the non-finalization of transfer scheme as the primary reason. Accordingly the depreciation has been allowed on the GFA balance determined by the aforementioned approach.

The Government of Uttarakhand had notified a transfer scheme vide its order no. 87/1/2004-06(3)/259/2002 dated May 31, 2004. Under this scheme, all interests, rights and liabilities relating to transmission of electricity were vested in PTCUL with effect from June 1, 2004. In such transfer scheme, the balance transferred to PTCUL was Rs. 263.17 crores which was significantly higher than the approved GFA balance adopted by Hon'ble Commission. The Petitioner has been prejudiced by the Hon'ble Commission's philosophy of not allowing depreciation on the GFA balance transferred to the Petitioner in the provisional transfer scheme.

The GFA value adopted in the accounts is Rs. 263.17 crores which is in line with the provisional transfer scheme and such accounts have been audited upto FY 2010-11 and there are no adverse comments of the auditors. This reflects the trust of the auditors that the GFA value adopted in the accounts is prudent estimation of the GFA value devolved upon PTCUL from the transfer scheme. The Petitioner humbly submits that the opening GFA value as on June 1, 2004 should be revised from Rs. 108.26 crores to Rs. 263.17 crores and consequent effect on tariff should be allowed in true-up for the financial years 2004-05 to 2010-11 and all ARR projections thereafter."

3.4.3 Commission's Views

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

3.5 Capitalisation of New Assets

3.5.1 Stakeholder's Comment

Shri. Pankaj Gupta, President, M/s Industries Association of Uttarakhand submitted that the Commission should continue with the same approach of approving the schemes capitalised by allowing only the minimum of approved cost and the actual cost as per audit report submitted by the Petitioner as again this year PTCUL in its Petition has not submitted the reasons for cost and time over-run of the projects and also has not taken the approval of the schemes from the Commission.

3.5.2 Petitioner's Response

The Petitioner submitted that the Commission has already sought the data pertaining to cost over-runs in respect of the capex schemes undertaken by PTCUL. PTCUL has already submitted such data in the technical validation session held on January 16, 2012. Further, PTCUL understands that the capitalization needs to be allowed in accordance with the Uttarakhand Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) Regulations 2004.

3.5.3 Commission's Views

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

3.6 Major Repair and Maintenance (R&M) Expenses

3.6.1 Stakeholder's Comment

Shri. Pankaj Gupta, President, M/s Industries Association of Uttarakhand submitted that PTCUL should get the approval from the Commission before undertaking any major Repair and Maintenance (R&M) works. He further submitted that any major works which are not recurring in nature should not be treated as normal R&M work as this will yield benefit to PTCUL in long term.

3.6.2 Petitioner's Response

PTCUL submitted that the Repair and Maintenance (R&M) expenses have been claimed for FY 2012-13 in accordance with the Uttarakhand Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) Regulations 2004.

3.6.3 Commission's Views

The Commission, in this regard, would like to clarify that R&M expenses incurred by the Petitioner is allowed only after due prudence check while carrying out the truing up of expenses and only legitimate expenses required for operation is allowed and no expenses of capital nature is allowed as revenue expenditure under R&M expenses.

3.7 Return on Equity on Capital Assets created out of PDF Funds

3.7.1 Stakeholder's Comment

Shri. Pankaj Gupta, President, Industries Association of Uttarakhand submitted that the Commission should not allow Return on Equity and Depreciation on funds deployed by the GoU out of PDF as PDF is a dedicated fund created in accordance with the provisions of the PDF Act passed by the GoU. He further submitted that the PDF Act states that money available in this fund has to be utilized for the purposes of development of generation and transmission assets.

3.7.2 Petitioner's Response

PTCUL submitted that the rationale for claiming return on equity has been detailed in Section 3.5 of the Petition and has been reproduced below:

"It is also pertinent to mention that the Hon'ble Commission in the previous tariff orders has not allowed Return on Equity to the Petitioner on the ground that the equity so provided by the GoU is out of the Power Development Fund which has been realised from the consumers in the form of a cess.

The Petitioner understands that the return on equity should be allowed strictly in terms of the UERC (Terms and Conditions for Determination of Transmission Tariff) Regulations 2004 and that no regulation therein restricts the Petitioner to claim equity on the funds provided by GoU as equity to PTCUL out of the Power Development Fund. The Petitioner understands that as per the Generally Accepted Accounting Principles (GAAP), the Petitioner is bound to provide its shareholders the requisite return on the amount invested irrespective of the source from which the shareholder has acquired such money. In any case, source of funds of any equity contribution which a government shareholder makes in any generating company / licensee is out of the funds received from the Public, whether through taxation, cess, etc.

The intra state transmission tariff philosophy is basically a cost plus model. In such a scenario, based on the current methodology of the Hon'ble Commission, the Petitioner would never be in a position to earn profits as under the tariff regulations the Petitioner is only provided recovery of the prudently incurred costs. However the Petitioner has not been provided any rewards in the form of Return on Equity for running the transmission business. Such a discriminatory scenario would lead to lack on investment both by the shareholders as well as apprehensions by the financial institutions to provide debt support to finance the capital investment schemes in the state transmission sector.

The Petitioner humbly requests the Hon'ble Commission to consider the claims of the Petitioner in respect of Return on Equity and allow it in true-up for the years 2004-05 to 2010-11 and thereafter in the ARR projections of the Petitioner."

3.7.3 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 in subsequent Chapters.

3.8 Directives from Commission

3.8.1 Stakeholder's Comment

Shri. Pankaj Gupta, President, M/s Industries Association of Uttarakhand submitted that UERC in past Tariff Orders has given directions to PTCUL for improvement in different areas. However, it is being observed that PTCUL is not following any of the directives issued by the Commission. He further, suggested that PTCUL should follow a time frame prescribed by the Commission for meeting these directions.

3.8.2 Petitioner's Response

PTCUL submitted that it has provided a detailed list of the directives issued by the Commission in the Tariff Order dated May 10, 2011 for FY 2011-12 and the status of its compliance in Section 4 of the Petition.

3.8.3 Commission's Views

The Commission has analysed the status of compliance of directives issued by the Commission in the previous Tariff Order in Chapter 6 of the Order.

3.9 Frequent Grid Failures

3.9.1 Stakeholder's Comment

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

3.9.2 Petitioner's Response

The Petitioner has not submitted any response on this issue.

3.9.3 Commission's View

In compliance with the conditions of license, PTCUL is required to submit a report to the Commission within 15 days in the event of any "Major Incident". The Commission has decided to issue directions to PTCUL in this Tariff Order.

3.10 Reliability and Cost

3.10.1 Stakeholder's Comment

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

3.10.2 Petitioner's Response

The Petitioner has not submitted any response on this issue.

3.10.3 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 is carried out and after ascertaining that such cost is legitimate.

3.11 Other Expenses

3.11.1 Stakeholder's Comment

Shri. Shanti Prasad Bhatt (Kendriya Mahamantri, Uttarakhand Kranti Dal) submitted that earlier PTCUL invited the quotations from banks for making investments in Fixed Deposit Receipt.

However, presently no quotations are being invited for making Fixed Deposits. Further, Fixed Deposit were encashed before maturity without any approval from the authorized official.

He further submitted that PTCUL has raised loans from organisation/institutions at higher interest rate and in some of the cases PTCUL had to pay penalty for delay in payment to the service providers. All these resulted into heavy losses to PTCUL and hence, should not be included in the expenses of PTCUL for tariff determination.

He further submitted that PTCUL should withdraw all landline phone connections of the employees, since it has already provided them with mobile phones, and the expenditure so incurred should be reduced from salaries of such employees. He further submitted that there should be a record of employees absent due to involvement in demonstration, strikes, rallies, etc. and accordingly, their salaries should be deducted.

He further submitted that some of the PTCUL officials have violated Section 17 of Uttar Pradesh Government Servants' Conduct Rules, 1956, which is as follows:

"17. Insurance business –

A government servant shall not permit his wife or any other relative who is either wholly dependent on him or is residing with him to act as an insurance agent in the same district in which he is posted."

He further suggested that there should be inspection of the departmental landline telephone bills and vehicles as they may have been used for carrying out other businesses. These expenses should be recovered from the salaries of concerned officials and should not be included in the expenses of PTCUL for tariff determination.

3.11.2 Petitioner's Response

The Petitioner has not submitted any response on these issues.

3.11.3 Commission's Views

The Commission is of the view that the above mentioned issues are the internal issues of the utility, therefore, the management of the utility is a better position to deal with such issues.

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.

4 Commission's Approach

4.1 General

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

4.2 Statutory Requirement

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

In light of the above provisions of the Act, the Commission had specified the Uttarakhand Electricity Regulatory Commission (Terms & Conditions for Determination of Transmission Tariff) Regulations, 2004 (hereinafter referred as Tariff Regulations, 2004) on August 25, 2004. The above Regulations are valid till April 30, 2012. For the purposes of this Tariff Order, the Commission shall be guided by the above Regulations only. The different expense items of the ARR as filed by the Petitioner for FY 2012-13 shall, accordingly, be analyzed in the light of above Tariff Regulations under Chapter-5. By and large, under the existing Regulations, the Commission had been following the cost plus approach, wherein, expenses are allowed to be recovered through tariff subject to prudency check by the Commission. The Commission shall follow the same approach for this Tariff Order also.

4.3 Truing up of Past Year Expenses

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

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

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

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

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

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

In its current filing for FY 2012-13, PTCUL has sought final truing up from FY 2004-05 to FY 2010-11 based on the audited accounts for the respective years.

PTCUL submitted that opening GFA value as on June 1, 2004 is revised from Rs. 108.26 Crore to Rs. 263.17 Crore and the consequent effect on the tariff needs to be allowed in truing up for FY 2004-05 to FY 2010-11. PTCUL has provided detailed justification for truing up of GFA and depreciation for FY 2004-05 to FY 2010-11. However, regarding other elements of ARR, PTCUL has not provided justification for truing up for FY 2004-05 to FY 2010-11. Subsequently, the Commission vide its letter dated January 6, 2012 asked PTCUL to submit the detailed justification of variation in expenses as approved by the Commission and as sought by the Petitioner as a part of final truing up for other elements of ARR such as O&M Expenses, Interest on Loan and Return on Equity after classifying them into controllable and uncontrollable factors in accordance with the provisions of UERC (Terms and Conditions for Truing Up of Tariff) Regulations, 2008.

Based on the analysis of the audited accounts submitted by PTCUL for FY 2004-05 to FY 2010-11, the Commission observed a significant discrepancy in the amount of assets capitalised based on Physical progress Report submitted by PTCUL for approval of Capital Cost of the

Schemes and addition to GFA in balance sheets submitted with audited accounts. In accordance with the Physical Progress Report, total works energized and put to use for the period from FY 2004-05 to FY 2011-12 works out to Rs. 618.43 Crore, while, the total assets capitalised in accordance with the audited accounts works out to Rs. 453.43 Crore during the same period, i.e. from FY 2004-05 to FY 2011-12. The details of the year wise Asset Capitalisation based on the audited accounts and Physical progress Report is shown in the table below:

Table 4.1 : Details of year wise Asset Capitalisation based on the audited accounts and Physical progress Report (Rs. Crore)

Sl No	Financial Year	As per Balance Sheet	As per physical progress report
1	2003-04	-	19.14
2	2004-05	4.12	26.01
3	2005-06	29.09	-
4	2006-07	98.80	279.79
5	2007-08	132.01	47.16
6	2008-09	32.98	4.07
7	2009-10	55.28	119.88
8	2010-11	101.16	42.79
9	2011-12	0.00	79.59
Total		**453.43**	**618.43**

From the above Table, it can be observed that there is a significant difference in the amount of asset capitalisation mentioned in the Physical progress Report and balance sheets submitted alongwith the ARR/Tariff Petition for FY 2012-13. The Commission vide its letter dated February 8, 2012, asked PTCUL to reconcile the discrepancy of the amount of Asset Capitalisation based on the audited accounts and Physical progress Report.

PTCUL in its reply submitted that for transfer of assets and liabilities between UPCL and PTCUL, provisional transfer scheme was mutually finalised in accordance with the instruction of GoU in the year 2007. However, some Inter Unit Transactions (IUTs) remained pending with UPCL, therefore, for better control and supervision, the project units were created and separated from the O&M units, accordingly, works and resources were transferred. The executed works prior to separation of units were also transferred, accordingly, through IUTs. As a result of this, some un-reconciled balances remained outstanding in various accounting heads of the concerned units of PTCUL and, hence, some of the capital expenditure has not been capitalized in the accounts. PTCUL further submitted that in accordance with the current framework of the Tariff Regulations, fixed cost components of tariff are allowed only upon capitalization. However, as the scheme wise capital cost is currently under reconciliation with the released expenditure due to aforementioned reasons, the Commission may conduct truing-up on the basis of submissions made in its ARR and Tariff Petition for FY 2012-13. PTCUL also submitted that, if the Commission does not deem it fit to carry out the final truing up based on the information submitted, the Petitioner may be allowed to withdraw the True-up Petition for the financial years 2004-05 to 2010-11 with a liberty to file it after one year along with the MYT Petition.

The Commission is of the view that it may not be appropriate to carry out the final truing up from FY 2004-05 to FY 2010-11, until the year wise capitalisation figures submitted as part of physical progress report is reconciled with the asset capitalisation figures in the audited accounts. Further, the Expert Committee constituted by the Commission to examine in detail, the reasons for time and cost over-runs of capital expenditure under various Schemes is also in the process of examining the capital cost of schemes capitalised during the period FY 2004-05 to FY 2010-11. In view of the above, the Commission agrees with the PTCUL submission that the final truing up for the period FY 2004-05 to FY 2001-11 shall be carried out after reconciliation of capitalisation figures and submission of report by the Expert Committee.

Accordingly, the Commission is not carrying out the final truing up for the period FY 2004-05 to FY 2010-11 in the present Tariff Order. **The Commission directs the Petitioner to file the truing up Petition seeking final true up of expenses for FY 2004-05 to FY 2010-11 based on the audited accounts and after reconciliation of asset capitalisation figures alongwith the MYT Petition for the first control period.**

4.4 Capital Cost of transferred assets

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

"The reason for this disinterest seems to be the caveat being put every year in the ARR and Tariff Petitions of UPCL and PTCUL that financial impact of finalization of transfer scheme should be

allowed by the Commission as and when it takes place."

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

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

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

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

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

4.5 Capitalisation of new assets

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

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

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

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

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

Accordingly, the Petitioner submitted the audit report to the Commission which after scrutiny was found to be incomplete as it did not include the reasons of time overruns and cost overruns and its implication on the Capital Cost. In the absence of complete details of cost and time over-run of various schemes capitalised, the Commission in its Tariff Order for FY 2011-12 had approved the scheme-wise cost on the basis of minimum of actual/revised estimated costs and approved costs for all the schemes. The Commission in the Tariff Order for FY 2011-12 decided to constitute a High Level Expert Committee to examine in detail, the reasons for time and cost over-runs of various Capital Expenditure Schemes, impact of time over-run on Capital Cost and for proper identification of various factors leading to time and cost over-runs into controllable and un-controllable factors.

The Expert Committee, constituted by the Commission to examine in detail, the reasons for time and cost over-runs of various Capital Expenditure Schemes, is in the process of examining the capital expenditure for schemes capitalised during the period FY 2004-05 to FY 2010-11.

In view of the above, the Commission, while approving the capital cost of individual Schemes, during the current tariff exercise, has considered the minimum of approved cost and the actual cost submitted by the Petitioner in accordance with the approach adopted by the Commission in the previous Tariff Orders. The Commission will take a final view with respect to actual Capital Cost of all the completed schemes after going through the report of the Expert Committee.

4.6 Depreciation on assets created through grants / subsidies

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

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

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

4.7 O&M Expenses

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

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

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

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

(c) The base operation and maintenance expenses for the year 2003-04 shall be escalated further at the rate of 4% per annum to arrive at permissible operation and maintenance expenses for the relevant year of tariff period.

(2)For projects less than 5 years age:

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

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

However, due to implementation of Sixth Pay Commission's recommendations, which not only raised the salaries and other allowances but also altered the structure of pay scales, the Commission, for reasons recorded in the Tariff Order for FY 2009-10, FY 2010-11 and FY 2011-12, adopted a slightly different approach for estimating the O&M expenses for FY 2009-10, FY 2010-11 and FY 2011-12 than that stipulated in the Tariff Regulations for determination of O&M expenses. The Commission, considered the Employee Expenses, A&G Expenses and R&M Expenses separately for estimating the overall O&M cost for FY 2009-10, FY 2010-11 and FY 2011-12. The Commission is following a similar approach for determining the O&M expenses for FY 2012-13. As the Petitioner has submitted the audited annual accounts for FY 2010-11, the Commission in this Order has considered the O&M expenses for FY 2010-11 as the base year expense and escalated the same in accordance with the Regulations. The detailed methodology of the same has been explained in Chapter 5 of the Order.

5 Commission's Analysis, Scrutiny & Conclusion

5.1 Value of Opening Assets and Additional Capitalisation

The Commission has already dealt with the issue of opening value of GFA as on November 9, 2001, in the previous Tariff Orders, wherein the opening value of GFA transferred to PTCUL was fixed based on the total asset base of Rs. 508 Crore for UPCL as on November 9, 2001 instead of the provisional value of Rs. 1058.18 Crore taken by UPCL in its accounts. Accordingly, on pro-rata basis, the Commission had considered the value of old transmission assets transferred to the Petitioner from transmission assets of UPCL as Rs. 108.26 Crore. The Commission had further allowed additional capitalizations of Rs. 37.88 Crore on the transmission assets till 31.05.2004. The total value of opening GFA, thus, became Rs. 146.14 Crore as on 31.05.2004 for PTCUL. As the transfer scheme has not yet been finalized, the Commission finds no reason to revisit this issue for reasons elaborated in Chapter 4

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

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

Accordingly, the Petitioner submitted the audit report to the Commission, which after scrutiny by the Commission was found to be incomplete as it did not include the reasons of time overruns and cost overruns and its implications on the Capital Cost. In the absence of complete details of cost and time over-run of various schemes capitalised, the Commission could not scrutinise the cost variations and hence, in its Tariff Order for FY 2011-12 had approved the scheme-wise cost on the basis of minimum of actual costs and approved costs for all the schemes. Further, the Commission in the Tariff Order for FY 2011-12 decided to constitute an Expert Committee to examine in detail, the reasons for time and cost over-runs of various Capital Expenditure Schemes, impact of time over-runs on Capital Cost and for proper identification of various factors leading to time and cost over-runs into controllable and un-controllable factors.

Hence, as detailed in Chapter 4 of this Order, the Expert Committee constituted by the Commission to examine in detail, the reasons for time and cost over-runs of various Capital Expenditure Schemes, is in the process of examining the capital expenditure for schemes capitalised during the period FY 2004-05 to FY 2010-11. Therefore, the Commission has adopted the same approach as adopted in the previous Tariff Orders for approving the capital cost for individual schemes on the basis of minimum of actual/revised estimates and approved costs for all the schemes for the current tariff exercise. Further, since the approved Project Cost for some of the schemes such as REC-Old, NABARD, REC-II, REC-New, etc. does not include interest during construction, the Commission in addition to the approved Project Cost has also considered the interest during construction on pro-rata basis.

In its previous Tariff Orders, the Commission had disallowed capitalisation of certain schemes for FY 2006-07, FY 2007-08, FY 2008-09 and FY 2009-10 for which clearances from Electrical Inspector were not made available and had directed the Petitioner to get all the schemes cleared by the Electrical Inspector.

The Petitioner in its Petition has submitted that unforeseen delays are encountered by the Petitioner in seeking clearance from the Electrical Inspector and has, accordingly, requested the Commission to relax the condition of getting prior clearance from the Electrical Inspector before admitting any capitalisation of investment scheme. It has submitted that the Commission may impose a certain reasonable timeline for getting the clearance from the Electrical Inspector.

The Petitioner has also submitted that the State Transmission Utility (STU) is obliged to be guided by the Indian Electricity Grid Code under Section 39 of the Electricity Act 2003 and is also required to discharge all functions of planning and coordination relating to intra-State transmission system with Central Transmission Utility, State Governments, Generating Companies, Regional Power Committees, Central Electricity Authority (CEA), licensees and any other person notified by the State Government in this behalf in accordance with Section 39(2)(b) of the Electricity Act, 2003. The Petitioner has been coordinating with the above entities in planning its transmission system. It has also submitted that it recognises that it ought to have sought the approval of the Commission for investments, as required by the Conduct of Business Regulations. Hence, it has requested the Commission to condone the violation of the CBR.

The Petitioner has also referred to Hon'ble APTEL's Judgment in Appeal 77,78 and 79 of 2006 dated 13th December 2006 in which in Para 29, Hon'ble APTEL has stated as under:

Para 29 - "It is fundamental that an annual revenue requirement is approved on estimates, projections and best judgments. However, truing up is an essential exercise required to be undertaken by Regulator on a regular basis, where in actuals are compared with those approved and necessary results flow from it"

In light of the aforementioned judgment, the Petitioner has submitted that the capital expenses and the proposed capitalisation should be included in the ARR projections considering the best estimates and judgment of the Petitioner. The Commission may conduct a prudence check on the estimates produced by the Petitioner, however, the postponement of the allowance of capitalisation is a clear case of regulatory overreach by the Commission. It has also mentioned that the loan repayment starts immediately after the normal moratorium period which is generally linked with the commissioning period of a project. However, the allowance of tariff is postponed by the Commission which creates adverse working capital issues and precarious financial position.

Regarding, the submission of the Petitioner that the Commission may relax the condition of getting prior clearance from the Electrical Inspector, Rule 63 of the Indian Electricity Rules, 1956 stipulates as under:

"63. Approval by Inspector-

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

Thus, Rule 63 clearly mandates that no supply of energy will commence at high or extra-high voltage without obtaining the approval of the Electrical Inspector so as to ensure safety of life and assets. The Commission has not imposed any condition on its own, this requirement has been in existence since 1956. The Commission has only directed the Petitioner to comply with the Rules. The instances have been observed, where work was completed by the Petitioner in April, 2003 but clearance was received on June, 2009 only after the Commission started disallowing the works which did not have clearance of the Electrical Inspector. The Commission cannot jeopardise the safety by relaxing the provisions of the Act/Rules. The Petitioner cannot charge its lines/sub-stations before getting approval of the Inspector, hence, there is no question of allowing capitalisation of any assets which is not cleared by the Electrical Inspector. **Hence, the Petitioner is also directed to capitalise the HT/EHT works only after obtaining clearance by the Electrical Inspector.** The Commission has so far allowed capitalisation of the assets, right from the date on which it was charged/capitalised irrespective of the fact that clearances from Inspector have been received at a later date. **The Petitioner is hereby cautioned to take note of the same, as the Commission from 01.04.2012 would be recognising the capitalisation of any asset from the date of clearances obtained from the Electrical Inspector.**

Regarding, condoning the condition of seeking prior approval of the Commission, it is to reiterate that this is not only the violation of the Conduct of Business Regulations, but also violation of the License Conditions. Hence, PTCUL is advised to exercise compliance of the Act, Rules, Regulations and the License Conditions. The Judgment of Hon'ble APTEL referred to by the Petitioner itself says that annual revenue requirement is approved on estimates, projections and best judgments. The Commission in Para 4.2 of its Tariff Order dated 12.07.2006 for the Petitioner for FY 2006-07, had opined as under:

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

The recent example being, the Petitioner had in its previous ARR and Tariff Petition for FY 2011-12, claimed Rs. 332.08 Crore and Rs. 323.24 Crore to be capitalised during FY 2010-11 and FY 2011-12 respectively. However, in the current Petition, capitalisation has been shown as Rs. 101.16 Crore and Rs. 306.57 Crore for FY 2010-11 and FY 2011-12 respectively. Capitalisation figures claimed for FY 2011-12 are estimates only. As per the information available with the Commission, capitalisation of only Rs. 82.34 Crore has taken place upto November, 2011 against the Petitioner's revised estimates of Rs. 306.57 Crore. Hence, it again appears that the Petitioner has over-projected the capitalisation of assets.

Hence, the Commission finds no reason to revisit the issue and is continuing with its approach of considering the capital cost of only those assets which are actually commissioned and capitalised and any additions in the capital assets, subsequently, will be considered in the truing up exercise. The Petitioner is advised to ensure that the projects should be commissioned within the stipulated time and any cost burden due to the delay in commissioning of the project because of the Petitioner's inefficiency will not be allowed as pass through in tariffs.

The Petitioner also submitted that it had arranged the inspection of its various capital expenditure schemes by the Electrical Inspector and has got clearance certificates for various pending schemes capitalised since inception till FY 2011-12. The Commission has, accordingly, considered all such schemes for which Electrical Inspector Certificate have been made available in this tariff determination exercise.

Further, the Commission in the previous Tariff Order for FY 2011-12 had not allowed full/part capitalisation of few Projects which were either un-utilised/under-utilised, or for which Electrical Inspector's Clearance was not obtained or where the work was incomplete. The Petitioner submitted the status of certain schemes along with the certificate of the Electrical Inspector, details of which are as under:

- Construction of 132 kV Satpuli-Kotdwar line
- Construction of 132 kV S/s at Simli
- Construction of 4 nos. 132 kV Bay at 132 kV S/s Kotdwar

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

5.1.1 REC-I & III Scheme (Also referred to as REC-Old Scheme)

The Petitioner submitted that initially 23 schemes were envisaged under old REC Schemes with an estimated cost of Rs. 165.75 Crore out of which 3 schemes were deleted later on. The loan amount sanctioned from REC was Rs. 139.43 Crore for the total project cost of Rs. 165.75 Crore with a Debt/Equity Ratio of 84:16 and counterpart funding of equity was provided by the Government of Uttarakhand. The Petitioner also submitted that on account of actual survey and based on revised quantum of work, the total cost of remaining 20 schemes was revised to Rs. 304.66 Crore. REC sanctioned an additional loan of Rs. 110.80 Crore in the debt-equity ratio of 70:30 to meet the increased cost, thereby, revising the overall Debt/Equity Ratio to 75.50:24.50.

The Commission in its previous Tariff Order had disallowed the capitalisation of the following two projects on account of pending clearance certificate from Electrical Inspector and under utilisation of sub-station Capacity:

i) Construction of 132 kV Sub-station at Satpuli- Due to absence of clearance certificate from Electrical Inspector.

ii) Construction of 132 kV Sub-station at Simli- Due to under utilisation of the sub-station capacity as the associated 132 kV D/C Srinagar-II–Simli line has not been completed.

The Petitioner further submitted that the following schemes are likely to be capitalised in FY 2011-12:

i) Construction of 132 kV D/C Srinagar-II to Satpuli Line

ii) Construction of 132 kV D/C Line Srinagar-II to Simli & LILO of Rishikesh to Srinagar Line at 132 kV Srinagar-II sub-station.

The Commission during the course of the tariff proceedings directed the Petitioner to submit the status of construction of 132 kV D/C Srinagar-II to Satpuli Line and construction of 132 kV D/C Srinagar-II to Simli Line & LILO of Rishikesh to Srinagar-I Line at 132 kV Srinagar-II sub-station. The Petitioner submitted that the construction of 132 kV D/C Srinagar-II to Satpuli Line is expected to be completed by December, 2011 and construction of 132 kV D/C Line Srinagar-II to Simli and LILO of Rishikesh to Srinagar Line at 132 kV Srinagar-II sub-station is expected to be completed by March, 2012.

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

i) Construction of 132 kV Sub-station at Simli- Due to under utilisation of the sub-station capacity as the associated 132 kV D/C Srinagar to Simli line has not been completed.

ii) Construction of 132 kV D/C Srinagar-II to Satpuli Line – Due to the line not being complete and also due to the absence of Clearance Certificate from the Electrical Inspector.

iii) Construction of 132 kV D/C Line Srinagar-II to Simli and LILO of Rishikesh - Srinagar Line at 132 kV Srinagar-II sub-station - Due to the line not being complete and also due to the absence of Clearance Certificate from the Electrical Inspector.

However, the capitalisation of these lines would be considered during the truing up exercise, subject to these lines getting capitalised during FY 2011-12 and clearances from Electrical Inspector for the same being received before charging the lines. **The Commission directs the Petitioner to expedite the effort to get prior clearance of the Electrical Inspector before charging the project or capitalising the same.**

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

Table 5.1: REC Old Scheme – Scheme Wise Details

S. No	Projects	Status of Electrical Inspector Clearance	Date of Completion/ Energisation date	Date of Electrical Inspector Certificate/ Observation Report
1	Increasing Capacity of 132 kV sub-station Bindal	Received	26-Apr-03	23-Jun-09 & 11-Mar-10
2	Increasing capacity of 220 kV sub-station Rishikesh	Received	25-Feb-04	1-Jul-09 & 11-Mar-10
3	Increasing Capacity of 132 kV sub-station Rishikesh	Received	15-Mar-04	1-Jul-09 & 11-Mar-10
4	Increasing Capacity of 132 kV sub-station Jwalapur	Received	24-May-03	18-Aug-09 & 11-Mar-10
5	Increasing capacity of 220 kV sub-station Haldwani	Received	10-Feb-04	20-Nov-09
6	Increasing Capacity of 132 kV sub-station Bajpur	Received	15-Mar-04	16-Jan-10
7	Increasing Capacity of 132 kV sub-station Roorkee	Received	7-May-03	11-Mar-10
8	Construction of 220 kV sub-station Roorkee	Received	11-Feb-05	11-Mar-10
9	LILO of 220 kV Rishikesh-Muzzaffarnagar line at 220 kV Sub-station Roorkee	Received	11-Feb-05	21-Jul-09 & 3/11/2010
10	Increasing capacity of 220 kV sub-station Chamba	Received	6-Nov-04	3-Dec-09
11	Construction of 220 kV Single Circuit Maneri Bhali-II to Rishikesh Line	Received	Charged on 23.04.09	16-Sep-09
12	Construction of 132 kV Satpuli-Kotdwar line	Received	Charged on 24.07.09	14-Sep-09
13	Construction of 132 kV Sub-station Simli	Received	Charged on 24.07.09	23-Oct-09 & 11-Mar-10
14	Construction of Bay at 220 kV Sub-station Rishikesh for 220 kV Maneri Bhali Stage-2	Received	Charged on 23.04.09	16-Sep-09
15	Construction of 132 kV Sub-station Satpuli	Received	Charged on 16.01.11	18-May-11

The project-wise original approved cost as per the DPR and the actual cost submitted by the

Petitioner and the capitalization considered by the Commission till FY 2011-12, i.e. actual capitalisation upto December, 2011, as per the approach defined in Chapter 4 is given in the following Table:

Table 5.2 : Capitalization Considered for REC Old Schemes (Rs. Crore)

Year		Projects	Approved Cost as per DPR	As per PTCUL's submission	IDC as claimed by PTCUL	Capital Cost Considered by the Commission	IDC considered by the Commission	Total Cost Approved by the Commission
FY 2003-04	1	Increasing Capacity of 132 kV Sub-station Bindal	1.10	0.74	0.08	0.74	0.08	0.82
	2	Increasing capacity of 220 kV sub-station Rishikesh	7.08	7.08	-	7.08	-	7.08
	3	Increasing Capacity of 132 kV Sub-station Rishikesh	2.48	2.48	-	2.48	-	2.48
	4	Increasing Capacity of 132 kV Sub-station Jwalapur	1.10	1.46	-	1.10	-	1.10
	5	Increasing capacity of 220 kV sub-station Haldwani	4.64	3.68	-	3.68	-	3.68
	6	Increasing Capacity of 132 kV Sub-station Bajpur	2.19	2.01	-	2.01	-	2.01
	7	Increasing Capacity of 132 kV Sub-station Roorkee	1.41	1.61	-	1.41		1.41
	Sub-Total		**20.00**	**19.06**	**0.08**	**18.50**	**0.08**	**18.59**
FY 2004-05	8	Increasing capacity of 132 kV sub-station Haldwani	4.62	3.06	-	3.06	-	3.06
	9	LILO of 220 KV Rishikesh-Muzzaffarnagar line at 220 kV Sub-station Roorkee	0.15	0.01	0.00	0.01	-	0.01
	10	Increasing capacity of 220 kV sub-station Chamba	2.69	2.34	0.22	2.34	0.22	2.56
	11	Construction of 220 kV sub-station Roorkee	13.28	17.46	2.92	13.28	2.22	15.50
	Sub-Total		**20.74**	**22.86**	**3.15**	**18.69**	**2.45**	**21.13**
FY 2006-07	12	Increasing Capacity of 220 kV Sub-station Maneri Bhali-I	2.69	2.46	0.51	2.46	0.51	2.97
	Sub-Total		**2.69**	**2.46**	**0.51**	**2.46**	**0.51**	**2.97**
FY 2009-10	13	Construction of 220 kV Single Circuit Maneri Bhali-II to Rishikesh Line	33.36	46.16	8.28	33.36	5.98	39.34
	14	Construction of bay at 220 kV S/s Rishikesh for 220 kV Maneri Bhali-II	0.96	0.62	0.04	0.62	0.04	0.66
	15	Construction of 132 kV Satpuli-Kotdwar line	12.93	39.11	10.13	12.93	1.76	14.69
	Sub-Total		**47.25**	**85.89**	**18.45**	**46.45**	**7.79**	**54.70**
FY 2010-11	16	Construction of 132 kV Sub-station Satpuli	7.27	7.80	0.73	7.27	0.68	7.95
	Sub-Total		**7.27**	**7.80**	**0.73**	**7.27**	**0.68**	**7.95**
	Total		**97.95**	**138.07**	**22.92**	**93.83**	**11.51**	**105.34**

The Petitioner also submitted that capital expenditure of Rs. 95.47 Crore would be capitalised till March 2012. The details of such projects is shown in the Table below:

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

S. No.	Projects	Original Cost	Revised Cost	Actual Expenditure	Target date of commissioning
1	Construction of 132 kV Srinagar II - Satpuli line	14.28	40.47	49.96	March 12
2	Construction of 132 kV Double Circuit Srinagar II to Simli Line & LILO of 132 kV Srinagar-I and Rishikesh Line at 132 kV Srinagar-II sub-station	22.26	89.51	45.51	March 12
	Total	**36.54**	**129.98**	**95.47**	

Since Electrical Inspector's Clearance Certificate is a mandatory requirement for capitalization of any scheme, the Commission is not considering the above projects for the purposes of capitalization and not allowing capital related expenses in the ARR for FY 2012-13. The Commission shall, however, consider all such ongoing works which receive the Electrical Inspector's clearance and get commissioned during the balance period of FY 2011-12 or during FY 2012-13, in the next tariff determination exercise, subject to the Petitioner justifying to the satisfaction of the Commission, the reasons of time and cost overruns, if any. Further, the Commission has also considered the impact of construction of 4 nos. 132 kV bays at 132 S/s Kotdwar scheme of Rs. 0.87 Crore transferred to REC New scheme. Thus, the status of the total REC (old) Scheme is as given in the Table hereunder:

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

S. No.	Projects	No.	Original Cost (Rs. Crore)
1.	Completed Schemes given in Table 5.2 and considered by the Commission	16	97.95
2.	Schemes capitalised but not considered by the Commission	1	7.27
2.	Ongoing schemes likely to be Commissioned in 2011-12 given in Table 5.3	02	36.54
3.	Scheme transferred to REC New Scheme: Construction of 4 nos. 132 kV bay at 132 kV sub-station Kotdwar	01	0.87
4.	Schemes deleted	03	23.12
Total		**23**	**165.75**

5.1.2 NABARD Scheme

The Petitioner submitted that all the works undertaken under the NABARD scheme have been completed. There were 15 works which were completed under the NABARD Scheme. The capitalisation towards the NABARD scheme has also been considered by the Commission in the previous Tariff Order for FY 2011-12.

The status of various works undertaken under the NABARD scheme alongwith the status of Electrical Inspector Clearance is shown in the Table below:

Table 5.5 : NABARD Scheme – Scheme Wise Details

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

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

Table 5.6 : Capitalisation Considered for NABARD Scheme (Rs. Crore)

Year		Scheme	Approved Cost as per DPR	Cost as per PTCUL's submission	IDC as claimed by PTCUL	Capital Cost Considered by the Commission	IDC considered by the Commission	Total Cost Approved by the Commission
FY 2006-07	1	132 kV Sub-station Ramnagar	6.97	6.35	0.52	6.35	0.52	6.87
	2	LILO of 132 kV Double Ckt. Kalagarh-Kashipur Line at Ramnagar Sub-station	4.86	5.61	0.42	4.86	0.36	5.22
	3	400 kV Sub-station Kashipur	84.89	100.88	3.78	84.89	3.13	88.02
	4	LILO of 400 kV Rishikesh-Moradabad Line at 400 kV sub-station Kashipur	39.29	77.45	1.54	39.29	0.78	40.07
	5	132 kV Sub-station Ranikhet	6.69	8.62	0.32	6.69	0.24	6.93
	6	132 kV Almora Ranikhet Line	3.59	5.91	0.22	3.59	0.13	3.72
	7	132 kV sub-station Bhagwanpur	7.99	9.71	0.41	7.99	0.34	8.33
	8	LILO of 132 kV Double Ckt. Roorkee Saharanpur-I at Bhagwanpur 132 kV Sub-station	1.09	2.77	0.08	1.09	0.03	1.12
	9	132 kV Sub-station Mangalore	7.99	11.70	0.35	7.99	0.24	8.23
	10	LILO of 132 kV Double Ckt. Roorkee Nahtaur-I Line at Mangalore	1.63	3.03	0.09	1.63	0.05	1.68
	11	132 kV Sub-station Jaspur	7.91	11.09	0.45	7.91	0.31	8.22
	12	LILO of 132 kV Double Ckt. Kalagarh Kashipur Line at Jaspur 132 kV Sub-station	0.37	0.59	0.01	0.37	0.00	0.37
	13	132 kV Sub-station Rudrapur	9.49	11.97	0.34	9.49	0.27	9.76
		Sub-Total	**182.76**	**255.67**	**8.52**	**182.14**	**6.39**	**188.53**
FY 2007-08	14	132 kV sub-station Sitarganj	8.68	15.58	0.57	8.68	0.32	9.00
	15	132 kV Sitarganj-Kiccha Line	3.19	9.92	0.26	3.19	0.08	3.27
	16	**Sub-Total**	**11.87**	**25.50**	**0.83**	**11.87**	**0.40**	**12.27**
		Total	**194.63**	**281.27**	**9.35**	**194.01**	**6.79**	**200.80**

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

Continuing with the approach adopted in the Tariff Order for FY 2011-12, the Commission in the current tariff exercise has considered additional receipts from PFC for gap funding of NABARD Scheme which have been dealt with while calculating interest charges of the Petitioner.

5.1.3 REC-II Scheme (Also referred to as REC New Scheme)

The Petitioner submitted that it had drawn up a capital outlay of Rs. 217.56 Crore for 22 schemes under the REC- New scheme for which REC granted the approval to fund the entire cost of the schemes. The Petitioner also submitted that out of 22 schemes, 2 schemes have been deleted and 12 schemes have already been approved by the Commission. Of the remaining 8 schemes, 1 scheme has already been completed in FY 2011-12 but was not considered by the Commission in the previous Tariff Order, 3 schemes are likely to be completed during FY 2011-12 and 4 schemes projected to be completed during the ensuing FY 2012-13.

This scheme has the approval of the Commission for Rs. 221.02 Crore against Rs. 217.56 Crore submitted by the Petitioner. In the Tariff Order for the FY 2011-12, the Commission had considered only such expenditures for capitalization for FY 2007-08 to FY 2010-11 for which Electrical Inspector's clearance certificates were made available. During the course of the proceedings, PTCUL submitted that the Commission had not considered the capitalisation in respect of construction of 4 nos. 132 kV Bay at 132 kV sub-station Kotdwar in the absence of the clearance certificate from Electrical Inspector. The Petitioner furnished the clearance certificate from the Electrical Inspector in compliance of the Commission's directions and has sought the capitalisation from FY 2010-11. It would be relevant to mention that, the Commission in its previous Tariff Order for FY 2011-12, had inadvertently allowed capitalisation of 132 kV bay at Kotdwar under REC-I and III scheme, although the same had been transferred to REC-II Scheme. The Commission is not carrying out any correction in this regard. However, correction required, if any, will be done at the time of truing up of the Petitioner's expenses from FY 2004-05 to FY 2011-12. The Petitioner also submitted the updated status of various works/projects being undertaken under this scheme till December, 2011 and projected that the following schemes would be capitalised during the balance period of FY 2011-12 and FY 2012-13:

i) Construction of SLDC at Rishikesh and 2 nos. sub SLDC at Kashipur and Dehradun and its associated communication network civil works

ii) Construction of 132 kV Bays at Ranikhet and Pithoragarh

iii) Construction of 132 kV sub-station Srinagar-II

iv) Construction of 132 kV sub-station Bageshwar

v) LILO of 132 kV Almora - Pithoragarh line at 220 kV sub-station at Pithoragarh (Power Grid)

vi) LILO of 132 kV Rishikesh - Srinagar line at 132 kV Sub-station at Srinagar

vii) 132 kV S/C Ranikhet - Bageshwar line on D/C tower for 132 kV sub-station at Bageshwar

From the information submitted, the Commission observed that the Petitioner has not submitted Electrical Inspector's clearance certificate for any of the completed works/projects under this scheme and, moreover, all the schemes are not yet completed. The status of approval of Electrical Inspector for different REC New schemes is shown in the Table below:

Table 5.7 : REC New Scheme – Scheme Wise Details

S. No	Project	Status of Electrical inspector Clearance	Date of Energisation	Date of EI Certificate Report
1	Construction of 4 nos. 132 kV Bays at 132 kV sub-station Kotdwar	Received	21-Sep-06	25-oct-11
2	LILO of 132 kV Kashipur Jaspur line at 400 kV sub-station Kashipur	Received	12-Feb-07	8-Apr-10
3	LILO of 132 kV Kashipur Ramnagar line at 400 kV sub-station Kashipur	Received	30-Sep-06	8-Apr-10
4	LILO of 132 kV Kiccha Pantnagar Line at Rudrapur	Received	5-Aug-06	24-Dec-09
5	Upgradation of 132/33 kV Mazra sub-station	Received	16-Oct-06	23-Jun-09 & 11-Mar-10
6	Upgradation of 132/33 kV Purkul sub-station	Received	6-Nov-06	1-Jul-09 & 11-Mar-10
7	132 kV sub-station Laksar	Received	16-Jul-07	18-Jul-07
8	LILO of 132 kV Roorkee - Nehtaur - I line for 132 kV sub-station Laksar	Received	16-Jul-07	18-Jul-07
9	LILO of 132 kV Dohana -Khatima line at 132 kV sub-station Sitarganj	Received	25-Aug-07	7-Oct-09
10	Upgradation of 132/66/33 kV Haldwani sub-station	Received	2-Dec-08	2-Dec-09
11	132 kV line from 400 kV sub-station Kashipur to Bazpur	Received	17-Jan-10	2010
12	220 kV S/C Barhani - Pantnagar line	Received	7-Apr-10	16-Jan-10
13	220 kV Kashipur - Barhani D/C line	Received	1-Jan-11	29-Jan-11

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

Table 5.8 : Capitalisation Considered for REC New Scheme (Rs. Crore)

Year		Projects	Approved Cost	Cost as per PTCUL's submission	IDC as claimed by PTCUL	Capital Cost Considered by the Commission	IDC considered by the Commission	Total Cost Approved by the Commission
FY 2006-07	1	Construction of 4 nos. 132 kV Bays at 132 kV sub-station Kotdwar	4.30	3.43	_	3.43	-	3.43
	2	LILO of 132 kV Kiccha Pantnagar Line at Rudrapur	1.71	1.56	-	1.56	-	1.56
	3	Upgradation of 132/33 kV Mazra Sub-station	6.28	6.26	-	6.26	-	6.26
	4	Upgradation of 132/33 kV Purkul Sub-station	2.58	2.45	-	2.45	-	2.45
	5	LILO of 132 kV Kashipur Jaspur line at 400 kV sub-station Kashipur	1.03	1.44	-	1.03	-	1.03
	6	LILO of 132 kV Kashipur Ramnagar line at 400 kV sub-station Kashipur	0.34	0.93	-	0.34	-	0.34
		Sub-Total	**16.24**	**16.08**	**-**	**15.08**	**-**	**15.08**
FY 2007-08	7	132 kV Substation Laksar	13.22	10.78	0.19	10.78	0.19	10.98
	8	LILO of 132 kV Roorkee - Nehtaur - II line for 132 kV sub-station Laksar	0.35	0.60	0.01	0.35	0.01	0.35
	9	LILO of 132 kV Dohana -Khatima line at 132 kV sub-station Sitarganj	8.55	6.90	0.12	6.90	0.12	7.02
		Sub-Total	**22.11**	**18.28**	**0.32**	**18.03**	**0.32**	**18.35**
FY 2008-09	10	Upgradation of 132/66/33 kV Haldwani Sub-station	2.92	2.54	0.61	2.54	0.61	3.16
		Sub-Total	**2.92**	**2.54**	**0.61**	**2.54**	**0.61**	**3.16**
FY 2009-10	11	132 kV line from 400 kV sub-station Kashipur to Bazpur	5.64	5.34	2.30	5.34	2.30	7.63
		Sub-Total	**5.64**	**5.34**	**2.30**	**5.34**	**2.30**	**7.63**
FY 2010-11	12	220 kV S/C Barhani - Pantnagar line	19.50	13.94	5.77	13.94	5.77	19.71
	13	220 kV Kashipur - Barhani D/C line	17.93	9.19	5.61	9.19	5.61	14.80
		Sub-Total	**37.43**	**23.13**	**11.38**	**23.13**	**11.38**	**34.51**
		Total	**84.35**	**65.38**	**14.61**	**64.13**	**14.61**	**78.73**

The Petitioner also submitted that the total capital expenditure of Rs. 115.51 Crore would be capitalised during the balance period of FY 2011-12 and during FY 2012-13. The details of such projects is shown in the Table below:

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

Year		Projects	Original Cost as per DPR	Revised Cost	Target date of commissioning
2011-12	1	LILO 132 kV Rishikesh-Srinagar Line at 132 kV sub-station Srinagar-II	1.20	1.05	Dec-11
		Sub-Total	**1.20**	**1.05**	
2012-13	2	Construction of 132 kV Bays at Ranikhet and Pithoragarh	2.48	1.68	Jun-12
	3	Construction of 1 SLDC at Dehradun & 2 nos. Sub-SLDC at Kashipur & Rishikesh	51.92	51.92	Jun-12
	4	132 kV Ranikhet Bageshwar Line	18.79	25.90	Mar-13
	5	LILO of 132 kV Almora - Pithoragarh line at 220 kV sub-station at Pithoragarh (Power Grid)	4.02	5.46	Oct-12
	6	Construction of 132 kV Sub-station at Srinagar-II	21.69	19.77	Dec-12
	7	Construction of 132 kV sub-station at Bageshwar (30 MVA)	15.41	13.93	Mar-13
		Sub-Total	**114.31**	**118.66**	
		Total	**115.51**	**119.71**	

However, in accordance with the approach taken by the Commission in the previous Tariff Order, the Commission is not considering capitalization of above projects as the work is still not complete and the clearance of the Electrical Inspector is yet to be obtained. In case, any of the ongoing projects, receives Electrical Inspector's clearance and gets commissioned during the balance period of FY 2011-12 or during FY 2012-13, the Commission would consider capitalisation of the same in the next tariff determination exercise along with the truing up of capital related expenses for FY 2012-13 subject to the Petitioner justifying to the satisfaction of the Commission, the reasons of time and cost overruns, if any. Thus, the status of the total REC (New) Scheme is as given in the Table hereunder:

Table 5.9 : Status of Original Costs of REC (New) Schemes

S. No.	Scheme	No.	Original Cost (Rs. Crore)
1	Completed Schemes as given in Table 5.8	13	84.35
2	Ongoing schemes likely to be Commissioned in FY 2012-13 given in Table 5.9	7	115.51
3	Schemes Deleted	2	21.16
Total		**22**	**221.02**

5.1.4 REC-IV Scheme

The Petitioner submitted that the Commission had disallowed the capitalisation towards REC-IV schemes in the previous Tariff Order for FY 2011-12 on account of pending approval of the scheme. Subsequently, the Commission directed Petitioner to file certain additional information and justifications in respect of such schemes. In its reply, the Petitioner submitted the requisite information to the Commission. Subsequently, the Commission, vide its Order dated November 24, 2011, granted approval to the REC-IV Scheme.

Total 23 schemes having a total capital outlay of Rs. 236.44 Crore were planned under REC-IV Scheme with a Debt/Equity Ratio of 70:30. Out of the 23 schemes, 5 schemes are yet to be taken up, 3 schemes have already been completed, 5 schemes are likely to be completed in FY 2011-12 and 7 schemes are likely to be completed in FY 2012-13. Remaining 3 schemes are towards the Associated Transmission System related to off-take from Bhilangana-III which has been considered separately by the Petitioner.

The Petitioner submitted that the following schemes were capitalised during FY 2007-08, FY 2010-11, and also likely to be capitalised during FY 2011-12 and FY 2012-13:

i) Construction of Bay at 132 kV sub-station Laksar
ii) 132 kV S/s Sitarganj (SIDCUL) 80MVA
iii) 132 kV Bay at Kicha
iv) 18 nos. 33 kV Bay
v) 220 kV sub-station Dehradun (320 MVA)
vi) 132 kV sub-station Haridwar Road Dehradun (80 MVA)
vii) 220 kV sub-station Ghansali (100 MVA)
viii) Construction of Line at 132 kV sub-station Laksar
ix) Stringing of 132 kV LILO of Sitarganj - Kicha Line (32 km) at 132 kV Sitarganj (SIDCUL) sub-station.
x) 132 kV DC Line from 132 kV sub-station SIDCUL to 132 kV Sitarganj Kicha line
xi) 132 kV Purkul - Bindal Link Line (11.5 km)
xii) LILO of 220 kV Khodri-Rishikesh Line at 220 kV Dehradun
xiii) LILO of 132 kV Purkul - Dhalipur line at 220 kV Dehradun (2.5 Km)
xiv) LILO of 132 kV Kulhal - Mazra line at 220 kV Dehradun
xv) LILO of 132 kV Mazra - Rishikesh Line at 132 kV Dehradun

The Commission observed that except three schemes, i.e. Construction of Bay at 132 kV Substation Laksar, Construction of Line at 132 kV sub-station Laksar and Stringing of 132 kV LILO of Sitarganj - Kicha Line (32 km) at 132 kV Sitarganj (SIDCUL) S/s, other schemes are yet to be completed. The Commission has, accordingly, considered the capitalisation of these three schemes under REC IV Scheme.

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

Table 5.10 : Capitalisation Considered for REC-IV Schemes (Rs. Crore)

Year		Projects	Cost approved by Commission	Cost approved by REC	Expenditure up to 31.12.2011	Allowable Capitalization	Date of Energisation
FY 2007-08	1	Construction of Bay at 132 kV sub-station Laksar	1.23	0.94	0.80	0.80	28.03.2008
	2	Construction of Line at 132 kV sub-station Laksar	2.29	1.81	1.30	1.30	28.03.2008
	Sub-Total		**3.52**	**2.75**	**2.10**	**2.10**	
FY 2010-11	3	Stringing of 132 kV LILO of Sitarganj - Kicha Line (32 km) at 132 kV Sitarganj (SIDCUL) S/s	3.46	2.30	1.84	1.84	Jan-11
	Sub-Total		**3.46**	**2.30**	**1.84**	**1.84**	
	Total		**6.97**	**5.05**	**3.94**	**3.94**	

The Petitioner further projected that capital expenditure of Rs. 182.78 Crore would be capitalised during balance period of FY 2011-12 and during FY 2012-13. The details of such projects is shown in the Table below:

Table 5.11 : REC-IV Scheme – Ongoing Projects (Rs. Crore)

Year		Projects	Cost approved by the Commission	Cost approved by REC	Target date of commissioning
FY 2011-12	1	132 kV sub-station Sitarganj (SIDCUL)	23.54	17.00	Mar' 2012
	2	132 kV Bay at Kicha	1.61	1.14	Dec' 2011
	3	LILO of 132 kV DC Sitarganj Kicha Line at 132 kV Sitarganj (SIDCUL) S/s	5.71	3.81	Marc' 2012
	4	18 nos. 33 kV Bay	4.06	2.73	Mar' 2012
	Sub-Total		**34.93**	**24.68**	
FY 2012-13	5	220 kV sub-station Dehradun (320 MVA)	85.73	57.32	Nov'12
	6	220 kV LILO for Dehradun	1.75	1.09	Nov '12
	7	132 kV LILO Kulhal - Mazra LILO for Dehradun	1.28	0.80	Nov'12
	8	132 kV Dhalipur Purkul LILO for Dehradun	1.28	0.80	Nov' 12
	9	132 kV sub-station Haridwar Road Dehradun	28.09	24.93	Mar' 2013
	10	132 kV Mazra - Rishikesh LILO at Dehradun	6.20	3.81	Dec' 2012
	11	132 kV Purkul-Bindal Link Line	5.96	3.67	June' 2012
	12	Head quarter building	17.56	-	-
	Sub-Total		**147.86**	**92.42**	-
Total			**182.78**	**117.11**	-

However, in accordance with the approach adopted by the Commission in the previous Tariff Order, the Commission is not considering capitalization of the above projects as the work is yet to be completed and the clearance of the Electrical Inspector is yet to be obtained. In case, any of the ongoing projects, receives Electrical Inspector's clearance and gets commissioned during the balance period of FY 2011-12 or during FY 2012-13, the Commission would consider capitalisation of the same in the next tariff determination exercise along with the truing up of capital related expenses for FY 2012-13 subject to the Petitioner justifying to the satisfaction of the Commission, the reasons of time and cost overruns, if any. Thus, the status of the total REC-IV Scheme is as given in the Table hereunder:

Table 5.12 : Status of Original Costs of REC-IV Schemes

S. No.	Scheme	No.	Original Cost (Rs. Crore)
1	Completed Schemes as given in Table 5.11	3	6.97
2	Ongoing schemes likely to be Commissioned in FY 2011-12 given in Table 5.12	4	34.93
3	Ongoing schemes likely to be Commissioned in FY 2012-13 given in Table 5.12	8	147.86
Total		**15**	**189.76**

5.1.5 REC-V Scheme

The Petitioner submitted that it had filed a Petition seeking investment approval for the scheme, however, the Commission in the previous Tariff Order for FY 2011-12 had disallowed the capitalisation of REC-V scheme, as the scheme was not approved by the Commission. Subsequently, the Commission sought additional information/justifications from the Petitioner. The Petitioner submitted the requisite information and justification to the Commission and subsequently, the Commission approved REC-V Scheme vide its Order dated December 12, 2011.

The REC-V Scheme approved by the Commission consisted of 5 Schemes with a total capital outlay of Rs. 150.69 Crore out of which REC had approved a capital cost of Rs. 137.94 Crore having Debt/Equity ratio of 70:30. Out of the 5 schemes, two schemes were observed to be energised and clearances from Electrical Inspector has also been received by the Petitioner. Accordingly, the Commission has considered the capitalisation of the two schemes under REC-V Scheme.

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

Table 5.13 : Capitalisation Considered for REC-V Schemes (Rs. Crore)

Year	Projects		Cost approved by Commission	Cost approved by REC	Expenditure upto 31.12.2011	Allowable Capitalization	Date of Energisation
FY 2011-12	1	220 kV sub-station Mahuakheraganj	119.87	110.90	61.11	61.11	24-Nov-11 & 25-Nov-11
	2	LILO of 132 kV Kashipur-Thakurdwara line at 220/132 kV sub-station at Mahuakheraganj	4.55	3.86	2.22	2.22	24-Nov-11
	Sub-Total		**124.42**	**114.76**	**63.32**	**63.32**	
Total			**124.42**	**114.76**	**63.32**	**63.32**	

The Petitioner further projected that capital expenditure of Rs. 26.27 Crore would be capitalised till March 2013. The details of such projects is shown in the Table below:

Table 5.14 : REC-V Scheme –Ongoing Projects (Rs. Crore)

Year		Projects	Cost approved by Commission	Cost approved by REC	Target date of commissioning
FY 2011-12	1	2 nos. 132 kV Bay at 132 kV sub-station Purkul & Bindal	2.10	2.02	Dec-11
		Sub-Total	**2.10**	**2.02**	
FY 2012-13	2	2 nos. 220 kV Bay at 400 kV sub-station Kashipur	6.02	5.78	Dec-12
	3	220 kV DC Line from 400 kV sub-station Kashipur to 220 kV sub-station Mahuakheraganj (10 km)	18.15	15.37	Mar-12
	Sub-Total		**24.17**	**21.15**	
Total			**26.27**	**23.17**	

However, in accordance with the approach adopted by the Commission in the previous Tariff Order, the Commission is not considering capitalization of the above projects as the work is yet to be completed and the clearance of the Electrical Inspector is yet to be obtained. In case, any of the ongoing projects, receives Electrical Inspector's clearance and gets commissioned during the balance period of FY 2011-12 or during FY 2012-13, the Commission would consider capitalisation of the same in the next tariff determination exercise along with the truing up of capital related expenses for FY 2012-13 subject to the submission of Petitioner justifying to the satisfaction of the Commission, of the reasons of time and cost overruns, if any. Thus, the status of the total REC V Scheme is as given in the Table hereunder:

Table 5.15 : Status of Original Costs of REC V Schemes

S. No.	Scheme	No.	Original Cost (Rs. Crore)
1	Completed Schemes as given in Table 5.14	2	124.42
2	Ongoing schemes likely to be Commissioned in FY 2011-12 given in Table 5.15	1	2.10
3	Ongoing schemes likely to be Commissioned in FY 2012-13 given in Table 5.15	2	24.17
Total		**5**	**150.69**

5.1.6 PFC and ADB Scheme

The Petitioner had earlier submitted the details of the schemes, which were being developed by it under the Unified Integrated Transmission Plan (UITP) for evacuation of power from the proposed central generating stations and IPPs being developed by NTPC, NHPC, THDC, SJVNL, GVK, L&T etc. The Commission would like to reiterate its views communicated to the Petitioner vide its letter dated 08.12.2011 that the Petitioner should take all necessary action to comply with the conditions and procedures for determination of charges under POC mechanism in accordance with the CERC (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2010. The Commission had also opined in the said letter that it has no objection for determination of yearly transmission charges for these non-ISTS schemes subject to compliance by PTCUL of the provisions of the aforesaid CERC Regulations and directions of the Commission provided therein.

Since these schemes would primarily handle flow of inter State power, the Commission does not consider costs of these schemes to be included in the overall ARR of PTCUL to be recovered from the distribution licensee (UPCL) and, accordingly, passed on to the consumers of the State in the retail tariffs.

5.1.7 Other than Schemes

Apart from the assets capitalised under REC financed Old, New Schemes, REC-IV, REC-V as well as NABARD Scheme, it was observed from the audited balance sheets of the Petitioner, that some of the assets have also been capitalised like purchase of miscellaneous assets like furniture and fixtures, office equipments, etc. which might not have been funded from the schemes which mainly constitute the system strengthening works. The Commission has considered the actual asset capitalisation for these assets as per the audited Balance Sheets. **The Petitioner is, however, directed to reconcile the assets capitalised including miscellaneous assets like furniture and fixtures, office equipments, etc. from FY 2004-05 to FY 2010-11 along with the financing thereof and submit the same to the Commission along with the next Tariff Petition, so that truing up of all the assets capitalised and financing thereof may be carried out.** The following Table shows the expenditure under this categorisation:

Table 5.16 : Other than Scheme Details (Rs. Crore)

Year	Expenditure
2007-08	0.20
2008-09	0.75
2009-10	0.52
2010-11	0.43
Total	**1.90**

5.2 GFA including Additional Capitalisation

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

Table 5.17 : GFA including Additional Capitalization (Rs. Crore)

S.No	Particulars	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
1	**Opening Value**	**181.98**	**460.69**	**493.45**	**497.36**	**559.99**	**581.70**	**645.02**
2	**Additions in the year**	-	-	-	-	-	-	-
i	REC Old Schemes	2.97	-	-	54.70	7.95	-	-
ii	NABARD Schemes	188.52	12.27	-	-	-	-	-
iii	REC New Schemes	15.08	18.35	3.16	7.63	34.51	-	-
iv	REC-IV scheme	-	2.10	-	-	1.84	-	-
v	REC-V Scheme	-	-	-	-	-	63.32	-
vi	Grants etc	-	-	-	-	-	-	-
vii	Deposit Works	73.51	-	-	-	-	-	-
viii	Other than Schemes	-	0.20	0.75	0.52	0.43	-	-
	Total Additions during the year	280.07	32.92	3.91	62.86	44.74	63.32	-
3	Less Deletions during the year	1.36	0.16	-	0.23	23.03	-	-
4	**Closing Value**	**460.69**	**493.45**	**497.36**	**559.99**	**581.70**	**645.02**	**645.02**

The opening value of the GFA for FY 2012-13, accordingly, works out to be Rs. 645.02 Crore as against Rs. 997.50 Crore claimed by the Petitioner.

5.3 Financing of Capital Assets

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

"(5) (a) In case of all projects, debt-equity ratio as on the date of commercial operation shall be 70:30

for determination of tariff. Where equity employed is more than 30%, the amount of equity for the purpose of tariff shall be limited to 30% and the balance amount shall be considered as the normative loan.

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

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

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

Table 5.18 : Means of Finance for Additional Capitalisation

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

Based on the above, the Commission has determined the debt and equity components for the different schemes till March 31, 2012, as given below:

Table 5.19 : Approved Means of Finance

S.No	Particulars	FY 2010-11					FY 2011-12				
		Capital Reserve	Grant	Loan	Equity	Total	Capital Reserve	Grant	Loan	Equity	Total
1	Opening Value	120.90	90.09	291.32	57.68	559.99	97.87	90.09	334.50	59.25	581.70
2	**Additions in the year**	-	-	-	-	-	-	-	-	-	-
i	REC Old Schemes	-	-	6.52	1.44	7.95	-	-	-	-	-
ii	NABARD Schemes	-	-	-	-	-	-	-	-	-	-
iii	REC New Schemes	-	-	34.51		34.51	-	-	-	-	-
iv	REC-IV scheme	-	-	1.84	-	1.84	-	-	-	-	-
v	REC V scheme	-	-	-	-	-	-	-	44.32	19.00	63.32
vi	PFC Scheme	-	-	-	-	-	-	-	-	-	-
vii	ADB Scheme	-	-	-	-	-	-	-	-	-	-
Viii	Other Schemes	-	-	0.30	0.13	0.43			-	-	-
3	**Total Additions during the year**	-	-	**43.17**	**1.57**	**44.74**	-	-	**44.32**	**19.00**	**63.32**
4	Less Deletions during the year	23.03	-	-	-	23.03	-	-	-	-	-
5	**Closing Value**	**97.87**	**90.09**	**334.50**	**59.25**	**581.70**	**97.87**	**90.09**	**378.82**	**78.24**	**645.02**

5.4 Depreciation

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

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

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

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

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

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

The Petitioner has submitted that it has computed depreciation as per the rates provided in the Regulations and for FY 2012-13, the Petitioner has stated that it has applied these rates on pro-rata basis for different block of fixed assets. Accordingly, the Petitioner has claimed Rs. 46.91 Crore towards depreciation on net GFA of Rs. 1668.04 Crore for FY 2012-13.

The Commission directed the Petitioner to submit depreciation computations for FY 2012-13 based on the depreciation rates specified in the Regulations for each class of asset. However, the Petitioner has not submitted these details. The Petitioner was also asked to submit the capitalisation policy showing when an asset is capitalised in its books of accounts. Instead, the Petitioner submitted the depreciation policy. Pro-rata depreciation on assets capitalised during the year would not be admissible in case the asset is capitalised at the year end. Hence, to validate the same, pre-requisite would be the capitalisation policy as well as the fixed asset register showing the date of additions made in the assets during the year. **The Petitioner is directed to take note of the above pre-requisite and submit the same along with the next filing and also claim depreciation based on the rates specified in the Regulations for each class of asset.**

Since, for various reasons as recorded in the previous Tariff Orders, the capitalization as allowed by the Commission differs from the capitalization as claimed by the Petitioner, the Commission has been allowing depreciation on the gross block at the beginning of the year at the weighted average rate. The Commission has considered the same weighted average rate of 2.99% based on the weighted average rate considered by the Commission in its previous Order.

The depreciation rate will be trued up when actual asset categorisation for FY 2012-13 is available. The depreciation allowed on the depreciable GFA excluding grants, accordingly, works out to Rs. 16.59 Crore for FY 2012-13 as against the depreciation claimed by the Petitioner of Rs. 46.91 Crore. The summary of Depreciation Charges for FY 2012-13 as approved by the Commission is shown in the Table below:

Table 5.20 : Depreciation charges approved by the Commission for FY 2012-13 (Rs. Crore)

Particulars	Opening GFA	Grants	Depreciable GFA	Depreciation
1. Old Assets	97.87	-	97.87	2.93
2. (i) REC old Scheme	105.34	-	105.34	3.15
(ii) NABARD Scheme	200.79	-	200.79	6.00
(iii) REC new Scheme	78.73	-	78.73	2.35
(iii) REC IV	3.94	-	3.94	0.12
(iv) REC V	63.32	-	63.32	1.89
Grants etc.	0.68	0.68	-	-
SIDCUL Deposit Works	82.19	82.19	-	-
APDRP	8.02	7.22	0.80	0.02
Other than schemes (normative loan)	4.14	-	4.14	0.12
3.Total	**645.02**	**90.08**	**554.93**	**16.59**

5.5 Advance against Depreciation

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

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

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

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

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

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

The Petitioner has claimed the advance against depreciation on the premise that the depreciation expenses are not adequate to meet the repayment of loan during the FY 2012-13. Accordingly, the Petitioner has claimed AAD of Rs. 56.19 Crore for FY 2012-13.

The Commission has considered Regulation 19 of UERC Tariff Regulations, 2004 for working out the allowable Advance Against Depreciation (AAD). The Commission has considered the loans corresponding to capitalised GFA under each scheme as detailed in the financing portion above irrespective of actual loans. The Commission noted that due to moratorium available on repayments of the loans taken under different schemes, the actual repayment is linked with the date of release of the loan tranche irrespective of actual date of capitalisation of asset created. Since the Commission is considering loans only on the date of capitalisation for working out interest, it can allow repayments only after the loan is recognized upon capitalisation of asset. Accordingly, for those tranches of loan where the actual repayment starts on or after the date of capitalisation, the Commission has considered actual repayments and for tranches of loan where repayments starts before the date of capitalisation, repayments have been assumed to start from the date of loan capitalisation over the approved loan tenure. The repayments have, therefore, been taken as lower of the normative repayments after the date of capitalisation and actual repayments due as per the drawl schedule. On the basis of the above, the Commission has re-worked the advance against depreciation for FY 2012-13 which works out to Rs. 21.21 Crore. The details of the advance against depreciation approved by the Commission for FY 2012-13 are shown in the Table below:

Table 5.21 : Advance Against Depreciation charges for FY 2012-13 (Rs. Crore)

S.No.	Particulars	Projected	Approved
1	1/10th of the Loan	128.33	37.80
2	Repayment of the Loan(s) as considered for working out interest on Loan	103.10	54.75
3	**Minimum of the above**	**103.10**	**37. 80**
4	Less: Depreciation during the year	46.91	16.59
5	(A) = 3 – 4	56.19	21.21
6	Cumulative Repayment of the Loan(s) as considered for working out Interest on Loan	**376.74**	**236.78**
7	Less: Cumulative Depreciation	270.25	97.81
8	(B) = 6 – 7	106.49	138.97
9	**Advance Against Depreciation (Minimum of A & B)**	**56.19**	**21.21**

5.6 Interest on Loans & Finance Charges

For FY 2012-13, the Petitioner has claimed net interest, i.e. excluding interest capitalized, of Rs. 56.09 Crore on the basis of the long term liabilities identified in the provisional accounts for FY 2009-10 and fresh loans drawn in the financial year 2011-12 till September 2011 and projected loans to be drawn over the remaining period of FY 2011-12 and FY 2012-13 under the Old REC, New REC schemes, NABARD, REC-IV, REC-V and PFC Schemes and computer loans from PFC.

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

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

The Commission has worked out the Interest and Finance Charges considering the loan amount corresponding to the assets capitalised in each year based on the approved means of finance. Interest rates for estimating interest for FY 2012-13 on the loans from financial institutions have been taken as the actual rates submitted by the Petitioner for FY 2010-11. Rate of interest on normative loans have been considered as the weighted average rate of interest on actual loans. However, any variation in the interest due to change in rate of interest shall be trued up while carrying out the truing up for FY 2012-13. The repayment of loans for working out the interest on REC loans – Old REC, New REC, REC-IV, REC-V have been taken as lower of the normative repayments after the date of capitalisation worked out by the Commission and actual repayments due as per drawl schedule as detailed in para 5.4 of this Order. For normative loans considered for funding of other Schemes, the Commission has considered a weighted average interest rate of other long term loans for that particular year and a normative repayment period of 10 years. The Commission has also computed interest on loan disbursed by PFC for shortfall of NABARD Loan to the extent required in accordance with the approach adopted in the previous Tariff Orders for FY 2009-10, FY 2010-11 and FY 2011-12.

Based on the loans and repayment considered and interest rates adopted by the Commission, the interest liability of the Petitioner for FY 2012-13 has been calculated, the details of which are indicated in the Table given below:

Table 5.22 : Interest Charges for FY 2012-13 (Rs. Crore)

S. No.	Source	Opening Balance			Receipts during the year	Repayments during the year	Closing Balance			Rate of Interest	Interest
		Cumulative loan	Cumulative repayment	Net Loan			Cumulative loan	Cumulative repayment	Net Loan		
1	Old REC	86.32	35.14	51.18	-	8.63	86.32	43.77	42.55	11.01%	5.16
2	NABARD	161.81	128.68	33.13	-	33.13	161.81	161.81	-	6.59%	1.09
3	New REC	78.73	15.95	62.78	-	7.87	78.73	23.83	54.90	12.04%	7.09
4	REC IV	3.94	0.60	3.34	-	0.39	3.94	1.00	2.94	13.78%	0.43
5	REC V	44.32	-	44.32	-	4.43	44.32	4.43	39.89	11.00%	4.63
6	Others	2.90	1.66	1.241.45	-	0.29	2.90	1.95	0.95	10.98%	0.12
	Sub-Total	378.02	182.03	195.99	-	54.75	378.02	236.78	141.24		18.52
7	PFC Gap Funding Loan	50.58	-	50.58	16.95	-	67.53	-	67.53	11.50%	6.79
Total		**428.59**	**182.03**	**246.57**	**16.95**	**54.75**	**445.54**	**236.78**	**208.76**		**25.31**

Thus, the Commission has approved a total interest expenses of Rs. 25.31 Crore for FY 2012-13.

The Petitioner also submitted that the Commission had deferred the allowable tariff to the Petitioner in respect of depreciation, return on equity, etc. which has resulted in the gap for which the Petitioner has resorted to short term borrowing to meet its working capital. The Petitioner has submitted that it has included the cost of servicing the short term debt in the interest and finance charges and has sought recovery of the same in tariff.

The contention of the Petitioner that the Commission has deferred the allowable tariff to it, is incorrect. The Commission did not allow the capitalisation of certain Schemes in the past, as either approval of the Commission was not sought for them, as required under the License Conditions and Regulations, or the Clearance certificates of the Electrical Inspector were not obtained before charging any HT/EHT works, or relevant details regarding cost and time over-runs in the project sought by the Commission were not submitted. In many Schemes, there have been instances of cost and time overruns. Furthermore, assets have been created but are lying under-utilised or un-utilised, instances of which have been given in this Tariff Order as well as other Tariff Orders. These all reflects towards the inefficiency of the Petitioner and the Commission cannot reward the inefficiency in any manner. The Commission expects the Petitioner Company to be efficient, growth oriented, ensuring compliances of the Act, Rules, Regulations, etc. with proper systems in place.

Further, the employees should also be accountable and responsible towards the Company and should inculcate a sense of ownership and treat the Company as a going concern.

In its previous Order, the Commission directed the Petitioner to file the truing up Petition for the period FY 2004-05 to FY 2008-09 on the basis of its audited accounts. In compliance, the Petitioner in the current Petition requested for truing up of its expenses for the period FY 2004-05 to FY 2010-11 on the basis of its audited accounts. However, as discussed in Chapter 4 of this Order, capitalisation based on the Physical Progress Report does not tally with the addition in the GFA as per the balance sheet, and, Petitioner admitted that un-reconciled balances existed in various accounting heads and the same had also been pointed out by its statutory auditors. Accordingly, the Petitioner requested the Commission to allow it to withdraw the truing up Petition, which will again lead to deferment of truing up exercise. To allow any expenses, the Commission has to validate the expense and also has to carry out prudence check for which details needs to be submitted by the Petitioner. Thus, the Petitioner has to maintain proper information/details and also submit the same to the Commission when required.

Hence, because of the reasons discussed above, interest on short term borrowings claimed by the Petitioner cannot be allowed. However, the Petitioner would be entitled for any variation arising out during truing up of the Petitioner's expenses in accordance with Regulation 4(4) of UERC (Terms and Conditions for Truing Up of Tariff) Regulations, 2008, which specifies as under:

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

The Petitioner has also submitted that it has to pay guarantee fee on loans for which the GoU has given its guarantee. The Petitioner has submitted that it has calculated the guarantee fee on the sanctioned loan amount for the four schemes namely REC-I and III (REC Old), REC-IV and NABARD Scheme and, accordingly, the Petitioner has considered the guarantee fees of Rs. 6.34 Crore for FY 2012-13. However, the Petitioner has submitted that it has made an application before the GoU that the guarantee fees should be payable only on the outstanding loan balance and not on the sanctioned loan balance. However, a final decision to this effect is awaited from the GoU. The Petitioner has submitted that till a final decision is taken, the Commission may allow the guarantee fees claimed by it and any subsequent changes may be suitably adjusted at a later stage. In addition, the Petitioner has claimed commitment charges of Rs. 18.07 Lakh for FY 2012-13, as provided in the loan agreement with ADB to the tune of 0.15% of the loan amount as part of finance charges.

The Commission observed that the Petitioner has calculated the guarantee fee on the entire scheme cost instead of the amount capitalised in the approved scheme. The Commission is of the view that it is not appropriate to compute the guarantee fee on the sanctioned loan as the sanctioned loan may not be equal to the actual loan, since some of the schemes may get deleted from the original scope due to the change in scope of the project, as it has happened in many of the Schemes, like REC-Old, REC New. Further, if the guarantee fee is computed on the sanctioned loan, it will be payable for perpetuity, even though the entire loan would have been repaid. Moreover, guarantee has been extended by the State Government to ensure repayments to the Financial Institutions, in case there is a default on the part of the Petitioner to make repayments. Hence, with the Petitioner making regular repayments, the risk of default on the part of the Government also reduces and, accordingly, the risk charges levied as guarantee fee should also reduce.

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

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

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

The Petitioner is, hereby, directed to expedite its effort to get the approval from the GoU on charging guarantee fee only on the outstanding loan amount and not on the sanctioned loan amount and, accordingly, submit the guarantee fee computed on the outstanding loans of the approved schemes in accordance with the Accounting Standard in the Multi Year Tariff Petition for the first Control Period.

5.7 Return on Equity

The Petitioner has submitted that pending finalisation of its transfer scheme, its equity has not been ascertained by GoU. On finalisation of the capital structure, as part of the finalized Transfer Scheme, the Petitioner would approach the Commission for claiming Return on Equity on the transfer value of equity funds. In the current Petition, the Petitioner has claimed RoE on the contribution made by GoU on the assets capitalised or likely to be capitalised during FY 2011-12. The Petitioner, further submitted that PTCUL's audited accounts forms the basis of identification of assets capitalised during FY 2004-05 to FY 2010-11 under the different heads. The Petitioner further submitted that as per Generally Accepted Accounting Practices (GAAP), it is bound to provide a return to its shareholders irrespective of the source from where the shareholder has acquired money.

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

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

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

Further, since the Commission in its previous Tariff Order for FY 2009-10, 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 spelt out in the said Orders, at present also, there seems no reason to revisit this issue and the Commission is, therefore, not allowing any return on equity utilized for creation of assets funded out of PDF.

Further, regarding the submission of the Petitioner that return should be allowed to it on normative basis on assets inherited from UPCL, it would be relevant to take note of the submission of the Petitioner in this Petition as well as previous Petitions that pending finalisation of its transfer scheme, its equity has not been ascertained by GoU and on finalisation of the capital structure, as part of the finalized Transfer Scheme, the Petitioner would approach the Commission for claiming

Return on Equity on the transfer value of equity funds. Further, this issue is linked to the finalisation of the transfer scheme not only between UPCL and PTCUL but also between UPPCL and UPCL. Hence, unless the said transfer schemes are finalised and notified by the GoU, the Commission feels it appropriate to maintain status quo in the matter. Accordingly, the Commission has allowed the return on equity only on the opening normative equity of Rs. 1.24 Crore which at the rate of 14% works out to Rs. 0.17 Crore for FY 2012-13.

5.8 Operation and Maintenance (O&M) expenses

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

The submissions of the Petitioner and the approach adopted by the Commission for approving the various components of O&M expenses for FY 2012-13 are discussed below.

5.8.1 Employee Expenses

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

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

- Employee cost for existing 886 employees for FY 2011-12 (as on September 30, 2011)
- Additional employee cost for new recruitments – 102 employees for FY 2011-12 and 67 employees for FY 2012-13

The Petitioner submitted that for existing employee it has estimated the Salaries (which includes Basic Salary and Grade Pay) for FY 2012-13 by increasing the salaries for FY 2011-12 by 3%. The salary for FY 2011-12 was projected in line with the provisional salary expense upto September 2011. The Petitioner submitted that for projecting the additional employee cost for new recruitments, the Basic Salary and the Grade Pay have been considered at the initial values of their pay band.

For estimating the employee expenses for FY 2012-13, the Commission first analysed the employee cost for existing employees for FY 2011-12 based on the actual employee cost from April, 2011 to December, 2011 submitted by the Petitioner. However, on analysis of the information submitted by the Petitioner, the Commission observed that the actual salary details submitted by the Petitioner were inclusive of the Sixth Pay Commission arrears which cannot be considered for projecting the employee expenses for FY 2012-13. Therefore, the Commission projected the Employee Expenses for FY 2012-13 based on actual employee expenses for FY 2010-11 excluding the Sixth Pay Commission arrears.

Thus, for estimating the basic salaries for FY 2012-13, the Commission considered the actual salary details excluding arrears of Sixth Pay Commission submitted by the Petitioner for FY 2010-11. The Commission first projected the basic salaries for FY 2011-12 considering an increment of 3% on the basic salary in the month of July 2011 for 50% of the employees and another 3% in the month of January 2012 for remaining 50% of the employees. After estimating the Basic Salary for FY 2011-12 on the above basis, the Commission, for projecting the basic salaries for FY 2012-13 considered an increment of 3% on the basic salary in the month of July 2012 and another 3% in the month of January 2013 for 50% of employees at a time. The Petitioner had also submitted that the GoU had allowed its employees benefit of Assured Career Progression (ACP) scheme in line with the recommendation of Sixth Pay Revision & GoU order in this regard. Under this scheme employees of PTCUL are allowed their first, second and third time scale in 09th, 14th & 19th years of their service respectively. Hence, due to the implementation of third time scale retrospectively, the Petitioner submitted that an impact of about Rs. 5.01 Crore would be there in the salary of FY 2011-12. The Commission has also considered the impact due to the implementation of third time scale while computing the salary for FY 2012-13.

The Commission also considered an enhanced DA rate of 65% for the first three months, 71% for the next six months and 75% for the balance 3 months in FY 2012-13. As regards other allowances/expenses, the same were estimated by escalating the actual allowances/expenses for FY 2010-11 @ 7.02% which is the escalation rate considered by the Commission for FY 2012-13 in accordance with Uttarakhand Electricity Regulatory Commission (Terms and Conditions for Determining Escalation Factor) Regulations, 2008. The Commission further estimated the leave encashment and leave salary contributions in the same proportion of salary as was provided in the actual employee expenses for FY 2010-11. Further, terminal benefits were estimated in the same proportion of the salary as was considered in the previous Order.

Further, the Petitioner submitted that it would be recruiting 102 employees in FY 2011-12 and 67 employees in FY 2012-13 at different scales of pay. Further, the Petitioner submitted that there would be retirement of 27 employees in FY 2011-12 and 41 employees in FY 2012-13. The Commission has considered the number of retiring employees submitted by the Petitioner for projecting the total number of existing employees for FY 2012-13. During the TVS held with the Petitioner, the status of proposed recruitment was discussed with the Petitioner. The Petitioner confirmed that no recruitment took place in FY 2011-12 and it proposes to recruit even these 102 employees in FY 2012-13. The Commission has, thus, estimated the employee expenses for the additional 169 employees for FY 2012-13 considering the initial basic salary and grade pay of the scale to which they would be recruited. Further, DA rate has been considered as mentioned in the Para above. Other allowances and employer's contribution has been estimated based on average projected salary of the existing employees for FY 2012-13. Employer's contribution towards EPF has been projected at 13.61% of their basic salary and DA and the provision for gratuity has been made equivalent to 15 days salary in accordance with the claim of the Petitioner.

The Commission has computed capitalisation for FY 2012-13 in proportion to the actual capitalisation considered in the audited accounts for FY 2010-11.

The following Table shows the summary of the claimed and approved employee expenses for FY 2012-13:

Table 5.23 : Employee cost for FY 2012-13 (Rs. Crore)

S. No.	Items	Proposed			Approved		
		For Existing Employees	For Additional Manpower	Total Employee Cost	For Existing Employees	For Additional Manpower	Total Employee Cost
1	Salaries	25.55	0.32	25.86	26.19	1.04	27.24
2	Dearness Allowance	18.39	0.23	18.62	18.47	0.74	19.21
3	Other allowances	3.92	0.04	3.96	2.56	0.31	2.87
4	Bonus / exgratia	0.37	-	0.37	0.28	0.03	0.31
	Sub-total (1 to4)	**48.24**	**0.58**	**48.82**	**47.50**	**2.13**	**49.63**
5	Medical expenses reimbursement	0.66	0.01	0.67	0.49	0.06	0.55
6	Earned Leave encashment	2.86	-	2.86	2.87	-	2.87
7	Leave salary contribution	5.56	0.02	5.58	5.73	-	5.73
8	Other Cost	0.01	-	0.01	0.02	0.00	0.02
9	Staff welfare expenses	0.01	-	0.01	0.06	0.01	0.07
	Sub-total (5 to 12)	**9.09**	**0.03**	**9.12**	**8.68**	**0.07**	**8.75**
10	Employer's contribution towards pension & gratuity	6.59	0.05	6.64	7.55	0.30	7.85
11	Employer's contribution towards EPF	2.88	0.07	2.95	-	-	-
12	Additional Employee Expenses towards new assets	2.86	-	2.86	-	-	-
	Gross Employee cost	**69.66**	**0.74**	**70.40**	**63.73**	**2.50**	**66.23**
13	Less: Capitalization	8.10	0.30	8.40	7.61	0.30	7.91
14	**Net charged to Revenue**	**61.56**	**0.43**	**61.99**	**56.13**	**2.20**	**58.32**

5.8.2 Repairs and Maintenance Expenses

The Petitioner has projected the gross R&M expenses of Rs. 20.22 Crore for FY 2012-13. The

Petitioner submitted that for projecting R&M expenses for FY 2012-13, revised estimates for FY 2011-12 have been escalated with an escalation rate of 6.43% per annum to compute the R&M expenses for FY 2012-13.

The Commission has taken the actual R&M expenses of FY 2010-11 of Rs. 11.75 Crore based on the audited accounts as a base and has escalated it with the escalation factor of 7.02% in accordance with Uttarakhand Electricity Regulatory Commission (Terms and Conditions for Determining Escalation Factor) Regulations, 2008 to estimate the R&M expenses for FY 2012-13. Accordingly, the Commission has approved R&M expenses of Rs. 13.45 Crore for FY 2012-13 against Petitioner's claim of Rs. 20.22 Crore.

The following Table shows the summary of the R&M expenses for FY 2012-13:

Table 5.24 : R&M Expenses (Rs. Crore)

S. No.	Items	Projected	Approved
1	Plant & Machinery	8.04	7.95
2	Buildings	1.89	0.78
3	Civil Works	0.80	0.72
4	Hydraulic Works	0.00	0.00
5	Lines & Cable Network	8.63	4.00
6	Vehicles	0.04	0.00
7	Others	0.82	0.00
8	**Total expenses**	**20.22**	**13.45**

5.8.3 Administrative and General Expenses

The Petitioner has projected the gross A&G expenses of Rs. 22.60 Crore for FY 2012-13. The above expenses are approximately 68 % higher than the A&G expenses of Rs. 15.35 Crore approved by the Commission for FY 2011-12.

The Commission for determining the A&G expenses for FY 2012-13 escalated the actual A&G expenses submitted by the Petitioner for FY 2010-11 other than the license fees with the escalation factor of 7.02% in accordance with Uttarakhand Electricity Regulatory Commission (Terms and Conditions for Determining Escalation Factor) Regulations, 2008 to estimate the A&G expenses for FY 2012-13.

Further, the Commission observed that the License Fee has increased from Rs 4.56 Crore in FY 2010-11 to Rs. 12.47 Crore in FY 2012-13 approximately 174% higher than approved by the Commission. In this regard, the Commission asked the Petitioner to submit the detailed break up of

License Fee of Rs. 12.47 projected for FY 2012-13. The Petitioner in its reply submitted that the License Fees included the ROC Fee of Rs. 2.25 Crore, License Fees payable to the Commission of Rs. 7.50 Crore and Others of Rs. 2.72 Crore. Further, the Commission asked the Petitioner to submit the break-up of other components of Rs. 2.72 Crore and the reason for increase in ROC fees for FY 2011-12 and FY 2012-13. The Petitioner in its reply submitted that the License Fees is booked in the accounts under the Accounting Group Code carrying a nomenclature of "Fees and Subscription", therefore, the booking made under "Fees and Subscription" also include other regular subscriptions other than the License Fees payable to the Commission. The Petitioner submitted that for projecting expenditure under this head it has extrapolated the actual expenditure booked till September, 2011. The Petitioner further submitted that the reason for increase in ROC fees in FY 2012-13 is based on the projection of increase in authorised share capital of the company.

The Commission has considered the Licence Fee of Rs. 7.50 Crore as claimed by the Petition and in addition allowed Fees and subscription of Rs. 1.25 Crore by escalating the actual Fees and subscriptions of Rs 1.09 Crore for FY 2010-11. The Commission has not considered increased ROC Fees claimed by the Petitioner as the audited balance sheet for FY 2010-11 shows the Authorised Share Capital of PTCUL as Rs. 500 Crore against which the Issued, Subscribed and Paid up Capital including the share application money is only about Rs. 187 Crore. Hence, the Commission does not find any merit in further increase in the Authorised Share Capital of the Company as the company can have an additional paid up share capital of Rs. 312 Crore without resorting to increasing the Authorised Share Capital.

The Commission also advises the Petitioner to exercise control over its A&G expenses. In its projections for FY 2012-13, the Petitioner has projected an abnormal increase in most of the components, for instance Conveyance & Travelling and security expenses have been projected to increase by about 192% more than the approved expenses in FY 2010-11. The management should realise the utility of such expenditure before approving the same. The Commission cautions the Petitioner that it is expected to exercise efficiency and economy in spending the money and that it would allow only such expenses which were uncontrollable based on the prudence check.

Further, the Petitioner had claimed Rs. 1.98 Crore towards training expenses. The Petitioner submitted that a comprehensive training programme has been plan to be undertaken during FY 2012-13 for skill up-gradation. In this regard, the Commission in its Tariff Order for FY 2011-12, recognizing the need and essence of training had approved the Petitioner's claim of Rs. 1.98 Crore in this head. However, it is disheartening to see that the Petitioner did not carry out proper training of its employees as expenses under this head for FY 2011-12 has been shown as Rs. 9.00 Lakh only. Training is the necessary expenditure for skill up-gradation, optimum utilization of human resources of the Petitioner's staff and the Petitioner should have carried out this activity for its staff from all the functions. Accordingly, the Commission has escalated the actual expenses incurred in FY 2010-11 to project the expense for FY 2012-13. The same, however, shall be trued up based on the actual expenditure incurred by the Petitioner during FY 2012-13.

Accordingly, the Commission has approved A&G expenses of Rs. 14.27 Crore for FY 2012-13 against Petitioner's claim of Rs. 20.62 Crore.

The following Table shows the summary of the approved A&G expenses for FY 2012-13:

Table 5.25 : A&G Expenses Approved by the Commission for FY 2012-13 (Rs. Crore)

S.No.	Item	Projected	Approved
1	Rent, Rates & Taxes	0.15	0.26
2	Insurance	0.00	0.01
3	Telephone postage & Telegrams	0.50	0.55
4	Legal Charges	0.18	0.23
5	Audit Fees	0.11	0.20
6	Consultancy Charges	0.20	0.08
7	Fees & Subscription fees	0.00	1.25
8	License Fee	12.47	7.50
9	Conveyance & Travelling	2.60	2.17
10	Electricity & water charges	0.03	0.11
11	Printing & Stationery	0.22	0.22
12	Advertisement	0.51	0.30
13	Training Expenses	1.98	0.16
14	Security Charges	2.43	2.39
15	Misc/Other expenses	0.29	0.40
16	Additional A&G expenses towards new assets	0.92	-
17	**Total expenses**	**22.60**	**15.83**
18	Less : Capitalised	**1.98**	**1.56**
19	**Net charged to Revenue**	**20.62**	**14.27**

Accordingly, the Commission has approved net A&G expenses of Rs. 14.27 Crore for FY 2012-13 against Petitioner's claim of Rs. 20.63 Crore.

5.8.4 O&M Expenses

Apart from the above, the Commission has further added 1.5% of asset capitalisation during

FY 2010-11 and FY 2011-12 to the allowable O&M expenses comprising of employee expenses, A&G expenses and R&M expenses for FY 2012-13 as discussed above after escalating the same by 7.02% as per the Regulations and similar to the approach adopted by the Commission in the previous Orders. The Petitioner had also claimed incremental employee expenses towards new assets capitalized in addition to the proposed recruitment. It is to be noted that either, expenses on new recruitment, which will cater to the new assets, can be allowed or incremental expenses due to increase in transmission assets towards employee cost can be allowed. Since, the Commission has already allowed new recruitments as proposed by the Petitioner for FY 2012-13, there seems no reason to allow the incremental employee expenses again. Hence, the Commission has only allowed additional A&G and R&M expenses for FY 2012-13 towards new assets.

The total O&M expenses claimed and approved for FY 2012-13 based on the discussions above, are given in the following Table:

Table 5.26 : Approved O&M expenses for FY 2012-13 (Rs. Crore)

Particulars	Projected	Approved
Employee Cost	61.99	58.32
A&G Expenses	20.63	14.27
R&M Expenses	20.22	13.45
Additional O&M expenses towards new assets	-	1.79
Total O&M expenses	**102.84**	**87.83**

The Commission has, accordingly, approved the O&M expenses of Rs. 87.83 Crore for FY 2012-13.

5.9 Interest on working Capital

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

"Working Capital shall cover:

a) Operation and Maintenance expenses for one month;

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

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

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

In accordance with the provisions of the Regulations, the Petitioner has estimated Working Capital requirement for FY 2012-13 as Rs. 76.78 Crore and considering the working capital interest rate of 14.25% (SBI short term PLR rate), the interest on working capital estimated by the Petitioner for FY 2012-13 is Rs. 10.94 Crore.

5.9.1 One Month O&M Expenses

The annual O&M expenses approved by the Commission are Rs. 87.83 Crore for FY 2012-13. Based on the approved O&M expenses, one month's O&M expenses works out to Rs. 7.32 Crore for FY 2012-13.

5.9.2 Maintenance Spares

The Commission has considered the maintenance spares on the basis of the relevant Regulations on the historical cost as well as on the additional capitalisation, which works out to Rs. 9.31 Crore for FY 2012-13.

5.9.3 Receivables

The Commission has approved the receivables for two months based on the approved Annual Transmission Charges of Rs. 159.54 Crore, which works out to Rs. 26.59 Crore for FY 2012-13.

Based on the above, the total working capital requirement of the Petitioner for the FY 2012-

13 works out to Rs. 43.22 Crore. The Commission has considered the SBI PLR of 13.25% as on April 1, 2011, that is the year preceding the tariff year, as the rate at which interest on working capital would be allowed in accordance with the principle adopted in the previous Tariff Orders, and, accordingly, the interest on working capital works out to Rs. 5.73 Crore. The interest on working capital for FY 2012-13 approved by the Commission is shown in the Table below:

Table 5.27 : Interest on Working Capital for FY 2012-13 (Rs. Crore)

Particulars	Projected	Approved
O&M expenses	9.43	7.32
Maintenance Spares	19.11	9.31
Receivables	48.24	26.59
Net Working Capital	**76.78**	**43.22**
Rate of Interest on Working Capital	14.25%	13.25%
Interest on Working Capital	**10.94**	**5.73**

5.10 Non-Tariff Income

The Petitioner has estimated its non-tariff income for FY 2011-12 as Rs. 1.24 Crore. In absence of any yardstick for estimating the non-tariff income of the Petitioner, the Commission provisionally accepts the same for FY 2012-13. The same shall, however, be trued up based on the actual audited accounts for FY 2012-13.

5.11 Annual Transmission Charges (ATC) for 2012-13

Based on the above, the Commission approves a total ATC of Rs. 159.54 Crore for FY 2012-13. As mentioned in Section 4.3, the Commission is not carrying out the final truing up of the previous years, therefore, the Commission approves a total ATC of Rs. 159.54 Crore for FY 2012-13. The component-wise break-up of the same as proposed by the Petitioner for FY 2012-13 and as approved by the Commission is given in the Table below:

Table 5.28: Annual Transmission Charges for FY 2012-13 (Rs. Crore)

Particulars	Projected	Approved
Net O&M expenses	102.84	87.83
Interest charges net of capitalization	56.09	29.24

Depreciation	46.91	16.59
Advance Against Depreciation	56.19	21.21
Interest on Working Capital	10.94	5.73
Reasonable Return	17.68	0.17
Net expenditure	**290.65**	**160.78**
Less: Non-Tariff Income	1.24	1.24
Aggregate Revenue Requirement(ARR)	**289.41**	**159.54**

5.12 Transmission Losses

The Petitioner, in its additional submission, submitted the month-wise transmission losses for the period March 2010 to December 2011. The average transmission losses submitted is 1.88% for FY 2010-11 and 1.85% for first nine months of FY 2011-12.

For FY 2012-13, the Commission has approved the transmission losses of 1.88% equal to the actual transmission loss achieved during FY 2010-11.

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

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

The Commission in its previous Tariff Orders had pointed out that the Petitioner has not complied with the direction and has not submitted any information in this regard and the Petitioner was directed to submit the report within a period of three months from the Order. However, the Commission has taken note of the information submitted by the Petitioner in this regard which has been found to be inadequate. The Commission had directed the Petitioner to submit calculation of substation wise actual auxiliary consumption, voltage-wise losses in various parts and availability, however, the Petitioner has not submitted the information on voltage-wise transmission losses. **The Commission, therefore, once again directs the Petitioner to devise and develop, in consultation with the beneficiary, a suitable infrastructure and mechanism, for collection and collation of information required for calculation of voltage-wise losses in various parts and availability, in accordance with the Regulations and submit a report thereon within a period of three months**

from this Order.

5.13 Target Availability

As per the UERC (Terms and conditions for determination of Transmission Tariff) Regulations 2004, the Petitioner is entitled to full recovery of Annual Transmission Charges only if it achieves target availability of 98% for its AC system and in case the Availability is less than 98%, the recovery of ATC gets reduced to that extent on pro-rata basis. The Commission vide its letter no 1296/UERC/08/59 dated December 12, 2008 had directed the Petitioner to submit transmission availability report for each month within 7 days of each month in prescribed formats both in hard copy and soft copy. The Commission in its Tariff Order for FY 2011-12 had observed that the Petitioner had adopted an inconsistent approach towards submission of the report and was not submitting the transmission availability reports to the Commission in accordance with the directives. The Petitioner has, since April 2011 started submitting the month wise availability reports to the Commission. For the month of December 2011, the transmission system availability was shown as 99.50%.

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

5.14 SLDC Charges

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

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

The Petitioner, in the current filing, has submitted the status of work being carried out at

SLDC but has not submitted the projected ARR of SLDC for FY 2012-13 separately. The Commission has analysed the details submitted by the Petitioner and is of the view that it may not be appropriate to approve the ARR of the SLDC merely on the basis of actual expenses.

The Commission, while acknowledging the efforts made by PTCUL, towards creating infrastructure for SLDC and also segregation of accounts, still feels that the efforts made by the Petitioner are only half hearted. In this context, the Commission once again would like to reiterate on the issue of separation of SLDC and the importance of ring fencing as highlighted by the Commission in the Tariff Order for the FY 2009-10 based on the recommendation of "Girish Pradhan Committee" in this regard.

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

In view of the paramount importance assigned to the above issue, t**he Commission once again directs the Petitioner to complete the process and submit a final compliance report on ring fencing of SLDC and file a separate Petition for SLDC while filing the Business Plan and Multi Year Tariff Petitions for the first Control Period.**

Further, in the absence of the required data, the Commission is unable to determine the ARR of SLDC for FY 2012-13 separately. The expenses of SLDC are, accordingly, included in the ARR of PTCUL for FY 2012-13.

5.15 Recovery of Annual Transmission Charge

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

- **Power Transmission Corporation of Uttarakhand Ltd., the transmission licensee in the State will be entitled to recover Annual Transmission Charges of Rs. 159.54**

Crore for FY 2012-13 from its beneficiaries in accordance with the provisions of the Regulations.

- **UPCL being the main beneficiary at present, this amount shall be paid by UPCL to PTCUL**. The payments, however, shall be subject to adjustment, in case other beneficiary (including long/medium term open access customer) is using the Petitioner's system, by an amount equal to the charges payable by that beneficiary in accordance with the UERC (Terms & Conditions of Intra-State Open Access) Regulations, 2010. In that case, the charges recoverable from the new beneficiary (ies), including long/medium term open access customers, shall be refunded to UPCL in accordance with the said Regulations.
- **The Annual Transmission Charges approved for FY 2012-13 will be applicable with effect from April 01, 2012 till further Orders.**

6 Commission's Directives

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

6.1 Compliance of Directives Issued in Tariff Order for FY 2011-12

The Commission had issued certain directions in the Tariff Order for FY 2011-12, as detailed in the respective Sections. They are summarized here:

6.1.1 Capital cost of transferred assets

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

Petitioner's Submissions

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

The Petitioner further submitted that a Committee at the Central Government level headed by Additional Secretary Rank officer was formed to settle the State Reorganisation issues between Uttar Pradesh and Uttarakhand. However, there were some disputes between the two States and to resolve such matters, meetings at the Chief Secretary's level and even Chief Minister's level have been conducted in the past. As soon as the Transfer Scheme between UPPCL and UPCL is finalised, steps would be taken to finalise the transfer scheme between UPCL and PTCUL

Fresh Directives

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

6.1.2 Electrical Inspector Certificate

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

The Petitioner has not submitted the Clearance certificate from the Electrical Inspector for construction of 4 nos. 132 kV Bay at 132 kV sub-station Kotdwar. The Petitioner is directed to approach the Electrical Inspector to get the bays cleared and submit the certificate to the Commission in the next tariff proceedings alongwith the status of utilisation of the 4 bays at Kotdwar and the Commission would consider the same in the next tariff determination exercise along with the truing up of capital related expenses.

Petitioner's Submissions

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

Fresh directives

The Petitioner is also directed to capitalise the HT/EHT works only after obtaining clearance by the Electrical Inspector. The Commission has so far allowed capitalisation of the assets, right from the date on which it was charged/capitalised irrespective of the fact that clearances from Inspector have been received at a later date. **The Petitioner is hereby cautioned to take note of the same, as the Commission from 01.04.2012 would be recognising the capitalisation of any asset from the date of clearances obtained from the Electrical Inspector.**

6.1.3 REC- Old Scheme

Fresh directives

The Commission directs the Petitioner to expedite the effort to get prior clearance of the Electrical Inspector before charging the project or capitalising the same.

6.1.4 REC-IV Scheme

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

Petitioner's Submissions

The Petitioner submitted that it has submitted the requisite information to the Commission vide its Letter no. 203/GM(C&R)/PTCUL dated May 11, 2011.

6.1.5 REC-V Scheme

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

Petitioner's Submissions

The Petitioner humbly submits that it has submitted the requisite information to the Commission vide its Letter no. 203/GM(C&R)/PTCUL dated May 11, 2011.

6.1.6 Other than Schemes

Fresh Directives

The Petitioner is, however, directed to reconcile the assets capitalised including miscellaneous assets like furniture and fixtures, office equipments, etc. from FY 2004-05 to FY 2010-11 along with the financing thereof and submit the same to the Commission along with the next Tariff Petition, so that truing up of all the assets capitalised and financing thereof may be carried out.

6.1.7 Depreciation

Fresh Directives

The Petitioner is directed to take note of the above pre-requisite and submit the same along with the next filing and also claim depreciation based on the rates specified in the Regulations for each class of asset.

6.1.8 Truing-up of Previous Years

Fresh Directive

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

6.1.9 Interest on Loans

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

Petitioner's Submissions

The Petitioner submitted that the application for approval of the capital investment scheme in respect of REC IV and REC V has been submitted to the Commission and the final approval in respect of REC-IV Scheme has been obtained vide Order dated November 24, 2011 and communicated to the Petitioner vide Letter no. UERC/Tech9/28/REC-IV/1144.

6.1.10 Operation &Maintenance Expenses

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

Petitioner's Submissions

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

Fresh Directives

The Commission directs the Petitioner to submit a detailed note within 3 months from the date of issuance of the Tariff Order, mentioning the projects and the dates from which the separate accounts are being maintained for the projects meant for evacuation of power outside the State and projects for supply of power within the State.

6.1.11 SLDC Charges

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

Petitioner's Submissions

A report on separation of assets and accounts of SLDC has been submitted to the Commission vide letter no. 1173/MD/PTCUL/UERC dated September 04, 2010 enclosed in the Annexure. Also the accounts of SLDC are being maintained separately. Presently SLDC at Dehradun is under construction and is likely to be completed by December 2012.

Fresh Directives

The Commission once again directs the Petitioner to complete the process and submit a final compliance report on ring fencing of SLDC and file a separate Petition for SLDC while filing the Business Plan and Multi Year Tariff Petitions for the first Control Period.

6.1.12 Transmission Losses

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

Petitioner's Submissions

The Petitioner submitted that it measures the actual auxiliary consumption at each sub-station and measures voltage- wise losses in each of the two transmission zones.

Fresh Directives

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

6.1.13 Guarantee Fee Computation

Fresh Directives

The Petitioner is, hereby, directed to expedite its effort to get the approval from the GoU on charging guarantee fee only on the outstanding loan amount and not on the sanctioned loan

amount and, accordingly, submit the guarantee fee computed on the outstanding loans of the approved schemes in accordance with the Accounting Standard in the Multi Year Tariff Petition for the first Control Period.

6.1.14 Frequent Grid Failures

Fresh Directives

Para 10.2 of the Transmission and bulk supply licence stipulates as under:

"The Licensee shall notify the Commission as soon as possible of any Major Incident affecting any part of the Transmission 18 System which has occurred and within two months of the date of such Major Incident:

a. submit a report giving full details of the facts of the incident and its cause. The Commission at its own discretion may require the submission of the report to be prepared by an independent person at the expense of the Licensee; and

b. in the event the report under sub-paragraph (a) is likely to take more than 15 days from the date of the Major Incident, the Licensee shall within 15 days from such date of the incident submit a preliminary report with such details which the Licensee can reasonably furnish and state reasons as to why the Licensee requires more than 15 days for giving full report of such incident;

c. give copies of the report to the Commission and to all parties involved in the major incident as the Commission may direct."

However, it has been observed that the Petitioner has not submitted such reports to the Commission. Hence, in compliance with the conditions of licence, **PTCUL is directed to take a note of the above condition and submit a report to the Commission within 15 days in the event of any "Major Incident"**.

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

(Jag Mohan Lal)
Chairman

7 Annexures

7.1 Annexure 1 : Public Notice on PTCUL's Proposals

POWER TRANSMISSION CORPORATION OF UTTARAKHAND LTD.
(A Govt. of Uttarakhand Undertaking)
7-B, Lane No. 1, Vasant Vihar Enclave, Dehradun – 248006 Phone: 0135-2762472, 2762473 Fax: 0135-2732460

पत्रांक : 746 / मु0भु0ई0 / पिटकुल / दिनांक : 09 / 12 / 2011

PUBLIC NOTICE

Inviting Comments on the Petition filed by PTCUL for approval of the ARR & Proposed Transmission Charges for FY 2012-13

Salient Points of the ARR/Tariff Petition :

1. Power Transmission Corporation of Uttarakhand Limited (PTCUL), a Transmission licensee in the State of Uttarakhand has filed a petition before the Commission for approval of its Annual Revenue Requirement (ARR) & Transmission Charges for the Financial Year 2012-13. PTCUL has also proposed final truing up of its expenses for FY 2004-05 to FY 2010-11 on the basis of audited accounts and has also sought approval of the revised estimate for FY 2011-12. The summary of the projections for FY 2012-13 along with the revised estimates for FY 20011-12 is given in the following Table:

Summary of the ARR of PTCUL (FY 2012-13) - ₹ Lakh

S. No.	Particulars	FY 2011-12		2012-13 (Projected)
		Approved	Revised Estimates	
1	Depreciation	1440.00	2283.04	4691.12
2	Advance Against Depreciation	1771.00	5029.77	5618.80
3	O&M Expenses	7402.00	9312.14	10283.77
4	Interest on Long Term Loans	2062.00	4019.06	5609.00
5	Interest on Working Capital	418.00	813.03	1094.18
6	**Gross Expenditure**	**13092.00**	**21457.05**	**27296.87**
7	Add: Return on Equity	16.00	768.11	1767.96
	Add: Guarantee Fees	0.00	651.57	651.57
8	Less: Non Tariff Income	286.00	116.16	123.63
9	**Annual Revenue Requirement (ARR)**	**12822.00**	**22109.00**	**28941.20**
10	Truing up for previous years	360.00	0.00	0.00
11	**Annual Transmission Charges**	**13182.00**	**22109.00**	**28941.20**

2. The Transmission Tariff for FY 2012-13 has been proposed as ₹ 123014/MW/month of contracted/allocated capacity on basis of the assumption that the capacity to be handled during FY 2012-13 will be 1960.56 MW.
3. PTCUL has requested the Commission to also allow it carrying cost alongwith the final trued up expenses. The summary of truing up for FY 2004-05 to FY 2010-11 claimed by PTCUL is given in the table below:

Particulars	Aggregate for FY 2004-05 to FY 2010-11		
	Approved by the Commission in the Tariff Order	Allowed by the Commission after provisional truing-up	Actual as per Audited Accounts
	(a)	(b)	(c)
Net O&M Expenses	26778.00	21068.00	29172.62
Interest Charges net of Capitalization	8628.00	6983.00	12226.32
Depreciation	8369.00	6145.00	8755.67
Advance against depreciation	2473.00	1666.00	0.00
Interest on working capital	1356.00	1086.00	1680.60
Gross Expenditure	**47604.00**	**36948.00**	**51835.23**
Reasonable Return	86.00	48.00	3384.25
Less: Non Tariff Income	1020.00	1496.00	1205.95
ARR	**46670.00**	**35500.00**	**54013.53**
Allowable True-up – Deficit/ (Surplus) [c-b]			**8340.53**

4. PTCUL has also sought approval of the ARR for associated transmission system of Bhilangana-III power plant for which it has furnished details separately in the petition.
5. PTCUL has sought an increase of about 120% from the approved transmission charges of FY 2011-12. If the increase in revised estimate for FY 2011-12 and also the impact of final truing up for the FY 2004-05 to FY 2010-11 is also considered the total increase would work out to 250%. Hence, if the entire claim of PTCUL is accepted by the Commission, additional hike of about 9% in consumer tariff shall be required over and above the hike proposed by UPCL.
6. Detailed proposals can be seen free of cost on any working day at the Commission's office or at the office of Managing Director, Power Transmission Corporation of Uttarakhand Limited, 7-B, Lane No. 1, Vasant Vihar Enclave, Dehradun – 248006. Relevant extracts can also be obtained from the above mentioned offices of the Petitioner.
7. The proposals are also available at the website of the Commission (www.uerc.gov.in) and at PTCUL's website (www.ptcul.org).
8. Responses/ suggestions if any are sought from the consumers and other stakeholders on the above proposals. Responses may be sent to the Secretary, Uttarakhand Electricity Regulatory Commission, Ist Floor, Institution of Engineers (I) Building, Near I.S.B.T., Majra, Dehradun either in person or by post or through e-mail to uttaranchalerc@rediffmail.com as a statement of objections or comments with copies of the documents and evidence in support thereof so as to reach the Secretary by 15.01.2012.

Managing Director
PTCUL

"Save Electricity in the Interest of Nation"

7.2 Annexure-2 : List of Respondents

Sl. No.	Name	Designation	Organization	Address
1.	Sh. Pankaj Gupta	President	Industries Association of Uttarakhand	Mohabewala Industrial Area, Dehradun-248110
2.	Sh. Shanti Prasad Bhatt	Kendriya Mahamantri	Uttarakhand Kranti Dal	Kendriya Karyalala : 10-Court Road, Dehradun
3.	Sh. Yogendra Singh Rathi	Editor	Dainik Unnati Times	34-35, Mayur Vihar, Sahastradhara Road, Dehradun
4.	Sh. Manmohan Kansal	Chairman	Dakpatthar Vyapar Mandal	Dakpatthar-248125, Dehradun.
5.	Sh. S.S. Anand	-	M/s Greenply Industries Ltd.	Engineered Panel Division, Plot No. 2, Sector-9, I.I.E., Pant Nagar, Rudrapur, Udham Singh Nagar-263153.
6.	Sh. G.S. Bedi	General Manager	Indian Drugs & Pharmaceuticals Ltd.	Virbhadra-249202, Rishikesh, Uttarakhand.
7.	-	-	M/s Asahi India Glass Ltd.	Integrated Glass Plant, Village-Latherdeva Hoon, Manglaur-Jhabrera Road, P.O. Jhabrera, Tehsil Roorkee, Distt. Haridwar, Uttarakhand

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 Nagar
19.	Sh. Bhupesh Chandra	-	Dukes Products	Plot No. 8, Sector-1, IIE, SIDCUL,

List of Participants in Hearing at Rudrapur on 24.02.2012

Sl. No.	Name	Designation	Organization	Address
	Sharma		(India) Ltd.	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 (Garhwal)	Industries Association of Uttarakhand	C/o Cello Industries, Plot No. 3&4, Sector No. 3, SIDCUL, Haridwar

List of Participants in Hearing at Dehradun on 14.03.2012

Sl. No.	Name	Designation	Organization	Address
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