Order

on

True up for FY 2004-05 to FY 2013-14

&

ARR for FY 2015-16

For

Power Transmission Corporation of Uttarakhand Ltd.

April 11, 2015

Uttarakhand Electricity Regulatory Commission

Vidyut Niyamak Bhawan, Near I.S.B.T., P.O. Majra

Dehradun – 248171

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Before

UTTARAKHAND ELECTRICITY REGULATORY COMMISSION

Petition No.: 48 of 2014

In the Matter of:

Petition filed by Power Transmission Corporation of Uttarakhand Limited for True up for FY 2004-05 to FY 2013-14 Annual Performance Review for FY 2014-15 and ARR & Tariff for FY 2015-16.

AND

In the Matter of:

Power Transmission Corporation of Uttarakhand Ltd.

Vidyut Bhawan, Near I.S.B.T. Crossing, Saharanpur Road, Majra, Dehradun-248002

...............Petitioner

Coram

Shri Subhash Kumar	**Chairman**
Shri C.S. Sharma	**Member**
Shri K.P. Singh	**Member**

Date of Order: April 11, 2015

Section 64(1) read with Section 61 and 62 of the Electricity Act, 2003 (hereinafter referred to as "the Act") requires the Generating Companies and the Licensees to file an application for determination of tariff before the Appropriate Commission in such manner and along with such fee as may be specified by the Appropriate Commission through Regulations. In accordance with the relevant provisions of the Act, the Commission had notified UERC (Terms and Conditions for Determination of Tariff) Regulations, 2011 for the Control Period FY 2013-14 to FY 2015-16 specifying therein terms, conditions and norms of operation for licensees and generating companies. Based on the Petition filed by Power Transmission Corporation of Uttarakhand Limited (hereinafter referred to as "PTCUL" or "Petitioner" or "the licensee"), the Commission had issued the MYT Order dated May 6, 2013 for the Control Period FY 2013-14 to FY 2015-16. As per the provisions of Regulation 13(2) of UERC (Terms and Conditions for Determination of Tariff) Regulations, 2011, PTCUL filed a Petition (Petition No. 48 of 2014 and, hereinafter, referred to as the "Petition"), giving details of its revised projections of Aggregate Revenue Requirement (ARR) for FY 2015-16, based on true up of FY 2013-14 and Annual Performance Review for FY 2014-15, on November 29, 2014. Through this APR Petition, the Petitioner has also requested for final true up for ARRs of FY 2004-05 to FY 2012-13 based on the audited accounts in accordance with Uttarakhand Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2004.

The Petition filed by PTCUL had certain infirmities/deficiencies. The Commission, accordingly, vide its letter no. UERC/6/TF-237/14-15/2014/1706 dated December 09, 2014 directed PTCUL to rectify these infirmities/deficiencies and to submit certain additional information necessary for admission of the Petition. PTCUL vide its letter no. 1254/Dir.(Projects)/PTCUL dated December 16, 2014 submitted the information sought by the Commission. Based on the submission dated December 16, 2014 made by PTCUL, the Commission vide its Order dated December 22, 2014 admitted the Petition, with the condition that PTCUL shall furnish any further information/clarifications, as deemed necessary by the Commission, during the processing of the Petition and provide such information and clarifications to the satisfaction of the Commission within the time frame, as may be stipulated by the Commission, failing which the Commission may proceed to dispose of the matter as it deems fit based on the information available with it.

This Order relates to True up for FY 2004-05 to FY 2013-14, Annual Performance Review for FY 2014-15 and ARR & Tariff for FY 2015-16 and is based on the original as well as all the subsequent submissions made by PTCUL during the course of the proceedings and the relevant findings contained in the MYT Order dated May 6, 2013 and the Tariff Order dated April 10, 2014.

Tariff determination being the most vital function of the Commission, it has been the practice of the Commission to elaborate in detail the procedure and to explain the underlying principles in determination of tariffs. Accordingly, in the present Order also, in line with past practices, the Commission has tried to elaborate the procedure and principles followed by it in determining the APR of the licensee. The Annual Transmission Charges of PTCUL are recoverable from the beneficiaries, at present UPCL is the sole beneficiary. As entire ATC of PTCUL is to be paid 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 the following Chapters:

Chapter 1–Background and Procedural History

Chapter 2–Stakeholders' Responses & Petitioner's Comments

Chapter 3–Petitioner's Submissions, Commission's Analysis, Scrutiny and Conclusion on Final Truing up for FY 2004-05 to FY 2012-13

Chapter 4–Petitioner's Submissions, Commission's Analysis, Scrutiny and Conclusion on Truing up for FY 2013-14

Chapter 5–Petitioner's Submissions, Commission's Analysis, Scrutiny and Conclusion on APR for FY 2014-15 and Revised ARR & Tariff for FY 2015-16

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 August 25, 2000, the State of Uttaranchal came into existence on November 9, 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 February 12, 2001 and entrusted it with the business of transmission and distribution in the State. Subsequently, from April 1, 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 March 13, 2001, signed between the Governments of Uttaranchal and Uttar Pradesh.

Meanwhile, the Electricity Act, 2003 was enacted by the Parliament of India on June 10, 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, the GoU, therefore, through transfer scheme dated May 31, 2004, first vested all the interests, rights and liabilities related to Power Transmission and Load Despatch 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 renamed as "Power Transmission Corporation of Uttarakhand Limited" after change of name of the State. The State Government, further vide another notification dated May 31, 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.

A new company in the State was thus, created to look after the functions of intra-State

Transmission and Load Despatch, on May 31, 2004. In view of re-structuring of functions 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 given to PTCUL for carrying out the transmission related works in the State vide Commission's Order dated June 9, 2004.

In exercise of powers conferred to it under Section 61 of the Electricity Act, 2003, and all other powers enabling it in this behalf, the Commission notified the UERC (Terms and Conditions for Determination of Tariff) Regulations, 2011 on December 19, 2011. These Regulations superseded the UERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2004.

The Commission vide its Order dated May 6, 2013 issued the Order on approval of Business Plan and Multi Year Tariff for PTCUL for the first Control Period FY 2013-14 to FY 2015-16. The Commission, in the approval of Business Plan, approved the Capital Expenditure Plan, Capitalisation Plan, Human Resource Plan and Trajectory of Transmission Loss levels and, in the approval of MYT, approved the Aggregate Revenue Requirement for each year of the Control Period FY 2013-14 to FY 2015-16. In accordance with Regulation 13(2) of the UERC (Terms and Conditions for Determination of Tariff) Regulations, 2011, the Transmission Licensee is required to file a Petition/application for Annual Performance Review by November 30 of every year.

Further, the Commission vide its Order dated April 10, 2014 issued the Order on approval of True up for FY 2012-13, Annual Performance Review of FY 2013-14 and ARR for FY 2014-15.

In compliance to the Regulations, PTCUL filed its Petition for Annual Performance Review for FY 2014-15 on November 29, 2014. Through the above Petition, PTCUL has sought final true up for ARRs of FY 2004-05 to FY 2013-14, review of ARR of FY 2014-15 and FY 2015-16 and Tariff for FY 2015-16 based on the audited accounts for FY 2004-05 to FY 2012-13. The above Petition was admitted by the Commission vide its Order dated December 22, 2014. The Commission, through its above Admittance Order dated December 22, 2014, 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	Dainik Jagran	December 25, 2014
2	Amar Ujala	
3	Hindustan Times	
4	Times of India	

Through above notice, stakeholders were requested to submit their objections/suggestions/ comments latest by January 31, 2015 (copy of the notice is enclosed as **Annexure 1**). The Commission received in all six objections/suggestions/comments in writing on the Petition filed by PTCUL. The list of stakeholders who have submitted their objections/suggestions/comments in writing is enclosed as **Annexure-2.**

The Commission sent the copies of salient features of tariff proposals to Members of the State Advisory Committee and the State Government. The salient features of the tariff proposals submitted by PTCUL were also made available on the website of the Commission, i.e. www.uerc.gov.in. The Commission also organized a meeting with the Members of the Advisory Committee on February 5, 2015, wherein, detailed deliberations were held with the Members of the Advisory Committee on the various issues linked with the Petition filed by PTCUL.

Further, for direct interaction with all the stakeholders and public at large, the Commission also held 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	Almora	February 18, 2015
2	Rudrapur	February 19, 2015
3	Pauri Garhwal	February 24, 2015
4	Dehradun	February 27, 2015

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 raised by the stakeholders and Petitioner's response thereon are detailed in Chapter 2 of this Order. In this context, it is also to underline that while finalizing this Order, the Commission has, as far as possible, tried to address the issues raised by the stakeholders.

Meanwhile, based on the scrutiny of the Petition submitted by PTCUL, the Commission vide its letter no. UERC/6/TF-237/14-15/2014/1713 dated December 10, 2014 pointed out certain data gaps in the Petition and sought following additional information/clarifications from the Petitioner:

- Scheme wise details of assets capitalised during FY 2004-05 to FY 2013-14 and also during first 6 months of FY 2014-15 alongwith copies of Electrical Inspector Clearance Certificates.
- Financial and Physical progress of projects estimated to be completed during the remaining 6 months of FY 2014-15.
- Computations of interest expenses for FY 2004-05 to FY 2013-14 and first 6 months of FY 2014-15.
- Computation of Depreciation on transferred assets and additions during each year from the creation of PTCUL.
- Duly filled in formats as specified in UERC (Terms and Conditions for Determination of Tariff) Regulations, 2011.

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 15, 2015, for further deliberations on certain issues related to the Petition filed by PTCUL. Minutes of above Technical Validation Session were sent to the Petitioner vide Commission's letter no. UERC/6/TF-237/14-15/2014/1915 dated January 20, 2015, for its response.

The Petitioner submitted the replies to data gaps vide its letter no. 731/CE(C&R) /PTCUL/APR 14-15 dated December 22, 2014, and replies to Minutes of TVS vide letter no. 49/Dir.(Projects)/PTCUL/ARR dated January 23, 2015 and letter no. 79/Dir.(Projects)/ PTCUL/ARR dated January 28, 2015. Further data gaps were forwarded by the Commission vide its letter no. UERC/6/TF-237/14-15/2015/2064 dated February 12, 2015, and letter no. UERC/6/TF-237/14-15/2015/2116 dated March 02, 2015. The Petitioner submitted the replies vide its letter no. 216/Dir.(Projects)/PTCUL/ARR dated February 18, 2015 and letter no. 348/Dir.(Projects)/PTCUL/ARR dated March 9, 2015. The submissions made by PTCUL in the Petition as well as 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 Stakeholder's Responses and Petitioner's Comments

The Commission has received six suggestions/objections on PTCUL's Petition for APR for FY 2014-15. List of stakeholders who have submitted their objections/suggestions/comments in writing are given at Annexure-2 and the respondents who have participated 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 responses of the Petitioner have been consolidated and summarised issue wise. In the subsequent Chapters of this Order, the Commission has kept in view the objections/suggestions/comments of the stakeholders and replies of the Petitioner while deciding the ARR for PTCUL.

2.1 Project Cost

2.1.1 Stakeholder's Comment

Shri Pankaj Gupta, President, M/s Industries Association of Uttarakhand submitted that PTCUL has been escalating the Project Cost to get the same approved as much as they can from UERC and this is not expected from public utility.

2.1.2 Petitioner's Response

PTCUL submitted that it has been claiming genuine Project Cost as per its annual accounts and transfer scheme notified on May 31, 2004 and it has no intention of escalating the project cost. PTCUL submitted that its ARR has been computed in accordance with UERC (Terms and Conditions for Determination of Tariff) Regulations, 2011.

2.1.3 Commission's Views

As regards the approval of Project Cost for the Petitioner, the Commission carries out detailed prudence check of the Capital Cost of the schemes implemented by the Petitioner.

2.2 Capitalisation of New Assets

2.2.1 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 the audit report submitted by the Petitioner as this year again, PTCUL 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.

M/s Bhilangana Hydro Power Limited submitted that capitalisation claimed by PTCUL for the previous years is on the basis of audited accounts which were earlier disallowed by the Commission on the ground of time and cost overrun and, accordingly, recommendations from the Expert Committee was sought. Expert Committee also disallowed all the amount of capitalisation towards the time and cost overrun of the Petitioner. So, the amount of capitalisation claimed by the Petitioner that was disallowed by the Expert Committee should not be allowed.

2.2.2 *Petitioner's Response*

PTCUL submitted that addition of assets has been considered based on the actual capitalization as per the audited accounts. PTCUL submitted that it has already submitted the reasons for increase in the various project costs which have been uncontrollable in nature to the Commission vide its various submissions in the past.

2.2.3 *Commission's Views*

The Commission had constituted an Expert Committee in July, 2011 to examine in detail, the reasons for time and cost over-runs of capital expenditure under various Schemes during the period FY 2004-05 to FY 2010-11. The Expert Committee, on detailed analysis of the information furnished to it by the Petitioner from time to time, submitted its preliminary report on the allowable cost of REC Old and NABARD Schemes to the Commission in March, 2014. The Commission further observed that there were some variations in the information regarding capital expenditure and capitalisation as submitted by the Petitioner as a part of MYT Petition and information as submitted to the Expert Committee. The Commission in order to provide an opportunity to the Petitioner to make its submissions on Expert Committee Report had forwarded the Expert Committee report to the Petitioner. The Petitioner has submitted its observations on the recommendations of the Expert Committee on the allowable cost of REC Old and NABARD Schemes. The Commission has approved the final true up for FY 2004-05 to FY 2012-13 after giving due consideration to the Expert Committee Report on the allowable cost of REC Old and NABARD Schemes and the comments submitted by PTCUL on the Expert Committee Report.

2.3 Carrying Cost of deficit till FY 2014-15

2.3.1 Stakeholder's Comment

Shri Pankaj Gupta, President, Industries Association of Uttarakhand submitted that non finalization of GFA is due to the delay attributable to PTCUL and hence, no carrying cost should be allowed when the GFA is finalized by the Commission.

2.3.2 Petitioner's Response

PTCUL submitted that it has claimed carrying cost as per UERC (Terms and Conditions of Truing up of Tariff) Regulations, 2008. PTCUL submitted that the under recovered amount computed as a result of truing up exercise are in the nature of deferred payments & requires additional funding by the utility. PTCUL submitted that the carrying cost enables the utility to service funding of such deferred payments and, hence, it has proposed the carrying cost on the revenue gap of the past years. PTCUL submitted that the carrying cost is not on account of difference in opening GFA but primarily due to non-consideration of asset capitalisation in FY 2012-13. PTCUL submitted that the ARR for FY 2013-14 has been computed based on the audited accounts of FY 2013-14 and given effect for the actual capitalization during FY 2012-13.

2.3.3 Commission's Views

The Commission has considered the carrying cost on revenue deficit/surplus in accordance with the approach adopted in the truing up of previous years.

2.4 Abnormal increase in expenses

2.4.1 Stakeholder's Comment

Shri Pankaj Gupta, President, Industries Association of Uttarakhand submitted that PTCUL has projected abnormal increase in expenses and the same would result in Tariff Shock.

M/s Bhilangana Hydro Power Limited submitted that PTCUL has proposed the increase in ARR to the tune of 27% from the previous year. This is very high and not in the interest of stakeholders of Uttarakhand.

Shri Munish Talwar, Head-Electrical, Asahi India Glass Limited submitted that the Petitioner has claimed abnormal increase in expenses for FY 2015-16.

2.4.2 Petitioner's Response

PTCUL submitted that the projection of each element of ARR has been detailed in the Tariff Petition. PTCUL further submitted that the projections for the Control Period have been made as per provisions of UERC Tariff Regulations, 2011.

2.4.3 Commission's Views

The allowable cost for each element of revised ARR for FY 2015-16 has been arrived after due scrutiny and is detailed in subsequent sections of the Order.

2.5 Annual Transmission Charges

2.5.1 Stakeholder's Comment

Shri Dalip Dua, Vice President (Publications), Himalaya Power Producers Association submitted that although UPCL is the sole beneficiary of the entire intra-state transmission network, PTCUL is recovering monthly transmission charges for its entire network, from open access users also. This amounts to double recovery for the purposes of servicing the same asset, which is in violation of the Regulation 21 of the UERC (Terms and Conditions of Intra-State Open Access) Regulations, 2010 and, therefore, should not be allowed.

M/s Bhilangana Hydro Power Limited submitted that the Petitioner has claimed depreciation on the revised opening GFA by including the capitalisation amount which was disallowed by Expert Committee. Return on Equity should not be allowed to the Petitioner on the funds received from the Government of Uttarakhand under PDF (Power Development Fund). Return on Equity for FY 2013-14 should be allowed at the rate of 15.50% only on the equity base eligible for return. Further, as the rate of return on Equity is on post-tax basis, income tax should not be allowed separately while approving the ARR for FY 2015-16.

M/s Bhilangana Hydro Power Limited submitted that PTCUL should submit the details of new loans sanctioned along with the applicable interest rates. The additional interest on working capital on account of TDS should not be allowed in accordance with the approach adopted in the previous Tariff Order.

M/s Bhilangana Hydro Power Limited submitted that the Petitioner should submit the details of various short term open access and medium term open access charges that are adjusted in

ARR.

2.5.2 *Petitioner's Response*

PTCUL submitted that recovery from open access consumers are being reflected under the non-tariff income and is being reduced in the ARR and no double recovery to that extent is being done by PTCUL. PTCUL submitted that the open access charges are being levied according to the Open Access Regulations notified by the Commission.

PTCUL submitted that its transmission losses are amongst the lowest and has remained below 2%. The actual transmission losses for FY 2012-13 are 1.84% and for FY 2013-14 are 1.81%. PTCUL submitted that it was also awarded the prestigious "Gold Shield" for the year 2009-10 in the category of "Transmission System Availability".

PTCUL submitted that it has claimed for true up based on GFA as per audited accounts and the rationale for the same has been provided in the Petition. PTCUL submitted that the cost as per DPRs are merely estimates while the actual expenditure may differ based on number of factors faced during the implementation of the schemes.

PTCUL submitted that it has undertaken all efforts for obtaining the certificate towards lower tax deduction in line with the applicable section of the Income Tax Act. However, due to non-acceptance of the same by the tax authorities the TDS amount is being deduced by UPCL which is resulting in partial recovery of the invoice and causing financial difficulty for PTCUL and hence, the interest on additional working capital on account of TDS incidence is claimed for.

PTCUL submitted that the Petition for true up for FY 2013-14, APR for FY 2014-15 and determination of ARR & Tariff for FY 2015-16 has been filed as per the provisions of UERC (Terms and Conditions for Determination of Tariff) Regulations, 2011. The projections of ARR for FY 2015-16 have been detailed in the Petition. The increase in annual transmission charges is primarily on account of non-consideration of capitalization during FY 2012-13 in the MYT Order and the impact of true up of previous years. The Return on Equity has been claimed on the equity base eligible for return and the details have been submitted in the Petition.

2.5.3 *Commission's View*

The Commission has approved the Annual Transmission Charges for FY 2015-16 in accordance with the provisions of UERC (Terms and Conditions for Determination of Tariff)

Regulations, 2011 as detailed under each item of Annual Transmission Charges.

2.6 Frequent Grid Failures

2.6.1 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.

2.6.2 Petitioner's Response

PTCUL submitted that the availability factor of its Transmission System for FY 2011-12 was 99.1% and 99.11% for FY 2012-13. PTCUL submitted that the availability of its Transmission System has been one of the most efficient among the utilities in the country. PTCUL submitted that it was awarded the prestigious "Gold Shield" for FY 2009-10 in the category of "Transmission System Availability" by Ministry of Power, Government of India. PTCUL submitted that its loss levels for the past years have been below 2%. PTCUL submitted that the details of grid failures have been submitted along with the Petition and the failures in FY 2013-14 and first six months of FY 2014-15 have been minimal.

2.6.3 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 had issued directions to PTCUL in this matter in its Tariff Order for FY 2012-13. The Petitioner in this regard submitted that report on grid failures would be submitted within 15 days of any major incident as per IEGC/UERC Grid Code.

2.7 True up for Previous Years

2.7.1 Stakeholder's Comment

Shri Pankaj Gupta, President, M/s Industries Association of Uttarakhand submitted that PTCUL is claiming expense in true up as per audited accounts. The Petitioner should provide justification for the difference between the expenses approved by the Commission and the actual expenses incurred and the Commission should allow the expenses in True up after prudence check. He further submitted that the matter of finalization of Transfer Scheme is pending for long time and the Utilities in Uttarakhand should take adequate measures to finalize the Transfer Scheme at the earliest.

M/s Bhilangana Hydro Power Limited submitted that despite several directives of the Commission, the Transfer Scheme of various assets to be allocated between UPCL and PTCUL has not been finalized within the prescribed timelines. The detailed Transfer Scheme settlement among UPCL and PTCUL towards accounting of various charges as well as accounting of various transmission lines considered in ARR claimed by PTCUL and UPCL should be submitted by the Petitioner.

M/s Bhilangana Hydro Power Limited submitted that revision in the claim for Gross Fixed Assets should not be allowed to PTCUL for true up for FY 2013-14 as capitalisation has been disallowed by the Expert Committee. The true up for FY 2013-14 should not be considered as the Petitioner has not submitted the audited accounts of SLDC for FY 2013-14. The Petitioner has claimed 80% of the efficiency gain in O&M expenses for FY 2013-14 and this amount should not be passed on to the consumers.

M/s Bhilangana Hydro Power Limited submitted that the employee expenses claimed by PTCUL in the true up of past years are to the tune of around 60% of the total O&M expenses. In this regard, the Petitioner should submit details of employee expenses of the past period before true up exercise.

M/s Bhilangana Hydro Power Limited submitted that K factor in the R&M expenses for FY 2013-14 has been claimed by the Petitioner based on the revised GFA. In this regard, the Petitioner should be asked to exclude the disallowed amount of capitalisation from the GFA for calculating K factor. Also, this should also be applicable for other components of the tariff.

M/s Bhilangana Hydro Power Limited submitted that the details of revenue from operations and other income should be submitted by the Petitioner.

2.7.2 *Petitioner's Response*

PTCUL submitted that the consultancy work for determining the appropriate assets/ liabilities for finalization of transfer scheme pertaining to transmission business is under process. PTCUL submitted that the report of the firm shall be submitted to the Government for notification on completion.

PTCUL submitted that the employee expenses constitute the largest share in the O&M expenses across all transmission utilities in the country. PTCUL submitted that its employee expenses are very less considering the low manpower and increased number of vacancies which it has not been able to fill in the past years. PTCUL submitted that inspite of the large increase in its asset base, the number of employees have remained constant.

PTCUL submitted that the K factor has been considered as approved by the Commission. PTCUL submitted that the details of non-tariff income has been submitted in the Petition.

PTCUL submitted that the details regarding true up have been submitted in its Petition. PTCUL submitted that the recording of its expenses is being done in accordance with the accounting principles.

2.7.3 Commission's View

The Commission, in this regard, would like to clarify that the actual expenses submitted by the Petitioner are examined in detail while carrying out the truing up of expenses and revenues and only legitimate expenses are allowed. Further, the Commission has worked out the sharing of gains and losses for FY 2013-14 in accordance with the provisions of the UERC (Terms and Conditions for Determination of Tariff) Regulations, 2011.

2.8 Views of State Advisory Committee

- The Members stated that the final true up for FY 2004-05 to FY 2012-13 will result in burdening the existing consumers for no fault on their part.
- Return of equity on contribution from PDF should not be allowed in accordance with the approach adopted by the Commission in its previous Orders.

2.8.1 Commission's View

The final true up for ARRs of FY 2004-05 to FY 2012-13 could not be carried out for PTCUL on account of delay in finalization of audited accounts in the past and issues regarding the cost overrun and time overrun in several projects. However, disallowing prudent expenses incurred by them would not be proper on the ground that there has been delay in determining allowable expenses. Accordingly, the Commission in this Order has carried out the final truing up for FY 2004-05 to FY 2012-13 as elaborated in Chapter 3 of the Order.

3 Petitioner's Submissions, Commission's Analysis, Scrutiny and Conclusion on Final Truing up for FY 2004-05 to FY 2012-13

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 had already carried out provisional 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 the above financial years. The Commission in its Order dated May 10, 2011 directed the Petitioner to file the Petition seeking final truing up of expenses for FY 2004-05 to FY 2008-09 based on the audited accounts alongwith the next ARR Petition for FY 2012-13.

In its filing for FY 2012-13, PTCUL sought final truing up from FY 2004-05 to FY 2010-11 based on the audited accounts for the respective years. Based on the analysis of the audited accounts submitted by PTCUL for FY 2004-05 to FY 2010-11, the Commission observed that there was a significant difference in the amount of asset capitalisation as submitted in the Physical progress Report and as occurring in the balance sheets submitted alongwith the ARR/Tariff Petition for FY 2012-13. The Commission in its Order dated April 4, 2012 on approval of ARR and Tariff for FY 2012-13 observed 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 are reconciled with the asset capitalisation figures in the audited accounts and the Expert Committee constituted by the Commission completes the exercise of examining in detail, the reasons for time and cost overruns of capital expenditure under various Schemes during FY 2004-05 to FY 2010-11. The Commission directed 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 along with the MYT Petition for the first control period.

PTCUL in its MYT Petition for the first Control Period had sought final truing up of expenses and revenue from FY 2004-05 to FY 2010-11 and provisional truing up for FY 2011-12. The Commission had observed that despite repeated directives, PTCUL had not submitted the desired information required by 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 capitalized during the period FY 2004-05 to FY 2010-11. The Commission was 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 issue of cost and time over-run under various schemes during the period FY 2004-05 to FY 2010-11 is finalised and any truing up carried out without proper analysis of cost and time over-run under various schemes would remain as provisional truing up. Hence, the Commission vide its Order dated May 6, 2013 approved the provisional truing up of expenses and revenue for FY 2010-11 and FY 2011-12.

The Expert Committee, on detailed analysis of the information furnished to it by the Petitioner from time to time, submitted its report on the allowable cost of REC Old and NABARD Schemes to the Commission in March, 2014. The Commission further observed that there were some variations in the information regarding capital expenditure and capitalisation as submitted by the Petitioner as a part of MYT Petition and information as submitted to the Expert Committee. In order to give an opportunity to the Petitioner to make its submissions on Expert Committee Report and for reconciling the information as submitted in MYT Petition and as provided to the Expert Committee, the Commission forwarded the report of the Expert Committee to the Petitioner vide its letter dated May 2, 2014. PTCUL vide its letter dated June 3, 2014 merely stated that its submissions regarding the actual executed cost were not fully considered by the Expert Committee. The said submission of the Licensee was not supported by any analysis or documentary evidence justifying its claim. The Commission further directed PTCUL to submit the detailed reasoning for deviation in the actual executed cost and the cost recommended by the Expert Committee along with the nature of such disallowed cost. After repeated directives, PTCUL submitted the requisite information on 13th March, 2015 and 17th March, 2015. The Commission expresses its displeasure over such inaction of the Petitioner who despite having been given ample opportunity to submit its views on the report of the Expert Committee could submit its reply after an elapse of more than 9 months after initial directives were issued by the Commission. **The Commission cautions the Petitioner that such casual and lackluster approach on issues which has substantial bearing on their revenue will be detrimental to its own financial health.**

The Commission based on the analysis of the detailed information submitted by the Petitioner has approved the executed cost for the REC Old and NABARD Schemes and based on the same, the year wise capitalisation has been approved. Further, the Commission observed that the Petitioner has claimed additional capitalisation beyond the cutoff date for some of the projects.

The Commission understands that the additional capitalisation claimed by the Petitioner is on various accounts like delay in receipt of bills, disputes with the contractors, delay in reconciliation of bills at the head office etc.

Regulation 15 of the UERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2004 provides that:

> *"(1) The capital expenditure within the original scope of work actually incurred after the date of commercial operation and upto the cut off date may be admitted by the Commission subject to prudence check.*
>
> *(a) Deferred liabilities,*
>
> *(b) Works deferred for execution,*
>
> *(c) Procurement of initial capital spares in the original scope of works subject to the ceiling norm of 1.5% of the original project cost.*
>
> *(d) Liabilities to meet award of arbitration or compliance of the order or decree of a court, and*
>
> *(e) On account of change in law.*
>
> *Provided that original scope of works along with estimates of expenditure shall be submitted along with the application for provisional tariff.*
>
> *Provided further that a list of the deferred liabilities and works deferred for execution shall be submitted along with the application for final tariff after the date of commercial operation of transmission system*
>
> *(2) Subject to provisions of sub-regulation (3) of this regulation, the capital expenditure of the following nature actually incurred after the cut-off date may be admitted by the Commission, subject to prudence check:*

(a) Deferred liabilities relating to works/services within the original scope of work,

(b) Liabilities to meet award of arbitration or compliance of the order or decree of a court,

(c) On account of change in law, and

(d) Any additional works/service which have become necessary for efficient and successful operation of the project but not included in the original project cost.

(3) Any expenditure on minor items/assets brought after the cut off date like tools and tackles, personal computers, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, fans, T.V., washing machine, heat-convectors, mattresses, carpets, etc. shall not be considered for additional capitalisation for determination of tariff with effect from 1.4.2004.

Note

The list of items is illustrative and not exhaustive.

…"

Further, Regulation 3(10) of UERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2004 has defined 'Cut off Date' as one year after the date of commercial operation of the transmission system. Similar provisions exist for additional capitalisation carried out from 01.04.2013 in UERC Tariff Regulations, 2011. Hence, the additional capitalisation has to be examined in light of the provisions of the Regulations referred above. The works upto cut off date has to be within the original scope of work and works beyond the cut off date have to meet the requirements laid down in the Regulations. In this regard, the Commission would like to emphasize that the additional capitalisations booked in the Petitioner's books of accounts are mainly due to faulty accounting practices. The Commission in the provisional true up for the previous years had allowed the additional capitalisation beyond the cut off date as the same was within the original scope of work and qualified to be allowable in accordance with the Tariff Regulations. **The Commission directs the Petitioner to take appropriate action to capitalise the works in the books of accounts in the year of commissioning or within the cut-off date. Further, the Commission also directs the Petitioner to submit the detailed reasons for any additional capitalisation claimed for future years in accordance with the applicable Tariff Regulations.** Hence, the Commission in this Order, in the approval of year wise capitalisation of various schemes has in accordance with the approach adopted in the previous Orders, allowed the additional capitalisation beyond the cut-off date subject to the ceiling limit of the approved cost of the total capitalisation for the respective project.

As mentioned earlier, the Commission also appointed a Consultant for analysis of time and cost overrun of executed projects under REC New Scheme. The Consultant submitted its report on the allowable cost of REC New Schemes on March 4, 2015 to the Commission. In order to give an opportunity to the Petitioner to make its submissions on the Report, the Commission forwarded the said report to the Petitioner vide its letter dated March 11, 2015. The Petitioner submitted its views on the report of the Expert Committee along with the detailed justification and nature of the disallowed cost by the Expert Committee vide its letter dated March 25, 2015. The Commission based on the analysis of the detailed information submitted by the Petitioner has approved the executed cost for the REC New Schemes and based on the same, the year wise capitalisation has been approved. The Commission has considered the additional capitalisation carried out in the projects on the similar lines as discussed in the preceding Para. The scheme wise and year wise capitalisation of various schemes approved by the Commission have been discussed in the following paragraphs.

3.1 Capital Cost of Transferred Assets

The Commission has discussed in detail its approach towards fixing of Opening Capital Cost of PTCUL as on 01.05.2004 in its Tariff Order dated October 21, 2009. In the said Order, in respect of delay in finalization of the 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 had been 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 the Transfer Scheme, the Commission had also 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 had observed that no concrete steps were taken by PTCUL and had 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."*

The Commission in its Tariff Order dated April 4, 2012 had further directed the Petitioner as under:

> *"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****."*

The Petitioner in its Petition for approval of Business Plan and MYT for the Control Period FY 2013-14 to FY 2015-16 submitted that Govt. of Uttarakhand vide its Order No. 117/(I)(2)/2011-05/19/2002 dated April 27, 2012 had approved the value of GFA of Rs. 1058.18 Crore taken by UPCL in its accounts as on November 9, 2001. PTCUL has submitted that it has, accordingly, considered the opening value of assets of Rs. 263.39 Crore as assigned to it in the Transfer Scheme. The Commission has held that the said communication cannot be accepted as finalization of the Transfer Scheme as it was only a letter to UPCL from Government of Uttarakhand and not a proper notification on finalisation of Transfer Scheme. The Commission vide its Order dated May 6, 2013 on approval of Business Plan and MYT for the Control Period FY 2013-14 to FY 2015-16 and Order dated April 10, 2014 directed the Petitioner to expedite the finalization of Transfer Scheme.

The Petitioner submitted that it has awarded the consultancy work for determining the appropriate assets/liabilities for finalization of transfer scheme pertaining to transmission business on January 9, 2013 and the delay in finalization of the report is on account of issues and difficulties in reconciliation of old assets and liabilities pertaining to UPCL units. In this Order also, the Commission is, therefore, considering the opening GFA for FY 2004-05 as Rs. 146.14 Crore approved earlier.

3.2 Year wise capitalisation from FY 2004-05 to FY 2012-13

Based on the approved cost by the Commission as detailed hereunder, the Commission has approved the year wise scheme wise capitalisation by considering the minimum of approved cost (executed costs of the projects as approved by the Commission in case of REC Old, NABARD and REC New Schemes and approved scheme costs in case of other Schemes) and the actual cost of the project as per the reconciliation of year wise capitalisation with the audited accounts submitted by PTCUL.

3.3 Executed Cost of REC Old, and NABARD Schemes

The Commission observed that there has been time delay in almost all the executed projects of REC Old scheme and NABARD Scheme. The impact of time overrun is the increase in project cost. The Commission observed that the variation in the actual executed cost and the recommended cost by the Expert Committee is on account of:

i. Disallowance in cost of equipment;

ii. Disallowance in price variation amount paid by PTCUL;

iii. Disallowance in increase in project cost due to change in original scope of work; and

iv. IDC allowed by the Expert Committee on proportionate basis of the recommended hard cost.

PTCUL submitted the detailed breakup of actual executed cost and the recommended cost by the Expert Committee. PTCUL submitted that the cost of equipment has been incurred after inviting tenders through competitive bidding. PTCUL also submitted the price variation paid in accordance with the provisions of the contracts upto the scheduled completion date and beyond the scheduled completion date. Based on detailed analysis of the information submitted by PTCUL to the Committee as well as the additional information, the Commission has reworked the allowable Cost, based on the following criteria:

- The actual cost of equipment has been allowed as the prices have been discovered through open tendering process and the year on year increase in price of equipment like transformers appears to be reasonable considering the inflationary trends for the respective years.
- The price variation has been allowed only upto the scheduled completion date and the

price variation paid beyond the scheduled completion date has been disallowed. The price variation paid beyond the scheduled completion date was applicable only in case of two projects under REC Old Schemes, i.e. in 220 kV S/C Maneri Bhali to Rishikesh line and in 132 kV Satpuli to Kotdwar line.

- The increase in project cost due to increase in original change in scope of work has been allowed as the same qualifies to be treated as beyond the control of PTCUL.

Based on the above criteria, the Commission has arrived at the allowable hard cost for each project. Thereafter, the Commission has worked out the allowable IDC for each project based on the following criteria:

- The Commission observed that the actual IDC of various projects is ranging from 3.17% to 23.40% of the actual Hard Cost. As the transmission projects of PTCUL are of lower gestation periods with completion period of 12 to 24 months, the Commission finds the percentage of IDC as high as 23% of the Hard Cost unreasonable. Regarding the increase in project cost due to time overrun, Hon'ble ATE in its Judgment in Appeal No. 72 of 2010 ruled as under:

"7.4. The delay in execution of a generating project could occur due to following reasons:

i) due to factors entirely attributable to the generating company, e.g., imprudence in selecting the contractors/suppliers and in executing contractual agreements including terms and conditions of the contracts, delay in award of contracts, delay in providing inputs like making land available to the contractors, delay in payments to contractors/suppliers as per the terms of contract, mismanagement of finances, slackness in project management like improper co-ordination between the various contractors, etc.

ii) due to factors beyond the control of the generating company e.g. delay caused due to force majeure like natural calamity or any other reasons which clearly establish, beyond any doubt, that there has been no imprudence on the part of the generating company in executing the project.

iii) situation not covered by (i) & (ii) above.

In our opinion in the first case the entire cost due to time over run has to be borne by the generating company. However, the Liquidated Damages (LDs) and insurance *proceeds on account of delay, if any, received by the generating company could be retained by the generating company. In the second case the generating company could be given benefit of the additional cost incurred due to time over-run. However, the consumers should get full benefit of the LDs recovered from the contractors/suppliers of the generating company and the insurance proceeds, if any, to reduce the capital cost. In the third case the additional cost due to time overrun including the LDs and insurance proceeds could be shared between the generating company and the consumer. It would also be prudent to consider the delay with respect to some benchmarks rather than depending on the provisions of the contract between the generating company and its contractors/suppliers. If the time schedule is taken as per the terms of the contract, this may result in imprudent time schedule not in accordance with good industry practices."*

"8.6 ....

We agree with the State Commission that the infusion of debt & equity has to be more or less on paripassu basis as per normative debt equity ratio. However, the increase in IDC due to time over run has to be allowed only according to the principles laid down in para 7.4 above. Accordingly, the State Commission is directed to re-determine the IDC for the actual period of commissioning of the project and then work out the excess IDC for the period of time over run on a prorata basis and limit the disallowance to 50% of the same on account of excess IDC. This question is answered accordingly."

- As may be observed, the Hon'ble ATE in its Judgment has clearly stipulated the treatment of extra IDC on account of the delay under three cases. In such a case, the extra IDC needs to be computed considering the impact of the delay in the commissioning of the project only.
- The Commission for working out the excess IDC for the period of delay has first computed the Base Case IDC for the scenario if the project would have been completed on time as follows:
  - IDC corresponding to Hard Cost as approved by the Commission = (actual IDC ÷ actual Hard Cost) x Approved Hard Cost
  - Base Case IDC = IDC corresponding to Hard Cost approved x (Scheduled completion period ÷ actual completion period)
- After detailed analysis of the reasons submitted by PTCUL for time overrun, the

Commission is of the view that it is not clearly established as to whether the delay was solely on account of controllable factors or due to uncontrollable factors. The Commission observed that some of the reasons for delay attributable to PTCUL like delay in placing the contracts etc., arranging clearances etc. and some of the reasons of delay were beyond the control of PTCUL such as Right of Way, etc. Hence, this case falls under category (iii) described in the ruling of Hon'ble ATE stated above.

- Accordingly, the Commission has computed the excess IDC incurred for each project in comparison to the Base Case IDC and allowed 50% of the excess IDC (Actual IDC – Base Case IDC).
- Accordingly, the Commission has arrived at the allowable executed cost for each project of REC Old and NABARD.

The allowable executed cost of REC Old and NABARD Schemes is as shown in the Tables below:

Table 3.1: Allowable executed cost of REC Old Schemes (Rs. Crore)

S. No	Particulars	Scheduled completion period	Actual completion period	Actual Executed Cost submitted by PTCUL			Executed Cost reworked by the Commission		
				Hard Cost	IDC	Total	Hard Cost	IDC	Total
1	LILO of 220 kV Rishikesh-Muzzaffarnagar line at 220 kV S/s Roorkee	NA	NA	0.01	0.00	0.01	0.01	0.00	**0.01**
2	Increasing Capacity of 220 kV S/s Chamba	NA	NA	3.07	0.00	3.07	3.07	0.00	**3.07**
3	Increasing Capacity of 132 kV S/s Haldwani	6 months	1 month 2 days	3.00	0.00	3.00	3.00	0.00	**3.00**
4	Construction of 220 kV S/s Roorkee	NA	NA	13.76	0.00	13.76	13.76	0.00	**13.76**
5	Increasing Capacity of 220 kV S/s ManeriBhali-I	NA	NA	3.28	0.00	3.28	3.24	0.00	**3.24**
6	Construction of 220 kV Single Circuit Maneri Bhali-II to Rishikesh Line	24 months	65 months 12 days	44.61	8.28	52.89	41.30	5.54	**46.84**
7	Construction of 132 kV S/s Satpuli	18 months	59 months 22 days	10.48	1.12	11.60	10.48	0.73	**11.21**
8	Construction of 132 kV Satpuli-Kotdwar line	24 months	65 months 11 days	41.59	8.02	49.61	41.17	5.46	**46.63**
9	Construction of 132 kV S/s Simli	12 months	44 months	11.51	1.87	13.39	11.51	1.19	**12.71**
10	Construction of bay at 220 kV S/s Rishikesh for 220 kV Maneri Bhali Stage II	NA	NA	0.79	0.00	0.79	0.79	0.00	**0.79**
Total				**132.12**	**19.29**	**151.41**	**128.34**	**12.93**	**141.27**

Table 3.2: Allowable executed cost for NABARD Schemes (Rs. Crore)

S. No	Particulars	Scheduled completion period	Actual completion period	Actual Executed Cost submitted by PTCUL			Executed Cost reworked by the Commission		
				Hard Cost	IDC	Total	Hard Cost	IDC	Total
1	400/ 220/ 132 kV S/s Kashipur	30 months	31 months 11 days	92.46	6.10	98.56	92.46	5.95	**98.42**
2	LILO of 400 kV Rishikesh-Moradabad line for 400 kV S/s Kashipur	12 months	21 months 24 days	63.92	9.44	73.37	61.70	7.21	**68.91**
3	132 kV S/s Ranikhet	NA	NA	6.50	0.46	6.96	6.50	0.46	**6.96**
4	132 kV Almora-Ranikhet line	15 months	57 months	6.01	0.50	6.51	6.01	0.31	**6.33**
5	132 kV S/s Bhagwanpur	12 months	18 months 8 days	8.54	0.69	9.22	8.54	0.57	**9.11**
6	LILO of 132 kV Double Circuit Roorkee-Saharanpur-I for Bhagwanpur 132 kV S/s	12 months	15months	2.55	0.16	2.71	2.55	0.15	**2.70**
7	132 kV S/s Mangalore	12 months	23 months 9 days	10.89	2.35	13.24	10.89	1.79	**12.68**
8	LILO of 132 kV Double Circuit Roorkee -Nehtaur-I line at Manglore	12 months	21 months	2.71	0.17	2.88	2.71	0.13	**2.84**
9	132 kV S/s Ramnagar	24 months	24 months	6.67	0.40	7.07	6.67	0.40	**7.07**
10	LILO of 132 kV Double Circuit Kalagarh-Kashipur-I at Ramnagar S/s	12 months	26 months	4.73	0.27	5.00	4.73	0.20	**4.93**
11	132 kV S/s Jaspur	12 months	26 months 26 days	10.73	0.83	11.56	10.73	0.60	**11.33**
12	LILO of 132 kV Double Circuit Kalagarh Kashipur-II line at Jaspur 132 kV S/s	6 months	13 months 8 days	0.91	0.03	0.94	0.91	0.02	**0.93**
13	132 kV S/s Sitarganj	12 months	22 months 23 days	13.27	1.16	14.42	13.27	0.88	**14.15**
14	132 kV Sitarganj-Kichha line	6 months	18 months 14 days	9.58	2.24	11.82	9.58	1.48	**11.06**
15	132 kV S/s Rudrapur	12 months	20 months 8 days	10.84	0.64	11.49	10.84	0.51	**11.36**
Total				**250.32**	**25.44**	**275.76**	**248.10**	**20.68**	**268.77**

3.4 Executed Cost of REC New Schemes

For REC New Schemes, the Commission after detailed analysis of the report of the Consultant and additional submissions of PTCUL, approves the cost recommended by the Consultant at this stage as some of the schemes are yet to be completed. The Commission will carry out the detailed scrutiny of REC New schemes as done for REC Old and NABARD Schemes, once all the schemes are completed and the cost of the assets is capitalized in the accounts. The Table below shows the actual executed cost and cost recommended by the Expert Committee for REC New Schemes:

Table 3.3: Allowable executed cost for REC New Schemes (Rs. Crore)

S.No.	Particulars	Approved Cost as per Investment Approval	Submitted by PTCUL	Cost approved by the Commission
1	LILO 132 kV Rishikesh-Srinagar Line at 132 kV Substation Srinagar-II	1.20	1.72	1.27
2	Construction of 4 Nos. Bay at 132 kV Substation Kotdwar	4.03	3.35	2.93
3	Construction of 132 kV Substation Laksar	13.22	13.26	11.14
4	LILO of 132 kV Roorkee-Nehtaur-II Line for 132 kV S/s Laksar	0.34	0.80	0.70
5	LILO of 132 kV Kashipur-Jaspur Line at 400 kV S/s Kashipur	1.03	1.83	1.69
6	LILO of 132 kV Kashipur-Ramnagar Line at 400 kV Substation Kashipur	0.34	0.58	0.53
7	132 kV Line S/C Line on D/C Towers from 400 kV S/s Kashipur to Bazpur	5.64	8.46	8.22
8	220 kV D/C Line from Kashipur -Barhani	17.93	15.60	14.49
9	220 kV S/C Line from Barhani-Pantnagar	19.50	14.94	13.78
10	LILO of 132 kV Dohna-Khatima line for 132 kV Substation Sitarganj	8.55	7.24	6.72
11	LILO of 132 kV Kicha-Pantnagar Line at Rudrapur 132 kV S/s	1.71	1.57	1.54
12	Increasing Capacity of 132/66/33 kV Substation Haldwani	2.92	2.99	2.82
13	Construction of 132 kV Bays at Ranikhet and Pithoragarh	2.48	1.23	1.23
14	Increasing Capacity of 132/33 kV Substation Mazra	6.28	2.72	2.72
15	Augmentation of 132/33 kV S/s Purkul	2.58	3.17	2.42
Total		**87.75**	**79.47**	**72.20**

3.5 Year wise capitalisation from FY 2004-05 to FY 2012-13

In the subsequent Paras, the Commission has discussed the year wise approved cost vis-à-vis actual cost incurred as per the submission of the Petitioner under different schemes.

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

The project wise approved cost and the actual cost submitted by the Petitioner and the capitalisation considered by the Commission for final truing up of FY 2004-05 to FY 2012-13 as per the approach discussed above is given in the following Table:

Table 3.4: Year wise capitalisation approved for REC Old Schemes (Rs. Crore)

S. No.	Particulars	Approved Executed Cost	Total capitalisation claimed by PTCUL upto FY 2012-13	Year wise capitalisation approved by the Commission						
				FY 2004-05	FY 2005-06	FY 2007-08	FY 2010-11	FY 2011-12	FY 2012-13	Total
1	LILO of 220 kV Rishikesh-Muzzaffarnagar line at 220 kV S/s Roorkee	0.01	0.01	0.01	0.00	0.00	0.00	0.00	0.00	**0.01**
2	Increasing Capacity of 220 kV S/s Chamba	3.07	2.56	1.94	0.00	0.00	0.00	0.62	0.00	**2.56**
3	Increasing Capacity of 132 kV S/s Haldwani	3.00	3.05	1.26	1.74	0.00	0.00	0.00	0.00	**3.00**
4	Construction of 220 kV S/s Roorkee	13.76	19.20	0.00	13.76	0.00	0.00	0.00	0.00	**13.76**
5	Increasing Capacity of 220 kV S/s Maneri Bhali-I	3.24	2.50	0.00	0.00	2.50	0.00	0.00	0.00	**2.50**
6	Construction of 220 kV Single Circuit Maneri Bhali-II to Rishikesh Line	46.84	50.45	0.00	0.00	0.00	44.61	2.23	0.00	**46.84**
7	Construction of 132 kV S/s Satpuli	11.21	8.96	0.00	0.00	0.00	0.00	0.00	8.96	**8.96**
8	Construction of 132 kV Satpuli-Kotdwar line	46.63	48.19	0.00	0.00	0.00	0.00	46.63	0.00	**46.63**
9	Construction of 132 kV S/s Simli*	12.71	9.40	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**
10	Construction of bay at 220 kV S/s Rishikesh for 220 kV Maneri Bhali Stage-2	0.79	0.66	0.00	0.00	0.00	0.66	0.00	0.00	**0.66**
Total		**141.27**	**144.98**	**3.21**	**15.50**	**2.50**	**45.27**	**49.49**	**8.96**	**124.93**

**Capitalisation not allowed as the associated Line 132 kV Double Circuit Srinagar-Simli Line has not been capitalised.*

3.5.2 NABARD Scheme

The project wise approved cost and the actual cost submitted by the Petitioner and the capitalisation considered by the Commission for final truing up of FY 2004-05 to FY 2012-13 as per the approach discussed above is given in the following Table:

Table 3.5: Year wise capitalisation approved by the Commission for NABARD Scheme (Rs. Crore)

S. No.	Particulars	Approved Executed Cost	Total capitalisation claimed by PTCUL upto FY 2012-13	Year wise capitalisation approved by the Commission							
				FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	Total
1	400/ 220/ 132 kV S/s Kashipur	98.42	118.78	57.39	41.03	0.00	0.00	0.00	0.00	0.00	**98.42**
2	LILO of 400 kV Rishikesh-Moradabad line for 400 kV S/s Kashipur	68.91	60.95	0.00	0.00	0.00	19.85	10.93	30.17	0.00	**60.95**
3	132 kV S/s Ranikhet	6.96	10.85	0.00	6.96	0.00	0.00	0.00	0.00	0.00	**6.96**
4	132 kV Almora-Ranikhet line	6.33	8.03	0.00	6.24	0.09	0.00	0.00	0.00	0.00	**6.33**
5	132 kV S/s Bhagwanpur	9.11	11.14	0.00	9.11	0.00	0.00	0.00	0.00	0.00	**9.11**
6	LILO of 132 kV Double Circuit Roorkee-Saharanpur-I for Bhagwanpur 132 kV S/s	2.70	3.55	0.00	2.70	0.00	0.00	0.00	0.00	0.00	**2.70**
7	132 kV S/s Mangalore	12.68	12.41	0.00	0.00	0.00	11.89	0.00	0.12	0.40	**12.41**
8	LILO of 132 kV Double Circuit Roorkee-Nehtaur-I line at Manglore	2.84	3.07	0.00	2.84	0.00	0.00	0.00	0.00	0.00	**2.84**
9	132 kV S/s Ramnagar	7.07	8.10	6.24	0.04	0.09	0.00	0.00	0.70	0.00	**7.07**
10	LILO of 132 kV Double Circuit Kalagarh-Kashipur-I at Ramnagar S/s	4.93	5.91	4.93	0.00	0.00	0.00	0.00	0.00	0.00	**4.93**
11	132 kV S/s Jaspur	11.33	11.70	0.00	2.38	8.95	0.00	0.00	0.00	0.00	**11.33**
12	LILO of 132 kV Double Circuit Kalagarh Kashipur-II line at Jaspur 132 kV S/s	0.93	0.59	0.00	0.58	0.01	0.00	0.00	0.00	0.00	**0.59**
13	132 kV S/s Sitarganj	14.15	17.46	0.00	0.00	14.15	0.00	0.00	0.00	0.00	**14.15**
14	132 kV Sitarganj-Kichha line	11.06	10.20	0.00	0.00	0.00	10.20	0.00	0.00	0.00	**10.20**
15	132 kV S/s Rudrapur	11.36	13.54	0.00	11.36	0.00	0.00	0.00	0.00	0.00	**11.36**
	Total	**268.77**	**296.28**	**68.56**	**83.23**	**23.29**	**41.94**	**10.93**	**30.99**	**0.40**	**259.34**

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 was 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.

The Commission in the provisional true up for FY 2004-05 to FY 2012-13 has considered the additional receipts from PFC for gap funding of NABARD Scheme. Continuing with the approach adopted in the previous Tariff Orders, the Commission while carrying out the final truing up has considered additional receipts from PFC for gap funding of NABARD Scheme which have been dealt with while calculating interest charges of the Petitioner.

3.5.3 REC New Scheme (Also referred to as REC II Scheme)

The project wise approved cost and the actual cost submitted by the Petitioner and the capitalisation considered by the Commission for final truing up of FY 2004-05 to FY 2012-13 as per the approach discussed above is given in the following Table:

Table 3.6: Capitalisation approved by the Commission for REC New Scheme (Rs. Crore)

S. No	Particulars	Approved Executed Cost	Total capitalisation claimed by PTCUL upto FY 2012-13	Year wise capitalisation approved by the Commission						
				FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	Total
1	LILO 132 kV Rishikesh-Srinagar Line at 132 kV Substation Srinagar-II	1.27	0.96	0.00	0.00	0.00	0.00	0.96	0.00	**0.96**
2	Construction of 4 Nos. Bay at 132 kV Substation Kotdwar	2.93	4.03	2.93	0.00	0.00	0.00	0.00	0.00	**2.93**
3	Construction of SLDC at Dehradun and Construction of 2 No. Sub LDC at Kashipur and Rishikhesh	51.92	1.04	0.00	0.00	0.00	0.00	0.37*	0.67*	**1.04**
4	Construction of 132 kV Substation Laksar	11.14	11.78	9.76	0.00	0.00	0.00	1.38	0.00	**11.14**
5	LILO of 132 kV Roorkee-Nehtaur-II Line for 132 kV S/s Laksar	0.70	0.60	0.54	0.00	0.00	0.00	0.07	0.00	**0.60**
6	LILO of 132 kV Kashipur-Jaspur Line at 400 kV S/s Kashipur	1.69	1.44	1.28	0.00	0.00	0.00	0.16	0.00	**1.44**
7	LILO of 132 kV Kashipur-Ramnagar Line at 400 kV Substation Kashipur	0.53	0.93	0.53	0.00	0.00	0.00	0.00	0.00	**0.53**
8	132 kV Line S/C Line on D/C Towers from 400 kV S/s Kashipur to Bazpur	8.22	11.10	0.00	0.00	8.22	0.00	0.00	0.00	**8.22**
9	220 kV D/C Line from Kashipur – Barhani	14.49	17.76	0.00	0.00	0.00	9.72	4.77	0.00	**14.49**
10	220 kV S/C Line from Barhani-Pantnagar	13.78	19.83	0.00	0.00	0.00	9.69	4.09	0.00	**13.78**
11	LILO of 132 kV Almora-Pithhoragarh Line for 220 kV S/s Pithoragarh (PGCIL)	4.02	0.46	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**
12	LILO of 132 kV Dohna-Khatima line for 132 kV Substation Sitarganj	6.72	7.40	6.29	0.00	0.00	0.00	0.43	0.00	**6.72**
13	LILO of 132 kV Kicha-Pantnagar Line at Rudrapur 132 kV S/s	1.54	1.56	1.39	0.00	0.00	0.00	0.15	0.00	**1.54**
14	Increasing Capacity of 132/66/33 kV Substation Haldwani	2.82	2.90	0.00	2.82	0.00	0.00	0.00	0.00	**2.82**
15	Construction of 132 kV Bays at Ranikhet and Pithoragarh	1.23	1.39	0.00	0.00	0.00	0.00	1.23	0.00	**1.23**
16	Increasing Capacity of 132/33 kV Substation Mazra	2.72	6.26	2.72	0.00	0.00	0.00	0.00	0.00	**2.72**
17	Augmentation of 132/33 kV S/s Purkul	2.42	2.45	2.18	0.00	0.00	0.00	0.24	0.00	**2.42**
Total		**128.14**	**91.91**	**27.61**	**2.82**	**8.22**	**19.42**	**13.85**	**0.67**	**72.59**

**Minor works related to SCADA under Phase 1 of the project "Construction of SLDC at Dehradun and Construction of 2 No. Sub LDC at Kashipur and Rishikhesh"*

3.5.4 REC IV Scheme

The project wise approved cost and the actual cost submitted by the Petitioner and the capitalisation considered by the Commission for final truing up of FY 2004-05 to FY 2012-13 as per the approach discussed above is given in the following Table:

Table 3.7: Capitalisation approved by the Commission for REC IV Scheme (Rs. Crore)

S. No.	Particulars	Approved Cost	Total capitalisation claimed by PTCUL upto FY 2012-13	Year wise capitalisation approved by the Commission			Total
				FY 2010-11	FY 2011-12	FY 2012-13	
1	132 kV S/C Link Line between 132 kV S/s Purkul and Bindal	5.96	0.49	0.00	0.00	0.00*	**0.00**
2	132 kV S/s Sitarganj (SIDCUL)	23.54	14.96	0.00	0.00	14.96	**14.96**
3	132 kV DC Line from 132 kV S/s sidcul Sitarganj to 132 kV Sitarganj Kicha line	5.71	6.17	0.00	0.00	5.71	**5.71**
4	Stringing of 132 kV of Sitarganj - Kicha Line	3.46	2.82	2.24	0.00	0.58	**2.82**
5	132 kV Bay for RBNS Sugarmill at 132 kV S/s Gangoli Laksar	0.94	0.80	0.80	0.00	0.00	**0.80**
6	132 kV Line for RBNS sugarmill to Laksar	1.81	1.30	1.11	0.19	0.00	**1.30**
7	220 kV Chamba - Ghansali Line	17.90	17.49	16.52	0.62	0.35	**17.49**
8	1 No. 220 kV Bay at 220 kV S/s Chamba	2.21	2.07	0.00	2.07	0.00	**2.07**
9	220 kV D/C Ghansali - Bhilangana III Line	21.91	20.06	0.00	0.00	0.00	**0.00**
	Total	**83.44**	**66.16**	**20.67**	**2.88**	**21.60**	**45.15**

**PTCUL has claimed the capitalisation of Rs. 0.49 Crore in FY 2012-13. In line with the approach adopted by the Commission in the provisional true up for FY 2012-13, the part capitalisation has not been considered.*

The Commission has not trued up the capitalisation of 220 kV D/C Ghansali - Bhilangana III Line for the reasons already spelt by the Commission in its Order dated April 29, 2013 given as under:

> *"The Commission has decided that the transmission charges payable by the Generator towards 220 kV D/C Bhilangana-III-Ghansali line shall be determined in the proposed Tariff Order for PTCUL for the 1st control period (FY14 to FY16) on principles mentioned in* ***Para 17*** *of this Order. These charges are provisional and will be replaced by the charges determined under the PoC mechanism by CERC. The Commission allows the Petitioner to recover these charges till December 2013 or till charges under PoC mechanism are determined. In case charges under PoC mechanism are not determined till December 2013, Petitioner should come up for further continuance of these charges furnishing details of efforts made/actions taken in this regard. The Commission may consider further continuance of these charges after satisfying itself of the due diligence of the Petitioner."*

3.5.5 *REC V*

The project wise approved cost and the actual cost submitted by the Petitioner and the capitalisation considered by the Commission for final truing up of FY 2004-05 to FY 2012-13 as per the approach discussed above is given in the following Table:

Table 3.8: Capitalisation approved by the Commission for REC V Scheme (Rs. Crore)

S. No.	Particulars	Approved Cost	Total capitalisation claimed by PTCUL upto FY 2012-13	Year wise capitalisation approved by the Commission		
				FY 2011-12	FY 2012-13	Total
1	220/132 kV S/s Mahuakheraganj	119.87	71.79	12.59	59.20	71.79
2	LILO of 132 kV Kashipur (Takurdwara) - Muradabad Line at Mahuakheraganj S/s	3.86	3.58	3.37	0.21	3.58
Total		**123.73**	**75.37**	**15.96**	**59.41**	**75.37**

3.5.6 *REC IX Scheme*

The project wise approved cost and the actual cost submitted by the Petitioner and the capitalisation considered by the Commission for final truing up of FY 2004-05 to FY 2012-13 as per the approach discussed above is given in the following Table:

Table 3.9: Capitalisation approved by the Commission for REC IX Scheme (Rs. Crore)

Project	Approved Cost	Total capitalisation claimed by PTCUL upto FY 2012-13	Capitalisation approved by the Commission
			FY 2012-13
Stringing of 2nd Ckt of 220 kV DC Line on single Zebra Conductor from Berheni -Pantnagar and Construction of 1 No. 220 kV Bay at 220 kV S/s Pantnagar.	8.74	4.48	4.48

3.5.7 *REC XI Scheme*

The project wise approved cost and the actual cost submitted by the Petitioner and the capitalisation considered by the Commission for final truing up of FY 2004-05 to FY 2012-13 as per the approach defined above and the reconciliation statement submitted by the Petitioner is given in the following Table:

Table 3.10: Capitalisation approved by the Commission for REC XI Scheme (Rs. Crore)

Project	Approved Cost	Total capitalisation claimed by PTCUL upto FY 2012-13	Capitalisation approved by the Commission
			FY 2012-13
HQ Building PTCUL	17.56	16.91	16.91

3.5.8 PFC Scheme

The project wise approved cost and the actual cost submitted by the Petitioner and the capitalisation considered by the Commission for final truing up of FY 2004-05 to FY 2012-13 as per the approach discussed above is given in the following Table:

Table 3.11: Capitalisation approved by the Commission for PFC Scheme (Rs. Crore)

Project	Approved Cost	Total capitalisation claimed by PTCUL upto FY 2012-13	Capitalisation approved by the Commission
			FY 2011-12
LILO OF 220 kV Haridwar-Roorkee Line at 400 kV PGCIL S/s Roorkee	6.69	4.67	4.67

3.5.9 Other than Schemes

The Petitioner in the reconciliation statement has submitted the details of "Other than Schemes" capitalised from FY 2004-05 to FY 2012-13 funded out of internal accruals. The Commission for the purpose of truing up, has considered the capitalisation of works carried out under "Other than Schemes" as submitted by the Petitioner as these are minor works taken up by the Petitioner depending upon the requirement.

Table 3.12: Capitalisation of Other than Schemes (Rs. Crore)

Year	Capitalisation (Rs. Crore)
FY 2004-05	0.91
FY 2005-06	1.31
FY 2006-07	1.34
FY 2007-08	1.30
FY 2008-09	2.20
FY 2009-10	2.71
FY 2010-11	2.21
FY 2011-12	11.73
FY 2012-13	6.20

3.5.10 GFA including additional capitalisation

Considering the asset capitalisation under various schemes, the year-wise GFA including the additional capitalisation approved by the Commission is given in the Table below:

Table 3.13: GFA including additional capitalisation approved by the Commission (Rs. Crore)

S. No.	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
1	Opening Value	146.14	150.23	174.89	271.74	388.32	416.62	469.27	544.74	729.66
	Addition									
2	REC Old	3.21	15.50	0.00	2.50	0.00	0.00	45.27	49.49	8.96
3	NABARD	0.00	0.00	68.56	83.23	23.29	41.94	10.93	30.99	0.40
4	REC New	0.00	0.00	0.00	27.61	2.82	8.22	19.42	13.85	0.67
5	REC IV	0.00	0.00	0.00	0.00	0.00	0.00	20.67	2.88	21.60
6	REC V	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15.96	59.41
7	PFC	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.67	0.00
8	PFC (Computer equipment)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.58
9	REC IX	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.48
10	REC XI	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	16.91
11	PFC-Capital R&M works	0.00	0.00	0.00	0.00	0.00	0.00	0.00	33.00	0.00
12	Deposit works	0.00	8.92	28.31	2.09	0.00	0.00	0.00	22.36	0.00
13	System strengthening	0.91	1.31	1.34	1.30	2.20	2.71	2.21	11.73	6.20
14	**Total addition during the year**	**4.12**	**25.73**	**98.21**	**116.74**	**28.31**	**52.87**	**98.50**	**184.92**	**119.21**
15	Less: Deletions during the year	0.03	1.07	1.36	0.16	0.00	0.23	23.03	0.00	3.45
	Closing value	**150.23**	**174.89**	**271.74**	**388.32**	**416.62**	**469.27**	**544.74**	**729.66**	**845.42**

3.5.11 Financing of Capital Assets

Regulation 15(5) of the UERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2004 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 Commission has considered the means of finance for each Scheme as approved in its Order dated April 10, 2014. The Tables given below shows the means of finance for each Scheme for the period 2004-05 to FY 2012-13:

Table 3.14: Approved Means of Finance

S. No.	Particulars	Grants	Debt	Equity	Total
1	REC Old	0%	82%	18%	100%
2	NABARD	0%	81%	19%	100%
3	REC New	0%	100%	0%	100%
4	REC IV	0%	70%	30%	100%
5	REC V	0%	70%	30%	100%
6	PFC	0%	70%	30%	100%
7	PFC (Computer equipment)	0%	70%	30%	100%
8	REC IX	0%	70%	30%	100%
9	REC XI	0%	70%	30%	100%
10	PFC-Capital R&M works	0%	70%	30%	100%
12	Deposit works	100%	0%	0%	100%
13	System strengthening	0%	70%	30%	100%

Based on the above, the Commission has determined the debt and equity components for FY 2004-05 to FY 2012-13 which works out as given below:

Table 3.15: Details of financing for capitalization for FY 2004-05 to FY 2006-07 (Rs. Crore)

Particulars	FY 2004-05					FY 2005-06					FY 2006-07				
	Cap. Res.	Grant	Loan	Equity	Total	Cap. Res.	Grant	Loan	Equity	Total	Cap. Res.	Grant	Loan	Equity	Total
Opening Value	123.75	0.00	18.35	4.04	146.14	123.72	0.00	21.62	4.89	150.23	122.65	8.92	35.24	8.08	174.89
Additions in the year															
REC Old	0.00	0.00	2.63	0.58	3.21	0.00	0.00	12.71	2.79	15.50	0.00	0.00	0.00	0.00	0.00
NABARD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	55.53	13.03	68.56
Deposit works	0.00	0.00	0.00	0.00	0.00	0.00	8.92	0.00	0.00	8.92	0.00	28.31	0.00	0.00	28.31
System strengthening	0.00	0.00	0.64	0.27	0.91	0.00	0.00	0.92	0.39	1.31	0.00	0.00	0.94	0.40	1.34
Total addition during the year	**0.00**	**0.00**	**3.27**	**0.85**	**4.12**	**0.00**	**8.92**	**13.63**	**3.18**	**25.73**	**0.00**	**28.31**	**56.47**	**13.43**	**98.21**
Less Deletions during the year	0.03	0.00	0.00	0.00	0.03	1.07	0.00	0.00	0.00	1.07	1.36	0.00	0.00	0.00	1.36
Closing Value	**123.72**	**0.00**	**21.62**	**4.89**	**150.23**	**122.65**	**8.92**	**35.24**	**8.08**	**174.89**	**121.29**	**37.23**	**91.72**	**21.51**	**271.74**

Table 3.16: Details of financing for capitalization for FY 2007-08 to FY 2009-10 (Rs. Crore)

Particulars	FY 2007-08					FY 2008-09					FY 2009-10				
	Cap. Res.	Grant	Loan	Equity	Total	Cap. Res.	Grant	Loan	Equity	Total	Cap. Res.	Grant	Loan	Equity	Total
Opening Value	121.29	37.23	91.72	21.51	271.74	121.29	39.16	189.71	38.16	388.32	121.29	39.16	212.93	43.24	416.62
Additions in the year															
REC Old	0.00	0.00	2.05	0.45	2.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NABARD	0.00	0.00	67.42	15.81	83.23	0.00	0.00	18.86	4.42	23.29	0.00	0.00	33.97	7.97	41.94
REC New	0.00	0.00	27.61	0.00	27.61	0.00	0.00	2.82	0.00	2.82	0.00	0.00	8.22	0.00	8.22
Deposit works	0.00	2.09	0.00	0.00	2.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
System strengthening	0.00	0.00	0.91	0.39	1.30	0.00	0.00	1.54	0.66	2.20	0.00	0.00	1.90	0.81	2.71
Total addition during the year	**0.00**	**2.09**	**97.99**	**16.65**	**116.74**	**0.00**	**0.00**	**23.22**	**5.08**	**28.31**	**0.00**	**0.00**	**44.09**	**8.78**	**52.87**
Less Deletions during the year	0.00	0.16	0.00	0.00	0.16	0.00	0.00	0.00	0.00	0.00	0.23	0.00	0.00	0.00	0.23
Closing Value	**121.29**	**39.16**	**189.71**	**38.16**	**388.32**	**121.29**	**39.16**	**212.93**	**43.24**	**416.62**	**121.06**	**39.16**	**257.02**	**52.03**	**469.27**

Table 3.17: Details of financing for capitalization for FY 2010-11 to FY 2012-13 (Rs. Crore)

Particulars	FY 2010-11					FY 2011-12					FY 2012-13				
	Cap. Res.	Grant	Loan	Equity	Total	Cap. Res.	Grant	Loan	Equity	Total	Cap. Res.	Grant	Loan	Equity	Total
Opening Value	121.06	39.16	257.02	52.03	469.27	98.03	39.16	338.43	69.12	544.74	98.03	61.52	465.72	104.38	729.66
Additions in the year															
REC Old	0.00	0.00	37.12	8.15	45.27	0.00	0.00	40.58	8.91	49.49	0.00	0.00	7.35	1.61	8.96
NABARD	0.00	0.00	8.85	2.08	10.93	0.00	0.00	25.10	5.89	30.99	0.00	0.00	0.32	0.08	0.40
REC New	0.00	0.00	19.42	0.00	19.42	0.00	0.00	13.85	0.00	13.85	0.00	0.00	0.67	0.00	0.67
REC IV	0.00	0.00	14.47	6.20	20.67	0.00	0.00	2.02	0.86	2.88	0.00	0.00	15.12	6.48	21.60
REC V	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11.17	4.79	15.96	0.00	0.00	41.59	17.82	59.41
PFC	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.27	1.40	4.67	0.00	0.00	0.00	0.00	0.00
PFC (Computer equipment)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.41	0.17	0.58
REC IX	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.14	1.34	4.48
REC XI	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11.84	5.07	16.91
PFC-Capital R&M works	0.00	0.00	0.00	0.00	0.00	0.00	0.00	23.10	9.90	33.00	0.00	0.00	0.00	0.00	0.00
Deposit works	0.00	0.00	0.00	0.00	0.00	0.00	22.36	0.00	0.00	22.36	0.00	0.00	0.00	0.00	0.00
System strengthening	0.00	0.00	1.55	0.66	2.21	0.00	0.00	8.21	3.52	11.73	0.00	0.00	4.34	1.86	6.20
Total addition during the year	**0.00**	**0.00**	**81.41**	**17.09**	**98.50**	**0.00**	**22.36**	**127.29**	**35.27**	**184.92**	**0.00**	**0.00**	**84.77**	**34.44**	**119.21**
Less Deletions during the year	23.03	0.00	0.00	0.00	23.03	0.00	0.00	0.00	0.00	0.00	3.45	0.00	0.00	0.00	3.45
Closing Value	**98.03**	**39.16**	**338.43**	**69.12**	**544.74**	**98.03**	**61.52**	**465.72**	**104.38**	**729.66**	**94.59**	**61.52**	**550.49**	**138.83**	**845.42**

3.6 Annual Transmission Charges

Regulation 16 of the UERC (Terms & Conditions for Determination of Transmission Tariff) Regulations, 2004 stipulates as follows:

"16. Transmission Charges

(1) The tariff for transmission of electricity on intra-state transmission system shall comprise of the recovery of annual transmission charges (ATC) consisting of:

(a) Interest on Loan Capital

(b) Depreciation including Advance Against Depreciation

(c) Return on equity

(d) Operation & Maintenance expenses

(e) Interest on working capital

(2) Income, other than that through charges permitted by the Commission, and involving utilisation of the transmission licensee's assets may be suitably accounted for by theCommission while determining the tariff."

3.6.1 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 submitted that the depreciation rate of 3% approved by the Commission has been considered for computing the depreciation for FY 2004-05 to FY 2012-13. The depreciation towards assets created out of consumer contribution and grants, deposit works has not been considered for the computation of eligible depreciation for true-up purposes in accordance with Regulation 18(1)(a) of UERC Tariff Regulations, 2004.

The Commission has approved the asset class wise GFA for each year by apportioning the approved year wise capitalisation in the same proportion of asset class wise GFA as per the audited accounts for the respective years. The Commission has considered the depreciation rates as specified in the UERC Tariff Regulations, 2004. Further, the Commission has deducted the depreciation on assets created out of grants at the weighted average depreciation rate for the respective year. Accordingly, the depreciation approved by the Commission for final true up for FY 2004-05 to FY 2012-13 is shown in the Table below:

Table 3.18: Depreciation approved by the Commission (Rs. Crore)

Years	Approved in Tariff order	Approved in provisional true up	Final True up	
			PTCUL	Approved
FY 2004-05	7.44	8.23	4.43	4.14
FY 2005-06	8.66	4.78	4.75	5.35
FY 2006-07	1.61	5.75	6.03	6.81
FY 2007-08	17.66	15.15	8.97	10.02
FY 2008-09	19.83	15.54	11.36	12.31
FY 2009-10	15.57	12.00	12.61	13.58
FY 2010-11	12.92	12.91	14.53	15.60
FY 2011-12	14.40	15.78	18.59	19.64
FY 2012-13	16.59	18.70	23.28	24.40

3.6.2 *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 Advance Against Depreciation in accordance with Regulation 19 of the UERC Tariff Regulations, 2004.

The Commission has computed AAD as per Regulation 19 of UERC Tariff Regulations, 2004. The Commission has considered the loans corresponding to capitalised GFA under each scheme, as detailed above, in the financing portion 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 two, i.e. 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 worked the advance against depreciation shown in the Table below:

Table 3.19: Advance Against Depreciation approved by the Commission (Rs. Crore)

Year	Approved in tariff order	Approved in provisional true up	Final True up	
			PTCUL	Approved
FY 2004-05	0.00	0.00	0.00	0.00
FY 2005-06	0.00	0.00	0.00	0.00
FY 2006-07	0.00	0.00	0.00	0.00
FY 2007-08	0.00	0.00	13.36	0.00
FY 2008-09	0.00	0.00	13.10	10.22
FY 2009-10	14.26	16.66	16.34	14.77
FY 2010-11	10.47	18.05	22.02	22.64
FY 2011-12	17.71	21.67	34.05	33.18
FY 2012-13	21.21	33.30	37.97	39.00

UERC (Terms & Conditions for Determination of Transmission Tariff) Regulations, 2004 specifies that in a year in which normal depreciation falls short of original scheduled loan repayment (capped at $1/10^{th}$ of the original loan), such shortfall is allowed as advance against-future depreciation. Accordingly, once the loan stands re-paid, the advance so collected would get reduced from the depreciation for the future years, and such reduced depreciation would be adjusted in the tariff of future years. In this regard, **the Commission directs the Petitioner to submit the fixed asset registers for FY 2004-05 to FY 2012-13 depicting the treatment of utilization of AAD approved by the Commission.**

3.6.3 *Interest on Loans & Finance Charges*

Regulation 17(1) of UERC (Terms & Conditions for Determination of Transmission Tariff) Regulations, 2004 stipulates as follows:

> *"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. The loan addition for each year has been considered based on the approved year wise capitalisation and approved means of finance for each Scheme. The repayment of loans has been considered as per the terms of repayment for each loan. The actual interest rates for the corresponding year have been considered for computing the interest expenses. 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 Interest expenses approved by the Commission are shown in the Tables below:

Table 3.20: Interest expenses approved by the Commission (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		
FY 2004-05											
1	REC Old	18.35	0.00	18.35	2.63	1.84	20.98	1.84	19.15	0.00%	0.00
2	System strengthening	0.00	0.00	0.00	0.64	0.00	0.64	0.00	0.64	0.00%	0.00
Total		**18.35**	**0.00**	**18.35**	**3.27**	**1.84**	**21.62**	**1.84**	**19.78**		**0.00**
FY 2005-06											
1	REC Old	20.98	1.84	19.15	12.71	2.10	33.69	3.93	29.76	0.00%	0.00
2	System strengthening	0.64	0.00	0.64	0.92	0.06	1.55	0.06	1.49	0.00%	0.00
Total		**21.62**	**1.84**	**19.78**	**13.63**	**2.16**	**35.25**	**4.00**	**31.25**		**0.00**
FY 2006-07											
1	REC Old	33.69	3.93	29.76	0.00	3.37	33.69	7.30	26.39	6.50%	1.82
2	NABARD	0.00	0.00	0.00	55.53	0.00	55.53	0.00	55.53	5.21%	1.45
3	System strengthening	1.55	0.06	1.49	0.94	0.16	2.49	0.22	2.27	5.86%	0.11
Total		**35.25**	**4.00**	**31.25**	**56.47**	**3.52**	**91.72**	**7.52**	**84.20**		**3.38**
FY 2007-08											
1	REC Old	33.69	7.30	26.39	2.05	3.37	35.74	10.67	25.07	10.48%	2.70
2	NABARD	55.53	0.00	55.53	67.42	11.11	122.95	11.11	111.85	5.43%	4.54
3	REC New	0.00	0.00	0.00	27.61	0.00	27.61	0.00	27.61	10.68%	1.47
4	System strengthening	2.49	0.22	2.27	0.91	0.25	3.40	0.47	2.93	7.07%	0.18
Total		**91.72**	**7.52**	**84.20**	**97.99**	**14.73**	**189.71**	**22.25**	**167.47**		**8.90**
FY 2008-09											
1	REC Old	35.74	10.67	25.07	0.00	3.57	35.74	14.25	21.50	10.55%	2.46
2	NABARD	122.95	11.11	111.85	18.86	24.59	141.82	35.70	106.12	6.57%	7.16
3	PFC (NABARD Gap Funding)	0.00	0.00	0.00	12.30	0.00	12.30	0.00	12.30	0.00%	0.00
4	REC New	27.61	0.00	27.61	2.82	2.76	30.43	2.76	27.67	9.94%	2.75
5	System strengthening	3.40	0.47	2.93	1.54	0.34	4.94	0.81	4.13	7.45%	0.26
Total		**189.71**	**22.25**	**167.47**	**35.52**	**31.27**	**225.23**	**53.51**	**171.72**		**12.63**
FY 2009-10											
1	REC Old	35.74	14.25	21.50	0.00	3.57	35.74	17.82	17.92	9.04%	1.78
2	NABARD	141.82	35.70	106.12	33.97	28.36	175.79	64.06	111.73	6.37%	6.94
3	PFC (NABARD Gap Funding)	12.30	0.00	12.30	14.18	2.05	26.48	2.05	24.43	6.59%	1.21
4	REC New	30.43	2.76	27.67	8.22	3.04	38.66	5.80	32.85	10.39%	3.14
5	System strengthening	4.94	0.81	4.13	1.90	0.49	6.84	1.30	5.54	7.38%	0.36
Total		**225.23**	**53.51**	**171.72**	**58.27**	**37.52**	**283.50**	**91.04**	**192.46**		**13.43**
FY 2010-11											
1	REC Old	35.74	17.82	17.92	37.12	3.57	72.86	21.39	51.47	11.01%	3.82
2	NABARD	175.79	64.06	111.73	8.85	35.16	184.64	99.22	85.42	6.59%	6.49
3	PFC (NABARD Gap	26.48	2.05	24.43	17.58	4.41	44.06	6.46	37.59	7.84%	2.43

S. No	Source	Opening Balance: Cumulative Loan	Opening Balance: Cumulative repayment	Opening Balance: Net Loan	Receipts during the year	Repayments during the year	Closing Balance: Cumulative Loan	Closing Balance: Cumulative repayment	Closing Balance: Net Loan	Rate of Interest	Interest
	Funding)										
4	REC New	38.66	5.80	32.85	19.42	3.87	58.07	9.67	48.40	12.05%	4.89
5	REC IV	0.00	0.00	0.00	14.47	0.00	14.47	0.00	14.47	13.78%	1.00
6	System strengthening	6.84	1.30	5.54	1.55	0.68	8.39	1.99	6.40	8.78%	0.52
	Total	**283.50**	**91.04**	**192.46**	**98.99**	**47.69**	**382.49**	**138.73**	**243.76**		**19.16**
	FY 2011-12										
1	REC Old	72.86	21.39	51.47	40.58	7.29	113.44	28.68	84.76	11.03%	7.52
2	NABARD	184.64	99.22	85.42	25.10	36.93	209.74	136.15	73.59	6.84%	5.44
3	PFC (NABARD Gap Funding)	44.06	6.46	37.59	18.46	7.34	62.52	13.80	48.72	10.13%	4.37
4	REC New	58.07	9.67	48.40	13.85	5.81	71.92	15.48	56.44	11.30%	5.92
5	REC IV	14.47	0.00	14.47	2.02	1.45	16.49	1.45	15.04	10.80%	1.59
6	REC V	0.00	0.00	0.00	11.17	0.00	11.17	0.00	11.17	8.02%	0.45
7	PFC	0.00	0.00	0.00	3.27	0.00	3.27	0.00	3.27	11.25%	0.18
8	PFC-Capital R&M works	0.00	0.00	0.00	23.10	0.00	23.10	0.00	23.10	0.00%	0.00
9	System strengthening	8.39	1.99	6.40	8.21	0.84	16.60	2.83	13.77	9.20%	0.93
	Total	**382.49**	**138.73**	**243.76**	**145.76**	**59.65**	**528.25**	**198.38**	**329.86**		**26.40**
	FY 2012-13										
1	REC Old	113.44	28.68	84.76	7.35	11.34	120.79	40.03	80.77	11.43%	9.46
2	NABARD	209.74	136.15	73.59	0.32	41.95	210.07	178.10	31.97	7.44%	3.93
3	PFC (NABARD Gap Funding)	62.52	13.80	48.72	20.97	10.42	83.49	24.22	59.27	11.81%	6.38
4	REC New	71.92	15.48	56.44	0.67	7.19	72.59	22.67	49.92	11.44%	6.08
5	REC IV	16.49	1.45	15.04	15.12	1.65	31.61	3.10	28.51	10.66%	2.32
6	REC V	11.17	0.00	11.17	41.59	1.12	52.76	1.12	51.64	10.87%	3.42
7	PFC	3.27	0.00	3.27	0.00	0.22	3.27	0.22	3.05	11.25%	0.36
8	PFC-Capital R&M works	23.10	0.00	23.10	0.00	2.31	23.10	2.31	20.79	9.02%	1.98
9	PFC (Computer equipment)	0.00	0.00	0.00	0.41	0.00	0.41	0.00	0.41	12.20%	0.02
10	REC IX	0.00	0.00	0.00	3.14	0.00	3.14	0.00	3.14	12.50%	0.20
11	REC XI	0.00	0.00	0.00	11.84	0.00	11.84	0.00	11.84	14.37%	0.85
12	System strengthening	16.60	2.83	13.77	4.34	1.66	20.94	4.48	16.45	10.65%	1.61
	Total	**528.25**	**198.38**	**329.86**	**105.74**	**77.86**	**633.99**	**276.24**	**357.75**		**36.60**

The Commission has also computed the guarantee fee to be paid by the Petitioner on the outstanding loan. The Petitioner has considered the guarantee fee as part of A&G expenses. However, the same should be considered as financing charges and should be included in interest and financing charges. The guarantee fee is payable on the loans for which the GoU has given guarantee and is calculated on the outstanding balance of loan at the end of the year. The

Commission has worked out the guarantee fee as 1% of the closing loan balances of REC Old, NABARD and REC IV Scheme.

3.6.4 *Return on Equity*

The Petitioner has submitted that the Return on Equity has been calculated on the eligible equity base for each year.

The Commission has not been allowing Return on Equity on funds deployed by the GoU out of PDF for various reasons recorded in the previous Tariff Orders. 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 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. In this connection, it needs to be highlighted that in case the 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.

In reply to the Commission's query, the Petitioner submitted the details of year wise and scheme wise equity infusion by Government of Uttarakhand from PDF and from budgetary allocation. The Commission has allowed the Return on Equity on the Equity base excluding the PDF funds as shown in the Table below:

Table 3.21: Return on Equity approved by the Commission (Rs. Crore)

Year	Approved in tariff order	Approved in provisional true up	Final True up	
			PTCUL	Approved
FY 2004-05	0.00	0.00	0.00	0.00
FY 2005-06	0.00	0.07	0.00	0.04
FY 2006-07	0.42	0.09	0.00	0.09
FY 2007-08	0.09	0.09	1.30	0.15
FY 2008-09	0.09	0.10	1.42	0.20
FY 2009-10	0.13	0.13	1.83	0.30
FY 2010-11	0.13	0.41	4.08	0.41
FY 2011-12	0.16	0.50	8.33	0.50
FY 2012-13	0.17	2.20	12.96	3.25

3.6.5 *Operation and Maintenance (O&M) expenses*

The Petitioner submitted that the O&M expenses comprise of expenses towards Employee costs, Administrative and General (A&G) expenses and Repairs and Maintenance (R&M) expenses. The Petitioner has claimed the O&M expenses for FY 2004-05 to FY 2012-13 as per the audited accounts for the respective years.

The Commission, in the provisional true up upto FY 2009-10 had approved the O&M expenses for the respective years based on the provisional accounts. For FY 2010-11, FY 2011-12 and FY 2012-13, the Commission had trued up the O&M expenses based on the audited accounts. Hence, the Commission has approved the net O&M expenses after capitalisation for FY 2004-05 to FY 2012-13, based on the audited accounts. However, the Commission has not considered any provisioning towards pay revision in FY 2007-08 and FY 2008-09 as the same has been allowed on actual basis in FY 2009-10, FY 2010-11 and FY 2011-12. The Commission has also not considered the Guarantee Fee booked under the A&G expenses in the audited accounts as the same is allowed separately. The Table below shows the O&M expenses approved by the Commission:

Table 3.22: O&M expenses approved by the Commission (Rs. Crore)

Year	Approved in tariff order	Approved in provisional true up	Final True up	
			PTCUL	Approved
FY 2004-05	16.83	19.16	19.16	19.16
FY 2005-06	21.45	25.58	26.41	26.41
FY 2006-07	28.27	30.54	30.74	30.75
FY 2007-08	38.05	35.87	48.00	36.49
FY 2008-09	43.36	41.31	49.76	43.63
FY 2009-10	58.14	58.22	55.46	54.72
FY 2010-11	61.68	60.85	62.20	60.85
FY 2011-12	74.03	77.22	78.79	77.22
FY 2012-13	88.26	82.06	84.05	82.06

3.6.6 *Interest on working Capital*

Regulation 21 of UERC (Terms & Conditions for determination of Transmission Tariff) Regulations, 2004 states that interest on Working Capital shall 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."

The Petitioner submitted that the Interest on Working Capital has been computed in accordance with the provisions of the Regulations. The Interest on Working Capital approved by the Commission in accordance with the UERC Tariff Regulations, 2004 is shown in the Table below:

Table 3.23: Interest on Working Capital approved by the Commission (Rs. Crore)

Year	Approved in tariff order	Approved in provisional true up	Final True up	
			Claimed	Approved
FY 2004-05	0.00	0.74	0.74	0.61
FY 2005-06	0.95	0.87	0.95	0.96
FY 2006-07	1.22	1.61	1.31	1.29
FY 2007-08	2.20	1.93	2.21	2.35
FY 2008-09	2.43	2.11	2.43	2.75
FY 2009-10	3.36	3.60	2.84	2.74
FY 2010-11	3.40	3.55	3.46	3.81
FY 2011-12	4.18	5.23	5.16	5.61
FY 2012-13	5.74	6.73	6.78	7.33

3.6.7 *Non-Tariff Income*

The Petitioner has claimed the Non-Tariff Income as per the audited accounts for FY 2004-05 to FY 2012-13. In the absence of any yardstick for estimating the non-tariff income of the Petitioner, the Commission accepts the same. The Non-Tariff Income approved by the Commission for FY 2004-05 to FY 2012-13 is as shown in the Table given below:

Table 3.24: Non-Tariff Income approved by the Commission (Rs. Crore)

Year	Approved in tariff order	Approved in provisional true up	Final True up	
			Claimed	Approved
FY 2004-05	0.28	0.55	0.79	0.79
FY 2005-06	0.29	0.68	2.30	2.30
FY 2006-07	0.29	0.35	1.79	1.79
FY 2007-08	0.68	4.30	2.70	2.70
FY 2008-09	0.68	6.22	0.51	0.51
FY 2009-10	6.25	2.86	2.87	2.87
FY 2010-11	1.73	1.09	1.09	1.09
FY 2011-12	2.86	2.35	2.35	2.35
FY 2012-13	1.24	1.51	1.51	1.51

3.6.8 *Annual Transmission Charges (ATC)*

Based on the above, the Annual Transmission Charges approved by the Commission is given in the Table below:

Table 3.25: Annual Transmission Charges approved by the Commission (Rs. Crore)

Year	Approved in tariff order	Approved in provisional true up	Final True up	
			PTCUL	Approved
FY 2004-05	23.99	29.54	23.55	23.13
FY 2005-06	30.77	33.38	29.85	30.50
FY 2006-07	42.97	47.97	46.67	41.35
FY 2007-08	91.17	79.01	100.38	69.73
FY 2008-09	86.70	72.14	99.81	82.50
FY 2009-10	75.81	79.40	114.03	71.24
FY 2010-11	101.73	113.06	135.76	122.90
FY 2011-12	131.82	148.77	178.15	165.53
FY 2012-13	159.97	174.76	206.22	192.54

3.6.9 *Net gap/ (surplus)*

The Petitioner has claimed an amount of Rs. 223.23 Crore as Net revenue gap including the carrying cost for truing up for the period FY 2004-05 to FY 2012-13 as shown in the Table below:

Table 3.26: Net revenue gap/ (surplus) claimed by the Petitioner (Rs. Crore)

S. No.	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
1	Net Revenue Required	23.55	29.85	46.66	87.22	99.81	114.03	135.76	178.16	206.22
2	Revenue from Wheeling	23.99	30.77	42.98	78.02	86.71	75.81	101.74	132.93	161.26
3	Approved in FY 2013-14	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	28.29
	Revenue Gap	**(0.44)**	**(0.92)**	**3.68**	**9.20**	**13.10**	**38.22**	**34.02**	**45.23**	**16.67**

The net revenue gap/(surplus) along with carrying cost on final true up for FY 2004-05 to FY 2012-13 claimed by the Petitioner is as shown in the Table given below:

Table 3.27: Revenue gap including carrying cost upto FY 2012-13 claimed by PTCUL (Rs. Crore)

S. No.	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
1	Net gap/ (surplus)	(0.44)	(0.92)	3.68	9.20	13.10	38.22	34.02	45.23	16.67
2	Interest rate	10.25%	10.25%	10.25%	10.25%	10.25%	12.25%	11.75%	13.25%	14.75%
3	Opening Gap	0.00	(0.47)	(1.48)	2.24	12.14	27.16	71.04	115.42	178.93
4	Gap during the year	(0.44)	(0.92)	3.68	9.20	13.10	38.22	34.02	45.23	16.67
5	Carrying Cost	(0.02)	(0.09)	0.04	0.70	1.92	5.67	10.35	18.29	27.62
	Closing Gap	**(0.47)**	**(1.48)**	**2.24**	**12.14**	**27.16**	**71.04**	**115.42**	**178.93**	**223.23**

The net revenue gap/ (surplus) approved by the Commission in the final true up for FY 2004-05 to FY 2012-13 is shown in the Table below:

Table 3.28: Net gap/ (surplus) approved by the Commission (Rs. Crore)

S. No.	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
1	Gap/(Surplus) approved in the provisional true up	5.55	2.61	5.00	(12.16)	(14.56)	3.59	11.33	16.95	14.79
2	Gap/(Surplus) approved now	(0.86)	(0.27)	(1.62)	(21.44)	(4.20)	(4.57)	21.17	33.71	32.57
	Net Gap/(Surplus)	**(6.41)**	**(2.88)**	**(6.62)**	**(9.28)**	**10.36**	**(8.16)**	**9.84**	**16.76**	**17.78**

The carrying cost on the net revenue gap/(surplus) approved by the Commission on final true up for FY 2004-05 to FY 2012-13 is detailed in Section 4 of the Order after discussing the truing up for FY 2013-14.

4 Petitioner's Submissions, Commission's Analysis, Scrutiny and Conclusion on Final Truing up for FY 2013-14

4.1 Annual Performance Review

The Commission vide its Order dated May 6, 2013 approved the MYT Petition of the Petitioner for the Control Period FY 2013-14 to FY 2015-16 based on the Audited Accounts available till FY 2011-12. Regulation 13(1) of the UERC (Terms and Conditions for Determination of Tariff) Regulations, 2011 stipulate that under the MYT framework, the performance of the Transmission Licensee shall be subject to Annual Performance Review.

Regulation 13(3) of the UERC (Terms and Conditions for Determination of Tariff) Regulations, 2011 specify that:

"The scope of Annual Performance Review shall be a comparison of the performance of the Applicant with the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges and shall comprise the following:-

a) A comparison of the audited performance of the applicant for the previous financial year with the approved forecast for such previous financial year and truing up of expenses and revenue subject to prudence check including pass through of impact of uncontrollable factors;

b) Categorisation of variations in performance with reference to approved forecast into factors within the control of the applicant (controllable factor) and those caused by factors beyond the control of the applicant (un-controllable factors);

c) Revision of estimates for the ensuing financial year, if required, based on audited financial results for the previous financial year;

d) Computation of sharing of gains and losses on account of controllable factors for the previous year."

The Commission vide its Order dated May 6, 2013 on approval of Business Plan and MYT Petition for the Control Period, approved the ARR for the Control Period based on the audited accounts till FY 2011-12. The Commission vide its Order dated April 10, 2014 on approval of APR Petition for FY 2013-14 approved the revised ARR for FY 2014-15 based on the capitalisation considered by it till FY 2012-13. The Petitioner, in this Petition, has proposed the revision of estimates for FY 2014-15 and FY 2015-16 based on the audited accounts for FY 2013-14. The

Petitioner, based on the final Truing up for FY 2004-05 to FY 2013-14, has also proposed a revenue gap to be recovered in FY 2015-16.

The Commission in this Order has carried out the final Truing up of FY 2004-05 to FY 2012-13 in accordance with the UERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2004 and UERC (Terms and Conditions for Truing Up of Tariff) Regulations, 2008 as elaborated in the preceding section. In accordance with Regulation 13(3) of the UERC Tariff Regulations, 2011 the Commission has carried out the final truing up for FY 2013-14 based on the audited accounts for FY 2013-14. The approach adopted by the Commission in the approval of true up for FY 2013-14 is elaborated in the subsequent paragraphs.

4.2 Value of opening assets and additional capitalisation

The Commission has considered the scheme wise closing GFA for FY 2012-13 as approved in the final truing up as the opening GFA for FY 2013-14. Further, the Commission has approved the scheme wise capitalisation for FY 2013-14. In the approval of the same, for first time capitalisation, the Commission has considered the lower of approved cost and actual cost incurred in FY 2013-14. For additional capitalisation towards schemes capitalized in the previous years, the Commission has approved the additional capitalisation subject to the ceiling of approved cost.

In the subsequent Paras, the Commission has discussed the scheme wise capitalisation claimed by the Petitioner and approved by the Commission.

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

The Petitioner has claimed the capitalisation of Rs. 54.07 Crore in REC Old Scheme in FY 2013-14. In line with the approach adopted by the Commission in the approval of additional capitalisation in the final true up for FY 2004-05 to FY 2012-13, the Commission has considered additional capitalisation subject to the ceiling of the approved cost. The project-wise approved cost and actual cost submitted by the Petitioner and the capitalisation approved by the Commission for truing up purposes is as shown in the Table given below:

Table 4.1: Capitalisation approved for REC Old Scheme in FY 2013-14 (Rs. Crore)

Project	Approved Cost	Year of first time capitalisation	Total capitalisation approved by the Commission upto FY 2012-13	Capitalisation claimed by PTCUL in FY 2013-14	Capitalisation approved by the Commission for FY 2013-14	Total Capitalisation approved till FY 2013-14
Construction of 220 kV Single Circuit Maneri Bhali-II to Rishikesh Line	46.84	FY 2010-11	46.84	0.04	0.00	46.84
Construction of 132 kV S/s Satpuli	11.21	FY 2012-13	8.96	1.01	1.01	9.97
Construction of 132 kV Srinagar II - Satpuli line	51.82	FY 2013-14	0.00	53.02	51.82	51.82
Construction of bay at 220 kV S/s Rishikesh for 220 kV ManeriBhali Stage II	0.79	FY 2010-11	0.66	0.13	0.13	0.79
Total	**110.66**		**56.46**	**54.20**	**52.96**	**109.42**

4.2.2 *NABARD Scheme*

The Petitioner has claimed the capitalisation of Rs. 1.14 Crore in NABARD Scheme in FY 2013-14. In line with the approach adopted by the Commission in the approval of additional capitalisation in the final true up for FY 2004-05 to FY 2012-13, the Commission has allowed additional capitalisation subject to the ceiling of the approved cost. The project-wise approved cost and the actual cost submitted by the Petitioner and the capitalisation approved by the Commission for truing up purposes is as shown in the Table given below:

Table 4.2: Capitalisation approved for NABARD Scheme in FY 2013-14 (Rs. Crore)

Project	Approved Cost	Year of first time capitalisation	Total capitalisation approved by the Commission upto FY 2012-13	Capitalisation claimed by PTCUL in FY 2013-14	Capitalisation approved by the Commission for FY 2013-14	Total Capitalisation approved till FY 2013-14
400/ 220/ 132 kV S/s Kashipur	98.42	FY 2006-07	98.42	0.08	0.00	98.42
132 kV S/s Ranikhet	6.96	FY 2007-08	6.96	0.40	0.00	6.96
132 kV S/s Sitarganj	14.15	FY 2008-09	14.15	0.20	0.00	14.15
132 kV S/s Rudrapur	11.36	FY 2007-08	11.36	0.46	0.00	11.36
Total	**130.88**		**130.88**	**1.14**	**0.00**	**130.88**

4.2.3 *REC New Scheme (Also referred to as REC II Scheme)*

The Petitioner has claimed the capitalisation of Rs. 11.92 Crore in REC New Scheme in FY 2013-14. In line with the approach adopted by the Commission in the approval of additional capitalisation in the final true up for FY 2004-05 to FY 2012-13, the Commission has allowed additional capitalisation. The project-wise approved cost and the actual cost submitted by the Petitioner and the capitalisation approved by the Commission for truing up purposes is as shown in the Table given below:

Table 4.3: Capitalisation approved for REC New Scheme in FY 2013-14 (Rs. Crore)

Project	Approved Cost	Year of first time capitalisation	Total capitalisation approved by the Commission upto FY 2012-13	Capitalisation claimed by PTCUL in FY 2013-14	Capitalisation approved by the Commission for FY 2013-14	Total Capitalisation approved till FY 2013-14
Construction of SLDC at Dehradun and Construction of 2 No. Sub LDC at Kashipur and Rishikhesh	51.92	FY 2013-14	1.04*	11.29	11.29	12.33
Construction of 132 kV Substation Laksar	11.14	FY 2007-08	11.14	0.62	0.00	11.14
220 kV D/C Line from Kashipur -Barhani	14.49	FY 2010-11	14.49	0.01	0.00	14.49
Total	**77.55**		**26.67**	**11.92**	**11.29**	**37.97**

**Minor works related to SCADA*

4.2.4 REC IV Scheme

The Petitioner has claimed the capitalisation of Rs. 50.60 Crore in REC IV Scheme in FY 2013-14. In line with the approach adopted by the Commission in the approval of additional capitalisation in the final true up for FY 2004-05 to FY 2012-13, the Commission has allowed additional capitalisation subject to the ceiling limit of the approved cost. For the projects which have been capitalised for the first time in FY 2013-14, the Commission has approved the capitalisation as minimum of the approved cost and actual cost. The project-wise approved cost and the actual cost submitted by the Petitioner and the capitalisation approved by the Commission for truing up purposes is as shown in the Table given below:

Table 4.4: Capitalisation approved for REC IV Scheme in FY 2013-14 (Rs. Crore)

Project	Approved Cost	Year of first time capitalisation	Total capitalisation approved by the Commission upto FY 2012-13	Capitalisation claimed by PTCUL in FY 2013-14	Capitalisation approved by the Commission for FY 2013-14	Total Capitalisation approved till FY 2013-14
220 kV S/s Dehradun	57.32	FY 2013-14	0.00	47.65	47.65	47.65
220 kV LILO line for Dehradun	1.75	FY 2013-14	0.00	2.71	1.75	1.75
132 kV S/s Sitarganj (SIDCUL)	23.54	FY 2012-13	14.96	0.02	0.02	14.98
132 kV DC Line from 132 kV S/s SIDCUL Sitarganj to 132 kV Sitarganj Kicha line	5.71	FY 2012-13	5.71	0.01	0.00	5.71
220 kV D/C Ghansali - Bhilangana III Line *	21.91	FY 2011-12	0.00	0.21	0.00	0.00
Total	**110.23**		**20.67**	**50.60**	**49.42**	**70.09**

** Reasons for not considering the line has already been given in Section 3 of this Order.*

4.2.5 REC V Scheme

The Petitioner has claimed the capitalisation of Rs. 0.01 Crore in REC V Scheme in FY 2013-14. In line with the approach adopted by the Commission in the approval of additional capitalisation in the final true up for FY 2004-05 to FY 2012-13, the Commission has allowed additional capitalisation subject to the ceiling limit of the approved cost. The project-wise approved cost and the actual cost submitted by the Petitioner and the capitalisation approved by the Commission for truing up purposes is as shown in the Table given below:

Table 4.5: Capitalisation approved for REC V Scheme in FY 2013-14 (Rs. Crore)

Project	Approved Cost	Year of first time capitalisation	Total capitalisation approved by the Commission upto FY 2012-13	Capitalisation claimed by PTCUL in FY 2013-14	Capitalisation approved by the Commission for FY 2013-14	Total Capitalisation approved till FY 2013-14
220/132 kV S/s Mahuakheraganj	119.87	FY 2011-12	71.79	0.01	0.01	71.80

4.2.6 REC IX Scheme

The Petitioner has claimed the capitalisation of Rs. 0.21 Crore in REC IX Scheme in FY 2013-14. In line with the approach adopted by the Commission in the approval of additional capitalisation in the final true up for FY 2004-05 to FY 2012-13, the Commission has allowed additional capitalisation. The project-wise approved cost and the actual cost submitted by the Petitioner and the capitalisation approved by the Commission for truing up purposes is as shown in the Table given below:

Table 4.6: Capitalisation approved for REC IX Scheme in FY 2013-14 (Rs. Crore)

Project	Approved Cost	Year of first time capitalisation	Total capitalisation approved by the Commission upto FY 2012-13	Capitalisation claimed by PTCUL in FY 2013-14	Capitalisation approved by the Commission for FY 2013-14	Total Capitalisation approved till FY 2013-14
Stringing of 2nd Ckt of 220 kV DC Line on single Zabra Conductor from Berheni-Pantnagar and Construction of 1 No. 220 kV Bay at 220 kV S/s Pantnagar.	8.74	FY 2012-13	4.48	0.21	0.21	4.69

4.2.7 REC XI Scheme

The Petitioner has claimed the capitalisation of Rs. 1.62 Crore in REC XI Scheme in FY 2013-

14. In line with the approach adopted by the Commission in the approval of additional capitalisation in the final true up for FY 2004-05 to FY 2012-13, the Commission has allowed additional capitalisation. The project-wise approved cost and the actual cost submitted by the Petitioner and the capitalisation approved by the Commission for truing up purposes is as shown in the Table given below:

Table 4.7: Capitalisation approved for REC XI Scheme in FY 2013-14 (Rs. Crore)

Project	Approved Cost	Year of first time capitalisation	Total capitalisation approved by the Commission upto FY 2012-13	Capitalisation claimed by PTCUL in FY 2013-14	Capitalisation approved by the Commission for FY 2013-14	Total Capitalisation approved till FY 2013-14
HQ Building PTCUL	17.56	FY 2012-13	16.91	1.62	0.65	17.56

4.2.8 *REC 6410 (Augmentation of 400 kV S/s Rishikesh)*

The Petitioner has claimed the capitalisation of Rs. 9.87 Crore in REC 6410 (Augmentation of 400 kV S/s Rishikesh) Scheme in FY 2013-14. For the projects which have been capitalised for the first time in FY 2013-14, the Commission has approved the capitalisation as minimum of the approved cost and actual cost. The project-wise approved cost and the actual cost submitted by the Petitioner and the capitalisation approved by the Commission for truing up purposes is as shown in the Table given below:

Table 4.8: Capitalisation approved for REC 6410 (Augmentation of 400 kV S/s Rishikesh) Scheme in FY 2013-14 (Rs. Crore)

Project	Approved Cost	Year of first time capitalisation	Total capitalisation approved by the Commission upto FY 2012-13	Capitalisation claimed by PTCUL in FY 2013-14	Capitalisation approved by the Commission for FY 2013-14	Total Capitalisation approved till FY 2013-14
315 MVA 400/220/33 kV Transformer Rishikesh	12.58	FY 2013-14	0.00	9.87	9.87	9.87

4.2.9 *REC 4365 (Augmentation of 220 kV S/s Roorkee)*

The Petitioner has claimed the capitalisation of Rs. 11.53 Crore in REC 4365 (Augmentation of 220 kV S/s Roorkee) Scheme in FY 2013-14 under this Scheme. Since the Commission has not accorded the investment approval for this project, the Commission has not approved the capitalisation for the same in FY 2013-14.

4.2.10 Others

The Petitioner has claimed the capitalisation of Rs. 1.74 Crore towards Deposit Works and Rs. 1.49 Crore towards System Strengthening Schemes. The Commission has approved the capitalisation of Deposit Works and System Strengthening Schemes as submitted by the Petitioner as these are the minor works carried out by the Petitioner.

4.3 GFA including additional capitalisation

Based on the above, the GFA considered by the Commission for FY 2013-14 is as shown in the Table given below:

Table 4.9: GFA approved by the Commission for FY 2013-14 (Rs. Crore)

S.No.	Particulars	Approved in the MYT Order	Claimed by PTCUL	Approved
1	Opening Value	654.29	942.74	845.42
	Addition			
2	REC Old	110.62	54.20	52.96
3	NABARD		1.14	0.00
4	REC New		11.92	11.29
5	REC IV		50.60	49.42
6	REC V		0.01	0.01
7	REC IX		0.21	0.21
8	REC XI		1.62	0.65
9	PFC-Capital R&M works			
10	REC 6410		9.87	9.87
11	REC 4365		11.53	0.00
12	Deposit works		1.74	1.74
13	System strengthening	7.37	1.49	1.49
14	**Total addition during the year**	**117.98**	**144.33**	**127.64**
15	Less: Deletions during the year	0.00	8.25	8.25
	Closing value	**772.27**	**1078.82**	**964.81**

4.4 Capital Structure

Regulation 22 of UERC Tariff Regulations, 2011 specify that:

"(1) For a project declared under commercial operation on or after 1.4.2013, debt-equity ratio shall be 70:30. 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 normative loan. Where actual equity employed is less than 30%, the actual equity would be used for determination of Return on Equity in tariff computations.

(2) In case of Generating Company, Transmission Licensee, Distribution Licensee, or SLDC where investments have been made prior to 1.4.2013, Debt: Equity Ratio shall be as approved by the Commission in the previous Orders."

For Schemes capitalised prior to FY 2013-14, the Commission has considered the Debt-Equity ratio as approved earlier for the respective Schemes. For REC New, the Commission has considered the Debt-Equity Ratio of 70:30 based on the documentary evidence submitted by the Petitioner regarding the approval of equity infusion by the Government of Uttarakhand. For new Schemes, the Commission has considered the Debt-Equity Ratio of 70:30 as approved in the Investment Approval. The capital structure considered by the Commission for true up for FY 2013-14 is as shown in the Table given below:

Table 4.10: Approved Means of Finance for FY 2013-14

S. No.	Particulars	Grants	Debt	Equity	Total
1	REC Old	0%	82%	18%	100%
2	NABARD	0%	81%	19%	100%
3	REC New	0%	70%	30%	100%
4	REC IV	0%	70%	30%	100%
5	REC V	0%	70%	30%	100%
6	PFC	0%	70%	30%	100%
7	PFC (Computer equipment)	0%	70%	30%	100%
8	REC IX	0%	70%	30%	100%
9	REC XI	0%	70%	30%	100%
10	REC 6410	0%	70%	30%	100%
11	Deposit works	100%	0%	0%	100%
12	System strengthening	0%	70%	30%	100%

Based on the above, the Commission has determined the debt and equity components for FY 2013-14 which works out as given below:

Table 4.11: Details of financing for capitalization for FY 2013-14 (Rs. Crore)

Particulars	Cap. Res.	Grant	Loan	Equity	Total
Opening Value	94.59	61.52	550.49	138.83	845.42
Additions in the year					
REC Old	0.00	0.00	43.43	9.53	52.96
REC New	0.00	0.00	7.90	3.39	11.29
REC IV	0.00	0.00	34.59	14.83	49.42
REC IX	0.00	0.00	0.15	0.06	0.21
REC XI	0.00	0.00	0.45	0.20	0.65
REC 6410	0.00	0.00	6.91	2.96	9.87
Deposit works	0.00	1.74	0.00	0.00	1.74
System strengthening	0.00	0.00	1.04	0.45	1.49
Total addition during the year	**0.00**	**1.74**	**94.48**	**31.41**	**127.63**
Less Deletions during the year	8.25	0.00	0.00	0.00	8.25
Closing Value	**86.33**	**63.26**	**644.97**	**170.24**	**964.80**

4.5 Annual Transmission Charges

Regulation 60 of the UERC Tariff Regulations, 2011 specify that:

*"**60. Annual Transmission Charges for each financial year of the Control Period***

The Annual Transmission Charges for each financial year of the Control Period shall provide for recovery of the Aggregate Revenue Requirement of the Transmission Licensee for the respective financial year of the Control Period, as reduced by the amount of non-tariff income, income from Other Business and short-term open access charges, as approved by the Commission and shall be computed in the following manner:-

Aggregate Revenue Requirement, is the sum of:

(a) Operation and maintenance expenses;
(b) Lease Charges;
(c) Interest and Finance Charges on Loan Capital;
(d) Return on equity capital;
(e) Income-tax;
(f) Depreciation;
(g) Interest on working capital and deposits from Transmission System Users; and

Annual Transmission Charges of Transmission Licensee = Aggregate Revenue Requirement, as above;

minus:

(h) Non-Tariff Income;
(i) Short-Term Open Access Charges; and
(j) Income from Other Business to the extent specified in these Regulations:

…………..”

4.5.1 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 first Control Period, Regulation 65 of UERC Tariff Regulations, 2011 provides as below:

“.......

(2) The O&M expenses for the first year of the Control Period will be approved by the Commission taking into account the actual O&M expenses for last five years till Base Year subject to prudence check and any other factors considered appropriate by the Commission.

(3) The O&M expenses for the nth year and also for the year immediately preceding the Control Period, i.e. 2012-13, shall be approved based on the formula given below:-

$O\&M_n = R\&M_n + EMP_n + A\&G_n$

Where –

- *O&Mn – Operation and Maintenance expense for the nth year;*
- *EMPn – Employee Costs for the nth year;*
- *R&Mn – Repair and Maintenance Costs for the nth year;*
- *A&Gn – Administrative and General Costs for the nth year;*

(4) The above components shall be computed in the manner specified below:

$EMP_n = (EMP_{n-1}) \times (1+G_n) \times (CPI_{inflation})$

$R\&Mn = K \times (GFA_{n-1}) \times (WPI_{inflation})$ *and*

$A\&Gn = (A\&G_{n-1}) \times (WPI_{inflation}) + Provision$

Where –

- EMP_{n-1} *– Employee Costs for the (n-1)th year;*
- *A&Gn-1 – Administrative and General Costs for the (n-1)th year;*
- *Provision: Cost for initiatives or other one-time expenses as proposed by the Transmission Licensee and approved by the Commission after prudence check.*
- *"K" is a constant specified by the Commission in %. Value of K for each year of the control period shall be determined by the Commission in the MYT Tariff order based on Transmission Licensee's filing, benchmarking of repair and maintenance expenses, approved repair and maintenance expenses vis-à-vis GFA approved by the Commission in past and any other factor considered appropriate by the Commission;*
- *CPIinflation – is the average increase in the Consumer Price Index (CPI) for immediately preceding three years;*
- *WPIinflation – is the average increase in the Wholesale Price Index (CPI) for immediately preceding three years;*
- *GFAn-1 - Gross Fixed Asset of the Transmission Licensee for the n-1th year;*
- *Gn is a growth factor for the nth year. Value of Gn shall be determined by the Commission in the MYT tariff order for meeting the additional manpower requirement based on Transmission Licensee's filings, benchmarking and any other factor that the Commission feels appropriate:*

(5) Provided that repair and maintenance expenses determined shall be utilised towards repair and maintenance works only."

4.5.2 *Employee expenses*

The Petitioner has claimed the normative employee expenses of Rs. 54.19 Crore for FY 2013-14, the same as approved by the Commission in the MYT Order. As against the same, the actual employee expenses for FY 2013-14 as per the audited accounts is Rs. 50.61 Crore.

The Commission has approved the projections of employee expenses for FY 2013-14 in the MYT Order based on the actual employee expenses for FY 2011-12 as base year. The base year expenses were escalated by considering the CPI Inflation and the Gn factor in accordance with UERC Tariff Regulations, 2011.

The Commission has revised the CPI Inflation based on the actual CPI Indices for the preceding 3 years for FY 2012-13 and FY 2013-14. Accordingly, the Commission has computed the CPI Inflation of 10.40% for FY 2012-13 and 9.76% for FY 2013-14. Thereafter, the Commission observed that there has been no increase in number of employees for FY 2012-13 and FY 2013-14 in comparison to the respective preceding years. Hence, the Commission has considered the Gn factor as zero. The normative employee expenses approved by the Commission for FY 2013-14 is as shown in the Table given below:

Table 4.12: Employee expenses approved for FY 2013-14 (Rs. Crore)

S. No.	Particulars	Approved in the MYT Order	Actual as per Audited Accounts	Normative	
				Claimed by PTCUL	Approved
1	Employee expenses	54.19	50.61	54.19	53.41

As the employee expenses are controllable in nature, the Commission has carried out sharing of gains in accordance with UERC Tariff Regulations, 2011 as elaborated in Para 4.6.

4.5.3 *R&M expenses*

The Petitioner has claimed the normative R&M expenses of Rs. 26.11 Crore for FY 2013-14 as against Rs. 22.45 Crore approved by the Commission in the MYT order. As against the same, the actual R&M expenses for FY 2013-14 as per the audited accounts is Rs. 18.67 Crore.

The Commission has approved the projections of R&M expenses for FY 2013-14 in the MYT Order based on the average of actual R&M expenses for the three years FY 2009-10 to FY 2011-12 to arrive at R&M Expenses as % of opening GFA approved for these years, and worked out k factor as 3.18%. Further, the Commission has considered the average increase in WPI for last three years as

7.77% to project the R&M expenses.

The Commission in this Order has revised the GFA for FY 2004-05 to FY 2012-13 on final true up as discussed in Section 3 of the Order. Hence, the Commission has revised the k factor to 2.92% based on the average of opening GFA and R&M expenses for FY 2009-10 to FY 2011-12. The Commission has revised the WPI Inflation for FY 2012-13 and FY 2013-14 based on the WPI Indices for the preceding three years for the respective years and, accordingly, approves the WPI Inflation of 7.44% for FY 2012-13 and 8.62% for FY 2013-14. The normative R&M expenses approved by the Commission for FY 2013-14 is as shown in the Table given below:

Table 4.13: R&M expenses approved for FY 2013-14 (Rs. Crore)

S. No.	Particulars	Approved in the MYT Order	Actual	Normative	
				Claimed	Approved
1	R&M expenses	22.45	18.67	26.11	26.80

As R&M expenses are controllable in nature, the Commission has carried out sharing of gains in accordance with UERC Tariff Regulations, 2011 as elaborated in Para 4.6.

4.5.4 A&G expenses

The Petitioner has claimed the normative A&G expenses for FY 2013-14 as Rs. 11.25 Crore, the same as approved by the Commission in the MYT Order. As against the same, the actual A&G expenses for FY 2013-14 as per the audited accounts is Rs. 11.82 Crore.

The Commission has approved the projections of A&G expenses for FY 2013-14 in the MYT Order based on the average of actual Gross A&G expenses other than the licensee fees and guarantee fees for three years FY 2009-10 to FY 2011-12. The Gross A&G expenses were then arrived for FY 2011-12 considering the average of 3 years and the escalation factor approved by the Commission for FY 2011-12. The expenses of FY 2011-12 were further escalated with the average increase in WPI of 7.77% in accordance with UERC Tariff Regulations, 2011 to estimate the A&G expenses for FY 2012-13 and FY 2013-14 in the MYT Order.

The Commission in this Order has revised the WPI Inflation for FY 2012-13 and FY 2013-14 based on the WPI Indices for the preceding three years for the respective years and, accordingly, approves the WPI Inflation of 7.44% for FY 2012-13 and 8.62% for FY 2013-14. The gross A&G expenses arrived at for FY 2011-12 as detailed in the preceding Para has been escalated by the approved WPI Inflation for FY 2012-13 and FY 2013-14. Thereafter, the Commission has added the actual Licensee Fee paid for FY 2013-14 and deducted the capitalized expenses in FY 2013-14. The Commission has also approved a onetime provision of Rs. 1.00 Crore in the A&G expenses in accordance with UERC Tariff Regulations, 2011. The Petitioner submitted that it had incurred Rs. 0.84 Crore on training for employees. The Commission has considered the actual expenses of Rs. 0.84 Crore as against Rs. 1.00 Crore approved in the MYT Order. The normative A&G expenses approved by the Commission for FY 2013-14 is as shown in the Table given below:

Table 4.14: A&G expenses approved for FY 2013-14 (Rs. Crore)

S. No.	Particulars	Approved in the MYT Order	Actual	Normative	
				Claimed by PTCUL	Approved
1	A&G expenses	11.25	11.11*	11.25	11.89

**excluding guarantee fee*

As A&G expenses are controllable in nature, the Commission has carried out sharing of gains in accordance with UERC Tariff Regulations, 2011 as elaborated in Para 4.6.

4.5.5 *O&M expenses*

Based on the above, the normative O&M expenses approved by the Commission for FY 2013-14 are as shown in the Table given below:

Table 4.15: O&M expenses approved for FY 2013-14 (Rs. Crore)

S. No.	Particulars	Approved in the MYT Order	Actual	Normative	
				Claimed by PTCUL	Approved
1	Employee expenses	54.19	50.61	54.19	53.41
2	R&M expenses	22.45	18.67	26.11	26.80
3	A&G expenses	11.25	11.11*	11.25	11.89
Total O&M expenses		**87.89**	**80.38**	**91.55**	**92.09**

**excluding guarantee fee*

4.5.6 *Interest and Finance Charges*

Regulation 28 of the UERC Tariff Regulations, 2011 specify that:

"(1) The loans arrived at in the manner indicated in Regulation 22 shall be considered as gross normative loan for calculation of interest on loan.

(2) The normative loan outstanding as on 1.4.2013 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2013 from the gross normative loan.

(3) The repayment for each year of the Control Period shall be deemed to be equal to the depreciation allowed for that year.

....

(5) The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each year applicable to the project:

....

(6) The interest on loan shall be calculated on the normative average loan of the year by applying the weighted average rate of interest.

.......”

The Petitioner has claimed the interest expenses of Rs. 53.27 Crore and guarantee fee of Rs. 1.15 Crore for FY 2013-14. The Petitioner submitted that the closing loan balances for FY 2012-13 have been considered as the opening loan balances for FY 2013-14. The Petitioner submitted that the loan addition during the year has been considered as per Scheme wise means of finance and the actual GFA addition. The Petitioner submitted that the depreciation for the year has been considered as the normative repayment for the year. The Petitioner submitted that the actual weighted average interest rate of 11.85% has been considered for computing the interest expenses.

The Commission has considered the approved closing loan balance for FY 2012-13 as the opening loan balance for FY 2013-14. The Commission has worked out the Interest Charges considering the loan amount corresponding to the assets capitalised in FY 2013-14 based on the approved means of finance. The repayment of loans has been considered as equivalent to the depreciation worked out by the Commission on the approved GFA for the Control Period. The actual weighted average interest rate of 11.81% has been considered based on the actual interest rate for the year. The interest expenses approved by the Commission for FY 2013-14 is as shown in the Table given below:

Table 4.16: Interest expenses approved for FY 2013-14 (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	REC Old	120.79	40.03	80.77	43.43		164.22				
2	NABARD	210.07	178.10	31.97	0.00		210.07				
3	PFC (NABARD Gap Funding)	83.49	24.22	59.27	0.00		83.49				
4	REC New	72.59	22.67	49.92	7.90		80.49				
5	REC IV	31.61	3.10	28.51	34.59		66.20				
6	REC V	52.76	1.12	51.64	0.01		52.77				
7	PFC	3.27	0.22	3.05	0.00	41.92	3.27	318.16	410.31		
8	PFC-Capital R&M works	23.10	2.31	20.79	0.00		23.10				
9	PFC (Computer equipment)	0.41	0.00	0.41	0.00		0.41				
10	REC IX	3.14	0.00	3.14	0.15		3.28				
11	REC XI	11.84	0.00	11.84	0.45		12.29				
12	REC 6410	0.00	0.00	0.00	6.91		6.91				
13	System strengthening	20.94	4.48	16.45	1.04		21.98				
Total		**633.99**	**276.24**	**357.75**	**94.49**	**41.92**	**728.47**	**318.16**	**410.31**	**11.81%**	**45.36**

The Commission in its Order dated May 6, 2013 on approval of MYT Order for FY 2013-14 to FY 2015-16 directed the Petitioner to negotiate with financial institutions for replacement of existing provision of securing the loan by Government guarantee by hypothecation of assets created under the project. The Petitioner submitted that the approval for replacement of Government guarantee by hypothecation of assets has been obtained for REC IV Scheme and work of documentation for hypothecation is under process.

The Commission in the true up of interest expenses for FY 2013-14, has not allocated the normative repayment amongst the repayment for each Scheme. Hence, the Commission has approved the guarantee fee as per the audited accounts for FY 2013-14 as Rs. 1.15 Crore.

4.5.7 *Income Tax*

Regulation 35 of the UERC Tariff Regulations, 2011 specify that:

*"**35. Tax on Income***

Income Tax, if any, on the main stream of the regulated business of Generating Companies, Transmission Licensees, Distribution Licensees and SLDC shall be reimbursed to the Generating

Companies, Transmission Licensees, Distribution Licensees and SLDC as per actual income tax paid, based on the documentary evidence submitted at the time of truing up of each year of the Control Period, subject to prudence check.

The Petitioner has claimed the income tax of Rs. 1.25 Crore for FY 2013-14. In reply to the Commission's query, the Petitioner submitted the copy of Income Tax Return filed for FY 2013-14. Based on the scrutiny of the documentary evidence submitted by the Petitioner, the Commission has approved the actual income tax of Rs. 1.25 Crore for FY 2013-14.

4.5.8 Return on Equity

Regulation 27 of the UERC Tariff Regulations, 2011specify that:

"(1) Return on equity shall be computed on the equity base determined in accordance with Regulation 22.

Provided that, Return on Equity shall be allowed on amount of allowed equity capital for the assets put to use at the commencement of each financial year.

(2) Return on equity shall be computed on at the rate of 15.5% for Generating Stations, Transmission Licensee and SLDC and at the rate of 16% for Distribution Licensee on a post-tax basis.

……………………"

The Petitioner has claimed the Return on Equity for FY 2013-14 as Rs. 14.35 Crore. The Petitioner submitted that the Return on Equity has been claimed on the opening level of eligible equity for return for FY 2013-14 at the rate of 15.50%.

In reply to the Commission's query, the Petitioner submitted the year wise and Scheme wise equity infusion approved by the Government of Uttarakhand from PDF and budgetary allocation. The Commission has allowed the Return on Equity on the equity base excluding the equity from PDF at the rate of 15.50%. The Return on Equity approved by the Commission for FY 2013-14 is as shown in the Table given below:

Table 4.17: Return on Equity approved for FY 2013-14 (Rs. Crore)

Particulars	Approved in the MYT Order	True up	
		Claimed by PTCUL	Approved
Eligible Equity for return	3.59	92.60	49.48
Rate of Return on Equity	15.50%	15.50%	15.50%
Return on Equity	**0.56**	**14.35**	**7.67**

4.5.9 *Depreciation*

Regulation 29(1) of the above Regulations provides as under:

"(1) The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission.

Provided that the depreciation shall not be allowed on assets funded through Consumer Contribution and Capital Subsidies/Grants.

(2) The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset.

…

(5) Depreciation shall be calculated annually based on Straight Line Method and at rates specified in Appendix - II to these Regulations.

Provided that, the remaining depreciable value as on 31st March of the year closing after a period of 12 years from date of commercial operation shall be spread over the balance useful life of the assets.

(6) In case of the existing projects, the balance depreciable value as on 1.4.2013 shall be worked out by deducting the cumulative depreciation as admitted by the Commission upto 31.3.2013 from the gross depreciable value of the assets. The difference between the cumulative depreciation recovered and the depreciation so arrived at by applying the depreciation rates as specified in these Regulations corresponding to 12 years shall be spread over the remaining period upto 12 years. The remaining depreciable value as on 31st March of the year closing after a period of 12 years from date of commercial operation shall be spread over the balance life.

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

The Petitioner has claimed depreciation of Rs. 43.67 Crore by applying the depreciation rate of 5.28% on the average of opening and closing GFA excluding the assets created out of grants for FY 2013-14.

The Commission has considered the closing GFA approved in the true up for FY 2012-13 as the opening GFA for FY 2013-14. The Commission has approved the asset class wise GFA by proportionately allocating the approved addition to GFA in FY 2013-14 in the same proportion as in the audited accounts for FY 2013-14. The Commission has approved the depreciation for FY 2013-14 by applying the depreciation rates specified in the UERC Tariff Regulations, 2011. The Commission has deducted the depreciation on assets created out of grants by applying the weighted average rate of depreciation for FY 2013-14. Accordingly, the depreciation approved by the Commission for FY 2013-14 is as shown in the Table given below:

Table 4.18: Depreciation approved for FY 2013-14 (Rs. Crore)

Particulars	Approved in the MYT Order	Claimed by PTCUL	Approved
Depreciation	34.37	43.67	41.92

4.5.10 Interest on Working Capital

Regulation 34(2) of the UERC Tariff Regulations, 2011 specify that:

"(2) Transmission:

a) The Transmission Licensee shall be allowed interest on the estimated level of working capital for the financial year, computed as follows:

(i) Operation and maintenance expenses for one month;

(ii) Maintenance spares @ 15% of operation and maintenance expenses; and

(iii) Two month equivalent of the expected revenue from transmission charges at the prevailing tariffs;"

The Petitioner has claimed the normative interest on working capital for FY 2013-14 as Rs. 9.13 Crore. As against the same, the actual interest on working capital for FY 2013-14 is zero. The Petitioner has also claimed the additional IWC on account of TDS deduction by UPCL.

The Commission has computed the normative IWC in accordance with UERC Tariff Regulations, 2011. Further, the Commission has not approved the additional interest on working capital on account of TDS by UPCL in line with the approach adopted in the true up for FY 2012-13. As the working capital requirement for the Transmission Licensee is a controllable parameter the Commission has carried out the sharing of gains in accordance with UERC Tariff Regulations, 2011 as elaborated in Para 4.6. The Interest on Working Capital approved by the Commission for FY 2013-14 is as shown in the Table given below:

Table 4.19: Interest on Working Capital approved for FY 2013-14 (Rs. Crore)

Particulars	Approved in the MYT Order	True up	
		Claimed by PTCUL	Approved
O&M expenses for 1 month	7.32	7.63	7.67
Maintenance spares (15% of O&M expenses)	13.18	13.73	13.81
Receivables (2 months)	26.59	41.81	32.88
Total Working Capital	47.09	63.17	54.37
Rate of Interest on Working Capital	14.50%	14.45%	14.45%
Interest on Working Capital	**6.83**	**9.13**	**7.86**

4.5.11 *Other Income*

The Petitioner has claimed Other Income of Rs. 3.13 Crore as per the audited accounts for FY 2013-14. The Commission has approved the actual other income of Rs. 3.13 Crore for FY 2013-14 as per the audited accounts.

4.5.12 *Annual Transmission Charges*

Based on the above, the Annual Transmission Charges approved by the Commission for FY 2013-14 is as shown in the Table given below:

Table 4.20: Annual Transmission Charges approved for FY 2013-14 (Rs. Crore)

Particulars	MYT Order	True up	
		Claimed by PTCUL	Approved
O&M expenses			
Employee expenses	54.19	54.19	53.41
R&M expenses	22.45	26.11	26.80
A&G expenses	11.25	11.25	11.89
Total O&M expenses	87.89	91.55	92.09
Interest on Loan Capital	29.87	53.27	45.36
Guarantee fees	1.29	1.15	1.15
Return on Equity	0.56	14.35	7.67
Income Tax	0.00	1.25	1.25
Depreciation	34.37	43.67	41.92
Interest on Working Capital	6.83	9.13	7.86
Interest on Addl. WC due to TDS	0.00	2.67	0.00
Aggregate Revenue Requirement	**160.81**	**217.04**	**197.29**
Less: Other income	1.30	3.13	3.13
Add: True up amount for past years	36.11	36.11	36.11
Annual Transmission Charges	**195.62**	**250.02**	**230.27**

4.6 Sharing of gains and losses

Regulation 13 of the UERC Tariff Regulations, specify that:

"13. Annual Performance Review

………………….

(5) The "uncontrollable factors" shall include the following factors which were beyond the control of, and could not be mitigated by, the applicant, as determined by the Commission. Some examples of uncontrollable factors are as follows:-

………………

c) Economy wide influences such as unforeseen changes in inflation rate, market interest rates, taxes and statutory levies;

…………….

(6) Some illustrative variations or expected variations in the performance of the applicant which may be attributed by the Commission to controllable factors shall include, but not limited to, the following:-

…………..

d) Variations in working capital requirements;

……………

h) Variation in operation & maintenance expenses

………………..

(10) Upon completion of the Annual Performance Review, the Commission shall pass on an order recording-

a) The approved aggregate gain or loss to the Applicant on account of uncontrollable factors and the mechanism by which the Applicant shall pass through such gains or losses in accordance with Regulation 14;

b) The approved aggregate gain or loss to the Applicant on account of controllable factors and the amount of such gains or such losses that may be shared in accordance with Regulation 15;

c) The approved modifications to the forecast of the Applicant for the ensuing year, if any;

The surplus/deficit determined by the Commission in accordance with these Regulations on account of truing up of the ARR of the Applicant shall be carried forward to the ensuing financial year."

Regulation 14 of the UERC Tariff Regulations, 2011 specify that:

*"**14. Sharing of Gains and Losses on account of Uncontrollable factors***

(1) The approved aggregate gain or loss to the Applicant on account of uncontrollable factors shall be passed through as an adjustment in the tariff/charges of the Applicant over such period as may be specified in the Order of the Commission;

……………………"

Regulation 15 of the UERC Tariff Regulations, 2011 specify that:

*"**15. Sharing of Gains and Losses on account of Controllable factors***

(1) The approved aggregate gain to the Applicant on account of controllable factors shall be dealt with in the following manner:

a) 20% of such gain shall be passed on as a rebate in tariffs over such period as may be specified in the Order of the Commission;

b) The balance amount of gain may be utilized at the discretion of the Applicant.

(2) The approved aggregate loss to the Applicant on account of controllable factors shall be dealt with in the following manner:

a) 25% of the amount of such loss shall be allowed by the Commission to be recovered through tariffs over such period as may be specified in the Order of the Commission under;

b) The balance amount of loss shall be absorbed by the Applicant."

Hence, in accordance with UERC Tariff Regulations, 2011, the O&M expenses and Interest on Working Capital are controllable factors and any gain or loss on account of the controllable factors is to be dealt in accordance with the provisions of Regulation 15.

The sharing of gains on account of controllable factors approved by the Commission for FY 2013-14 is as shown in the Table given below:

Table 4.21: Sharing of gains on account of controllable factors approved by the Commission for FY 2013-14 (Rs. Crore)

Particulars	Actual	Normative as Trued up	Aggregate gain/(loss)	Rebate in Tariff	Entitlement of the Petitioner
	A	B	C=B-A	D=20% x C	E=C-D
O&M expenses	80.38	92.09	11.71	2.34	9.36
Interest on Working Capital	0.00	7.86	7.86	1.57	6.29
Total			**19.56**	**3.91**	**15.65**

The revenue gap for FY 2013-14 after sharing of gains and losses for FY 2013-14 as claimed by the Petitioner is shown in the Table given below:

Table 4.22: Revenue gap for FY 2013-14 claimed by the Petitioner (Rs. Crore)

Particulars	Legend	FY 2013-14
Trued up ARR	A	252.93
Less: Rebate in Tariff	B	2.09
Net ARR	C=A-B	250.84
Revenue from Transmission Charges as per the Audited Accounts	D	201.67
Revenue gap/(surplus)	**E=C-D**	**49.17**

The net revenue gap for FY 2013-14 after sharing of gains and losses for FY 2013-14 as approved by the Commission is as shown in the Table given below:

Table 4.23: Revenue gap for FY 2013-14 approved by the Commission (Rs. Crore)

Particulars	Legend	FY 2013-14
Trued up ARR	A	230.27
Less: Rebate in Tariff	B	3.91
Net ARR	C=A-B	226.36
ARR approved in the MYT Order	D	195.62
Revenue gap/(surplus)	**E=C-D**	**30.74**

4.7 Total revenue gap to be carried forward to FY 2015-16

The total revenue gap along with carrying cost to be carried forward to FY 2015-16 claimed by the Petitioner is as shown in the Table given below:

Table 4.24: Total amount to be carried forward to FY 2015-16 claimed by PTCUL (Rs. Crore)

S. No.	Particulars	Claimed
1	Total gap including carrying cost on account of final true up for FY 2004-05 to FY 2012-13	223.23
2	Revenue gap for FY 2013-14	49.18
3	Carrying cost on Revenue gap for FY 2013-14	15.79
	Total amount to be carried forward to FY 2015-16	**288.19**

The total revenue gap to be carried forward to FY 2015-16 approved by the Commission including the revenue gap/(surplus) approved in final true up for FY 2004-05 to FY 2012-13 is as shown in the Table given below:

Table 4.25: Total revenue gap to be carried forward to FY 2015-16 approved by the Commission (Rs. Crore)

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	FY 2013-14	FY 2014-15
Opening Gap/(Surplus)	0.00	(6.74)	(10.45)	(18.48)	(30.59)	(23.34)	(34.86)	(28.54)	(14.40)	2.57	35.90
Addition	(6.41)	(2.88)	(6.62)	(9.28)	10.36	(8.16)	9.84	16.76	17.78	30.74	0.00
Closing Gap/(Surplus)	(6.41)	(9.61)	(17.07)	(27.76)	(20.23)	(31.50)	(25.02)	(11.78)	3.38	33.31	35.90
Interest rate	10.25%	10.25%	10.25%	12.25%	12.25%	12.25%	11.75%	13.00%	14.75%	14.45%	14.75%
Carrying cost	(0.33)	(0.84)	(1.41)	(2.83)	(3.11)	(3.36)	(3.52)	(2.62)	(0.81)	2.59	5.30
Cumulative gap	**(6.74)**	**(10.45)**	**(18.48)**	**(30.59)**	**(23.34)**	**(34.86)**	**(28.54)**	**(14.40)**	**2.57**	**35.90**	**41.20**

Further, the Commission in the APR Order for FY 2013-14 had approved the capitalisation of LILO of 220 kV Haridwar-Roorkee Line at 400 kV PGCIL Sub-Station, Roorkee under PFC Scheme in FY 2010-11 with retrospective effect. However, in the reconciliation of asset capitalisation submitted by PTCUL, in the current Petition, the same has been capitalised in the audited accounts in FY 2011-12. Hence, the impact on ARR for FY 2010-11 on account of the consideration of the above Scheme with retrospective effect, approved in the earlier Order has been reversed. The impact of the same is Rs. 0.49 Crore reduction in the ARR of FY 2015-16.

Hence, the net revenue gap to be carried forward to FY 2015-16 is Rs. 40.71 Crore (41.20-0.49=40.71).

5 Petitioner's Submissions, Commission's Analysis, Scrutiny and Conclusion on APR for FY 2014-15 and Revised ARR & Tariff for FY 2015-16

5.1 Annual Performance Review

The Commission vide its Order dated May 6, 2013 approved the MYT Petition of the Petitioner for the Control Period FY 2013-14 to FY 2015-16 based on the Audited Accounts available till FY 2011-12. Regulation 13(1) of the UERC (Terms and Conditions for Determination of Tariff) Regulations, 2011 stipulate that under the MYT framework, the performance of the Transmission Licensee shall be subject to Annual Performance Review.

Regulation 13(3) of the UERC (Terms and Conditions for Determination of Tariff) Regulations, 2011 specify that:

"The scope of Annual Performance Review shall be a comparison of the performance of the Applicant with the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges and shall comprise the following:-

a) A comparison of the audited performance of the applicant for the previous financial year with the approved forecast for such previous financial year and truing up of expenses and revenue subject to prudence check including pass through of impact of uncontrollable factors;

b) Categorisation of variations in performance with reference to approved forecast into factors within the control of the applicant (controllable factor) and those caused by factors beyond the control of the applicant (un-controllable factors);

c) Revision of estimates for the ensuing financial year, if required, based on audited financial results for the previous financial year;

d) Computation of sharing of gains and losses on account of controllable factors for the previous year."

The Commission vide its Order dated May 6, 2013 on approval of Business Plan and MYT Petition for the Control Period approved the ARR for the Control Period based on the audited accounts till FY 2011-12. The Commission vide its Order dated April 10, 2014 on approval of APR Petition for FY 2013-14 approved the revised ARR for FY 2014-15 based on the audited accounts for

FY 2012-13. The Petitioner, in this Petition, proposed the revision of estimates for FY 2014-15 and FY 2015-16 based on the audited accounts for FY 2013-14. The Petitioner, based on the final Truing up for FY 2004-05 to FY 2013-14, also proposed a revenue gap to be recovered in FY 2015-16.

The Commission in this Order has carried out the final Truing up of FY 2004-05 to FY 2012-13 in accordance with the UERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2004 and UERC (Terms and Conditions for Truing Up of Tariff) Regulations, 2008 and for FY 2013-14 in accordance with UERC (Terms and Conditions for Determination of Tariff) Regulations, 2011 as elaborated in the preceding Section. In accordance with Regulation 13(3) of the UERC Tariff Regulations, 2011 the scope of annual performance review is limited to the revision of estimates for the ensuing year, if required, based on the audited financial results for the previous year and does not provide for the revision of estimates for the current year and give effect on this account in the estimates of the ensuing year. Hence, the Commission under the provisions of Regulation 13(3) of the UERC Tariff Regulations, 2011 has revised the ARR for FY 2015-16 based on the approved capitalisation for FY 2004-05 to FY 2013-14. The Commission has computed certain expenses for FY 2014-15 based on the revised GFA for FY 2013-14 as approved in the truing up only to facilitate the computations for FY 2015-16. The approach adopted by the Commission in the approval of each element of ARR for FY 2015-16 is elaborated in the subsequent paragraphs.

5.2 Capital Expenditure and Capitalisation for FY 2014-15 and FY 2015-16

The Commission vide its Order dated May 6, 2013 on approval of Business Plan and MYT Petition of the Petitioner for the Control Period FY 2013-14 to FY 2015-16 approved the capital expenditure and capitalisation for each year of the Control Period. The Commission vide its Order dated April 10, 2014 on approval of APR Petition for FY 2013-14 has approved the capital expenditure and capitalisation for FY 2014-15 the same as approved in the Business Plan and MYT Order. The Petitioner submitted that the actual capitalisation during the first 6 months of FY 2014-15 is Rs. 30.53 Crore and based on the 6 months progress of FY 2014-15, it is estimated to achieve the capitalisation target approved by the Commission for FY 2014-15. The Table below shows the list of projects estimated to be completed during balance 6 months of FY 2014-15 as submitted by the Petitioner:

Table 5.1: Projects estimated to be completed in balance 6 months of FY 2014-15 submitted by the Petitioner (Rs. Crore)

Scheme	Particulars	Estimated expenditure	Estimated Date of Completion
REC IV	132 kV S/s Haridwar Rd Laatappar, Dehradun	24.92	December, 2014
REC IV	LILO of 132 kV Rishikesh Majra Line	1.74	December, 2014
REC I & III	132 kV Srinagar Simli Line	89.51	March, 2015
REC II	132 kV Switching S/s Srinagar	19.77	March, 2015
Total cost of CWIP to be completed during FY 2014-15		**135.94**	
Other O&M works		42.67	During FY 2014-15
Total		**178.61**	**-**

The Petitioner has proposed the capital expenditure and capitalisation for FY 2015-16, the same as approved by the Commission in the Business Plan and MYT Order.

The Commission had approved the capitalisation of Rs. 167.77 Crore for FY 2014-15 and Rs. 130.89 Crore for FY 2015-16 in the MYT Order dated May 6, 2013. The Commission is of the view that it would not be prudent to revise the capitalisation for the Control Period as approved in the Business Plan and MYT Order based on the estimated figures submitted by the Petitioner. The Commission shall consider the variation in capitalisation for each year during the truing up for the respective year based on the audited accounts. Accordingly, the Commission has approved the capitalisation of Rs. 130.89 Crore for FY 2015-16.

5.3 Gross Fixed Assets

The Commission has approved the opening GFA for FY 2014-15 as Rs. 964.81 Crore after final true up of FY 2004-05 to FY 2013-14 as elaborated in the preceding Section. The revised GFA approved by the Commission for FY 2015-16 is as shown in the Table given below:

Table 5.2: Revised GFA approved by the Commission for FY 2015-16 (Rs. Crore)

Particulars	FY 2014-15		FY 2015-16	
	Approved in the APR Order	Revised	Approved in the MYT Order	Revised
Opening Value	882.68	964.81	940.04	1132.58
Additions in the year				
REC Old Schemes	157.30	157.30	122.72	122.72
NABARD Schemes				
REC New Schemes				
REC-IV scheme				
REC-V Scheme				
PFC-Capital R&M works				
REC IX				
Deposit Works	0.00	0.00	0.00	0.00
APDRP	0.00	0.00	0.00	0.00
Other system strengthening Schemes	10.47	10.47	8.17	8.17
Total Additions during the year	**167.77**	**167.77**	**130.89**	**130.89**
Less Deletions during the year	0.00	0.00	0.00	0.00
Closing Value	**1050.45**	**1132.58**	**1070.93**	**1263.47**

5.4 Capital Structure

The Commission, in its Order dated May 6, 2013 on approval of Business Plan and MYT Petition for the Control Period FY 2013-14 to FY 2015-16, has considered the overall approved capitalisation for each year of the Control Period and from the same, segregated the system strengthening schemes separately and the balance Capitalisation has been considered under the Schemes funded by Financial Institutions. The Commission has considered the debt-equity ratio of 70:30 for Other system strengthening Schemes. For the balance capitalisation considered under the said Schemes, the Commission has considered the weighted average debt-equity ratio of such schemes considering the additional capitalisation in the past years. In line with the same approach, the Commission has approved the revised Debt and Equity components on account of capitalisation approved for FY 2013-14 in the truing up of FY 2013-14. The means of finance approved by the Commission is as shown in the Table given below:

Table 5.3: Approved Means of Finance

S. No.	Particulars	Grants	Debt	Equity	Total
1	REC Old	0%	82%	18%	100%
2	NABARD	0%	81%	19%	100%
3	REC New	0%	100%	0%	100%
	REC New (from FY 2013-14)	0%	70%	30%	100%
4	REC IV	0%	70%	30%	100%
5	REC V	0%	70%	30%	100%
6	PFC	0%	70%	30%	100%
7	PFC (Computer equipment)	0%	70%	30%	100%
8	REC IX	0%	70%	30%	100%
9	REC XI	0%	70%	30%	100%
10	PFC-Capital R&M works	0%	70%	30%	100%
11	REC 6410	0%	70%	30%	100%
12	Deposit works	100%	0%	0%	100%
13	System strengthening	0%	70%	30%	100%

Based on the above, the Commission has determined the debt and equity components for FY 2015-16 which works out as given below:

Table 5.4: Details of financing for capitalization for FY 2015-16 (Rs. Crore)

<table>
<tr><th>Particulars</th><th>Cap. Res.</th><th>Grant</th><th>Loan</th><th>Equity</th><th>Total</th></tr>
<tr><td>Opening Value</td><td>86.33</td><td>63.26</td><td>780.90</td><td>194.97</td><td>1132.58</td></tr>
<tr><td>Additions in the year</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>REC Old</td><td rowspan="14"></td><td rowspan="14"></td><td rowspan="13">100.33</td><td rowspan="13">22.39</td><td rowspan="13">122.72</td></tr>
<tr><td>NABARD</td></tr>
<tr><td>REC New</td></tr>
<tr><td>REC IV</td></tr>
<tr><td>REC V</td></tr>
<tr><td>PFC</td></tr>
<tr><td>PFC (Computer equipment)</td></tr>
<tr><td>REC IX</td></tr>
<tr><td>REC XI</td></tr>
<tr><td>PFC-Capital R&M works</td></tr>
<tr><td>REC 6410</td></tr>
<tr><td>REC 4365</td></tr>
<tr><td>Deposit works</td></tr>
<tr><td>System strengthening</td><td>5.72</td><td>2.45</td><td>8.17</td></tr>
<tr><td>Total addition during the year</td><td>0.00</td><td>0.00</td><td>106.05</td><td>24.84</td><td>130.89</td></tr>
<tr><td>Less Deletions during the year</td><td></td><td></td><td></td><td></td><td>0.00</td></tr>
<tr><td>Closing Value</td><td>86.33</td><td>63.26</td><td>886.95</td><td>219.81</td><td>1263.47</td></tr>
</table>

5.5 Annual Transmission Charges

The Commission in its MYT Order dated May 6, 2013 has approved the Annual Transmission Charges for each year of the Control Period FY 2013-14 to FY 2015-16 in accordance with the UERC

Tariff Regulations, 2011. The Commission vide its Order dated April 10, 2014 has approved the revised Annual Transmission Charges for FY 2014-15 on account of revision in GFA of FY 2012-13 from that considered in the approval of MYT Order dated May 6, 2013 in accordance with UERC Tariff Regulations, 2011. The Commission for the purpose of this Order has revised the Annual Transmission Charges for FY 2015-16 only on account of revision in GFA from that considered in the approval of MYT Order dated May 6, 2013 and on account of revision in CPI and WPI indices. Further, the Commission has approved the ARR of SLDC separately for FY 2015-16 based on the Petition filed by the Petitioner. The Commission, in its MYT Order dated May 6, 2013, has approved the SLDC charges as an integral part of the Annual Transmission Charges for the Petitioner. The Commission has deducted the ARR approved for SLDC function from the revised ARR of the Petitioner for FY 2015-16. The approach adopted by the Commission in approving each component of the Annual Transmission Charges is elaborated below.

5.5.1 Operation and Maintenance (O&M) Expenses

The Commission, in its Order dated May 6, 2013 on approval of Business Plan and MYT Petition for the Control Period FY 2013-14 to FY 2015-16, approved the O&M expenses in accordance with the UERC Tariff Regulations, 2011. In the said Order, the Commission had considered the CPI Inflation as 8.75% and WPI Inflation as 7.77%. The Petitioner submitted that as FY 2013-14 is complete and audited accounts of FY 2013-14 as well as CPI and WPI indices for the year are available, it has proposed the revised O&M expenses for FY 2014-15 and FY 2015-16 based on the latest available information. The Commission is of the view that it would not be appropriate to revise every component of annual fixed charges as approved in MYT Order based on latest actual data available as this would defeat the whole purpose of having a Multi-Year Tariff. The Commission has considered revision in CPI Inflation and WPI Inflation on the basis of actual data and has computed the O&M expenses on the basis of UERC Tariff Regulations, 2011. Accordingly, for projecting the O&M expenses for FY 2015-16, the Commission has considered FY 2011-12 as the base year. The Commission has considered the CPI Inflation of 9.50% for FY 2014-15 and FY 2015-16 based on the average CPI Inflation for FY 2011-12 to FY 2013-14 and WPI Inflation of 7.42% based on the average WPI Inflation for FY 2011-12 to FY 2013-14. Further, the Commission has revised the O&M expenses on account of revised GFA for FY 2013-14 approved in the truing up of FY 2013-14.

5.5.2 *Employee expenses*

The Petitioner has proposed the employee expenses for FY 2014-15 the same as approved by the Commission in the APR Order dated April 10, 2014. The Petitioner has also proposed the employee expenses for FY 2015-16 the same as approved by the Commission in the MYT Order. Accordingly, the Petitioner has proposed the employee expenses of Rs. 75.22 Crore for FY 2015-16.

The Commission in its Order dated May 6, 2013 on approval of Business Plan and MYT for the Control Period FY 2013-14 to FY 2015-16 approved the Employee expenses in accordance with the UERC Tariff Regulations, 2011. The Commission has approved the revised employee expenses by considering the normative employee expenses approved in the true up for FY 2013-14. For FY 2014-15, the Commission has considered the Gn factor as zero as there is no increase in number of employees from FY 2013-14 to FY 2014-15. The Commission has considered the Gn as 6.30% for FY 2015-16, the same as approved in the MYT Order. Further, the Commission has considered the CPI Inflation of 9.50% for projecting the employee expenses for FY 2015-16. Any variation in actual employee expenses as against the approved expenses shall be dealt with the provisions of the UERC Tariff Regulations, 2011 at the time of truing up of respective years based on the Audited Accounts.

The employee expenses approved by the Commission for FY 2015-16 are as shown in the Table given below:

Table 5.5: Employee expenses approved for FY 2015-16 (Rs. Crore)

Particulars	MYT Order	Revised Proposed	Approved
Employee expenses	75.22	75.22	68.08

5.5.3 *Repair and Maintenance Expenses*

The Petitioner submitted that in the MYT Regulations 2011, the R&M expenses have been specified as percentage of GFA and as the opening GFA for Control period has undergone revision on account of addition in assets during FY 2013-14, the R&M expenses have been revised considering the revised opening GFA. The Petitioner further submitted that the average increase in WPI for immediately preceding three years has been considered as 7.77% approved by the Commission. The Petitioner submitted that it has considered the k factor of 3.17%. Accordingly, the Petitioner has proposed the R&M expenses of Rs. 38.41 Crore for FY 2015-16.

The Commission in its Order dated May 6, 2013 on approval of Business Plan and MYT for the Control Period FY 2013-14 to FY 2015-16 approved the R&M expenses in accordance with the UERC Tariff Regulations, 2011. The Commission recognizes the fact that with additions in the gross block the repair and maintenance expenses of the Petitioner are bound to vary from that approved in the MYT Order. The Commission, in the MYT Order, has approved the k factor (R&M expenses as % of GFA) of 3.18% considering the actual R&M expenses for FY 2009-10 to FY 2011-12. Because of the approved upward revision in GFA for FY 2004-05 to FY 2011-12, the Commission has computed the revised k factor as 2.92%. Further, the Commission has considered the WPI Inflation of 7.42% for projecting the R&M expenses for FY 2015-16. The R&M expenses approved by the Commission for FY 2015-16, are as shown in the Table given below:

Table 5.6: R&M expenses approved for FY 2015-16 (Rs. Crore)

Particulars	MYT Order	Revised Proposed	Approved
R&M expenses	32.26	38.41	35.50

5.5.4 *Administrative and General (A&G) expenses*

The Petitioner has proposed the A&G expenses for FY 2015-16 the same as approved by the Commission in the MYT Order and additional amount of Rs. 2 Crore towards insurance of transmission assets.

The Commission in its Order dated May 6, 2013 on approval of Business Plan and MYT for the Control Period FY 2013-14 to FY 2015-16 approved the A&G expenses in accordance with the UERC Tariff Regulations, 2011. The Commission has revised the A&G expenses for FY 2015-16 based on the normative A&G expenses approved in truing up for FY 2013-14. The Commission has considered the WPI Inflation of 7.42% and the additional amount of Rs. 2 Crore towards insurance of transmission assets in line with the approach adopted in the APR Order for FY 2013-14, in light of the natural calamity that occurred in the State of Uttarakhand in FY 2013-14. Any variation in actual A&G expenses as against the approved expenses shall be dealt in accordance with the provisions of the UERC Tariff Regulations, 2011 at the time of truing up of respective years based on the Audited Accounts. The A&G expenses approved by the Commission for FY 2015-16 are as shown in the Table given below:

Table 5.7: A&G expenses approved for FY 2015-16 (Rs. Crore)

<table>
<tr><th>Particulars</th><th>MYT Order</th><th>Revised Proposed</th><th>Approved</th></tr>
<tr><td>A&G expenses</td><td>12.96</td><td rowspan="2">14.96</td><td>11.57</td></tr>
<tr><td>Insurance cost</td><td>0.00</td><td>2.00</td></tr>
<tr><td>Total A&G expenses</td><td>12.96</td><td>14.96</td><td>13.57</td></tr>
</table>

5.5.5 *O&M expenses*

Based on the above, the O&M expenses approved by the Commission for FY 2015-16 are as shown in the Table given below:

Table 5.8: O&M expenses approved for FY 2015-16 (Rs. Crore)

Particulars	MYT Order	Revised Proposed	Approved
Employee expenses	75.22	75.22	68.08
R&M expenses	32.26	38.41	35.50
A&G expenses	12.96	14.96	13.57
O&M expenses	**120.44**	**128.59**	**117.15**

5.5.6 *Interest and Finance Charges*

The Petitioner submitted that for the purpose of projection of interest on term-loans for FY 2014-15 and FY 2015-16, it has considered the opening loans for FY 2014-15 based on the loan amount corresponding to the assets capitalised in each year considering the approved means of finance by the Commission in the MYT Order and the loan portion of the assets capitalised during FY 2013-14. The Petitioner further submitted that the actual effective weighted average interest rate of 11.85% as per audited accounts for FY 2013-14 has been considered as against the approved interest rate of 10.06%, in the MYT Order. The Petitioner submitted that the new loans carry a higher rate of interest resulting in increase in effective interest rate. The Petitioner requested the Commission to consider the incidental interest rate for approval of interest and finance charges for FY 2015-16. The Petitioner submitted that the repayment of loans for each year has been considered as equivalent to the revised depreciation computed above for FY 2015-16. The Table below shows the proposed interest charges for FY 2015-16 submitted by the Petitioner:

Table 5.9: Proposed Interest and finance charges for FY 2015-16 (Rs. Crore)

Particulars	FY 2015-16	
	MYT Order	Revised Proposed
Opening Loan	421.50	564.67
Addition	106.05	106.05
Repayment	49.80	59.78
Closing Loan	477.75	610.95
Effective Interest Rate	*10.06%*	*11.85%*
Revised Interest	**45.24**	**69.66**

The Commission in its Order dated May 6, 2013 on approval of Business Plan and MYT Petition for the Control Period FY 2013-14 to FY 2015-16 approved the interest charges considering the actual interest rates for FY 2011-12 and approved means of finance. The Commission in the said Order had decided that any variation in interest rate shall be considered during the truing up exercise based on the Audited Accounts for the respective year. The Commission in this Order has approved the revision in interest charges only on account of revised GFA for FY 2014-15 and FY 2015-16 due to revised GFA of FY 2013-14 on account of truing up of previous years and FY 2013-14. The interest charges approved by the Commission for FY 2015-16 are as shown in the Table given below:

Table 5.10: Interest charges approved by the Commission for FY 2015-16 (Rs. Crore)

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		
REC Old NABARD PFC (NABARD Gap Funding) REC New REC IV REC V PFC PFC-Capital R&M works PFC (Computer equipment) REC IX REC XI REC 6410 System strengthening	864.40	367.61	496.79	106.05	57.32	970.45	424.93	545.53		
Total	**864.40**	**367.61**	**496.79**	**106.05**	**57.32**	**970.45**	**424.93**	**545.53**	**11.81%**	**61.55**

The Commission in its Order dated May 6, 2013 on approval of Business Plan and MYT for the Control Period FY 2013-14 and FY 2015-16 had approved the interest charges of Rs. 45.24 Crore for FY 2015-16. The Commission, in this Order, has approved the revised interest charges of Rs. 61.55 Crore on account of revised GFA of FY 2014-15 and FY 2015-16 due to the revised GFA of FY 2013-14 on account of truing up of previous years and FY 2013-14.

The Commission has approved the Guarantee Fee of Rs. 2.19 Crore for FY 2015-16 in the MYT Order. The Commission in this Order has approved the same in line with the approach adopted in the APR Order for FY 2013-14.

5.5.7 *Return on Equity*

The Petitioner submitted that the Return on Equity for FY 2015-16 has been claimed on the eligible equity base funded from budgetary allocation of Government of Uttarakhand. The Table below shows the proposed Return on Equity for FY 2015-16 submitted by the Petitioner:

Table 5.11: Proposed Return on Equity for FY 2015-16 (Rs. Crore)

Particulars	FY 2015-16
Opening Equity base eligible for Return	162.12
Rate of Return	15.50%
Return on Equity	**25.13**

The Commission while carrying out the truing up of FY 2013-14 has approved the Return on Equity on that portion of overall equity component which has not been funded from PDF. The Commission has followed the same approach for determining the equity for FY 2015-16. The allowable equity for return considered by the Commission is shown in the Table below:

Table 5.12: Eligible equity for return for FY 2015-16 (Rs. Crore)

Scheme	Equity funded from PDF	Opening Equity for FY 2015-16	Eligible equity for return
REC Old	48.49	36.06	0.00
NABARD	59.75	49.27	0.00
REC New	0.00	4.63	4.63
REC IV	20.81	38.77	17.96
REC V	0.00	30.90	30.90
PFC	0.00	1.91	1.91
PFC (Computer equipment)	0.00	0.24	0.24
REC VIII	0.00	0.00	0.00
REC IX	0.00	1.92	1.92
REC X	0.00	0.00	0.00
REC XI	0.00	7.20	7.20
PFC-Capital R&M works	0.00	13.53	13.53
REC 6410	0.00	4.05	4.05
REC 4365	0.00	0.00	0.00
Deposit works	0.00	0.00	0.00
System strengthening	0.00	12.87	12.87
Total	**129.05**	**201.36**	**95.22**

The Return on Equity approved by the Commission for FY 2015-16 is as shown in the Table given below:

Table 5.13: Return on Equity approved by the Commission for FY 2015-16 (Rs. Crore)

Particulars	MYT Order	Revised Proposed	Approved
Opening Equity base eligible for Return	8.94	162.12	95.22
Rate of Return	15.50%	15.50%	15.50%
Return on Equity	**1.39**	**25.13**	**14.76**

5.5.8 Depreciation

The Petitioner submitted that the closing GFA for FY 2013-14 as submitted in the true up has been considered as the opening GFA for FY 2014-15. The GFA addition in FY 2014-15 and FY 2015-16 has been considered the same as approved by the Commission in the MYT Order. Accordingly, the Petitioner has proposed the depreciation of Rs. 59.78 Crore as against Rs. 49.80 Crore approved in the MYT Order.

The Petitioner, further, submitted that the Commission had not considered any capitalisation during FY 2012-13 while determining the opening GFA for the Control period. The Petitioner submitted that as per the audited accounts, capitalisation of assets during FY 2012-13 was Rs. 122.52 Crore and, therefore, it has revised the opening GFA for the Control Period only to the extent of actual assets capitalized during FY 2012-13 for determination of various components of ARR. The Petitioner requested the Commission to consider the impact of the Expert Committee recommendations while considering the opening GFA for the first year of Control Period, i.e. FY 2013-14.

The Petitioner submitted that for computing the opening asset base, it has considered the closing GFA for FY 2011-12 as approved by the Commission in the MYT Order and added the actual assets capitalised during FY 2012-13 as per the audited accounts. The Petitioner submitted that it has considered full depreciation on opening GFA and depreciation for half year on additions during the year considering the average depreciation rate of 5.28% as specified in the UERC (Terms and Conditions for Determination of Tariff) Regulations, 2011. The Petitioner submitted that no depreciation has been considered on assets created out of deposit works. The Table below shows the proposed depreciation for FY 2015-16 as submitted by the Petitioner.

Table 5.14: Proposed Depreciation for FY 2015-16 (Rs. Crore)

Particulars	FY 2015-16	
	MYT Order	Revised Proposed
Opening GFA	940.04	1146.92
Less: Grants	62.34	80.26
Opening Depreciable GFA	**877.70**	**1066.66**
Addition in GFA	130.89	130.89
Less: Grants	-	-
Depreciable assets of addition	**130.89**	**130.89**
Less: Deletion during the year	-	-
Depreciation Rate (%)	*5.28%*	*5.28%*
Revised Depreciation	**49.80**	**59.78**

The Commission in its Order dated May 6, 2013 on approval of Business Plan and MYT Petition for the Control Period FY 2013-14 to FY 2015-16 approved the deprecation on depreciable GFA considering the average rate of 5.28% as specified in the UERC Tariff Regulations, 2011. The Commission in this Order is approving the revised depreciation for FY 2015-16 considering the GFA for FY 2014-15 and FY 2015-16 on account of the revised capitalisation of previous years till FY 2012-13 and FY 2013-14 approved in the truing up of FY 2013-14. The Commission has computed the depreciation considering the depreciation rates specified in the UERC Tariff Regulations, 2011. Further, the Commission has deducted the depreciation on assets created out of grants. The depreciation approved by the Commission for FY 2015-16 is as shown in the Table given below.

Table 5.15: Depreciation approved for FY 2015-16 (Rs. Crore)

Particulars	Approved in the MYT Order	Revised ARR	
		Revised proposed	Approved
Depreciation	49.80	59.78	57.32

5.5.9 *Interest on Working Capital*

The Petitioner submitted that interest on working capital has been worked out based on norms specified under Regulation 34(2) of MYT Regulations, 2011. The Petitioner submitted that SBI PLR of 14.75% as on April 1, 2014 has been considered as the rate of interest for calculation of interest on working capital. The Table below shows the proposed Interest on Working Capital for FY 2015-16 submitted by the Petitioner:

Table 5.16: Proposed Interest on Working Capital for FY 2015-16 (Rs. Crore)

Particulars	Claimed
Computation of Working Capital	
O&M Expenses of one month	10.72
Maintenance spares	19.29
Two months receivables	60.15
Working Capital	90.15
Rate of interest on working capital	*14.75%*
Interest on Working Capital	**13.30**

5.5.10 *Additional Working Capital Requirement towards TDS deductions by UPCL*

The Petitioner submitted that the payments received by PTCUL from UPCL are subject to the provisions of Tax Deducted at Source (TDS) under Section 194 J of the Income Tax Act as the payment for transmission and wheeling charges are considered as 'fees for technical services'. The Petitioner submitted that according to the current provisions of Section 194 J, 10% TDS is applicable and this would lead to cash flow deferment as 10% of the invoice generated each month would be withheld by UPCL and deposited with the income tax authorities. The Petitioner submitted that as the transmission business is regulated and the tariff is determined based on cost plus regime there is no scope for any margins for covering any shortfall in revenue collection and additional interest burden due to revenue deferment being implied on account of the TDS deduction. The Petitioner submitted that pursuant to the Commission's directive in its Order dated April 10, 2014, it had applied for waiver of TDS amount to be deducted at source but the same had not been granted by the authorities.

The Petitioner requested the Commission to allow additional interest on the amount deducted on account of TDS by UPCL to enable it to tide over the working capital issues on this account. The Table below shows the proposed additional interest on working capital due to TDS for FY 2015-16 submitted by the Petitioner.

Table 5.17: Proposed additional interest on Working Capital due to TDS (Rs. Crore)

Particulars	Claimed
Opening amount	28.11
Addition during the Year	36.09
Adjustment at the time of assessment	27.12
Closing amount	37.09
Interest Rate on Short-term WC loans	*14.75%*
Addition WC interest liability	**4.81**

The Petitioner requested the Commission to approve the interest on Working Capital for FY 2015-16, including additional interest on working capital on account of TDS incidence.

The Commission has computed the Interest on Working Capital in accordance with the UERC Tariff Regulations, 2011. Further, the Commission has not approved the additional Interest on Working Capital on account of TDS by UPCL in line with the approach adopted in the Order dated April 10, 2014. The Interest on Working Capital approved by the Commission for FY 2015-16 is as shown in the Table below.

Table 5.18: Interest on Working Capital approved for FY 2015-16 (Rs. Crore)

Particulars	Approved in the MYT Order	True up	
		Claimed by PTCUL	Approved
O&M expenses for 1 month	10.04	10.72	9.76
Maintenance spares (15% of O&M expenses)	18.07	19.29	17.57
Receivables (2 months)	37.86	60.15	43.91
Total Working Capital	65.97	90.15	71.25
Additional IWC due to TDS impact	0.00	4.81	0.00
Rate of Interest on Working Capital	14.50%	14.75%	14.75%
Interest on Working Capital	**9.57**	**13.30**	**10.51**

5.5.11 *Non Tariff Income*

The Petitioner submitted that non-tariff income has been considered in line with the approved non-tariff income in the MYT Order, i.e. Rs. 1.44 Crore for FY 2015-16. The Commission has considered the Non tariff income for FY 2015-16 as approved in the MYT Order.

5.5.12 *Annual Transmission Charges*

The Table below shows the revised Annual Transmission Charges approved by the Commission for FY 2015-16.

Table 5.19: Revised Annual Transmission Charges approved for FY 2015-16 (Rs. Crore)

Particulars	MYT Order	Revised ARR	
		Claimed by PTCUL	Approved
O&M expenses			
Employee expenses	75.22	75.22	68.08
R&M expenses	32.26	38.41	35.50
A&G expenses	12.96	14.96	13.57
Total O&M expenses	120.44	128.59	117.15
Interest on Loan Capital	45.24	69.66	61.55
Guarantee fees	2.19	2.19	2.19
Return on Equity	1.39	25.13	14.76
Income Tax	0.00	0.00	0.00
Depreciation	49.80	59.78	57.32
Interest on Working Capital	9.57	13.30	10.51
Interest on Addl. WC due to TDS	0.00	4.81	0.00
Aggregate Revenue Requirement	**228.63**	**303.45**	**263.48**
Less: Other income	1.44	1.44	1.44
Add: True up amount for past years	0.00	288.19	40.71
Annual Transmission Charges	**227.19**	**590.20**	**302.75**
Less: ARR for SLDC	0.00	7.99	7.45
Annual Transmission Charges for PTCUL	**227.19**	**582.21**	**295.30**

5.6 Recovery of Annual Transmission Charges

Having considered the submissions made by PTCUL, the response of the stakeholders in context of Petitioner's proposals for ARR and 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 for FY 2015-16 from its beneficiaries in accordance with the provisions of the Regulations.**
- The payments, however, shall be subject to adjustment, in case any new 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, 2015. 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.

5.7 Transmission Charges payable by Open Access Customers

Uttarakhand Electricity Regulatory Commission (Terms and Conditions of Intra-State Open

Access) Regulations, 2015 inter-alia specify transmission charges applicable on the customers seeking open access to intra-State transmission system.

In accordance with the methodology provided in the aforesaid Regulations, the rate of transmission charges payable by customers seeking open access to intra-State transmission system for FY 2015-16 (applicable upto 31st March, 2016) shall be:

Table 5.20: Transmission Charges approved for FY 2015-16

Description	Rs. /MW/day
Transmission charges	4191.92

However, in case augmentation of transmission system including construction of dedicated transmission system is required for giving long term open access then such long term customer shall, in addition to transmission charges as per Rate of Charge provided above, also bear the transmission charges for such augmentation works including dedicated system. These charges shall be determined by the Commission on Rs./MW/day basis after scrutiny of the annual revenue requirements for the said works including dedicated system based on the proposal of the STU/transmission licensee, on case to case basis. With regard to sharing of these transmission charges for the augmentation works including dedicated system, the Commission shall take a decision, taking into account the beneficiaries of the said works and its usage, at the time of scrutiny of PTCUL's ARR for the ensuing year for intra-State system. However, till such time the Commission issues tariff order for the ensuing year, the long term access customer for whom these augmentation works including dedicated system was carried shall be liable to pay these additional transmission charges.

The Annual Transmission Charges approved for FY 2015-16 will be applicable with effect from April 01, 2015.

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 for compliance and implementation by PTCUL.

6.1 Compliance of Directives Issued in APR Order for FY 2013-14 dated April 10, 2014

The Commission had issued certain directions in the APR Order for FY 2013-14 dated April 10, 2014, as detailed in the respective Sections. They are summarized hereunder.

6.1.1 Electrical Inspector Certificate

The Petitioner was directed to energise/capitalise the HT/EHT works only after obtaining clearance by the Electrical Inspector failing which the Commission would not approve the capitalisation of those projects.

Petitioner's Submissions

The Petitioner submitted that it was undertaking all rigorous efforts for obtaining the clearance from the electrical inspector on time before energization/capitalization of the asset.

Fresh Directive

The Petitioner is directed to energise/capitalise the HT/EHT works only after obtaining clearance by the Electrical Inspector failing which the Commission would not approve the capitalisation of those projects.

6.1.2 Capital cost of transferred assets

The Commission directed the Petitioner to get the Transfer Scheme finalised and submit the same to the Commission along with its Petition for Annual Performance Review of FY 2014-15.

Petitioner's Submissions

The Petitioner submitted that it had awarded the consultancy work for determining the appropriate assets/ liabilities for finalization of transfer scheme pertaining to transmission business and the report of the firm would be submitted to the Government for notification.

Fresh Directive

The Commission directs the Petitioner to get the Transfer Scheme finalised and submit the same to the Commission along with its Petition for Annual Performance Review of FY 2015-16.

6.1.3 SLDC Charges

The Commission directed PTCUL to submit a final compliance report on ring fencing of SLDC while filing the Annual Performance Review for FY 2014-15.

Petitioner's Submissions

The Petitioner submitted that the compliance to the directive has been submitted vide letter no. 627/Dir. (projects)/ PTCUL/UERC dated August 27, 2014. The Petitioner submitted that the Director (Projects) has been provided charge for undertaking ring-fencing of SLDC and SCADA. The Petitioner submitted that the employees of PTCUL have been allocated towards SLDC business and a separate requisition for approval of manpower had been submitted to the Government of Uttarakhand.

Fresh Directive

The Commission directs PTCUL to submit a final compliance report on ring fencing of SLDC while filing the Annual Performance Review for FY 2015-16.

6.1.4 Guarantee Fee

The Commission directed the Petitioner to submit the response received from the financial institutions in this regard along with Petition for Annual Performance Review of FY 2014-15.

Petitioner's Submissions

The Petitioner submitted that it had made a request to the REC for vacating the Government Guarantee and securing hypothecation of assets. The Petitioner submitted that REC has accepted it and the same has been placed to the BoD for approval.

6.1.5 Capitalisation of partially completed schemes

The Commission also directed the Petitioner to take appropriate action to capitalise the works in the books of accounts in the same year of commissioning. Further, the Commission also directed the Petitioner to submit the detailed reasons for any additional capitalisation claimed for future years in accordance with the applicable Tariff Regulations.

Petitioner's Submissions

The Petitioner submitted that the cost of erection is captured and booked in CWIP at the time of payment of erection bills. The Petitioner submitted that after the completion of the project, a material consumption statement shall be prepared on the basis of which the cost of material consumed in the project shall be captured and booked in CWIP and subsequently transferred to fixed assets. The Petitioner submitted that the delay in finalisation of material consumption statement leads to capitalisation after the commissioning of the project. The Petitioner submitted that such delays could be avoided by capturing the monthly material consumption statement in place of capturing the completed cost at the end of the project.

Fresh Directive

The Commission directs the Petitioner to take appropriate action to capitalise the works in the books of accounts in the year of commissioning. Further, the Commission also directs the Petitioner to submit the detailed reasons for any additional capitalisation claimed for future years in accordance with the applicable Tariff Regulations.

6.1.6 Prior approval for Capital Investment (Para 3.4.2)

The Petitioner was cautioned not to undertake any investment in future without seeking prior approval of the Commission as mandated by the Licensee Conditions and the Tariff Regulations notified by the Commission from time to time failing which the investment would be recognized only from the date on which the approval is accorded by the Commission.

Petitioner's Submissions

The Petitioner submitted investment approval shall be sought before undertaking any investment.

6.1.7 System of cost capturing

The Petitioner was directed to strengthen its system of cost capturing of expenses failing which the Commission would recognise the capitalisation of the project only when entire or substantial expenditure evidencing completion of work had been incurred.

Petitioner's Submissions

The Petitioner submitted that appropriate directions have been issued to its Officers for capturing the material consumption every month in place of capturing the completed cost after the completion of the project.

6.1.8 REC Old Scheme (132 kV S/s Satpuli)

The Commission cautioned the Petitioner to be careful in submitting factual information. The Commission directs the Petitioner to reconcile the capitalisation towards this project and submit the reasons for submitting the capitalisation twice, in the APR Petition for FY 2014-15.

Petitioner's Submissions

The Petitioner submitted that there had been an inadvertent error in it submissions. The additional capitalisation of Rs. 8.96 Crore submitted in FY 2012-13 was actually the cumulative capitalisation upto FY 2012-13.

6.1.9 REC IV Scheme

The Commission directed the Petitioner to furnish detailed write-up within one month of the order on their asset capitalisation, store accounting and cost capturing and changes they propose therein to weed out such faulty capitalisation.

Petitioner's Submissions

The Petitioner submitted that appropriate directions had been issued to its Officers for capturing the material consumption every month in place of capturing the completed cost after the completion of the project.

6.1.10 Capitalisation of R&M works

PTCUL was directed to correct the treatment of such works and prepare a scheme and get the same approved by the Commission from the ensuing years.

Petitioner's Submissions

The Petitioner submitted that the all the approval of R&M works would be sought from the Commission.

6.1.11 Capital Expenditure and Capitalisation for FY 2013-14 and FY 2014-15

The Commission directed the Petitioner to review the gamut of approaching bottlenecks resulting in delayed implementation vis-a-vis practices in other better performing transmission utilities and take required corrective actions to improve the pace of execution of the works.

The Petitioner was required to file with the Commission by 15th of month following the completion of quarter:-

(a) Actions taken to improve the pace of implementation pursuant to directions given above.

(b) Physical and financial progress of each of the ongoing works including deposit works, schedule thereof and reasons for delay where works have spilled over beyond the schedule.

(c) ***Petitioner's Submissions***

(d) The Petitioner submitted that efforts were being made for allotment of land by follow up with the authorities of Forest Department, Revenue Department, District level administration, Government of Uttarakhand and Ministry of Environment and Forestry. The Petitioner submitted that project management is being carried out with the help of project management softwares. The Petitioner submitted that latest available technologies are being used for selection of route of transmission lines and tower optimisation. The Petitioner submitted that Right of Way problems are being sorted out with the assistance of the local administration.

6.2 Fresh Directives

6.2.1 Response on Committee's Report (Para 3)

The Commission cautions the Petitioner that such casual and lackluster approach on issues which has substantial bearing on their revenue will be detrimental to its own financial

health.

6.2.2 Additional Capitalisation beyond the cutoff date (Para 3)

The Commission directs the Petitioner to take appropriate action to capitalise the works in the books of accounts in the year of commissioning or within the cut-off date. Further, the Commission also directs the Petitioner to submit the detailed reasons for any additional capitalisation claimed for future years in accordance with the applicable Tariff Regulations.

6.2.3 Advance Against Depreciation (Para 3.6.2)

The Commission directs the Petitioner to submit the fixed asset registers for FY 2004-05 to FY 2012-13 depicting the treatment of utilization of AAD approved by the Commission.

The Annual Transmission Charges approved for FY 2015-16 will be applicable with effect from April 01, 2015 till further orders.

(K.P. Singh) **Member**	**(C.S. Sharma)** **Member**	**(Subhash Kumar)** **Chairman**

7 Annexures

7.1 Annexure-1 : Public Notice on PTCUL's Proposals

POWER TRANSMISSION CORPORATION OF UTTARAKHAND LTD.

(A Govt. of Uttarakhand Undertaking) Corporate Id: U40101UR2004GOI028675

Vidyut Bhawan, Saharanpur Raod, Majra, Near ISBT, Dehradun–248001, Uttarakhand. Phone: 0135-2642006 Fax: 0135-2643460

PUBLIC NOTICE

Inviting Comments on the Petition filed by PTCUL for approval of the proposed Transmission Charges for FY 2015-16

Salient Points of the ARR/Tariff Petition

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 final truing up for past period i.e. for FY 2004-05 to FY 2012-13, truing up of FY 2013-14 based on audited Accounts & Annual Performance Review (APR) for FY 2014-15 and the proposed Transmission Charges for FY 2015-16. The summary of the proposals of the intra-State network for the aforesaid is given in the following Table :

Summary of the ARR of PTCUL for the intra-State network (Rs. Crore)

S. No	Particulars	FY 2004-05 (True up)		FY 2005-06 (True up)		FY 2006-07 (True up)	
		Approved on provisional al true up	Claimed for final true up	Approved on provisional al true up	Claimed for final true up	Approved on provisional al true up	Claimed for final true up
1	Depreciation	8.23	4.43	4.78	4.75	5.75	6.03
2	Advance Against Depreciation	-	-	-	-		-
3	Interest on Long Term Loans	1.96	-	2.76	-	10.33	10.38
4	Return on Equity	0.00	0.00	0.07	0.00	0.09	0.0
5	O&M Expenses	19.16	19.16	25.58	26.41	30.54	30.74
6	Guarantee Fees						
7	Interest on Working Capital	0.74	0.74	0.87	0.95	1.61	1.31
8	Interest on Working Capital due to TDS	-	-	-	-	-	-
9	Fringe Benefit Tax/Income Tax	-	-	-	0.05	-	-
10	Less: Gain/Loss to be allowed	-	-	-	-	-	-
11	**Gross Expenditure**	**30.09**	**24.33**	**34.06**	**32.15**	**48.32**	**48.46**
12	Less: Non Tariff Income	0.55	0.79	0.68	2.30	0.35	1.79
13	**Aggregate Revenue Requirement (ARR)**	**29.54**	**23.55**	**33.38**	**29.85**	**47.98**	**46.66**
14	Less: ARR approved for SLDC	-	-	-	-	-	-
15	**Net ARR (A)**	**29.54**	**23.55**	**33.38**	**29.85**	**47.98**	**46.66**
16	True-up including carrying cost approved in earlier Tariff Orders	-	-	-	-	-	-
17	**Net Adjusted ARR**	**29.54**	**23.55**	**33.38**	**29.85**	**47.98**	**46.66**
18	**Annual Transmission Charges**	**29.54**	**23.55**	**33.38**	**29.85**	**47.98**	**46.66**

Summary of the ARR of PTCUL for the intra-State network – Rs. Crore

S. No	Particulars	FY 2007-08 (True up)		FY 2008-09 (True up)		FY 2009-10 (True up)	
		Approved on provisional al true up	Claimed for final true up	Approved on provisional al true up	Claimed for final true up	Approved on provisional al true up	Claimed for final true up
1	Depreciation	15.15	8.97	15.54	11.36	12.00	12.61
2	Advance Against Depreciation	-	13.36	-	13.10	16.66	16.34
3	Interest on Long Term Loans	17.11	16.08	19.30	22.25	18.37	27.83
4	Return on Equity	0.09	1.30	0.10	1.40	0.13	1.80
5	O&M Expenses	35.87	48.00	41.31	49.76	58.22	55.46
6	Guarantee Fees						
7	Interest on Working Capital	1.93	2.21	2.11	2.43	3.60	2.84
8	Interest on Working Capital due to TDS	-	-	-	-	-	-
9	Fringe Benefit Tax/Income Tax	-	-	-	-	-	-
10	Less: Gain/Loss to be allowed	-	-	-	-	-	-
11	**Gross Expenditure**	**70.15**	**89.92**	**78.36**	**100.32**	**108.98**	**116.90**
12	Less: Non Tariff Income	4.30	2.70	6.22	0.51	2.86	2.87
13	**Aggregate Revenue Requirement (ARR)**	**65.85**	**87.22**	**72.14**	**99.81**	**106.12**	**114.03**
14	Less: ARR approved for SLDC	-	-	-	-	-	-
15	**Net ARR (A)**	**65.85**	**87.22**	**72.14**	**99.81**	**106.12**	**114.03**
16	True-up including carrying cost approved in earlier Tariff Orders	-	-	-	-	(26.72)	-
17	**Net Adjusted ARR**	**65.85**	**87.22**	**72.14**	**99.81**	**79.41**	**114.03**
18	**Annual Transmission Charges**	**65.85**	**87.22**	**72.14**	**99.81**	**79.41**	**114.03**

Summary of the ARR of PTCUL for the intra-State network – Rs. Crore							
S. No	Particulars	FY 2010-11 (True up)		FY 2011-12 (True up)		FY 2012-13 (True up)	
		Approved on provisional true up	Claimed for final true up	Approved on provisional true up	Claimed for final true up	Approved on provisional true up	Claimed for final true up
1	Depreciation	12.91	14.53	15.78	18.59	18.70	23.28
2	Advance Against Depreciation	18.05	22.02	21.67	34.05	33.30	37.97
3	Interest on Long Term Loans	17.12	30.57	25.77	35.58	33.28	42.69
4	Return on Equity	0.41	4.10	0.50	8.30	2.20	13.00
5	O&M Expenses	60.85	62.20	77.22	78.79	82.06	84.05
6	Guarantee Fees	1.26		1.36		-	
7	Interest on Working Capital	3.55	3.46	5.23	5.16	6.73	6.78
8	Interest on Working Capital due to TDS	-	-	-	-	-	-
9	Fringe Benefit Tax/Income Tax	-	-	-	-	-	-
10	Less: Gain/Loss to be allowed	-	-	-	-	-	-
11	**Gross Expenditure**	**114.15**	**136.85**	**147.54**	**180.50**	**176.27**	**207.73**
12	Less: Non Tariff Income	1.09	1.09	2.35	2.35	1.51	1.51
13	**Aggregate Revenue Requirement (ARR)**	**113.06**	**135.76**	**145.18**	**178.16**	**174.76**	**206.22**
14	Less: ARR approved for SLDC	-	-	-	-	-	-
15	**Net ARR (A)**	**113.06**	**135.76**	**145.18**	**178.15**	**174.76**	**206.22**
16	True-up including carrying cost approved in earlier Tariff Orders	-	-	3.60	-	-	(28.29)
17	**Net Adjusted ARR**	**113.06**	**135.76**	**148.79**	**178.15**	**174.76**	**177.93**
18	**Annual Transmission Charges**	**113.06**	**135.76**	**148.79**	**178.15**	**174.76**	**177.93**

Summary of the ARR of PTCUL for the intra-State network – Rs. Crore							
S. No	Particulars	FY 2013-14 (True up)		FY 2014-15 (APR)		FY 2015-16 (Ensuing Year)	
		Approved in the MYT Order	Claimed for true up	Approved in the 1st APR Order	Revised Estimates	Approved in the MYT Order	Revised proposed
1	Depreciation	34.37	43.67	47.67	51.89	49.80	59.78
2	Interest on Long Term Loans	29.87	53.27	44.37	61.93	45.24	69.66
3	Return on Equity	0.56	17.27	10.92	22.66	1.39	27.05
4	O&M Expenses	87.90	91.55	109.32	109.32	120.44	128.59
5	Guarantee Fees	1.29	1.15	1.74	1.74	2.19	2.19
6	Interest on Working Capital	6.83	9.13	9.06	10.43	9.57	13.30
7	Interest on Working Capital due to TDS	-	2.67	-	3.61	-	4.81
8	Fringe Benefit Tax/Income Tax	-	1.25	-	-	-	-
9	Less: Gain/Loss to be allowed	-	2.09	-	-	-	-
10	**Gross Expenditure**	**160.81**	**217.87**	**223.08**	**261.58**	**228.62**	**305.37**
11	Less: Non Tariff Income	1.30	3.13	1.37	1.37	1.44	1.44
12	**Aggregate Revenue Requirement (ARR)**	**159.51**	**214.73**	**221.71**	**260.21**	**227.18**	**303.93**
13	Less: ARR approved for SLDC	-	-	6.02	6.02	-	7.99
14	**Net ARR (A)**	**159.51**	**214.73**	**215.69**	**254.19**	**227.18**	**295.94**
15	True-up including carrying cost approved in earlier Tariff Orders	36.11	36.11	16.99	16.99	-	-
16	**Net Adjusted ARR**	**195.63**	**250.84**	**232.68**	**271.18**	**227.18**	**295.94**
17	True up of FY 2013-14 (B1)	-	-	-	-	-	49.17
18	Carrying cost of true up of FY 2013-14 (B2)	-	-	-	-	-	15.79
19	True up of FY 2004-05 to FY 2012-13 (C1)	-	-	-	-	-	158.77
20	Carrying cost of true up of FY 2004-05 to FY 2012-13 (C2)	-	-	-	-	-	64.46
21	Total True up of previous years including carrying cost (B1+B2+C1+C2)	-	-	-	-	-	288.19
22	**Annual Transmission Charges(A+B1+B2+C1+C2)**	**195.63**	**250.84**	**232.68**	**271.18**	**227.18**	**584.13**

2. The recovery of the Transmission charges from UPCL, the sole beneficiary of the intra-state transmission network, is proposed equally each month.
3. PTCUL has requested the Commission for allowing suitable mechanism for recovery of true up amount of Rs. 223.23 Crore in respect of FY 2004-05 to FY 2012-13.
4. PTCUL has proposed a total hike of 55.11% for FY 2015-16 (which includes the truing up impact of FY 2013-14) over the approved transmission charges for FY 2014-15. In case, the entire claim of PTCUL including that of truing up of previous years from FY 2004-05 to FY 2013-14 is also accepted by the Commission, additional hike of 8.15% in consumer tariff shall be required over and above the hike proposed by UPCL.
5. 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, Vidyut Bhawan, Saharanpur Road, Majra, Near ISBT, Dehradun - 248001, Uttarakhand.**
   Relevant extracts can also be obtained from the above mentioned offices of the Petitioner.
6. The proposals are also available at the website of the Commission (**www.uerc.gov.in**) and at PTCUL's website (**www.ptcul.org**).
7. Objections/suggestions are invited from the consumers and other stakeholders on the above proposals. These may be sent to the **Secretary, Uttarakhand Electricity Regulatory Commission**, either in person, or by post at **Vidyut Niyamak Bhawan, Near I.S.B.T., P.O. Majra, Dehradun-248171** or through e-mail to **uttaranchalerc@rediffmail.com** as a statement of objections or comments with copies of the documents and evidence in support thereof so as to reach the Secretary by **31.01.2015**.

पत्रांक– 1182/मु०प्र०ई०/पिटकुल/ए–2 दिनांक– 24.12.2014

Managing Director

"SAVE ELECTRICITY IN THE INTEREST OF THE NATION"

7.2 Annexure-2 : List of Respondents

Sl.	Name	Designation	Organization	Address
1.	Sh. Munish Talwar	-	M/s Asahi India Glass Ltd.	Integrated Glass Plant, Village-Latherdeva Hoon, Manglaur-Jhabrera Road, P.O. Jhabrera, Tehsil Roorkee, Distt. Haridwar, Uttarakhand
2.	Sh. Pankaj Gupta	President	M/s Industries Association of Uttarakhand	Mohabewala Industrial Area, Dehradun-248110
3.	Sh. Dhirendra Maithani	-	-	E-mail (dhirendramaithani@yahoo.com)
4.	Sh. Dalip Dua	Vice President (Publications)	M/s Himalaya Power Producers Association	Dehradun Chapter, 12-D, Race Course, Dehradun
5.	Sh. Abhinav Singh	-	M/s Bhilangana Hydro Power Ltd.	B-37, Sector-1, Noida-201301, Uttar Pradesh
6.	Sh. S.S. Chopra	Manager	M/s Hindustan National Glass & Industries Ltd.	-

7.3 Annexure-3 : List of Participants in Public Hearings

List of Participants in Hearing at Almora on 18.02.2015

Sl. No.	Name	Designation	Organization	Address
1.	Sh. N.C. Joshi	Ex. Warrant Officer	-	S/o Late Sh. T.D. Joshi, Buxi Khola, PO & Distt Almora-263601
2.	Sh. Vinod Chandra Pant	-	-	117, Kunjpur, Distt. Almora-263601
3.	Sh. P.G. Goswami	-	-	East Pokharkhali, Near Home Guard office, Distt. Almora-263601
4.	Sh. R.P. Joshi	-	-	Mohalla-Malla Joshi Khola, P.O. & Distt. Almora-263601
5.	Sh. Shyam Lal Sah	District President	Prantiya Udyog Vyapaar Pratinidhi Mandal	Kachhari Bazaar, Distt. Almora
6.	Sh. N.L. Verma	-	-	Narsingh Bari, Near Niran Kari Bhawan, Distt. Almora
7.	Sh. Prakash Chandra Joshi	Chairman	Nagar Palika	Distt. Almora
8.	Sh. H.C. Joshi	-	-	Summer House Cantt, Distt. Almora-263601
9.	Sh. Y.K. Joshi	-	-	Purnachal Niwas, Near MES, Distt. Almora
10.	Sh. M.B. Sah	-	-	Khazanchi Mohalla, Distt. Almora-263601
11.	Sh. D.C. Tiwari	-	-	Joshi Khola, Distt. Almora
12.	Sh. Rinku Bisht	SDM (Sadar)	-	Distt. Almora-263601
13.	Sh. Shiv Raj Sah	-	-	Khazanchi Mohalla, Distt. Almora-263601
14.	Sh. Rajendra Singh Sati	-	-	Chowdhury Khola, Distt. Almora-263601
15.	Sh. Puran Singh Airi	-	-	Near Indira Colony, Khatiyadi, Distt. Almora
16.	Sh. Sanjay Kumar Agrawal	Director/ General Secretary	Shri Karuna Jan Kalyan Samiti	Sanjay Bhawan, Malla Joshi Khola, Distt. Almora

List of Participants in Hearing at Rudrapur on 19.02.2015

Sl. No.	Name	Designation	Organization	Address
1.	Sh. S.K. Garg	-	M/s BST Textile Mills Pvt. Ltd.	Works : Plot No. 9, IIE, SIDCUL, Pantnagar, Distt. Udhamsingh Nagar
2.	Sh. Suresh Kumar	President (Works)	M/s La Opala RG Ltd.	B-108, Eldeco Sidcul Industrial Park, Sitarganj, Distt. Udhamsingh Nagar
3.	Sh. A.K. Singh	-	M/s Perfect Dynamics Auto Pvt. Ltd.	Fulsunga, Transit Camp, Rudrapur, Distt. Udhamsingh Nagar
4.	Sh. A.K. Jaiswal	-	M/s Perfect Dynamics Auto Pvt. Ltd.	Village – Fulsunga, Post – Transit Camp, Tehsil – Kichha, Rudrapur, Distt. Udhamsingh Nagar
5.	Sh. Manish Tanwar	-	M/s HCL Infosystems Ltd.	Plot No. 1,2, 27 & 28, Sector-5, IIE, SIDCUL, Pantnagar, Distt. Udhamsingh Nagar
6.	Sh. Jai Bhagwal Agrawal	Director	M/s Kashi Vishwanath Steels Ltd.	Narain Nagar Industrial Estate, Nainital Road, Kashipur-244713, Distt. Udhamsingh Nagar
7.	Sh. Sushil Kumar Tulsyan	Director	M/s Umashakti Steels Pvt. Ltd.	Village-Vikrampur, PO-Bazpur, Udhamsingh Nagar
8.	Sh. Shakeel A. Siddiqui	DGM (Commercial)	M/s Kashi Vishwanath Textile Mill Ltd.	Works : 5th Km. Stone, Ramnagar Road, Kashipur-244713, Distt. Udhamsingh Nagar
9.	Sh. Sanjay Kumar Adlakha	Manager (Elect.)	M/s Pioneer Polyleather Pvt. Ltd.	Plot No.-74, Sector-4, SIDCUL, Pantnagar, Distt. Udhamsingh Nagar
10.	Sh. Rajeev Gupta	-	M/s Galwalia Ispat Udyog Ltd.	Narain Nagar Industrial Estate, Nainital Road, Kashipur-244713, Distt. Udhamsingh Nagar
11.	Mohd. Ishteyaque Ahmed	-	M/s Right Tight Fasteners Ltd.	Plot No. 70, Sector-6, IIE, Pantnagar, Distt. Udhamsingh Nagar
12.	Sh. Darbara Sinjh	-	M/s Kumaon Garhwal Chamber of Commerce & Industry	Chamber House, Industrial Estate, Bazpur Road, Kashipur, Distt.- Udhamsingh Nagar
13.	Sh. Umesh Sharma	-	M/s Voltas Ltd.	Plot No. 2-5, Sector-8, IIE, SIDCUL, Pantnagar, Distt. Udhamsingh Nagar
14.	Sh. Nitin Kaushik	-	AICA Laminates	Sector-5, Pantnagar, Distt. Udhamsingh Nagar
15.	Sh. Vijay Pal Yadav	-	M/s Yadav Food Ltd.	Rudrapur Road, Kichha, Distt. Udhamsingh Nagar
16.	Sh. Vinod Vyas	-	M/s Varroc Engg.	Sector-9, Plot No. 20, SIDCUL, Patnagar, Distt. Udhamsingh Nagar
17.	Sh. Hem Chandra Tiwari	-	M/s Videocon Industry Ltd.	5 Km. Stone, Moradabad Road, Kashipur, Distt. Udhamsingh Nagar
18.	Sh. S.K. Mittal	-	M/s Shivalik Industries	Malsa Road, Shimla Pistaur,

List of Participants in Hearing at Rudrapur on 19.02.2015

Sl. No.	Name	Designation	Organization	Address
				Lalpur, Rudrapur, Distt. Udhamsingh Nagar
19.	Sh. Ashok Bansal	Director	M/s. Rudrapur Solvents Pvt. Ltd.	Lalpur, Kichha, Rudrapur, Distt.- Udhamsingh Nagar
20.	Sh. Balkar Singh Fozi	-	-	Village-Raipur Khurd, Kashipur, Distt. Udhamsingh Nagar
21.	Sh. Harlok Singh Naamdhari	-	-	Village-Gadarpur, Rudrapur, Distt. Udhamsingh Nagar
22.	Sh. H.D. Arora	-	-	D1, D2, 27/1, Civil Lines, Rudrapur, Distt. Udhamsingh Nagar
23.	Sh. Kuldeep Singh	-	Bhartiya Kisan Union	Village-Dhakia Kalan, PO-Dhakia No. 1, Tehsil-Kashipur, Distt. Udhamsingh Nagar-244713
24.	Sh. Jeet Singh	-	-	Village-Dhakia Kalan, PO-Dhakia No. 2, Tehsil-Kashipur, Distt. Udhamsingh Nagar-244713
25.	Sh. Puran Singh	-	-	Baanskheda Kalan, Fauzio Ka Dera, Raipur, Civil Lines, Rudrapur, Distt. Udham Singh Nagar
26.	Sh. Kulwant Singh	-	-	Baanskheda Kalan, Fauzio Ka Dera, Raipur, Civil Lines, Rudrapur, Distt. Udham Singh Nagar
27.	Sh. Thakur Jagjeet Singh	-	-	Village-Dharampur, PO-Chatarpur, Tehsil-Rudrapur, Distt. Udhamsingh Nagar
28.	Sh. Yashwant Mishra	-	-	Village & PO-Pratappur, Tehsil-Rudrapur, Distt. Udhamsingh Nagar

List of Participants in Hearing at Pauri on 24.02.2015

Sl. No.	Name	Designation	Organization	Address
1.	Sh. Vipin Chandra Maithani	Chairman	Nagar Palika Parishad	Srinagar, Distt. Pauri Garhwal
2.	Sh. Devanand Nautiyal	-	-	Dipty Dhara, Thana Mohalla, Distt. Pauri Garhwal
3.	Sh. Maneesh Rawat	-	-	S/o Sh. Rajendra Singh, Village-Lasera, PO- Seelsu, Patti-Banailsyun, Distt. Pauri Garhwal-249301
4.	Sh. D.N. Shaha	-	-	Village-Bhattegaon, Distt. Pauri Garhwal
5.	Sh. Rambhagti Lal	-	-	Uppar Bazaar, Distt. Pauri Garhwal
6.	Sh. R.P. Bhatt	-	M/s Himalaya Bakers	Agency Chowk, Distt. Pauri Garhwal
7.	Sh. Shiv Prasad Raturi	-	-	Near Krishi Bhawan, Srinagar Road, Distt. Pauri Garhwal
8.	Sh. Padvendra Bisht	-	-	Bisht Niwas, 16-Vikas Marg, Distt. Pauri Garhwal
9.	Sh. Harish Chandra	-	-	Maithana Village, Post-Choura, Distt. Pauri Garhwal
10.	Sh. Virendra Singh Rawat	Chairman	Vyapaar Sangh	Rawat Taint & Bartan Bhandar, Chowdhury Bhawan, Uppar Bazaar, Distt. Pauri Garhwal
11.	Sh. Brijendra Singh Rawat	Ex. Chairman	Vyapaar Sangh	Brij Vastra Bhandar, Uppar Bazaar, Distt. Pauri Garhwal
12.	Sh. Anil Bahuguna	-	-	Dobhal Road, Distt. Pauri Garhwal
13.	Sh. Omprakash Jugran	-	-	Uma Niwas, Power House Mohalla, Distt. Pauri Garhwal
14.	Sh. Sanjay Baluni	-	-	Village-Kanda, PO-Buransi, Block-Kot, Distt. Pauri Garhwal
15.	Sh. Rajendra Singh Rawat	-	-	Near Prathana Bhawan, Kotdwar Road, Distt. Pauri Garhwal
16.	Sh. Rajendra Prasad Tamta	Ex. Chairman	Nagar Palika	New Vikas Colony, Srinagar Road, Distt. Pauri Garhwal
17.	Sh. Khushal Singh Negi	-	-	Near Petrol Pump, Kodtwar Road, Distt. Pauri Garhwal
18.	Sh. Priyank Dobhal	-	M/s Dobhal Electricals	Uma Niwas, Near Laxmi Narayan Mandir, Kotdwar Road, Distt. Pauri Garhwal
19.	Smt. Neelam Rawat	Ward Member-5 & DPC Member	-	Village-Pauri, Distt. Pauri Garhwal
20.	Sh. Manoj Negi	Ward Member-9	-	Village-Pauri, Distt. Pauri Garhwal
21.	Sh. Jagdesh Rawat	-	-	Vikas Marg, Near Bus Station, Distt. Pauri Garhwal
22.	Sh. Kameshwar Rana	-	-	Rana Bhawan, Vikas Marg, Near Bus Station, Distt. Pauri Garhwal
23.	Sh. Govind Singh Rawat	-	-	Vikas Marg, Near Bus Station, Distt. Pauri Garhwal
24.	Sh. Sitab Singh Bisht	-	-	Village-Marora, Paabau, Distt. Pauri Garhwal
25.	Ms. Kamla Rawat	-	-	Ward No. 07, Near Power House,

List of Participants in Hearing at Pauri on 24.02.2015

Sl. No.	Name	Designation	Organization	Address
				Distt. Pauri Garhwal
26.	Ms. Sangeeta Dobhal	-	-	Srinagar Road, Near Krishi Vibhag, Distt. Pauri Garhwal
27.	Sh. Vijendra Pokhriyal	-	-	Buwakhal, Post Off.-Pauri, Near Power House, Distt. Pauri Garhwal
28.	Sh. Raghuveer Singh	-	-	Thana Mohalla, Dobhal Road, Distt. Pauri Garhwal
29.	Sh. Uma Charan	-	-	Power House Mohalla, Distt. Pauri Garhwal
30.	Sh. Jagdish Singh Bisht	-	-	Bisht Kuteer, Uppar Chopra, Kotdwar Road, Distt. Pauri Garhwal
31.	Sh. Jagmohan Singh Negi	-	-	House No. 61, Uppar Petrol Pump, Distt. Pauri Garhwal
32.	Sh. Sukhdev	-	-	Laxmi Narayan Road, Distt. Pauri Garhwal
33.	Sh. Jaspal Singh Negi	-	-	Village-Dungri, Patti - Paidul Syun, Distt. Pauri Garhwal
34.	Sh. Sunil Mamgain	-	-	Village-Baingwari, Post Off.-Chandola Rainn, Distt. Pauri Garhwal
35.	Sh. Kesar Singh Negi	-	-	Village-Srikot, PO-Gadwagad, Distt. Pauri Garhwal
36.	Sh. Mukesh Joshi	-	-	Village-Joshiyana, PO-Persundakhal, Patti Paidul Syun, Distt. Pauri Garhwal
37.	Sh. Ghanshyam Singh	-	-	Village-Thaili, PO-Chandola Rainn, Distt. Pauri Garhwal

List of Participants in Hearing at Dehradun on 27.02.2015

Sl. No.	Name	Designation	Organization	Address
1	Sh. D.K. Shukla	-	-	29, Inder Road, Dehradun
2	Sh. Rajiv Agarwal	Sr. Vice-President	M/s Industries Association of Uttarakhand	C/o Satya Industries, Mohabbewala Industrial Area, Dehradun
3	Sh. Pankaj Gupta	President	M/s Industries Association of Uttarakhand	C/o Satya Industries, Mohabbewala Industrial Area, Dehradun
4	Sh. R.N. Mathur	President	M/s Mussoorie Hotel Association	Price Hotel, Mussoorie, Dehradun
5	Sh. Ram Kumar	-	M/s Mussoorie Hotel Association	Price Hotel, Mussoorie, Dehradun
6	Sh. G.S. Manchanda	Proprietor	M/s Hotel India	Gandhi Chowk, Mussoorie, Dehradun
7	Sh. Dalip Dua	Vice President (Publications)	M/s Himalaya Power Producers Association	Dehradun Chapter, 12-D, Race Course, Dehradun.
8	Sh. Dinesh Mugdal	-	M/s Industries Association of Uttarakhand	C/o Satya Industries, Mohabbewala Industrial Area, Dehradun
9	Sh. Shivam Rohila	-	M/s Bhilangana Hydro Power Ltd.	B-37, Sector-1, Noida-201301, Uttar Pradesh.
10	Sh. Harpal Singh Sethi	-	-	21, Rajpur Road, Dehradun
11	Sh. Rakesh Bhatia	President	M/s Uttarakhand Industrial Welfare Association	Off. G-31, UPSIDC, Industrial Area, Selaqui, Dehradun, Uttarakhand
12	Sh. P.K. Rajput	Executive Director	M/s Alps Industries Ltd.	1-A, Sector-10, SIDCUL, Haridwar
13	Sh. Man Singh	General Manager (Engg.)	M/s Alps Industries Ltd.	1-A, Sector-10, SIDCUL, Haridwar
14	Sh. Vijay Singh Verma	-	-	Village-Delna, Post-Jhabreda, Roorkee, Haridwar-247665
15	Sh. K.L. Sundriyal	-	-	4(4/3), New Road (Amrit Kauri Road), Near Hotel Relax, Dehradun
16	Sh. Vishwamitra	-	-	36-Panchsheel Park, Chakrata Road, P.O.-New Forest, Dehradun
17	Sh. Biru Bisht		-	Mohanpur, Post Off.-Premnagar, Dehradun
18	Sh. Deepak Thapliyal	-	-	Pattiyon wala, PO-Mohabbewala, Chanderbani, Dehradun-248110
19	Sh. V.S. Bhatnagar	-	-	98/3, Bell Road, Clementown, Dehradun