



UTTARAKHAND ELECTRICITY REGULATORY COMMISSION

Vidyut Niyamak Bhawan, Near I.S.B.T., P.O.-Majra, Dehradun-248171

PH. 0135-2641119 FAX- 2641314 Website www.uerc.gov.in E-mail-uttaranchalerc@rediffmail.com

No. UERC/6/TF-240/14-15/2014/1714

Date: 10- December, 2014

To,

Managing Director,
Uttarakhand Power Corporation Ltd. (UPCL),
Urja Bhawan, Kanwali Road,
Dehradun.

**Sub.: Filing of Petition for Annual Performance Review (APR) of FY 2014-15, Tariff
Petition for FY 2015-16 and True-up of Expenses & Revenues for FY 2013-14.**

Sir,

This is with reference to your petition dated 29.11.2014 on the above-mentioned subject. In this regard, additional deficiencies/shortcomings have been observed which are enclosed as Annexure-A. You are required to submit the point-wise replies duly quoting titles/sub-title and S.No. identical with the deficiencies referred to in enclosed Annexure-A. You are required to submit your reply on the same latest by 22.12.2014 in seven copies alongwith the soft copy of the reply accompanied with an affidavit.

Encl. as above

Yours sincerely,


(Neeraj Sati)
Secretary
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Uttarakhand Power Corporation Limited (UPCL) Tariff Petition for FY 2015-16 along with the True-up of FY 2013-14

Additional Information required for detailed analysis of the Tariff Petition

A. FY 2013-14

1. UPCL should submit actual month-wise category-wise load shedding data for FY 2013-14.
2. UPCL should submit a copy of the trial balance for FY 2013-14.
3. UPCL should submit the SLDC certification indicating the Intra-State Transmission losses for FY 2013-14.
4. UPCL should submit the details of scheme-wise capital expenditure and capitalisation for FY 2013-14, under the following break-up:
 - a. DPR Schemes already approved by the Commission
 - b. DPR Schemes submitted to the Commission for approval and pending approval by the Commission
 - c. DPR Schemes yet to be submitted to the Commission for approval.
5. UPCL is required to submit the details of assets capitalised since FY 2007-08 till FY 2013-14 segregating the same into LT & HT/EHT works. UPCL is also required to submit the expenditure incurred towards release of new LT connections and amount received from the consumers for FY 2013-14. Further, UPCL should submit the clearance Certificate from the Electrical Inspector with regards to capitalisation of HT/EHT works for all the works since FY 2007-08.
6. As regards Consumer Security Deposit, UPCL should submit data on actual Consumers Security Deposit for FY 2013-14, i.e., Opening Balance, Closing Balance, and average balance during the year. Further, UPCL should submit the computation of Interest on Consumer Security Deposit for FY 2013-14 in Ms-Excel format. UPCL is also required to submit the details of actual interest paid/adjusted on Security Deposit from FY 2011-12 to FY 2013-14.
7. As regards Non-Tariff Income UPCL should submit the detailed break up of Non Tariff Income for FY 2013-14.
8. As regards the actual capitalisation during FY 2013-14, UPCL should submit the detailed workings in soft copy (MS Excel) for computing scheme-wise IDC for FY 2013-14.

9. UPCL should submit the detailed supporting computation of CPI Inflation of 9.76% and Growth Factor of 5.79% considered for escalation of employee expenses for FY 2013-14.
10. In Format F-7.4 (Calculation of Weighted Average Interest Rate of Interest on Actual Loans), UPCL should provide the calculation of each loan separately as per the Uttarakhand Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2011. Further, in table 50 at page 49 of the Tariff Petition, UPCL has claimed Guarantee Fee of Rs 2.20 Crore. In this regard, UPCL should submit the documentary evidence along with the detailed working of the same in soft copy (MS Excel).
11. As regards Depreciation, UPCL should confirm that depreciation in FY 2013-14 is less than 90% of GFA for all assets, since assets cannot be depreciated beyond 90% of GFA in accordance with the Uttarakhand Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2011.
12. As regards interest on working capital, UPCL should submit necessary documentary support based on which Interest on working capital included as 14.50% for FY 2013-14.
13. UPCL in its Tariff Petition on Page No. 20, Paragraph 3.51-3.52 has submitted as follows *“The Commission in the MYT Order, 2013 did not allow for any provisioning of bad debts for earlier years. In line with the approach followed by Commission in the previous Tariff Order, the Petitioner has not included any amount on account of provisioning of bad debts in the ARR but has calculated the same and requests the Commission for its approval. The Petitioner would like to submit that as per the direction of the Commission, the process of writing off bad debts has already been initiated. The Petitioner in this petition prays the Commission to consider the increase in debtors, which is Rs 59.11 Cr during FY 2013-14 towards the provision for bad debts.”*

In this regard, UPCL should submit the calculation for the provision for bad and doubtful debts as Rs. 59.11 Crore for FY 2013-14.

14. As regards the capitalisation of employee and A&G expenses, UPCL should submit the basis and assumptions for capitalising the employee expenses and A&G expenses for FY 2013-14.
15. The cost of power purchase from NPTC stations and open market purchase as given in Table 2 does not reconcile with the costs considered in the statement of accounts. UPCL should reconcile the same.
16. UPCL should submit the status of employees recruited during FY 2013-14 and those retired during FY 2013-14 separately.
17. As is evident from Form F-4.1, the payment of statutory bonus/ex-gratia has increased drastically in FY 2013-14 as compared to FY 2012-13. Reasons for the same should be furnished. In the same

Form, in row B-7 & D-3, any other items of expenses have been shown which are of substantial amount. Details for the same are to be provided.

18. UPCL is required to submit the reasons for increase in Other Professional Charges & Hiring of Vehicles as mentioned in Form F-4.3 for FY 2013-14 vis-a-vis FY 2012-13. Similarly, details of Misc. Expenses for FY 2013-14 in Row B.8 in the same Form should also be furnished.
19. UPCL is required to submit the details of fees/fines/penalties/compensation paid during FY 2013-14 & booked under A&G expenses. The Commission had allowed provisions of Rs. 3.48 Crore towards call centres & Data Centre cost and UPCL was required to maintain a separate a/c for the same. In this regard, UPCL should submit the actual expenses incurred on this head clearly indicating where the same have been booked.
20. UPCL in Table 10 of the Petition has claimed interest on AREP loans, despite the fact that the same has been disallowed by the Commission in its previous Orders. UPCL should submit the reasons for claiming the same duly supporting the same with sanction letter in this behalf. Further, there is a difference in the amount of old REC loans as per accounts and as claimed by UPCL. Reasons for the same should also be furnished. UPCL has also claimed interest on loan of REC. Details of the same should be submitted.
21. UPCL in Table 12 of the Petition has mentioned additions in the GFA & has also shown some deletions. The Commission in its Tariff Order for FY 2014-15 had directed UPCL to submit an audited report on the additions made by it since FY 2001-02 classifying them into new addition and additions made after repairs of existing assets & the financing of the new assets. Similarly, UPCL was required to submit the break up of deduction in GFA into assets sent for repairs and assets written off since FY 2001-02. Accordingly, UPCL is required to submit the details of additions and deletions since FY 2001-02 to FY 2013-14 as mentioned above, failing which the Commission would be constrained to take adverse view in light of the directions given in the Tariff Order for FY 2014-15.
22. UPCL is required to submit the Policy on R&M expenses in accordance with the directions given in the Tariff Order for FY 2014-15.
23. UPCL is also required to submit how the opening equity given in Table 18 of the Petition was arrived at.
24. UPCL is also required to submit consumer category wise energy sold and revenue billed during FY 2013-14.
25. Revenue from sale of power mentioned in Table 22 does not reconcile with that taken in accounts. UPCL is required to reconcile the same.

26. UPCL is required to submit the amount written off as bad debts during FY 2012-13 and FY 2013-14.

B. ARR and Tariff Determination for FY 2015-16

27. Computation of cost of power from stations belonging to NTPC, NHPC, NPCIL, THDC, SJVNL for FY 2015-16 should be furnished.

28. Monthly Trial Balance as on 30.09.2014 should be furnished.

29. Details of works to be carried out under Deviya Apada & Other Capex during FY 2014-15 and FY 2015-16 alongwith the financing of the same should be furnished.

30. Recruitment carried out till September, 2014 & proposed during remaining period of FY 2014-15 & FY 2015-16 should be furnished. Similarly, details of employees retired/ retiring during this period should also be furnished. In this regard, the Commission had allowed, UPCL recruitment of 444 employees each year during FY 2013-14 to FY 2015-16. Status against the same should be furnished alongwith the reasons for not meeting the recruitment targets, which in turn is affecting the quality of supply to the consumers.

31. On Page 52 at Table 53 (employee expenses), UPCL has submitted the impact of enhanced pension for FY 2013-14, FY 2014-15 and FY 2015-16 as Rs. 17.23 Crore, Rs. 18.87 Crore and Rs. 20.66 Crore respectively. In this regard UPCL should submit the documentary evidence in support of its claim of projected impact of enhanced pension.

32. UPCL should submit the detailed supporting computation of CPI Inflation of 9.50% and Growth Factor of 5.81% considered for escalation of employee expenses for FY 2015-16.

33. UPCL should submit the details of DPR schemes submitted for the Commission's approval and DPR schemes yet to be submitted to the Commission for FY 2015-16.

34. In Form F-5.2, UPCL has provided the asset class wise depreciation details of FY 2013-14 in line with the format. In this regard UPCL should submit the asset class wise depreciation details of FY 2014-15 and FY 2015-16 in the respective format.

35. It is observed that in the MYT Order dated May 6, 2013 the Commission had not allowed any provision for bad debts in the absence of actual writing off bad debts by it in the previous years. In its Tariff Petition on Page No. 54 at paragraph 4.117, UPCL has submitted as follows: *"Although, in compliance to the approach followed by the Commission, bad debts have not been included as a part of ARR. The Petitioner requests the Commission request the Hon'ble Commission to allow this amount."*

In this regard, UPCL should submit the basis for calculating the provision for bad and doubtful debts at 1.50% of estimated revenue for FY 2015-16 when Regulation 32 of the UERC MYT Regulation 2011 allows a provision for bad and doubtful debts only upto 1% of the estimated annual revenue of the distribution licensee, subject to writing off bad debts by it in previous years.

36. UPCL has computed interest on working capital considering the interest rate as 14.50% and for FY 2014-15 and FY 2015-16, which is the prevailing SBAR. UPCL should submit supporting document for the same.

37. UPCL should submit category-wise/voltage-wise cost of supply in compliance with Regulation 92 of Uttarakhand Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2011, extracted below:

"92. Cost of Supply

The tariffs for various categories/voltages shall be benchmarked with and shall progressively reflect the cost of supply based on costs that are prudently incurred by the Distribution Licensee in its operations. The category-wise/voltage-wise cost to supply may factor in such characteristics as the load factor, voltage, extent of technical and commercial losses etc. The consumers availing electricity at higher voltage shall be entitled to receive suitable rebate, as stipulated by the Commission. However, pending the availability of information that reasonably establishes the category wise/ voltage-wise cost to supply, average cost of supply shall be used as the benchmark for determining tariffs."