



Uttarakhand Electricity Regulatory Commission

'Vidyut Niyamak Bhawan',
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No. UERC/6/TF-356/2016-17/2016/1359

Date: 02-Dec., 2016

To,

Managing Director,
Uttarakhand Power Corporation Ltd.,
Victoria Cross Vijeta Gabar Singh Bhawan,
Kanwali Road, Dehradun.


Sub.: Annual Revenue Requirement (APR) Petition for the Financial Year 2017-18 alongwith tariff determination for FY 2017-18, True-up for FY 2015-16 and Annual Performance Review for FY 2016-17.

Sir,

This is with reference to your petition dated 30.11.2016 on the above-mentioned subject. In this regard, certain deficiencies/shortcomings have been observed which are enclosed as Annexure-A. You are required to submit the point-wise replies duly quoting titles/sub-titles 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 06.12.2016 in seven copies alongwith the soft copy of the reply accompanied with an affidavit so that your application may be put up before the Commission for admission.

Encl. as above

Yours sincerely,


(Neeraj Sati)
Secretary

**Annual Revenue Requirement (APR) Petition for the Financial Year 2017-18
alongwith tariff determination for FY 2017-18, True-up for FY 2015-16 and Annual
Performance Review for FY 2016-17.**

Preliminary information required for admission of Petition

A. General

1. UPCL has not submitted the Audited Accounts for FY 2015-16, on the basis of which it has sought true up for FY 2015-16. UPCL should submit the audited statement of Accounts for FY 2015-16, along with the statutory auditor's and CAG's report.

B. Forms related

2. The formats submitted by UPCL along with the Petition are independent and are not linked to each other. Further, the formats have external linkages for most of the data. UPCL should resubmit all the Formats using formulae and appropriately link the same to the relevant formats for ensuring consistency and accuracy of the data submitted.
3. For all Formats, the break-up of actuals for H1 (April to September) and estimated for H2 (October to March) as required in the formats specified by the Commission has not been submitted for the Current year i.e. FY 2016-17. UPCL should submit the same.
4. Some of the Forms submitted in MS Excel formats along with the Petition are not properly/fully filled as per the Formats prescribed by the Commission, as mentioned in the table below:

Table 1: Forms not submitted as per UERC Regulations

Form	Description
F1& F3	NLDC/RLDC/SLDC Charges have not been shown separately
F1	Interest capitalisation (IDC) details and calculation has not been given, even though schemes are spilling over to subsequent years
F1	Income from Wheeling Charges has not been shown separately
F1	Income from Cross Subsidy Surcharge has not been considered
F2.2	Actual consumer (no. of consumers) data has not been submitted for August and September, 2016
F2.3	Actual consumer demand data has not been submitted for August and September, 2016
F 2.4	Voltage Wise losses have not been submitted for previous as well as ensuing years
F2.5(2) to F2.5(4)	Data on installed Capacity, Utility share (in % and MW), and Energy Available in MU have not been submitted
F2.6	Data to be submitted in the prescribed format for FY 2015-16
F2.6(1) & F2.6(2)	All supporting documents have to be submitted, viz., PPA, copies of bills etc. as mentioned in the Notes to the Form
F 2.7	UI Over/Under drawl data not submitted
F 2.8	(i) Source wise summary quantity purchased has not been submitted (ii) Data to be submitted in the prescribed format for FY 2015-16

Form	Description
F 5.1	(i) Scheme wise details of capex projects not submitted (ii) Details (Asset class-wise opening & closing balance) not submitted for FY 2016-17 and FY 2017-18
F 5.2	Data not submitted as per the prescribed Format
F 5.3	Data not submitted as per the prescribed Format
F 5.4	Data not submitted as per prescribed Format
F 6.1	(i) Data Not submitted as per prescribed Format (ii) All supporting documents have to be submitted as mentioned in the Notes to the Form
F 6.4	Data not submitted as per prescribed Format
F 6.5	Data not submitted as per prescribed Format
F 6.6	Data not submitted as per prescribed Format
F 6.7	Data not submitted as per prescribed Format
F 6.8	Data not submitted as per prescribed Format
F 6.9	Data not submitted as per prescribed Format
F 6.10	Data not submitted as per prescribed Format
F 7.1	Data not submitted as per prescribed Format
F 7.2	Data not submitted as per prescribed Format
F 7.4	Data not submitted as per prescribed Format; Loan wise details have to be submitted, followed by summary
F 7.5	Calculation of interest on loan not submitted for FY 2015-16
F 12	Data not submitted as per prescribed Format
F 13	Date to be submitted as per the prescribed Format for FY 2015-16
F 13(1), F 13(2) & F 14	Data Not submitted as per prescribed Format
F 15	Data on category wise collection efficiency not submitted
F 17.1 to F 17.3	Data submitted from Sep-15 only rather than from April 15
F 18.4	Category wise load shedding data not submitted
F 18.5	Detailed Note to be submitted as prescribed in the Format
F 18.7	Detailed Note to be submitted as prescribed in the Format
F 18.8	Data to be submitted separately for '<6 months' and '6 months to 1 year separately'

UPCL is required to submit the duly filled in forms in MS Excel formats.

C. Other Queries

5. In Table 2, PGCIL charges of Rs. 414.80 Crore do not match with the PGCIL charges of Rs. 379.66 Crore as shown in the note no. 9 of the Balance Sheet. Reasons for the difference may be submitted.
6. PTCUL charges (including SLDC charges) approved by the Commission for FY 2015-16 was Rs. 302.75 Crore for FY 2015-16. However, PTCUL charges considered as Rs. 318.50 Crore. Reasons for the same should be furnished.
7. The Commission in its Tariff Order dated 05.04.2016 had directed UPCL to claim the cost of energy returned under banking of Rs. 299.37 Crore during truing up exercise of FY 2015-16. However, the cost as reflected in note no. 19 of the Balance Sheet shows the cost of banked

power as Rs. 50.89 Crore. UPCL is required to give the justification alongwith the manner in which cost of Rs. 50.88 Crore has been booked and how Rs. 299.37 Crore has been adjusted.

8. In Table 12, for FY 2014-15, UPCL has shown the total additions in its GFA as Rs. 493.22 Crore. However, during the truing up exercise for FY 2014-15, UPCL had submitted the net additions as Rs. 472.76 Crore. UPCL needs to reconcile the differences.
9. In Table 13, UPCL is required to give the basis of considering the average depreciation rate for FY 2015-16 as 5.22% and as subsequently computed average GFA during the year. In this regard, UPCL is required to submit:
 - (a) Basis of arriving at the average depreciation rate of 5.22%.
 - (b) Capitalization Policy of UPCL.
 - (c) The asset class wise depreciation for each block of assets.
10. In Table 22, against the material cost variance of Rs. 58.34 Crore transferred to Profit & Loss Account for FY 2015-16 for truing up, UPCL has only claimed Rs. 36.78 Crore. Reasons for the same may be given. Similarly, reasons for not considering trajectory reserve of Rs. 1.03 Crore may also be elaborated.
11. Profit & Loss Account for FY 2015-16 includes exceptional prior period items of Rs. 6.91 Crore. However, UPCL has not considered the same in the truing up for FY 2015-16. Reasons for the same may be given.
12. UPCL is required to submit the details of Bad Debts written off by it of Rs. 56.11 Crore during FY 2015-16.
13. UPCL is required to submit category wise revenue billed during FY 2015-16.
14. UPCL is required to submit the actual sales data for FY 2016-17 till September, 2016.
15. At Para 3.17, UPCL has submitted that distribution loss level achieved during FY 2015-16 was 18.39% whereas the same has been mentioned as 18.01% at Table 33. UPCL is required to clarify the discrepancy.
16. In Table 54, UPCL is required to submit the status of works (both physical and financial) capital expenditure for which has been proposed in FY 2016-17 and FY 2017-18.
17. UPCL should submit the data on actual number of new employees employed, employees promoted and employees retired in FY 2015-16 and FY 2016-17 vis-à-vis the number of new employees considered by the Commission, while approving the O&M expenses for FY 2015-16.

18. In Table 122, UPCL has submitted the additional manpower to be deputed during FY 2016-17 and FY 2017-18. UPCL is required to submit the status and preparedness for the same.
19. For FY 2015-16, UPCL is required to segregate the additions of fixed assets into HT & LT works and should submit the Clearance from the Electrical Inspector for capitalisation of various HT/EHT schemes for FY 2015-16.
20. As regards the additional capitalisation during FY 2015-16, UPCL should submit the detailed workings in soft copy (MS Excel) for computing the scheme wise IDC.
21. UPCL should submit the revised calculation of sharing of gains and losses by considering the approved values for trueing purpose, rather than revised values.
22. UPCL has submitted the revised Opening and Closing GFA for all years starting from FY 2001-02 to FY 2015-16. UPCL should submit the reconciliation of the revised Opening and Closing GFA for these years with the Opening and Closing GFA approved by the Commission for the respective years, and submit justification for any variation between the two sets of values.
23. UPCL should submit the voltage-wise cost of supply for Current year and FY 2017-18, and the Cross-subsidy w.r.t. voltage wise cost of supply.
24. UPCL should submit the justification for the variation between Opening Depreciable GFA of Rs. 2068.62 Crore approved by the Commission for FY 2015-16 and the Depreciable GFA of Rs. 2187.56 Crore considered by UPCL for true-up of FY 2015-16. In case of any discrepancy, UPCL should submit the revised calculations of depreciation.
25. UPCL should submit the actual month wise category wise load shedding data for FY 2014-15 & FY 2015-16.
26. The Commission in its order dated 11.04.2015 approved the government guarantee fees of Rs. 2.03 Crore for FY 2015-16 whereas in the current Petition for True-up of FY 2015-16 UPCL has claimed the government guarantee fees of Rs. 13.62 Crore. UPCL should provide the justification for this increase in the government guarantee fees along with the supporting documents to substantiate the same.
27. UPCL has not mentioned the existing and projected Wires Availability as well as Supply Availability for FY 2017-18. UPCL should give the details of the same.
28. In Para 3.16 of the Petition, UPCL has mentioned that the variation in interest expenses claimed in the Petition has been calculated w.r.t approved interest expense. Where as in the Table 11, the variation has been calculated as per the actual interest expenses. UPCL may clarify this discrepancy.

29. UPCL should submit the reasons for increase in depreciation claimed with respect to approved depreciation for FY 2015-16.
30. UPCL should submit the reasons for increase in RoE claimed with respect to approved RoE for FY 2015-16.
31. UPCL in Para 3.62 (a) submitted that the expected COD for new stations has been taken from sources like CEA reports, PPA signed and as per information provided by the generator. UPCL should provide the status & details of expected COD considered with supporting documents to substantiate the same.
32. In Para 3.78, UPCL submitted that the cost of power from new stations which are under development by the private developers has been projected on the basis of PPA/relevant regulation etc. UPCL should submit the basis and assumptions considered for projecting cost of power.
33. In Para 3.79, UPCL has considered the cost of power as Rs. 1 per Unit under open access charges. UPCL should submit the basis for considering the rate of Rs. 1 per Unit alongwith break up of various components. UPCL has submitted that it proposes to procure the net deficit of 573 MU through banking at the rate of Rs. 1 per Unit (Open Access charges) for deriving the cost of power. However, at Table 50, the cost of procurement of power through banking has been taken as nil. UPCL is required to explain the deficiency.
34. UPCL should provide the revised Table 52 with units mentioned in it. Further, expenses incurred in meeting unmet RPO through REC should also be submitted in the table as stated in Para 3.84 of the Petition.
35. In Para 3.224, UPCL has estimated that the expenditure incurred towards central schemes will be capitalized into 35%, 35% and 30% over three years based on the historical trend from the year in which the expenditure has been incurred. The balance capital expenditure is split into 25%, 25% and 50% over three years based on the historical trend. This submission of UPCL is not clear, UPCL should submit the explanation in support of this submission.
36. UPCL should submit all the revised summary tables including the Commission's approved figures for FY 2016-17 and FY 2017-18.
37. UPCL in Para 3.271 submitted that it has not considered the provision for bad debts at 1% while calculating ARR for FY 2017-18 as allowed in UERC MYT Regulations, 2015 whereas in the Summary it has considered the bad debts. UPCL may clarify this discrepancy.
38. UPCL in Para 3.64 submitted that on the basis of the above-mentioned projections from

external and internal sources of Uttarakhand, the energy to be procured from all sources by the Petitioner has been projected at 573.49 MU and 13629.79 MU respectively at State periphery for FY 2017-18. The statement of UPCL is not clear. UPCL should submit the clarification on the same.

39. In Para 4.3, UPCL has submitted that the 700 kVAh meters have been procured for installation by UPCL till date and the rest of the meters will be replaced by end of March. UPCL should submit the remaining numbers of meters and when these meters will be procured.
40. In compliance to the Commission's directive No. 10, UPCL submitted that the policy has been prepared and was put up to the Audit Committee in the meeting held on 24-06-2016. Audit Committee directed to get the same examined and verified through a firm of Professional Chartered Accountants. The process of examination and verification of the policy is in progress. UPCL should submit when the Policy will be submitted to the Commission for approval.
41. UPCL should submit the proposed tariff hike in terms of percentage for each consumer category for FY 2017-18 to meet the projected revenue gap.
42. UPCL should justify the proposed tariff hike in terms of reduction of cross-subsidy between various consumer categories, in accordance with the provisions of the EA, 2003, Tariff Policy and previous Orders of the Commission.
43. As regards Cross Subsidy, UPCL should submit table indicating the existing and proposed category wise cross subsidy, in view of the proposed tariff revision.

D. Discrepancies

44. The asset addition submitted in Form 5.1 does not match with asset addition in Form 5.2 as shown in the Table below:

Table 2: Discrepancies in asset addition (Rs. Crore)

Year	Asset addition as submitted in Form 5.1	Asset addition as submitted in Form 5.2
FY 2016-17	594.63	376.39
FY 2017-18	958.41	874.03

UPCL should reconcile the numbers and maintain consistency at all places.

45. The year wise capital expenditure as submitted in Form 6.1 does not match with the year wise investment as submitted in Form 6.2 as shown in the Table below:

Table 3: Discrepancies in capital expenditure (Rs. Crore)

Year	Capital expenditure as submitted in Form 6.1	Investment as submitted in Form 6.2
FY 2015-16	284.78	531.92
FY 2016-17	594.63	-
FY 2017-18	958.41	-

UPCL should reconcile the numbers and maintain consistency at all places.

46. In Form 6.2, UPCL has not submitted the investment capitalisation during FY 2016-17 and FY 2017-18 while the asset addition has been submitted in Form 5.1 and Form 5.2. UPCL should reconcile the numbers and maintain consistency at all places.

47. Discrepancy regarding Form 5.2 in the Excel formats and Form 5.2 in the Petition:

a) Depreciation for FY 2015-16:

Table 4: Discrepancy regarding the depreciation for FY 2015-16 (Rs. Crore)

S. No.	Depreciation as in Form 5.2 of Excel formats	Depreciation as in Form 5.2 of the Petition	Depreciation as in Table 13 of the Petition
1	121.51	118.80	114.12

b) Net asset addition in FY 2015-16 less consumer contribution/grants:

Table 5: Discrepancy regarding the asset addition (Rs. Crore)

S. No.	Net Asset addition as in Form 5.2 of Excel Formats	Net Asset addition as in Form 5.2 of the Petition
1	284.79	179.57

UPCL should justify these discrepancies and maintain the consistency at all places.

48. The details of interest on working capital for FY 2015-16 submitted by UPCL in Table 15 does not match with the details available in Form 8. The discrepancy is as shown in the table below:

Table 6: Discrepancies regarding Interest on working Capital (Rs. Crore)

S. No.	Particulars	Amount as in Table 15	Amount as in Form 8
1	Receivables (2 Months)	810.26	799.08
2	Less: Adjustment for security deposit & credit by power purchase	942.61	942.40
3	Net working Capital	(43.67)	(54.66)

UPCL should clarify this discrepancy and maintain the consistency at all places.

49. UPCL in Table 69 submitted that out of the total annual funding for Part-A R-APDRP works, 90% will come from grant and remaining 10% will be the debt part and equity will be zero. Whereas in the amount column of the table debt is shown as zero and equity as Rs. 6.39 Crore. UPCL should rectify this discrepancy and maintain consistency at all places.

50. UPCL has submitted the surplus amounts as negative amounts in Formats while the surplus amounts have been submitted as positive amounts in the Petition. UPCL should maintain consistency at all places.