

Filing of

PROPOSED TARIFFS

for

Financial Years 2007-08 and 2008-09

to

**UTTARANCHAL ELECTRICITY REGULATORY
COMMISSION**

For

KHATIMA Large Hydro Generating Station

UTTARANCHAL JAL VIDYUT NIGAM LIMITED
UJJWAL, Dehradun

INDEX

S.No.	Particulars	Page No.s
<u>PART 1</u>		
1.	AFFIDAVIT	1-4
2.	BOARD RESULOTION	4A
3.	MAIN PETITION	5-48
4	TARIFF DETERMINATION FORMS	49-95
<u>PART 2</u>		
5	ANNEXURES	
	<u>Annexure 1:</u> - Government of India (Gol) vide order dated November 5, 2001	(96-99)
	<u>Annexure 2:</u> - High Court Order dated March 23, 2005 and April 29, 2005	(100-107)
	<u>Annexure 3:</u> -. High Court Order dated September 25, 2005	
	<u>Annexure 4:</u> - Copy of Hon'ble ATE's Order dated 14.09.2006.	(108-114)
	<u>Annexure 5:</u> - The details of actual Additional capitalization for the period up to 31.3.2005 and the documentary evidences thereof	(115-140)
	<u>Annexure 6:</u> - Terms of Reference of the detailed and scientific study on the condition of the dams and civil structures (through the Central Water Commission)	(141-153)
	<u>Annexure 7:</u> - The details of the proposed capital expenditure for the Financial Years 2006-07, 2007-08 and 2008-09	(154-159)
	<u>Annexure 8:</u> - Details of Actual employee cost for FY 2005-06	
	<u>Annexure 9:</u> - The copy of the Government of Uttaranchal's Order no.1267XXVII(3)M-P/ 2004 dt. June 9, 2004	(160-167)

	<p><u>Annexure 10:</u> - The order no.1416/N-3-U/2002 dt. 3.12.2002 of the Government of Uttaranchal</p>	(168-171)
	<p><u>Annexure 11:</u> - Copies of the Order for increase in Dearness allowance</p>	(172-173)
	<p><u>Annexure 12:</u> - Minutes of the Second Board of Trustees Meeting held on August 9, 2004 (wrt GPF Liabilities)</p>	(174-176)
	<p><u>Annexure 13:</u> - The copies of Insurance policies.</p>	(177-182)
	<p><u>Annexure 14:</u> - Certificate from SBI confirming the PLR</p>	(183-185)
		(186-260)
		(261)

BEFORE THE HON'BLE UTTARANCHAL ELECTRICITY REGULATORY COMMISSION

At 80, Vasant Vihar, Phase-I, Dehradun, Uttarakhand.

FILING NO. _____

CASE NO. _____

In the matter of: **Filing of proposed tariffs for the financial years 2007-08 and 2008-09 for KHATIMA generating station of Uttarakhand Jal Vidyut Nigam Limited for the Determination of Hydro Generation Tariffs for its Electricity Generation Stations under Section 62 and 86 of the Electricity Act, 2003 read with the relevant regulations and guidelines of the Commission**

AND

In the matter of: Uttarakhand Jal Vidyut Nigam Limited (hereinafter referred to as "UJVNL"), a Company incorporated under the provisions of the Companies Act, 1956 and having its registered office at UJJWAL, Maharani Bagh, GMS Road, Dehra Dun – Petitioner.

AFFIDAVIT

I, Sh. Ramaballava Misra (S/o Sh. Kishore Chandra Misra) 51 years, Director (Finance), residing at, 11, Ashirwad Enclave Ext., Maharani Bagh Road, Dehradun), the deponent named above do hereby solemnly affirm and state on oath as under: -

1. That the deponent is the Director (Finance), who is authorized as per the resolution dated 20.11.2006 (In case the Petitioner is a company) and is acquainted with the facts deposed to below.
2. I, the deponent named above do hereby verify that the contents of the Paragraph No. 1 of the affidavit and those of the Paragraph Nos. 1 to 152 of the accompanying petition are true to my personal knowledge/ based on the perusal of records/ based on information received/ based on the legal advice which I believe to be true and verify that no part of this affidavit is false and nothing material has been concealed.

(Deponent)

I, _____ Advocate, _____,
do hereby declare that the person making this affidavit is known to me through
the perusal of records and I am satisfied that he is the same person alleging to
be deponent himself.

(Advocate)

Solemnly affirmed before me on this ____ day of _____ 2006 at
_____ a.m./ p.m. by the deponent who has been identified by the aforesaid
advocate.

I have satisfied myself by examining the deponent that he understood the
contents of the affidavit, which has been read over and explained to him. He has
also been explained about Section 193 of Indian Penal Code that whoever
intentionally gives false evidence in any of the proceedings of the Commission or
fabricates evidence for purpose of being used in any of the proceedings shall be
liable for punishment as per law.

VERIFICATION

I, Sh. Ramaballava Misra (S/o Sh. Kishore Chandra Misra) 51 years, Director (Finance), residing at, 11, Ashirwad Enclave Ext., Maharani Bagh Road, Dehradun), do hereby verify that the contents of the Paragraph No. 1 to 152 of the accompanying petition are true to my personal knowledge/ derived from official records / believed to be true on legal advice and that I have not suppressed any material fact.

(Signature of Petitioner)

**BEFORE THE HON'BLE UTTARANCHAL ELECTRICITY REGULATORY
COMMISSION**

At 80, Vasant Vihar, Phase-I, Dehradun, Uttaranchal.

FILING NO. _____

CASE NO. _____

In the matter of: Filing of proposed tariffs for the financial years 2007-08 and 2008-09 for KHATIMA generating station of Uttaranchal Jal Vidyut Nigam Limited for the Determination of Hydro Generation Tariffs for its Electricity Generation Stations under Section 62 and 86 of

**the Electricity Act, 2003 read with the relevant regulations
and guidelines of the Commission**

AND

**In the matter of: Uttaranchal Jal Vidyut Nigam Limited (hereinafter referred
to as “UJVNL”), a Company incorporated under the
provisions of the Companies Act, 1956 and having its
registered office at UJJWAL, Maharani Bagh, GMS Road,
Dehra Dun – Petitioner.**

A. Specific Legal Provisions under which the Petition is being filed

- 1) The Uttaranchal Jal Vidyut Nigam Limited (hereinafter referred to as "UJVNL"), under Section 62 and 86 of the Electricity Act, 2003 read with section 4(1) of the Uttaranchal Electricity Regulatory Commission (Terms and Conditions for Determination of Hydro Generation Tariff) Regulations, 2004 is filing this Tariff Petition before the Hon'ble Commission for approval of Tariffs for the FY 2007-08 and FY 2008-09.

B. Limitation

- 2) In terms of Section 56(4) (Chapter VI) of Uttaranchal Electricity Regulatory Commission Conduct of Business Regulation 2004, an application for tariff determination by every licensee shall be filed before the Hon'ble Uttaranchal Electricity Regulatory Commission on or before 30th. November every year.
- 3) The present petition for Tariff Determination is within the period mentioned in Para (3) above hence not barred by Limitation.

C. Facts of the case

- 4) The Petitioner, Uttaranchal Jal Vidyut Nigam Limited (hereinafter referred to as "**UJVNL**") is a company incorporated under the provisions of the Companies Act, 1956, having its registered office at UJJWAL, Maharani Bagh, GMS Road, Dehradun
- 5) It is submitted that Government of India (GoI) vide order dated November 5, 2001 (**Copy of the order placed at Annexure I enclosed**) transferred all hydropower assets of Uttar Pradesh Jal Vidyut Nigam Limited (UPJVNL) located in the State of Uttaranchal to UJVNL with effect from November 08, 2001. In compliance of the said order, administrative and financial control of all hydro power plants of UPJVNL in operation or under construction was taken over by UJVNL with effect from November 09, 2001. GoI order also defines the basis of division of assets and liabilities between UPJVNL and UJVNL and is self-explanatory.

- 6) Though administrative and financial control was transferred to UJVNL on November 09, 2001, UJVNL initiated discussions with UPJVNL for formulation of transfer scheme as per the said GoI order on mutually agreed terms.
- 7) The Hon'ble Uttaranchal Electricity Regulatory Commission issued the tariff regulations for hydro generating stations in the State of Uttaranchal viz Uttaranchal Electricity Regulatory Commission (Terms and Conditions for Determination of Hydro Generation Tariff) Regulations, 2004 (hereinafter referred to as the "Tariff Regulations") on 14th May 2004. These regulations are applicable for plants of capacity more than 25 MW.
- 8) As per section 4(1) of the Tariff Regulations, UJVNL is required to obtain approval for its tariff from the Hon'ble Commission based on provisions of the Tariff Regulations. In terms of Section 4(3) of the Tariff Regulations "The generating company shall file with application for determination of tariff duly validated projected annual data for as many years for which it wants the tariff to be fixed but not exceeding 5 years".
- 9) Based on the provisions of the Section 4(3) of the Tariff Regulations, the Petitioner is filing this Petition for determination of generation tariff for the two financial years 2007-08 & 2008-09.
- 10) It is submitted that the Petitioner had filed a petition dated September 15, 2004 with the Hon'ble Uttaranchal Electricity Regulatory Commission under Section 62 and 86 of the Electricity Act, 2003 read with Section 4(1) of the Uttaranchal Electricity Regulatory Commission (Terms and Conditions for Determination of Hydro Generation Tariff) Regulations, 2004 for fixation of tariff in respect of the completed units of the generating stations of UJVNL for 2004-05.
- 11) The Hon'ble Commission issued its orders on December 16, 2004 on the said petition. Aggrieved by certain aspects of the order of the Hon'ble Commission, the Petitioner filed a writ petition in the Hon'ble High Court of Uttaranchal. The Hon'ble High Court had stayed the operation of the tariff order for FY 2004-05 subject to certain terms and conditions contained in interim orders dated March 23, 2005 and April 29, 2005 (hereinafter collectively referred to as "the said High Court Order").

Copies of the said orders dated March 23, 2005 and April 29, 2005 are annexed hereto as Annexure – II.

12) On September 25, 2005 Hon'ble Uttaranchal High Court after hearing all parties concerned and with the consent of all decided to transfer the entire matter to the Appellate Tribunal for Electricity for treating it as a statutory appeal while keeping the aforesaid interim orders in force. **The copy of the said order is annexed hereto as Annexure – III.**

13) The Hon'ble Appellate tribunal for Electricity, after hearing the concerned parties from time to time, passed the order on 14.09.2006 finally disposing off the writ petition filed in this regard. **(Copy Enclosed at Annexure 4)**

14) It is respectfully submitted that the Hon'ble ATE vide Para 50 of its above stated order of 14.09.2006 directed as follows: -

- a) ***“On point B, we set aside the disallowances of Depreciation by the UERC and direct the first respondent Commission to allow depreciation as prescribed.”***
- b) ***“On point C, we set aside the disallowances of ROE and direct the first respondent Commission to allow ROE as directed supra.”***
- c) ***“On point D, we set aside the disallowances of Terminal benefits claimed by the appellant and direct the Commission to allow the claim made by the appellant in respect of terminal benefits and PF related claims of employees.”***
- d) ***“On point E, we set aside direction of the Commission giving retrospective effect to the Tariff order under appeal and set aside the direction to create RMF fund.”***

15) It is further respectfully submitted that the Hon'ble ATE vide Para 51 of its above stated order directed as follows:

“The appeal is allowed to the extent indicated above and we direct first respondent commission to forthwith rework the entire ARR and re-fix the tariff accordingly in the light of our judgment.”

- 16) The Hon'ble Uttaranchal Electricity Regulatory Commission (UERC) initiated SUO-MOTO proceedings for determination of Tariff of UJVNL's nine generating stations for the year 2006-07 on 07.12.2005. Uttaranchal Jal Vidyut Nigam Ltd responded to the above initiation on the proceedings by Hon'ble UERC through petition filed on 20.12.2005, 22.12.2005 & 28.12.2005. The Hon'ble UERC admitted the above-referred UJVNL's petitions only for the year 2006-07 and disposed off the SUO-MOTO proceedings and the petitions subsequently filed by UJVNL vide its order-dated 12.07.2006.
- 17) Since the Hon'ble commission in Para 4.3.2 and Para 4.3.3 of its Order dated 12.07.2006 had provided the petitioner the option to provide additional information/data and comply with the directives as contained in the order so that appropriate view could be taken by the Hon'ble Commission and the Hon'ble ATE had passed an order dated 14.09.2006, as stated above, which had a significant bearing on the Tariff determination exercise, a petition for re-view of the Tariff Order dated 12.07.2006 was filed with the Hon'ble Commission on 10.10.2006.
- 18) It is respectfully submitted that over the past several months UJVNL has been working towards aggregating the information necessary to meet the requirements of the tariff regulations issued by the Hon'ble Commission and file the Petition for determination of tariffs as per the provisions of the Act and the Regulations. Though in certain instances the information does not exist in the form and manner required by the Commission through its Regulations, appreciable progress has been made in collating the necessary information.
- 19) It is submitted that in development of these petitions, UJVNL has been guided by the following principles:
- a) Use of the previous filings made before the Commission on September 15, 2004 and in December, 2005 as basis along with the subsequent submissions made in response to queries from the Commission and the various objections in response to the said filings;
 - b) Principles inherent in the Tariff Order of the Commission for FY 2004-05 and FY 2006-07 to the extent that the same is acceptable to the Petitioner;
 - c) The Hon'ble ATE's Order dated 14.09.2006.

- d) As with the previous filings, UJVNL has adhered to the guidelines of the Commission, barring for known and measurable changes, which have been specifically provided for.

**CAPACITY CHARGES, CAPACITY INDEX INCENTIVE AND DEEMED
GENERATION CHARGES**

20) The key concern of the Petitioner has been that the poor hydrology could lead to under-recovery of the costs on account of the lower recovery from primary energy charges. In Para 4.5 of the tariff order dated 16.12.2004 the Hon'ble Commission had kindly clarified that while the Annual Fixed Charges (AFC) remains constant, the capacity charge recovery would vary with the recovery of primary energy charges, thus insulating the generator from the risk of under-recovery. **The Petitioner humbly requests that the tariff order for FY 2007-08 and FY 2008-09 provide clear directions in this regard, if possible with an illustrative example on how the mechanism would be applied in practice.**

21) It is submitted that the determination, applicability and payability of the above charges have been a matter of dispute between UPCL and UJVNL.

22) The Hon'ble commission in Para 4.5 of its order of 16.12.2004 had stated as follows:

“The Regulations provide for two part tariff for sale of electricity generated by hydro power stations. Under this structure, the approved Annual Fixed Charges (AFC) for a generating station are to be recovered through a combination of Primary Energy Charges and Capacity charges.”

“The commission, therefore, finds that Petitioner's concern on account of reduced water availability projected for the year to be misplaced as the same have already been taken care of in the Two-Part tariff structure laid down in the Regulations. The Two Part Tariff ensures full recovery of Petitioner's Annual Fixed Cost, notwithstanding inevitable fluctuations due to variations in availability of water.”

23) It is submitted that in Para 5.3.10 of the order dated 16.12.2004 the Hon'ble commission had directed as follows:

“As per regulations 20(2) for supply to UPCL, the capacity charges, if any, which is required to be paid by UPCL will be in proportion of its share in total saleable capacity of that particular generating station.”

24) It is submitted that UJVNL has been claiming the above charges on the grounds that the Regulations provide for the same and that the entire tariff determining exercise is based on the Regulations whereas UPCL has been refusing to pay the above charges on the ground that there is no specific direction in the tariff order for payment of such charges.

25) It is submitted that UJVNL had approached the Hon'ble Commission seeking clarification on the issue. The Hon'ble Commission clarified through its Secretary vide its letter-dated 20.01.2006 that the referred charges are determinable and payable, though left the computation mechanism to be decided by both the Corporations. UPCL did not honour the clarification on the ground that it was not an order of the Hon'ble Commission and continues to refuse payment of the above-referred charges.

26) It is submitted that in accordance to the decision in the meeting of the CMDs of both UJVNL and UPCL in this regard, UJVNL vide its petition dated 03.07.2006 again approached the Hon'ble Commission to resolve the issue.

27) It is further submitted that the Hon'ble Commission in Para 3.11 of its order of 12.07.2006 had quoted UPCL's submission that the Tariff Order should clearly specify the applicability of Annual Fixed Charges and methodology of its monthly payment, applicability of capacity index incentive and methodology of its monthly payment, verification and computation of capacity index and the applicability of deemed generation charges and its payment.

28) The Hon'ble Commission has further mentioned in Para 3.11.1 of its order of 12.07.2006 that the petitioner (UJVNL) agrees with the contention of UPCL and has already filed a petition dated 25.10.2005

with the Hon'ble Commission seeking clarification regarding applicability and computation of capacity charges, capacity index incentive and deemed generation charges.

29) On UPCL'S submission that UJVNL is also claiming deemed generation for Mohammadpur and Pathri plants the Hon'ble commission has reproduced the comments of UJVNL in Para 3.13.1 of its order of 12.7.2006 stating that:

“The bills for deemed generation charges as well as Capacity Index Incentive and capacity charges are being raised for all the plants of UJVNL and not only for these two plants, but no payments are being made by UPCL to UJVNL in this regard and unilateral deductions are being made by UPCL from UJVNL’s Bills.”

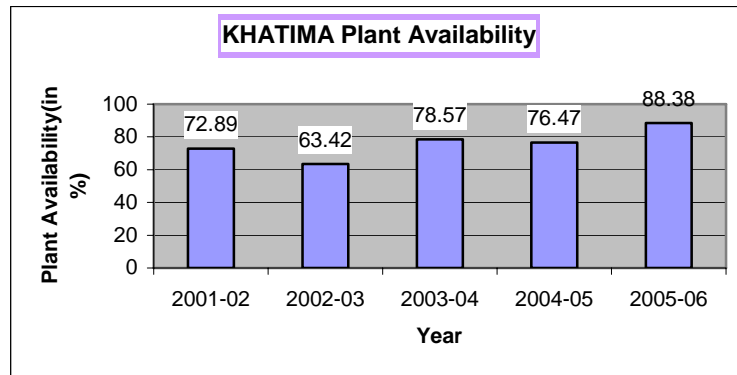
30) It is respectfully submitted that the Hon'ble Commission while addressing the issues of the subject charges in its **order of 12.7.2006 has not mentioned or referred to the petitions filed by UJVNL on 09.06.2006 and 03.07.2006 in this regard.** The Hon'ble Commission has only mentioned of the petition dated 25.10.2005 and not the subsequent petitions of 09.06.2006 and 03.07.2006 filed in this regard which were filed before the order of 12.07.2006. **The Hon'ble Commission has also not referred to the clarification-dated 20.01.2006 it had issued on UJVNL's petition of 24.10.2005.**

31) **Also the Hon'ble Commission has not dealt with the issue of these charges elsewhere in the order dated 12.07.06.** It is respectfully submitted that in Para 4.3.08 of the order of 12.07.2006 while fixing the Primary Energy rates the Hon'ble Commission refrained to specifically direct that for supply to UPCL the capacity charges, if any, which is required to be paid by UPCL will be in proportion of its share in total saleable capacity of that particular generating station in terms of regulation 20(2) as the Hon'ble Commission had directed in Para 5.3.10 of its dated 16.12.2004.

32) **In the light of all above it is respectfully prayed that suitable directions, as the Hon'ble Commission deems appropriate, on the subject charges may kindly be issued in this regard so as to avoid any anomaly, dispute or ambiguity at a later date between UJVNL & UPCL.**

PERFORMANCE OF THE PLANT

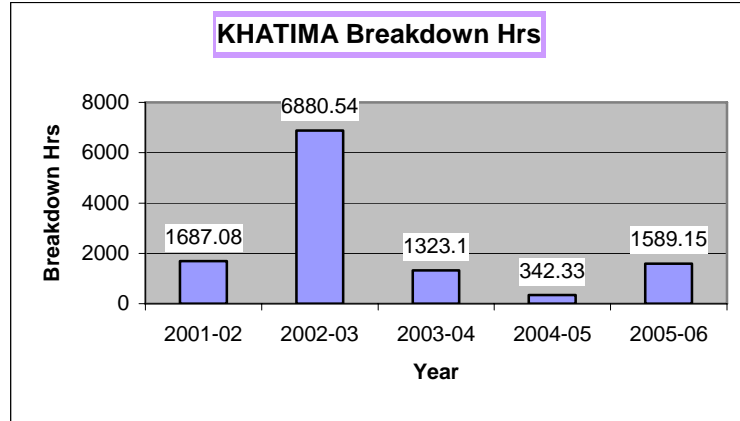
33) The efforts for improving upkeep of its assets has helped UJVNL offset much of adversity in the hydrology experienced. The fact that the adverse hydrology could be offset to a significant extent only due to the improvement in the plant availability and efficiency. The improvement in plant availability for KHATIMA over the years is shown graphically below.



34) The plant availability has been calculated as the total number of hours for which the plant has either generated or has been available for generation as a percentage of the overall hours in the year. The planned annual maintenance and capital maintenance periods have been excluded from the numerator. While recognising that lower plant availability on account of the extensive maintenance proposed affects its revenues in the short run, the Nigam is carrying out extensive maintenance activities on the old plants to ensure safety as well as enhanced operating life of the projects. It also needs mention that as far as possible the maintenance activities are conducted in the lean months (typically January – March) and also during the hours of the day when load is low to ensure minimum loss of generation during the system peak periods.

35) As the Commission will observe, there is an increasing trend in availability across the years, but a slight dip in availability in FY 2004-05.

36) Another indicator of the performance of the Plant is the annual breakdown (unplanned outage) hours of the plant. The trend in average annual breakdown hours is shown in the following graph.



37) The major repairs / R.M.U works and its estimated expenditure proposed for the Financial Years 2006-07, 2007-08 & 2008-09 are detailed below:

-

S.No.	Details of Activity	Years in which activity is proposed	Estimated expenditure (in Rs Crores)
1.	Repairs of under water parts of Machine No. 1,2 and 3	2006-07	1.56
2.	Procurement of 6 No. Generator Air Coolers	2006-07	0.10
3.	Procurement of Motor Pump sets for Generator Transformer Oil Cooling System	2006-07	0.10
4.	Procurement and Installation of A/C at Power House Control Room	2006-07	0.12
5.	Repair of spare set of D/T and diffuser gates	2006-07	0.20
6.	Replacement of 132 KV BOCB with new SE 6 breakers (5 Nos.)	2006-07	0.50
8.	Procurement of 132 KV CTs	2006-07	0.10
9.	Procurement of 132 KV Lightning Arrestor	2006-07	0.05
10	Construction of Two No. Officers residence	2007-08	0.40
11.	Laying of new Pipe Line for	2007-08	0.25

	drinking water for Colony		
12.	Renovation of generator including winding and core (One machine)	2007-08	4.00
13.	Procurement, Erection, Testing and Commissioning of Centralised Greasing System for Guide vanes	2007-08	0.16
14.	Procurement of Co 2 system	2007-08	0.15
15.	Procurement of One No. Governor Oil Pump	2007-08	0.10
16.	Procurement of Brake Jack Pads	2007-08	0.02
17.	Procurement of Lubricating Oil Pumps for TGB (3 Nos.)	2007-08	0.06
18.	Procurement of Pump Motor Set for Thrust Bearing and Generator Guide bearing cooling system	2007-08	0.04
19.	Procurement of one no. Compressor Motor Set	2007-08	0.02
20.	Procurement of LT Switch Gear for all three machines and station auxiliary,	2007-08	0.50
21.	Procurement of 11 KV Power Cables (XLPE Cables)	2007-08	0.15
22.	Procurement of 220 Volts 120 AH Nife (Nica) battery Set	2007-08	0.15
23.	Procurement of One Set of Runner Blades	2007-08	1.50
24.	Procurement of one no. SS Runner Chamber	2007-08	1.50
25.	Procurement of One Set of Guide Vane and Shutter Vanes	2007-08	1.20
26.	Procurement of 2 Sets of TGB	2007-08	0.08
27.	Renovation of Generator including winding and core (One machine)	2008-09	4.00
28.	Complete Renovation of	2008-09	3.00

	Machine No. 1		
29.	Refurbishment of One No. Power Transformer	2008-09	0.50
30.	Replacement of UATs	2008-09	0.20
31.	Procurement and Laying of Control Cables in One Machine	2008-09	0.60
32.	Procurement and Installation of Micro Processor based Electronic Governor	2008-09	3.00
33.	Procurement and Installation of Control/Protection/Metering system by latest system	2008-09	1.50
34.	Procurement and Installation of static excitation system	2008-09	2.50

★ *Not covered in present CAPEX details*

Year wise break up of the above proposed expenses is as follows:

FY	2006-07	Rs. 2.73 Crores
FY	2007-08	Rs. 10.28 Crores
FY	2008-09	Rs. 15.30 Crores

38) It is also submitted that the Petitioner in the FY 2007-08 has made projections of Rs 5 Lacs towards Vehicles. An amount of Rs 40 Lacs has also been projected in the FY 2006-07 (Rs 41 Lacs), 2007-08 & 2008-09 under the head office equipment & others. The proposed additions to Office equipment & others as stated above include the IT related expenses of procurement of both Hardware and Software. An addition of Rs 5 Lacs and Rs 2 Lacs has also been projected for FY 2006-07 & FY 2007-08 towards furniture & Fixtures.

Year wise final break up of the above proposed expenses is as follows:

FY	2006-07	Rs. 3.19 Crores
FY	2007-08	Rs. 10.75 Crores
FY	2008-09	Rs. 15.70 Crores

39) This petition includes the following documents:

- i) Detailed tariff formats;
- ii) Supporting documents and Annexure mentioned in the petition;
- iii) Soft Copy of the petition.

40) It is respectfully submitted that during the last submissions for FY 2006-07, the petitioner had deposited with the Hon'ble Commission the above stated petition in two sets and both the sets were accompanied with DDs of Rs. 10 lacs each. Since we need to submit only Rs. 10 lacs for each plant's Tariff Petition, It is requested that the same may kindly be adjusted towards requisite fee for the present petition and the requisite fee for the current filling may kindly be considered as paid.

Detailed submissions are as follows:

Norms of Operation

The norms of the Hon'ble Commission as applicable for the KHATIMA station are as follows:

(i) Normative capacity index

41) Based on the norms for storage hydro stations and run of the river stations with pondage, the normative capacity index for the station is 90 %. The same has been adopted by the Petitioner. Hence, no deviation is sought on this account from the norms as determined by the Hon'ble Commission.

(ii) Auxiliary Energy Consumption

42) The Petitioner has assumed transformation losses and auxiliary consumption at the normative levels specified by the Hon'ble Commission through the regulations. The Petitioner has also adopted the changes suggested by the Hon'ble Commission in the Tariff Order dated 16.12.2004 for FY 2004-05.

43) The Petitioner would also like to reiterate the issue raised in the previous filings on the switchyards of most power houses of the Petitioner also acting as nodes for transmission and distribution of energy wherein there are additional losses as there are imports from other stations, as well as losses due to stepping down of voltage from Bus Bar voltage of 132kV/220 kV to 11 kV, 33 KV and 66 kV. While UJVNL is incurring the losses and the costs of manning the sub-stations, the same should be borne by UPCL. It was agreed that the meters should be shifted to the HT side, and directions were provided by the Government of Uttaranchal in this regard vide letter no 1733/9-3-Urja/2002 dated 13.11.2002. However the directions are yet to be implemented and as on date the Petitioner continue to bear the costs and transformation losses. The intervention of the Hon'ble Commission is respectfully sought in this regard.

44) In the case of Khatima Power House, the losses due to above stated reasons were 2.63 MUs after considering normative Auxiliary Consumption, Transformation Losses and normative colony consumption in the FY 2005-06, which is 1.59% of the total generation for the year.

45) It is respectfully submitted that not with standing the above, Auxiliary Consumption and Transformation Losses have been computed on the norms prescribed by the Hon'ble Commission as enumerated below:

Station Particulars	Norm	Quantum (MU)
Type of Station		
a) Surface	Yes	—
b) Underground	No	—
Type of excitation		
a) Rotating exciters on generator	Yes	—
b) Static excitation	No	—
Auxiliary Consumption (As % of Total Generation)	0.2%	0.39
Transformation losses (As % of Total Generation)	0.5%	0.97

Capital Costs

46) It is respectfully submitted that here has been limited transfer of historical data from the UPJVNL to UJVNL. Despite the Petitioner's repeated follow-up, complete technical details are yet to be received. Certain essential documents such as the Detailed Project Reports, CEA clearances or Project Completion Reports have also not been provided. UJVNL is therefore not in a position to provide details regarding the break-up of original costs of fixed assets and those approved by a competent authority on COD.

47) The transfer scheme detailing the asset details for UJVNL has still not been finalised, though a decision is expected shortly from the Gol on this matter. In March 2003 UJVNL was able to derive a "provisional" balance sheet, on the basis of accounts and information received from UPJVNL. Plant-wise cost details were also not available from UPJVNL.

48) The Hon'ble Commission, while determining the Tariff of 9 LHPs of UJVNL in Para 5.3.1 of its order dated 16.12.2004 had allowed Rs. 503.96 Crores as value of Gross Fixed Assets of the 9 LHPs transferred to UJVNL. The same value of Rs. 503.96 for GFA was considered by the Hon'ble Commission in Para 4.3.1 of its order-dated 12.07.2006 while determining the Tariff of 9 LHPs for the year 2006-07.

49)It is respectfully submitted that in view of all above the value of GFA of Rs. 503.96 Crores determined by the Hon'ble Commission for 9 LHPs transferred to UJVNL is acceptable to the petitioner provisionally pending finalisation and notification of the Transfer Scheme.

50)Accordingly, the value of GFA transferred to UJVNL of KHATIMA Power House of Rs. 7.19 Crores as determined by the Hon'ble Commission in Para 4.3.1 of its order dated 12.07.2006 is acceptable to the Petitioner provisionally pending finalisation and notification of the Transfer Scheme.

ADDITIONAL CAPITALISATION

51)The plant-wise addition in GFA of KHATIMA Power House from 31.03.2002 to 31.03.2005 submitted earlier by the petitioner and considered by the Hon'ble Commission in Para 4.3.2. of the order dated 12.07.2006 was Rs. 0.15 Crores the details of which are as follows:

(Additional Capitalisation (in Rs. Crores)	KHATIMA Station
Land	0.00
Building	0.04
Major Civil Works	0.00
Plant & Machinery	0.00
Vehicles	0.00
Furniture & Fixtures	0.08
Office Equipments & Others	0.02
Total	0.15

52)It is respectfully submitted that during internal audit of the Accounts proper classification of the expenses was done and rectification entries passed. Accordingly, the additions to GFA of KHATIMA Power House for the period from 31.3.2002 to 31.3.2006 are as follows:

(Additional Capitalisation (in Rs. Crores)	KHATIMA Station
Land	0.00
Building	0.00
Major Civil Works	0.00
Plant & Machinery	0.00
Vehicles	0.07
Furniture & Fixtures	0.00
Office Equipments & Others	0.05
Total	0.12

53) These above stated additions of Rs. 0.12 Crores in assets have been added to the Gross Fixed Assets as stated in Para (50) above in order to arrive at the value of Rs. 7.31 Crores of asset block as on 31.03.2006.

54) In computing these tariff projections the Petitioner has projected the additional capital expenditure in FY 2006-07, 2007-08 and 2008-09 as per the details given in Para (38) above in addition to the proposed expenditure in other fixed assets.

55) The overall value of additional capitalisation as on 31.03.2006 and proposed additional expenditure during the Financial Years 2006-07, 2007-08 and 2008-09 are indicated below:

(Additional Capitalisation (in Rs. Crores)	As on 31.3.2006	During the FY 2006-07	During the FY 2007-08	During the FY 2008-09
Land	0.00	0.00	0.00	0.00
Building	0.00	0.00	0.40	0.00
Major Civil Works	0.00	0.00	0.25	0.00
Plant & Machinery	0.00	2.73	9.63	15.30
Vehicles	0.07	0.00	0.05	0.00
Furniture & Fixtures	0.00	0.05	0.02	0.00
Office Equipmt. & Others	0.05	0.41	0.40	0.40
Total Asset Block	0.12	3.19	10.75	15.70

56) Additional investments have also been made in the plants to ensure continued operations, considering the life of the projects and the investments necessary for operating the plants. Expenditure has also been incurred for residual life studies as per the guidelines for CEA for plants that are more than 30 years old.

57) However, in view of the condition of the plants, additional expenditure may be inevitable. The Petitioner respectfully submits to furnish the information separately and seek modifications to the tariffs subsequently as per procedures laid out in the regulations of the Hon'ble Commission for such future expenditure.

58) Regulation 16 (2) of the Hon'ble Commission's Terms and Conditions of Tariff Regulations explicitly permit additional works/service, which may become necessary for efficient and successful operation of the plant.

59) The Petitioner submits that the additional capital expenditure incurred and proposed may kindly be admitted.

60) The Hon'ble Commission has directed in Para 4.3.2 of its order of 12.07.2006 as follows:

“In future, if such details are presented to the Commission, appropriate view on such capital expenses will be taken in terms of the Regulations and the Tariff Policy referred to above.”

61) It is respectfully submitted that copy of Bills and Vouchers in evidence of the actual additional capital expenses were submitted with the Hon'ble Commission along with the petitions filed in December, 2005.

62) However, in view the above stated observations of the Hon'ble Commission, the details of actual Additional capitalisation of Rs.0.12 Crores for the period up to 31.3.2006 and the documentary evidences thereof as enumerated below are placed **on Annexure 5 enclosed**:

- Copy of Bills and Vouchers
- Copy of Administrative Approvals, and
- Copy of Purchase/Work Orders

63) The Petitioner requests the Hon'ble Commission to review the information furnished and approve the capital expenditure incurred/proposed. The Petitioner would be happy to furnish any information or clarification that may be desired

64) The Petitioner has also commissioned a detailed and scientific study on the condition of the dams and civil structures through the Central Water Commission (terms of reference enclosed as **Annexure - 6**).

65) It is respectfully submitted that based on the findings of the above mentioned study and the activities proposed to be undertaken the Petitioner may file a separate petition for additional capitalisation

requirements and for repair and maintenance expenditure as necessary for favourable consideration by the Hon'ble Commission.

66)The details of the proposed capital expenditure for the Financial Years 2006-07, 2007-08 and 2008-09 are placed on Annexure 7 enclosed.

C. Debt – Equity Ratio

67)Return on Equity has been computed assuming a normative debt equity ratio of 70:30, in accordance with the regulations of the Hon'ble Commission.

68)It is respectfully submitted that the Hon'ble Commission in its Tariff Orders dated 16.12.2004 and 12.07.2006 had denied UJVNL Return on Equity (RoE) on the ground that the capital was not created by UJVNL but inherited consequent to sector restructuring.

69)It is further submitted that the Hon'ble ATE while disposing off the writ petition of UJVNL assailing the Tariff order of 16.12.2004 has directed as follows:

“ On point C we set aside disallowance of ROE and direct the first respondent commission to allow ROE as directed supra”

70)In view of the above it is respectfully prayed that the Hon'ble Commission may consider ROE of Rs. 0.89 Crores and Rs. 1.55 Crores for the years 2007-08 and 2008-09 respectively computed @ 14 % P.A. on 30 % of GFA of Rs. 21.25 Crores for the year 2007-08 and on 30 % of GFA of RS. 36.95 Crores for the year 2008-09 in terms of Clause (25) of the UERC (Terms and Conditions for Determination of Hydro Generation Tariff) Regulations, 2004 as detailed below:

Return on Equity

71)Based on the Regulations of the Hon'ble Commission a 14% Return on Equity has been adopted for KHATIMA P/H. The resultant returns are as follows:

Component	FY 2007-08 (Rs. Cr.)	FY 2008-09 (Rs. Cr.)
Equity	6.38	11.09
Return on equity	0.89	1.55

Income Tax

72)It is respectfully submitted that in accordance to Regulation No. 8 of UERC Regulations, 2004(Terms and Conditions for Determination of Hydro Generation Tariff), a tax escrow account is required to be maintained by the beneficiary from which the generation company is authorised to withdraw the amount for settling the tax liability. The petitioner has already paid Rs 48,12,13,132/- on account of Income Tax as detailed below for which appropriate bills have been raised on UPCL:

Year 2002-03	Rs 43,84,58,471/-
Year 2003-04	Rs 3,52,00,171/-
Year 2004-05	Rs 75,54,490/-

73)The income Tax liability on the ROE computed in Para 73 above at the current rate of 33.66% would amount as follows: -

Component	FY 2007-08 (Rs. Cr.)	FY 2008-09 (Rs. Cr.)
Return on equity	0.89	1.55
Income Tax Liability for the Year	0.45	0.79

74)The Hon'ble commission is humbly requested to consider the Income Tax Liability while determining the Tariff for FY 2007-08 & FY 2008-09.

Annual Fixed Charges

The projections of the Petitioner on each element of the annual fixed charges are discussed below:

(i) Depreciation

75)It is submitted that the depreciation expense for FY 2007-08 and FY 2008-09 have been computed based on the asset classification shown below and the applicable depreciation rates for these asset categories.

The rates have been taken based on the schedule provided as Appendix I to the Regulations, 2004 of the Hon'ble Commission.

Asset Class	Depreciation Rate
Land	0.00%
Building	2.00%
Major Civil Works	2.50%
Plant & Machinery	2.86%
Vehicles	20.00%
Furniture & Fixtures	6.67%
Office Equipments & Others	6.67%

76)It is respectfully submitted that the Hon'ble Commission in the case of KHATIMA Power House had determined the accumulated depreciation of Rs. 6.94 Crores up to 31.03.2004 and had not allowed any depreciation for the year 2004-05 as detailed in Table 5.12 of Para 5.3.3 of the Tariff order dated 16.12.2004 on the value of GFA of Rs. 7.19 Crores determined to be transferred to UJVNL.

77)It is submitted that the depreciation of Rs 6.94 Crores determined by the Hon'ble Commission upto 31.03.2004 exceeds the permissible limit of 90% in terms of clause 23(2) of the Hon'ble UERC's Regulations, 2004.

78) In view of the above, no depreciation has been claimed on the GFA of Rs 7.19 Crores from the FY 2003-04 and onwards.

79) It is respectfully submitted that the Hon'ble Commission had not considered depreciation on additional capitalisation for want of documentary evidences.

80) It is respectfully submitted that the depreciation cost for each year on additional capitalisation for which the tariff is being filed is provided in the annexed forms. No advance against depreciation is necessary and hence has not been provided.

81) As submitted in Para (62) above the documentary evidences in support of claims of additional capital expenses incurred are placed on Annexure 5 enclosed, it is humbly requested that the amount of depreciation of Rs. 29.01 Lacs and Rs. 68.57 Lacs for the FY 2007-08 & FY 2008-09 respectively on Additional Capitalisation may kindly be considered by the Hon'ble Commission.

82) It is respectfully submitted that the total accumulated depreciation of Rs. 0.3868 Crores upto the FY 2007-08 is 2.77% of the total Cumulative additional capitalisation of Rs. 14.06 Crores of RAMGANGA Power House, which is within the permissible limits of 90 % in terms of clause 23(2) of the Hon'ble UERC's Regulations, 2004.

83) It is respectfully submitted that the total accumulated depreciation of Rs. 1.0724 Crores upto the FY 2008-09 is 3.60% of the total Cumulative additional capitalisation of Rs. 29.76 Crores, which is within the permissible limits of 90 % in terms of clause 23(2) of the Hon'ble UERC's Regulations, 2004.

(iv) Operations & Maintenance expenses

84) It is submitted that the Hon'ble Commission had determined Rs. 3.69 Crores of O & M Expenses for KHATIMA Power House on the basis of average of the three years from 2001-02 and had allowed Rs. 3.99 Crores under relaxed regulations for the FY 2004-05.

85) It is further submitted that the Hon'ble Commission had allowed per annum escalation of 4 % in the above-determined O & M expenses in terms of Clause (26) of the Regulations, 2004. The Hon'ble Commission while determining the total O&M expenses in table 5.15 of Para 5.3.4 of its tariff Order dated 16.12.2004 did not specify the plant wise allocation of various components comprising the total O&M expenses of Rs 72.54

Crores. In order to derive the Employee Cost of Khatima Power House, the total Employee cost of Rs 39.49 Crores determined by the Hon'ble Commission in the above stated table has been proportioned on the basis of plant wise Employee cost of Rs 44.37 Crores(inclusive of staff welfare expenses, employee & terminal benefits, etc.)determined by the Hon'ble Commission in table 5.19 of Para 5.3.4 of its tariff Order dated 16.12.2004.

86)It is submitted that except for the component of the employee cost the O & M expenses determined by the Hon'ble Commission are acceptable to the petitioner.

87)It is submitted that the component of employee cost included in the above stated O & M expenses of Rs. 3.99 Crores for FY 2004-05 amounts to Rs. 1.99 Crores.

88)Excluding the component of the employee cost of Rs. 1.99 Crores as stated above, the residual O & M expenses amount to Rs. 2.00 Crores.

89)Considering 4 % increase per annum in terms of Clause (26) of the Regulations, 2004 from the base year of 2002-03 the O & M expenses without considering the component of the employee cost for the years under consideration would amount to as follows:

FY	2007-08	Rs. 2.25 Crores
FY	2008-09	Rs. 2.34 Crores

90)It is submitted that the component of employee cost considered by the Hon'ble Commission as stated in Para (82) above for the FY 2004-05 is Rs. 1.99 Crores, which if escalated by 4 % per annum in terms of the Regulations would amount to Rs. 2.24 Crores for the FY 2007-08 and Rs. 2.33 Crores for the FY 2008-09.

91)It is respectfully submitted that the actual employee cost for the FY 2005-06 of KHATIMA powerhouse was Rs. 3.14 Crores. **(Details enclosed at Annexure 8)**. The petitioner humbly requests the Hon'ble Commission to consider 10 % escalation per annum on the above stated actual employee cost for the year 2005-06 for the following reasons:

- It is submitted that to obviate the shortage of officers in certain key operating levels, the Petitioner has been compelled to initiate the process of recruitment of engineers and other professionals to overcome the manpower shortages in various operating positions.

- The projected escalation in employee costs incorporate an estimate of the increased expenditure on account of salary increases for current employees, the projected employee expenses needs to be adjusted to reflect new recruitments. The recruitment process is underway, and nearly 500 employees will be added to the Nigam's payroll in near future.
- It is further submitted that employee expenses have been considered based on the staffing requirements of the Nigam for the future, and also the escalation in costs. The copy of the Government of Uttaranchal's Order no.1267XXVII (3) M-P/ 2004 dt. June 9, 2004 for increase in employee salaries with effect from 01.04.2004 is provided as **Annexure – 9**.
- It is further submitted that the order no.1416/N-3-U/2002 dt. 3.12.2002 of the Government of Uttaranchal with respect to the sanctioned staff strength of UJVNL is annexed as **Annexure – 10**.
- It is further submitted that per annum increase in Dearness Allowance, which is computed on the basic salary and the dearness pay, itself was 7 % during the year 2005-06(**Copies of the Order for increase in Dearness allowance being enclosed at Annexure –11**). The per annum increase in basic salary due to annual increments is approximately 2 % to 2.75 %.

92) It is respectfully submitted that the actual employee cost for the FY 2005-06 of KHATIMA powerhouse was Rs. 3.14 Crores. The above figure of Rs 3.14 Crores has been arrived based on computations as detailed below.

- In this regard the Petitioner respectfully submits that accounts are maintained centrally for the various stations. In certain instances a one – to – one correlation of the accounting divisions is possible with individual stations. However for others some form of apportionment is necessary for allocating certain expenses that are incurred by accounting units that serve more than one station.
- In view of the above the employee cost of such accounting divisions serving more than one station has been allocated as follows:

- Head Office/Corporate office employee cost: 80 % of the employee cost has been apportioned on the 9 LHPs which further has been allocated to each LHP on the basis of Installed Capacity.
- General Manager/DGM Office Employee cost: Allocated on LHPs within the control of the concerned General Manager/DGM, which further has been allocated to each LHP on the basis of Installed Capacity.

93) It is respectfully submitted that in view of the above the employee cost on the base year of 2005-06 escalated by 10 % per annum would work out as follows:

FY 2007-08	Rs. 3.80 Crores
FY 2008-09	Rs. 4.18 Crores

94) It is requested that the Hon'ble Commission may kindly consider the component of employee cost based on the actual employee cost for FY 2005-06 as escalated by 10 % per annum thereafter.

TERMINAL BENEFITS AND PF RELATED CLAIMS OF EMPLOYEES:

95) It is respectfully submitted that the Petitioner is also required to incur expenditure towards the difference of the amounts collected from employee contribution to the GPF Trust and the actual payouts of the Trust. The amount involved is of the order of order of Rs. 2.05 Crores per annum (based on actual Payouts for FY 2005-06). The Petitioner is duty bound to make good this difference, which is quite a significant proportion of the current turnover of the Nigam, and can have severe financial impact unless compensated through the tariffs; In this regard, the copy of the Minutes of the Second Board of Trustees Meeting held on August 9, 2004 (copy enclosed as **Annexure - 12**) is relevant where it was directed that while GoU would provide guarantee, the basic responsibility of meeting the GPF liabilities on day to day basis would have to be that of UJVNL.

96) It is respectfully submitted that the Hon'ble ATE vide Para 50 of its order dated 14.09.2006 referred to above in Para (13) has directed as follows:

“On point D, we set aside the disallowances of Terminal benefits claimed by the appellant and direct the Commission to allow the claim made by the appellant in respect of terminal benefits and PF related claims of employees.”

97) It is submitted that the above stated amount of Rs. 2.05 Crores allocated on the basis of installed capacity on 9 LHPs the amount allocable to KHATIMA Power House works out to Rs. 0.090 Crores.

98) In view of the above it is humbly requested that the Hon'ble Commission may kindly consider the amount of Rs.0.090 Crores towards GPF liability.

COST OF SUPPLIES TO COLONIES

99) The consumption of colonies (including irrigation employees posted at UJVNL's power stations for works of UJVNL) and the consumption in Dams, barrages etc. for FY2004-05 for the KHATIMA Plant is provided in the table below. The same values have been adopted for the future years. These figures are based on the figures approved by the Hon'ble Commission in its Tariff order dated 16.12.2004 as stated in Clause 5.3.4.4.6 as enumerated below: -

“The total quantum of electricity supplied for consumption in colonies is clubbed together with consumption in dams, barrages etc”

(in MUs)

Particulars	KHATIMA Station
Consumption in colonies (incl. Irrigation employees) and lighting of power channels	1.11

100) It is also submitted that the Hon'ble Commission had considered 1.11 MU as consumption in colony of KHATIMA Power House as described above and allowed the cost of Rs. 0.03 Crores at the primary energy rate of 23.21 p/unit in Para 5.3.4.4.6 of its order dated 16.12.2004.

101) It is further submitted that the colony consumption of 1.11 MU determined by the Hon'ble Commission is acceptable to the petitioner.

However, it is humbly requested that the rate while computing the cost thereof be taken at the prevalent demand tariff rates of Rs. 2.00/unit in accordance to the rates specified in RTS – 1 of the Hon'ble Commission order dated 12.7.2006 for Uttaranchal Power Corporation Limited. Accordingly, the cost of supplies to colony of KHATIMA Power House would work out to Rs. 0.22 Crores.

102) It is requested that the difference amounting to Rs 0.20 Crores may kindly be considered & allowed by the Hon'ble Commission.

103) It is humbly requested that the cost of supplies to colony of KHATIMA P/H be considered at Rs 0.22 Crores.

COST OF FREE/CONCESSIONAL SUPPLIES TO UJVNL's PAST & PRESENT EMPLOYEES

104) It is respectfully submitted that the Hon'ble UERC vide Para 5.3.4.4.6 of its order dated 16.12.2006 has directed as follows:

“In addition to the elements of O&M expenses discussed above, the Commission has considered and provided for cost of supply of free/concessional power to Petitioner's employees. The issue of continuing, modifying or discontinuing the perquisite of supplying free or concessional power to the employees is to be decided by the company's management keeping in view provisions of the Electricity Act, 2003 pertaining to unmetered supply and this Commission's direction given in the Order dated 08.09.2003 passed on the tariff petition of UPCL in which the Petitioner had intervened as a party.”

105) It is further submitted that the Hon'ble UERC vide Para 5.3.4.4.6 of its order dated 16.12.2006 has also directed as follows:

“Any expenditure incurred on this account has to be transparently provided for in the Employee Cost of the Petitioner and not to be camouflaged as Auxiliary Consumption as has been done in the Petition.”

106) It is submitted that the cost of supplies to the colonies have already been considered in Para 100 above.

- 107) It is further submitted that out of total no. of 2740 of employees of UJVNL, 550 number of employees are not residing in the UJVNL Colonies and have to be supplied electricity in areas outside the colonies.
- 108) It is further submitted that in addition to the 550 employees not residing in UJVNL colonies, electricity at concessional tariff is being supplied to 864 employees, who have retired from UJVNL.
- 109) It is further submitted that the petitioner has assumed the monthly average consumption of 1900 Units per month for the purpose of the computation of the total units of free/concessional supplies to UJVNL's past & present employees
- 110) It is further submitted that the figure of 1900 Units per month have been determined on the following basis: -

Total colony Consumption (Ref: Table 5.18 of UERC's tariff order dated 16.12.2004)= 33.47 MUs per year

Total No. of Employees in UJVNL's 9 No.s LHPS(Ref: Form 11.1of all the Petitions)=1506

Average Consumption per employee per month= 1852 units (1900 Units – Rounding off)

- 111) However, it is humbly requested that the rate while computing the cost thereof be taken at the prevalent demand tariff rates of Rs. 2.00/unit in accordance to the rates specified in RTS – 1 of the Hon'ble Commission order dated 12.07.2006 for Uttaranchal Power Corporation Limited.
- 112) Accordingly, the cost of supplies to UJVNL's employees (Past and present) outside the UJVNL's colonies works out to Rs. 3.266 Crores as enumerated below: -

*No. of past & present employees being supplied = 550+864 = 1414
electricity other than UJVNL's Colonies*

*Per Employee average Annual consumption =12 X 1900=22800
Units*

<i>Total electricity Consumed per annum</i>	$=22800 \times 1414$ $=32.2392 \text{ MUs}$
<i>Prevalent Demand tariff rate/unit</i>	$=2 \text{ Rs/unit}$
<i>Total cost of supplies to UJVNL's employees</i>	$=32.2392 \times 2 = \text{Rs } 6.448$ <i>Crores</i>

113) It is further submitted that deduction on account of concessional supply to UJVNL employees from their salaries in the form of electricity charge at an average amounts to Rs 75/- per month.

114) It is further submitted that the figure of Rs 75/- per month has been assumed as per the following calculations: -

Total Monthly Electricity Charges (inclusive of electricity duty) recoverable from UJVNL employees = Rs 2,01,861.60/-

Total No. of employees in UJVNL = 2761

Average Monthly deduction on account of concessional supply to UJVNL employees from their salaries = Rs 73.11/- (Rs 75/- rounding off)

115) It is further submitted that in line with the above, total deduction for 1414 no. of employees works out to be Rs 12,72,600.

116) It is further submitted that the Petitioner has deducted the above-calculated amount to arrive at the expense borne by UJVNL for supplying electricity to its employees that are residing outside the UJVNL's colonies. The calculation are detailed below: -

Total cost of supplies to UJVNL's employees = Rs 6.448 Crores

Amount obtained from UJVNL Employees via Electricity Charges & Electricity Duty = Rs 0.13 Crores

Net Amount payable by UJVNL towards supply of concessional Electricity to UJVNL's Past & present employees =Rs 6.320 Crores

117) It is further submitted that the 80 % of the above-calculated cost has been apportioned on the 9 LHPs, which further has been allocated to each LHP on the basis of Installed Capacity.

118) It is further submitted that the cost of free/concessional supplies to UJVNL's past & present employees residing outside the UJVNL's colonies for the KHATIMA powerhouse amounts to Rs 0.221 Crores.

REGULATORY EXPENSES

119) It is submitted that the Hon'ble Commission had allowed an expenditure of Rs. 1.00 Crores towards regulatory expenses in Para 4.3.4. of its order dated 12.07.2006.

120) It is submitted further that the above stated amount of Rs. 1.00 Crores towards regulatory expenses is acceptable to the petitioner.

121) Since the above expenses allowed by the Hon'ble Commission pertain to all the 9 LHPs the proportionate cost attributable to KHATIMA P/H works out to Rs. 0.12 Crores. It is humbly requested that the above cost of Rs. 0.12 Crores may kindly be considered by the Hon'ble Commission.

INSURANCE

122) It is submitted that the Hon'ble Commission in Para 5.3.4.3 of its order-dated 16.12.2004 while determining the "Administrative and General Expenses" has stated as follows: -

"Liability for insurance payments is on actual basis, the proposed expenditure of Rs. 1.78 crore under the insurance head is being allowed, increasing thereby the allowable cost under this head by Rs. 1.14 crore."

123) In this regard it is respectfully submitted that UJVNL has signed MOU with the Oriental Insurance Company vide which Insurance Cover

against various perils is proposed to be purchased the details of which are as follows:

- i) Fire & Allied Perils for **Large Hydro Power plants** on reinstatement value basis for the whole year at Rs. 4.10 Cr/MW which are under operation and further divided the insured value including foundations as under:

1.	DAM & Hydrology	55%
2.	Electromechanical Equipments	31%
3.	Power House other equipments	3%
4.	Building for Power House	1%
5.	Administrative Blocks	10%

The risks for DAM & hydrology are not to be covered. Similarly the risks for Plinth & Foundation are also not to be covered and have therefore been deducted from the amount of sum insured.

Sum insured:	Rs 11,28,02,65,425/-
Premium Amount (Considering 5% S.D.):	Rs 2,14,67,755 /-
Service Tax:	Rs 26,27,653 /-
Net Premium:	Rs 2,40,95,408 /-

- ii) Loss of complete Revenue due to reduction in turnover/output and increased cost of working:

Sum Insured :	Rs. 111,19,80,300/-
Premium Amount (Considering 5% SD):	Rs. 25,84,267/-
Service Tax :	Rs. 29,00,581/-
Net Premium :	Rs. 29,00,581/-

- iii) Financial Liabilities relating to Director's and Officers Omission:

Sum Insured :	Rs. 50,00,000/-
Premium Amount (Considering 5% SD):	Rs. 35,000/-
Service Tax :	Rs. 4,284/-/-
Net Premium :	Rs. 39,284/-

- iv) Public Liability:

Sum Insured :	Rs. 10,00,00,000/-
Premium Amount (Considering 5% SD):	Rs. 50,000/-
Service Tax :	Rs. 6,120/-
Net Premium :	Rs. 56,120/-

- v) Workman's Compensation: Legal Liability under the Workman's Compensation Act, 1923 and Indian Fatal Accidents Act, 1855:

Sum Insured:	Rs. 46,35,57,275/-
Premium Amount (Considering 5% SD):	Rs. 14,05,685/-
Service Tax:	Rs. 1,72,056/-
Net Premium:	Rs. 15,77,741/-

The copy of Insurance policies is placed at annexure 13 enclosed.

- 124) It is humbly requested that 5 % increase per annum in the above stated cost of insurance in total amounting to Rs. 2.87 Crores may kindly be considered for FY 2007-08 & FY 2008-09. Since the Insurance has been taken at the Reinstatement Value, this 5% increase has been taken based on inflation.
- 125) It is also submitted that the above figure pertains to the Insurance for 9 No.s LHPs. The proportionate cost attributable to KHATIMA P/H works out to Rs. 0.125 Crores.
- 126) It is humbly requested that the above cost of Rs. 0.13 Crores as escalated by 5 % per annum may kindly be considered by the Hon'ble Commission for the FY 2007-08 & FY 2008-09 amounting to Rs. 0.13 Crores and Rs. 0.14 Crores respectively.

OPERATION AND MAINTENANCE EXPENSES

- 127) In view of all above the O&M expenses for FY 2007-08 and FY 2008-09 submitted for consideration by the Hon'ble Commission are as detailed below:

(RS IN CRORES)

PARTICULARS	FY 2007-08	FY 2008-09
Normative O & M Expenses	2.25	2.34
Employee Cost	3.80	4.18
Terminal Benefits & PF related claims	0.090	0.090
Cost of supplies to Colony	0.20	0.20
Cost of Concessional supply to UJVNL's Past & present employees	0.221	0.221
Regulatory Expenses	0.12	0.12
Insurance	0.13	0.14
Total	6.81	7.28

(v) Interest on Working Capital

128) In line with the Tariff Guidelines issued by the Hon'ble Commission, UJVNL has projected the working capital for each of the plants based on normative levels as per the following:

- O&M expenses at one month of projected expenses;
- Maintenance spares of 1% of project cost, along with a 6% annual escalation in value;
- Receivables at two months of revenue from sale of electricity.

Cost of working capital financing has been assumed at 11 % per annum on the basis of the current PLR of State Bank Of India. **(Certificate from SBI confirming the PLR is place on Annexure 14 enclosed).**

It is respectfully submitted that in terms of the above the interest on working capital works out as follows:

FY 2007-08	Rs 0.24 Crores
FY 2008-09	Rs 0.30 Crores

It is respectfully submitted that the Hon'ble Commission may kindly consider the interest on working capital as stated above.

(vi) Interest on loan capital

129) It is submitted that in terms of the Regulations of the Hon'ble Commission, Interest on normative debt has not been considered on the value of opening GFA since the cumulative depreciation (Rs. 6.94 Crores for the FY 2007-08 and 2008-09) exceeds the normative debt (Rs 5.03 Crores on opening GFA for FY 2007-08 and 2008-09) and hence the same has not been included in the Computation of Interest on Loan.

130) It is further submitted that in terms of the regulations of the Hon'ble Commission, interest on normative debt has been considered on additional capitalisation for FY 07-08 & FY 08-09 since the cumulative Depreciation (Rs 0.3868 Crores & Rs 1.0724 Crores on additional capitalisation for the FY 07-08 & FY 08-09 respectively) is less than the normative debt (Rs 9.84 Crores & Rs 20.83 Crores on Additional capitalisation for the FY 07-08 & FY 08-09 respectively). Hence the same has been included in the computation of Interest on loan.

131) Considering 11% per annum rate of interest on the basis of the prevalent PLR of State Bank of India., the resultant returns are as follows:-

(In Rs Crores)

Component	FY08 (Rs. Cr.)	FY09 (Rs. Cr.)
Additional capitalisation as on 31st March	14.06	29.76
70 % of the above considered as normative debt	9.84	20.83
Cumulative Depreciation as on 31st March	0.3868	1.0724
Residual normative debt	9.45	19.76
% of Depreciation as of Additional Capitalisation	2.77	3.60
Interest on Normative Debt	1.04	2.17

132) The following table provides a summary of the principles adopted by the Petitioner on the various cost elements and operating parameters.

A comparison with the relevant provisions of the tariff regulations issued by the Hon'ble Commission is also provided in the table:

Parameter	Provisions of relevant regulations of the Hon'ble Commission	Approach adopted by UJVNL
<u>Operating parameters</u>		
Auxiliary consumption	1. Surface hydro power generating stations with rotating exciters mounted on the generator shaft = 0.2% of energy generated 2. Surface hydro power generating stations with static excitation system = 0.5% of energy generated 3. Underground hydro power generating stations with rotating exciters mounted on the generator shaft = 0.4% of energy generated 4. Underground hydro power generating stations with static excitation system = 0.7% of energy generated	As per regulations. However cost of supplies in colonies has been provided separately
Transformation losses	Transformation losses from generation voltage to transmission voltage = 0.5 percent of energy generated.	As per regulations.
Capacity index	Normative Capacity Index for recovery of full capacity charges. During the first year of commercial operation of the generating station: a. Purely run-of-river type generating stations = 85 % b. Pondage and storage	As per regulations.

Parameter	Provisions of relevant regulations of the Hon'ble Commission	Approach adopted by UJVNL
	<p>type generating stations = 80%</p> <p>After first year of operation of the generating station:</p> <p>a. Purely run-of-river type generating stations = 90 %</p> <p>b. Pondage and storage type generating stations = 85%</p>	
<i>Financial parameters</i>		
Capital cost	In case of existing projects, the project cost admitted by the Appropriate Hon'ble Commission prior to 1.4.2004 shall form the basis for tariff fixation.	The Cost determined by the Hon'ble Commission acceptable provisionally pending finalisation and notification of the Transfer Scheme.
Equity Base	Debt–equity ratio as on the date of commercial operation for the purpose of determination of tariff 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%. Where actual equity employed is less than 30%, the actual equity shall be considered. The Hon'ble Commission may in appropriate cases consider equity higher than 30% for the purpose of determination of tariff, where the generating company is able to establish to the	As per Regulations

Parameter	Provisions of relevant regulations of the Hon'ble Commission	Approach adopted by UJVNL
	satisfaction of the Hon'ble Commission that deployment of equity more than 30% was in the interest of general public	
Return on Equity (RoE)	Return on equity shall be computed on the equity base determined in accordance with regulations 36 and shall be at @14% per annum	As per regulations
O&M charges	The average of normalised O&M expenses after prudence check, for the years 1998-99 to 2002-03 considered as O&M expense for the year 2000-01 shall be escalated at the rate of 4% per annum	<p>Except for employee cost, other O & M Expenses as determined by the Hon'ble Commission escalated at 4% per annum.</p> <p>Employee cost considered on the basis of actual cost incurred in the FY 2005-06 escalated by 10 % per annum.</p>
Interest on loan capital	Interest on loan capital shall be computed loan-wise on the actual outstanding loans duly taking into account the schedule of repayment and actual interest rate. Normative Loan will be equal to the equity in excess of thirty percent (30%) invested into the project. Provided that the total of actual loans, equity and the normative loan shall not exceed the cost of the project.	As per regulations. Interest on normative debt claimed

Parameter	Provisions of relevant regulations of the Hon'ble Commission	Approach adopted by UJVNL
Depreciation	Depreciation schedule provided in the regulations	As per regulations.
Interest on working capital	Rate of interest on working capital shall be the short-term Prime Lending Rate of State Bank of India as on 1st April of the tariff period. The interest on working capital shall be payable on normative basis notwithstanding that the generating company has not taken working capital loan from any outside agency.	As per regulations.
Allowable tax	Tax on the income streams of the generating company from its core business shall be computed as an expense and shall be recovered from the beneficiaries. Any under-recoveries or over-recoveries of tax on income shall be adjusted every year on the basis of income tax assessment under the Income Tax Act, 1961 as certified by the statutory Auditors.	As per regulations through the tax escrow mechanism

133) It is submitted that further details on the projections on operating parameters and costs are provided in the subsequent sections of the Petition providing the detailed data formats.

F. Design Energy and Primary Energy Charges

134) It is respectfully submitted that the design energy and saleable energy of 194.05 MU and 192.69 MU respectively determined by the Hon'ble Commission for KHATIMA P/H in Para 4.2.1 of its order-dated 12.07.2006 is acceptable to the petitioner.

135) It is humbly submitted that any part of the Annual Fixed charges not recovered through the primary energy charge may kindly be allowed to be recouped through the capacity charges in terms of the Regulations. Also as per the regulations of the Hon'ble Commission the secondary energy charges may kindly be allowed to be payable at the same rate as primary energy charges. The deemed generation charges, unscheduled interchange charges, and the incentives may also be allowed to be applicable and payable as per the regulations. The referred charges have not been projected in the tariff filings due to the uncertain nature of such charges. The Hon'ble Commission is humbly requested to kindly state explicitly in its orders the applicability of such charges namely, Capacity Charges, Deemed generation Charges and Capacity Index Incentive for the convenience of the beneficiaries of the generating station.

136) The total Gross Annual Fixed Charges for KHATIMA plant for each of the tariff years is provided in the table below:

Particulars	Unit	FY 2007-08	FY 2008-09
Interest on Loan Capital	(Rs. Crores)	1.04	2.17
Depreciation, including AAD	(Rs. Crores)	0.29	0.69
Return on Equity	(Rs. Crores)	0.89	1.55
O&M Expense	(Rs. Crores)	6.81	7.28
Interest on Working Capital	(Rs. Crores)	0.24	0.30
Annual Fixed Charges	(Rs. Crores)	9.27	11.99
Total Saleable Units*	MU	192.69	192.69
Per Unit Tariff	Rs/ kWh	0.48	0.62

** Design energy less auxiliary consumption and transformation losses*

D. Cause of Action

137) Under Section 62 and 86 of the Electricity Act, 2003 and as per section 4(1) of the UERC Tariff Regulations, UJVNL is required to obtain approval for its tariff from the Hon'ble Commission based on provisions of the Tariff Regulations.

E. Ground of Relief

138) The order passed by the Hon'ble ATE on 14.09.2006 disposing off the UJVNL's Appeal no. 189/2005 assailing the UERC's Tariff Order dated 16.12.2004 on generation tariff for UJVNL's 9 No.s LHPs and the Hon'ble UERC's Tariff Orders dated 16.12.2004 and 12.07.2006.

139) While the tariff regulations of the Hon'ble Commission permit the generating companies to seek tariffs for a period up to five years, the Petitioner is seeking tariffs only for the FY 2007-08 and FY 2008-09 since in terms of Clause (1) sub-clause (3) of the Regulations, 2004 the Regulations are in force up to the year 2009 being the fifth year from the date of publication of the Regulations, 2004 in the Official gazette. The Petitioner will submit a fresh tariff application for the subsequent year(s) at an appropriate time.

F. Detail of Remedies Exhausted

140) Not Applicable

G. Matter Not Previously Filed or Pending With any Court

141) The petitioner (s) further declares that he has not previously filed any petition or writ petition or suit regarding the matter in respect of which this petition has been made, before the Commission, or any other

court or any other authority, nor any such writ petition or suit is pending before any of them.

H. Relief Sought

In view of the facts mentioned above, the Petitioner respectfully prays for the relief as stated below:

- 142) The Petitioner respectfully requests that the orders of the Hon'ble Commission may adequately consider the positions expounded in the present petition for truing up its Annual Fixed Charges for the FY 2006-07 as approved by the Hon'ble Commission in its Tariff Order dated 12.7.2006 and for approval of Annual Fixed Charges for the FY 2007-08 and FY 2008-09. This Petition incorporates substantially improved information as compared to the earlier tariff petition. However the Petitioner is making continuous efforts to refine the information regime further, which have started generating results. The same may be suitably considered for the orders of the Hon'ble Commission.
- 143) The financial projections have been developed based on the Petitioner's assessment, trend available and estimates available for the FY 2006-07. There could be differences between the projections and the actual performance of the Petitioner. The Hon'ble Commission may condone the same. The Petitioner also requests the Hon'ble Commission to allow to make revisions to the Petition and submit additional relevant information that may emerge or become available subsequent to this filing.
- 144) The Petitioner has certain outstanding matters with the Uttaranchal Power Corporation Limited, which have been brought to the notice of the Hon'ble Commission in this Petition. The Hon'ble Commission may provide the necessary clarity on the matter through its orders on this Petition. In particular the specific procedures and formats for billing may be provided in the orders of the Hon'ble Commission, along with illustrative examples as necessary depicting all the components of tariff especially Capacity Charges, Capacity Index Incentive, and Deemed Generation Charges as per the orders and regulations of the Commission.

145) While the tariff regulations of the Hon'ble Commission permit the generating companies to seek tariffs for a period up to five years, in view of the Regulations, 2004 being in force up to the year 2009 being the fifth year of their publication in the official gazette the Petitioner is seeking tariffs only for the years FY 2007-08 and FY 2008-09. The Petitioner will submit a fresh tariff application for the subsequent year(s) at an appropriate time.

146) In view of the foregoing, the Petitioner respectfully prays that the Hon'ble Commission may:

- (i) Accept and approve the accompanying financial projections of the Petitioner for FY 2007-08 and FY 2008-09 prepared in accordance with Tariff Regulations established by the Hon'ble Commission;
- (ii) Grant suitable opportunity to the Petitioner within a reasonable time frame to file additional material information that may be subsequently available;
- (iii) Grant the waivers prayed for with respect to such filing requirements as the Petitioner is unable to comply with at this stage in the filing;
- (iv) Treat the filing as complete in view of substantial compliance as also the specific humble requests for waivers with justification placed on record;
- (v) Condone any inadvertent omissions/ errors/ shortcomings and permit the Petitioner to add/ change/ modify/ alter this filing and make further submissions as may be required at a future date;
- (vi) Consider and approve the Petitioner's application including all requested regulatory treatments in the filing;
- (vii) Consider the submissions of Petitioner that could be at variance with the orders and regulations of the Hon'ble Commission, but are nevertheless fully justified from a practical viewpoint;
- (viii) Pass such orders as the Hon'ble Commission may deem fit and proper keeping in mind the facts and circumstances of the case.

I. Interim Order, in any, prayed for

147) Not Applicable

J. Details of Index

148) The list of enclosures is detailed below: -

1. **Annexure 1:** - Government of India (Gol) vide order dated November 5, 2001
2. **Annexure 2:** - High Court Order dated March 23, 2005 and April 29, 2005
3. **Annexure 3:** - High Court Order dated September 25, 2005
4. **Annexure 4:** - Copy of Hon'ble ATE's Order dated 14.09.2006.
5. **Annexure 5:** - The details of actual Additional capitalization for the period up to 31.3.2005 and the documentary evidences thereof
6. **Annexure 6:** - Terms of Reference of the detailed and scientific study on the condition of the dams and civil structures (through the Central Water Commission)
7. **Annexure 7:** - The details of the proposed capital expenditure for the Financial Years 2006-07, 2007-08 and 2008-09
8. **Annexure 8:** - Details of Actual employee cost for FY 2005-06
9. **Annexure 9:** - The copy of the Government of Uttaranchal's Order no.1267XXVII(3)M-P/ 2004 dt. June 9, 2004
10. **Annexure 10:** - The order no.1416/N-3-U/2002 dt. 3.12.2002 of the Government of Uttaranchal
11. **Annexure 11:** - Copies of the Order for increase in Dearness allowance
12. **Annexure 12:** - Minutes of the Second Board of Trustees Meeting held on August 9, 2004 (wrt GPF Liabilities)
13. **Annexure 13:** - The copies of Insurance policies.

14. **Annexure 14:** - Certificate from SBI confirming the PLR

K. Particulars of Fee Remitted

- 149) It is respectfully submitted that during the last submissions for FY 2006-07, the petitioner had deposited with the Hon'ble Commission the above stated petition in two sets and both the sets were accompanied with DDs of Rs. 10 lacs each. Since we need to submit only Rs. 10 lacs for each plant's Tariff Petition, It is requested that the same may kindly be adjusted towards requisite fee for the present petition and the requisite fee for the current filling may kindly be considered as paid.

L. List Of Enclosures

- 150) This Petition containing 44 pages
- 151) Tariff Determination Forms
- 152) Supporting documents and Annexure mentioned in the petition;
- a. **Annexure 1:** - Government of India (Gol) vide order dated November 5, 2001
 - b. **Annexure 2:** - High Court Order dated March 23, 2005 and April 29, 2005
 - c. **Annexure 3:** -. High Court Order dated September 25, 2005
 - d. **Annexure 4:** - Copy of Hon'ble ATE's Order dated 14.09.2006.
 - e. **Annexure 5:** - The details of actual Additional capitalization of Rs.21.93 Crores for the period up to 31.3.2005 and the documentary evidences thereof
 - f. **Annexure 6:** - Terms of Reference of the detailed and scientific study on the condition of the dams and civil structures (through the Central Water Commission)

- g. **Annexure 7:** - The details of the proposed capital expenditure for the Financial Years 2006-07, 2007-08 and 2008-09
- h. **Annexure 8:** - Details of Actual employee cost for FY 2005-06
- i. **Annexure 9:** - The copy of the Government of Uttaranchal's Order no.1267XXVII(3)M-P/ 2004 dt. June 9, 2004
- j. **Annexure 10:** - The order no.1416/N-3-U/2002 dt. 3.12.2002 of the Government of Uttaranchal
- k. **Annexure 11:** - Copies of the Order for increase in Dearness allowance
- l. **Annexure 12:** - Minutes of the Second Board of Trustees Meeting held on August 9, 2004 (wrt GPF Liabilities)
- m. **Annexure 13:** - The copies of Insurance policies.
- n. **Annexure 14:** - Certificate from SBI confirming the PLR

Uttaranchal Jal Vidyut Nigam Limited
Petitioner

Dehradun
Dated:

Tariff Determination Forms

KHATIMA Generating Station