BEFORETHEUTTARAKHANDELECTRICITYREGULATORYCOMMISSION,DEHRADUN

File No.

Case No.

(To be filled by the Office of the Commission)

In the matter of: Filing of Petition for approval of True-up for FY 2017-18, Annual Performance Review (APR) for FY 2018-19 and Aggregate Revenue Requirement (ARR) for Control Period from FY 2019-20 to FY 2021-22 of PTCUL.

And

In the matter of: Power Transmission Corporation of Uttarakhand Limited,
"VidyutBhawan", Near I.S.B.T. Crossing, Saharanpur Road, Majra,
Dehradun-248002. **......Petitioner(s)**

1. **Specific Legal Provision under which Petition is being filed :**

   This Petition is being filed by Petitioner under Section 64(1) of the Electricity Act, 2003, Clause 24 of the Transmission and Bulk Supply Licence issued to the Petitioner, Regulation 43(4) of the UERC (Conduct of Business) Regulations, 2014, Regulation 11, Regulation 12 and Regulation 16 of the Uttarakhand Electricity Regulatory Commission (Terms and Conditions for Determination of Multi year Tariff), 2015and Regulation 10, Regulation 11 and Regulation 16 of Uttarakhand Electricity Regulatory Commission (Terms and Conditions for Determination of Multi year Tariff), 2018. The Petition for True-Up for the FY 2017-18 and APR for the FY 2018-19 is being filed in compliance of the provisions of law and in accordance with the procedure specified in the UERC (Conduct of Business Regulations), 2014 and Regulation 12 of Uttarakhand Electricity Regulatory Commission (Terms and Conditions for Determination of Multi year Tariff), 2015. The Petition for determination of Aggregate Revenue Requirement for Control period from FY 2019-20 t FY 2021-22 is being filed in accordance with Regulation 10 and Regulation 16 of Uttarakhand Electricity Regulatory Commission (Terms and Conditions for Determination of Multi year Tariff), 2018.

2. **Limitation :**

   As per section 64 of the Electricity Act, 2013 read with Clause 24 of the Transmission and Bulk Supply Licence issued to the Petitioner, Regulation 43 of the UERC (Conduct of Business) Regulations, 2014, Regulation 11, Regulation 12 and Regulation 16 of the Uttarakhand Electricity Regulatory Commission (Terms and Conditions for Determination of Multi year Tariff), 2015, the Petition for True-Up for the FY 2017-18 and APR for the FY 2018-19 and Regulation 10 of Uttarakhand Electricity Regulatory Commission (Terms and Conditions for Determination of Multi year Tariff), 2018, the MYT Petition for FY 2019-20 to FY 2021-22 should be filed before the Hon'ble Commission on or before 30th November, 2018. Thus, this Petition is within time limit as specified under the law.

3. **Facts of the case :**

   This Petition is being filed as per approval granted by the Board of Directors of the Petitioner Company in the meeting held on November 28, 2018.

4. **Cause ofaction :**

   This Petition is being filed before the Hon'ble Commission in compliance of the provisions of the Electricity Act, 2003 read with the provisions of the Transmission and Bulk Supply Licence of PTCUL and UERC (Conduct of Business) Regulations, 2014, Uttarakhand Electricity Regulatory Commission (Terms and Conditions for Determination of Multi year Tariff), 2015 and Uttarakhand Electricity Regulatory Commission (Terms and Conditions for Determination of Multi year Tariff), 2018.

5. **Detailofremediesexhausted**

As the Hon'ble Commission is the Appropriate Authority to consider the matter, no remedies has been sought from any other Forum/Court/Authority etc.

6. Matter not previously filed for pending with any other court

The Petitioner further declares that it has not previously filed any Petitionorwrit Petitionor suit regarding the matter in respect of which this Petition has been made, before the Commission, or any court or any other authority, noranysuchwritPetitionorsuitispendingbeforeanyofthem

7. Relief sought:

The Petitioner respectfully prays to the Hon'ble Commission to:

(1) Admit the accompanying MYT Petition;

(2) Grant an expeditious hearing of the Petition;

(3) Approve true-up of expenses and revenue for FY 2017-18 based on the audited accounts of the said year;

(4) Approve Review of Aggregate Revenue Requirement for FY 2018-19;

(5) Approve various controllable and uncontrollable parameters for the upcoming Control Period from FY 2019-20 to FY 2021-22 along with ARR for FY 2019-20;

(6) Approve the Annual Revenue Requirement for the Control Period FY 2019-20 to FY 2021-22 for 220 kV DC Bhilangana III – Ghansali line along with true-up for previous years as detailed in this Petition for recovery of charges from generators utilizing intrastate lines for inter-state sale of energy;

(7) Allow Return on Equity on equity contributed by the Government of Uttarakhand through PDF

(8) Allow Return on initial equity corresponding to value of assets vested in PTCUL

(9) Allow carrying cost on the revenue gap amount as per the computations and rates provided by the Petitioner;

(10) Permit recovery of expenses understated/ not considered in this Petition subsequent to the submission of this Petition;

(11) Condone any inadvertent omissions / errors / short comings and permit the applicant to add/change /modify / alter this Petition and make further submissions as may be required at later stages

(12) Pass such Orders as Hon'ble Commission may deem fit and proper and necessary in the facts and circumstances of the case, to grant relief to the Petitioner.

8. Interim Order, if any, prayed for:

No prayer for Interim Order has been made.

9. Details of Index:

S. No.	Particulars	Annexure	Page No.	
			From	To
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2.	Form-II (Affidavit verifying the Petition)	_		
3.	Certified True copy of the BoD Resolution	_		
4.	Copy of Form I with details of RTGS	--		
5.	Tariff Petition	_		
6.	Tariff Formats	_		
7.	Audited Balance Sheet for FY 2017-18 (w.e.f. 01.04.2017 to 31.03.2018)	**Annexure-I**		

S. No.	Particulars	Annexure	Page No. From	To
8.	Monthly Trial Balance for FY 2017-18	**Annexure-II**		
9.	Electrical Inspector Certificates for the completed projects in FY 2017-18	**Annexure-III**		
10.	Letter of Award/Agreement/Internal approval for the completed projects in FY 2017-18	**Annexure-IV**		
11.	Loan MIS for FY 2017-18	**Annexure-V**		
12.	ITR V Form/Tax Acknowledgement for AY 2018-19	**Annexure-VI**		
13.	Provisional & Unaudited Balance Sheet for FY 2018-19 upto 30.09.2018 (w.e.f. 01.04.2018 to 30.09.2018)	**Annexure-VII**		
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18.	Bill raised to UPCL for month of April 2018	**Annexure – XII(A)**		
19.	Consolidated monthly trial balances for FY 2017-18 (from 01.04.2017 to 31.03.2018) and FY 2018-19 (from 01.04.2018 to 30.09.2018) for 400kV Srinagar project	**Annexure – XII(B)**		
20.	Details of arrears paid to PTCUL employees on account of Seventh Pay Commission	**Annexure – XII(B)**		
21.	Screenshot of SBI website in regards of SBI PLR as on July 1, 2018 (applicable as on date of Filing of Petition)	**Annexure-XIII**		
22.	Availability Certificate for FY 2017-18 from SLDC	**Annexure-XIV**		
23.	Letter from GoU w.r.t. contribution from amount as PDF	**Annexure-XV**		

10. Particularsoffeeremitted:

Application fee amounting to Rs. has beendeposited through RTGS. The Form I with details of RTGS is annexed with this Petition.

11. List of enclosures:

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11.	Loan MIS for FY 2017-18	**Annexure-V**		
12.	ITR V Form/Tax Acknowledgement for AY 2018-19	**Annexure-VI**		
13.	Provisional & Unaudited Balance Sheet for FY 2018-19 upto 30.09.2018 (w.e.f. 01.04.2018 to 30.09.2018)	**Annexure-VII**		
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19.	Consolidated monthly trial balances for FY 2017-18 (from 01.04.2017 to 31.03.2018) and FY 2018-19 (from 01.04.2018 to 30.09.2018) for 400kV Srinagar project	**Annexure – XII(B)**		
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For and on behalf of
Power Transmission Corporation of Uttarakhand Ltd.

(Sanjaya Mittal)
Director (Projects)

I, Sanjaya Mittal, S/o Shri Surendra Kumar Mittal aged about 56 years, working as Director (Projects), Power Transmission Corporation of Uttarakhand Ltd., “VidyutBhawan”, 132kV Substation Majra, Saharanpur Road, Near I.S.B.T. Crossing, Dehradun, do verify that the contents of the Para 1 to 8 are true to my personal knowledge and are derived from official records, which are true from record, and para 1 to 8 are believed to be true on legal advice and that I have not suppressed any material fact.

(Sanjaya Mittal)
Director (Projects)

POWER TRANSMISSION CORPORATION OF UTTARAKHAND LIMITED

MULTI-YEAR TARIFF PETITION

FOR

THE CONTROL PERIOD FROM FY 2019-20 TO FY 2021-22,

ANNUAL PERFORMANCE REVIEW FOR FY 2018-19

AND

TRUE-UP FOR FY 2017-18

SUBMITTED TO:

UTTARAKHAND ELECTRICITY REGULATORY COMMISSION

30.11.2018

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1. Introduction

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

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

- To undertake transmission of electricity through intra-state transmission system
- To discharge all functions of planning and co-ordination relating to intra-state transmission system
- To ensure development of an efficient, coordinated and economical system of intra-state transmission lines
- To provide open access

A new company in the State was thus, created to look after the functions of intra-State transmission and load dispatch with effect from May 31, 2004. In view of re-structured function of UPCL and creation of a separate company for looking after the transmission of power and related activities, the Uttarakhand Electricity Regulatory Commission (hereinafter referred to as the 'Hon'ble Commission' or the 'UERC' or the 'State Commission' or the 'Commission') amended the earlier 'Transmission and Bulk Supply License' granted to UPCL and Transmission license was vested on PTCUL for carrying out transmission related works in the state vide Commission's order dated June 9, 2004.

Post the formation of a separate transmission company, the Hon'ble Commission issued separate Tariff Orders for PTCUL in accordance with the UERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2004 (hereinafter referred to as "UERC Tariff Regulations, 2004") which were notified on August 25, 2004. Subsequently, the applicability of these Regulations were extended until April 30, 2012. Considering the provisions in the Tariff Policy, the Commission replaced the separate Regulations for Generation, Transmission and Distribution with a comprehensive MYT Regulation - UERC (Terms and Conditions for Determination of Tariff) Regulations, 2011, having separate sections for Generation, Transmission, Distribution and SLDC for first Control Period of three years staring from April 1, 2013 to March 31, 2016. Thereafter, the Commission specified the UERC (Terms and Conditions for Determination of Tariff) Regulations, 2015 for second Control Period of three financial years from April 1, 2016 to March 31, 2019.

The Hon'ble Commission has issued new tariff regulations i.e. UERC (Terms and Conditions for Determination of Multi Year Tariff) Regulations 2018 (hereinafter referred to as "UERC MYT Regulations, 2018" or "MYT Regulations")on September 14, 2018. As per the Regulation 10 of the MYTRegulations, the transmission licensee is required to submit an MYT Petition for the three year Control Period i.e. FY 2019-20 to FY 2021-22.Accordingly, Petitioner is filing the Multi-year Tariff Petition for ARR of FY 2019-20 to FY 2021-22.

In accordance with Regulation 12 of the UERC MYT Regulations, 2015, PTCUL is required to file each year an Annual Performance Review (APR) Petition for true-up of past year and review of estimates for the ensuing year. Accordingly, the Petitioner is filing this APR Petition for truing-up of FY 2017-18 and review of FY 2018-19.

The Petitioner prays to the Hon'ble Commission to consider its submission for true up of FY 2017-18, review of ARR for FY 2018-19 and forecast of ARR for the Control Period from FY 2019-20 to FY 2021-22.

2. True-up for FY 2017-18

2.1. Background

The Hon'ble Commission had issued the MYT Order for the Control Period FY 2016-17 to FY 2018-19 on April 5, 2016. Thereafter the Commission approved the Revised ARR for FY 2017-18 in Tariff Order dated March 29, 2018. The ARR for each year of the Control Periodis to be trued-up as part of Annual Performance Review (APR) to be carried out under the Regulation 12(3) of the UERC MYT Regulations, 2015 as quoted below:

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

- *A comparison of the audited performance of the applicant for the previous financial year with the approved forecast for such previous financial year and truing up of expenses and revenue subject to prudence check including pass through of impact of uncontrollable factors;*
- *Categorization of variations in performance with reference to approved forecast into factors within the control of the applicant (controllable factors) and those caused by factors beyond the control of the applicant (un-controllable factors).*
- *Revision of estimates for the ensuing financial year, if required, based on audited financial results for the previous financial year;*
- *Computation of the sharing of gains and losses on account of controllable factors for the previous year."*

Since FY 2017-18 is complete and audited accounts are available, PTCUL is submitting the truing-up for FY2017-18 as per the provisions of UERC MYT Regulations, 2015. Further, since no separate audited accounts are available for SLDC (and SCADA) and auditing of financial accounts has been undertaken for PTCUL including SLDC (and SCADA), the truing-up for FY 2017-18 has been proposed for PTCUL as a whole, including SLDC (and SCADA).

2.2. Gross Fixed Assets

The detailed list of assets capitalized in FY 2017-18 is provided in the table below:

Table 1: Project wise capitalisation in FY 2017-18 (INRCrore)

S.No.	Name of the Project	Scheme	Amount
Projects other than deposit work/grant			
1	132 kV Double Circuit Srinagar- Simli Line	REC-I&III	(0.56)
2	132 kV S/s Hardwar road Dehradun (Laltappar)	REC IV	2.56
3	132 kV S/sSitarganj (SIDCUL)	REC IV	1.03
4	220 kV Twin Zebra Line from 400 kV S/S Sherpur (PGCIL) to 220 kV S/s Dehradun	REC XII	0.08
5	220 kV S/s Dehradun (320MVA)	REC IV	3.51
6	Const. of 1 no. 220 kV Bus Coupler Bay at 220 kVHaldwani	Others	0.07
7	Const. of 1 no. Incoming Bay at 132 kV S/s Bhowali	Others	0.40
8	Increasing Capacity at existing 132/33 kVBhowali S/s from (6x5) MVA to (6x5)+(1x20)MVA (09303005)	PFCCRM3005	0.05

S.No.	Name of the Project	Scheme	Amount
9	Increasing capacity of 132 kV S/s BhupatwalaHaridwar from 2x40 MVA to 3x40MVA & Const. of 03 Nos. 33 kV Bays	RCRM-9664	4.73
10	Increasing capacity of 220/33 kV S/s Jhajra, Dehradun from 2x40 MVA to 2x80MVA alongwith associated accessories.	RCRM-9665	0.12
11	LILO of132 kVKulhalMajra Line at 220 kV S/s Dehradun	REC IV	(0.05)
12	LILO of132 kVPurkulDhalipur Line at 220 kV S/s Dehradun	REC IV	0.22
13	Plinth for material stacking across chain link fencing of 220kV switchyard at 400kV S/s Kashipur	Others	0.12
14	Supply & Erection of DCDB at 132 kV S/s Haldwani	PFC	0.002
15	Procurement and Erection of 2x50 MVA T/F alongwith 220 &33 kV Bays at 220 kV S/s Pantnagar	RCRM-7085	6.42
16	Const. of 132 kV& 33 kV Bays Including bisection of 132 kV& 33 kV main Bus and Const. of 132 kV Bus Coupler by using Hybrid Switchgear at 132 kV S/s Kiccha	RCRM-9796	2.40
17	Increasing capacity of 220 kV S/s Virbhadra, Rishikesh from 2x160 MVA to 3x160MVA alongwith its 220 kV& 132 kV Bays.	RCRM-9666	12.17
18	Increasing Capacity of 220 kV S/s SIDCUL Haridwar from 2x80MVA (132/33kV) to 2x80MVA (132/33)+1X50MVA(220/33kV)	RCRM-8851	8.75
19	Making Approach Road/Plinth for 132kV Switchyard at 132kV Sub-Station, Jaspur	OTHERS	0.14
20	Diversion of 220 kVRishikesh-Dharasu&Chamba-Dharasu Transmission Line THDC (PFC-09303026)	PFC-3026	(0.08)
21	Augmentation of Transformer Capacity of 132/33 kV S/s Jwalapur from 2x40 MVA to 3x40 MVA in Haridwar (09303014)	PFCCRM3014	0.71
22	Procurement & Erection of HTLS Conductor for 132 kVRoorkee-Laksar Line	PFCCRM3033	19.51
23	Procurement & Erection of HTLS Conductor for 132 kVRoorkee-Manglore Line	PFCCRM3034	7.55
24	Const. of 132 kV (2x40MVA) S/s Chudiyala and LILO line Chudiyala-Haridwar	RCRM-9029	0.29
25	Capital R&M of S/s Lines of O&M Division, Chamba/Srinagar, Garhwal Zone	RCRM-5534	0.07
26	Augm. of Transformer Capacity (2x25) MVA 220 kVChamba by Replacement of 25 MVA T/F with 50 MVA T/F in Garhwal Zone (09303015)	PFCCRM3015	6.10
27	Const. of Boundary Wall at 220/132 kVRamnagar, Roorkee	Others	0.09
28	Installation of 2x50 MVAR Capacitor Bank of 132 kV S/s Laksar	Others	0.04
29	Miscellaneous	Others	0.75

S.No.	Name of the Project	Scheme	Amount
Sub-Total (Scheme/Internal Resources)			**77.18**
Projects through Grant – ADB			
1	400 kV S/s Srinagar	ADB-PFR-3	2.89
2	400K.V.D.C Srinagar PH-.Srinagar S/S line	ADB-PFR-2	0.51
Projects through Grant - PSDF			
1	Renovation & Upgradation of protection system of 132 kV SRINAGAR	PSDF	-
2	Renovation & Upgradation of protection system of 220 kV PANTNAGAR	PSDF	2.38
3	Renovation & Upgradation of protection system of 132 kVKashipur	PSDF	2.59
4	Renovation & Upgradation of protection system of 220 kV RISHIKESH	PSDF	1.03
5	Renovation & Upgradation of protection system of 400 kVKashipur	PSDF	0.63
	Renovation & Upgradation of protection system of 220 kV CHAMBA	PSDF	1.07
7	Renovation & Upgradation of protection system of 132 kV ALMORA	PSDF	1.07
8	Renovation & Upgradation of protection system of 220 kV HALDWANI	PSDF	1.07
Projects under Deposit Work			
1	Const. of 33kV bay for doon university at 132 kV S/s Majra	Deposit	0.03
2	Const. of 33kV Bay for Transport Nagar, at 132 kV S/s Majra	Deposit	(0.05)
3	Realigment and height ext. of tower 132 kVMajra-Rishikesh and Majra-Bindal line ISBT against LOA no. 1369 and 1370 dt. 21.10.2014	Deposit	(0.29)
4	Re-alignment & height ext. for 220 kVKhodri-Rish. Trans. Line & 132 kVMajra-Rish. Line at various towers locations	Deposit	3.52
5	Extension of 132kV transmission tower at NH-58 on Roorkee bypass at 168.290km	Deposit	(0.01)
6	132 kV Bay at 132 kV S/s Laksar	Deposit	0.35
7	Const. of 1 No. 33 kV Bay at 132 kV S/s Kotdwar	Deposit	0.20
8	Const. of 33 kV Bay for 33 kVMahua-Dabra S/s at 132 kV S/s Jaspur	Deposit	0.03
9	Re-alignment Of 132 kV CHILLA-NAZIBABAD Line to increasing ground clearance at location no. 165-166 by providing 01 no. tower	Deposit	0.21
Sub-Total (Consumer Contribution, Grant and Subsidies)			**17.23**
Total			**94.41**

The details of GFA addition as booked in the Petitioner's accounts can be found in the Audited Balance Sheets for FY 2017-18 being submitted as **Annexure-I** for the perusal of the Hon'ble Commission. The corresponding Monthly Trial Balances are also being submitted as **Annexure -II.** In addition, the electrical inspector certificate for all the relevant projects as mentioned above are being submitted as **Annexure-III** for the perusal of the Hon'ble Commission. The Letter of Award/Agreement/Internal approval for the completed projects in FY 2017-18 is being submitted as **Annexure VI**.

The table above also includes the projects wherein additional capitalization has taken place in FY 2017-18. The details for additional Capitalisation in FY 2017-18 are as follows:

Table 2: Additional capitalisation in FY 2017-18 (INR Crore)

S.No.	Name of the Scheme	Scheme	Amount
Projects other than deposit work/grant			
1	132 kV Double Circuit Srinagar- Simli Line	REC-I&III	(0.56)
2	132 kV S/s Hardwar road Dehradun (Laltappar)	REC IV	2.56
3	132 kV S/sSitarganj (SIDCUL)	REC IV	1.03
4	220 kV Twin Zebra Line from 400 kV S/S Sherpur (PGCIL) to 220 kV S/s Dehradun	REC XII	0.08
5	220 kV S/S Dehradun (320MVA)	REC IV	3.51
6	Const. of 1 no. 220 kV Bus Coupler Bay at 220 kVHaldwani	Others	0.07
7	Const. of 1 no. Incoming Bay at 132 kV S/s Bhowali	Others	0.40
8	Increasing Capacity at existing 132/33 kVBhowali S/s from (6x5) MVA to (6x5)+(1x20)MVA (09303005)	PFCCRM3005	0.05
9	Increasing capacity of 132 kV S/s BhupatwalaHaridwar from 2x40 MVA to 3x40MVA & Const. of 03 Nos. 33 kV Bays	RCRM-9664	4.73
10	Increasing capacity of 220/33 kV S/s Jhajra, DDun from 2x40 MVA to 2x80MVA alongwith associated accessories.	RCRM-9665	0.12
11	LILO of132 kVKulhalMajra Line at 220 kV S/s Dehradun	REC IV	(0.05)
12	LILO of132 kVPurkulDhalipur Line at 220 kV S/s Dehradun	REC IV	0.22
13	Supply & Erection of DCDB at 132 kV S/s Haldwani	PFC	0.002
14	Procurement and Erection of 2x50 MVA T/F alongwith 220 &33 kV Bays at 220 kV S/s Pantnagar	RCRM-7085	6.42
15	Increasing Capacity of 220 kV S/s SIDCUL Haridwar from 2x80MVA (132/33kV) to 2x80MVA(132/33)+1X50MVA(220/33kV)	RCRM-8851	8.75
16	Augm. of Transformer Capacity of 132/33 kV S/s Jwalapur from 2x40 MVA to 3x40 MVA in Haridwar (09303014)	PFCCRM3014	0.71
17	Const. of 132 kV (2x40MVA) S/s Chudiyala and LILO line Chudiyala-Haridwar	RCRM-9029	0.29
18	Capital R&M of S/s Lines of O&M Division, Chamba/Srinagar, Garhwal Zone	RCRM-5534	0.07
19	Installation of 2x50 MVAR Capacitor Bank of 132 kV S/s Laksar	Others	0.04
Total			**28.45**

The table below includes projects for which the capitalization was not allowed/partially disallowed by the Hon'ble Commission in true up of FY 2016-17 in Tariff Order datedMarch 21, 2018. The Petitioner prays to the Commission to allow capitalization against these projects in FY 2017-18.

Table 3: Capitalization sought in FY 2017-18 for projects capitalized in FY 2016-17 (INR Crore)

S.No.	Name of the Scheme	Capitalization Sought in FY 2016-17 (INR Cr)	Capitalization approved for FY 2016-17 (INR Cr)	Amount claimed in this Petition (INR Cr)
1	REC (I&III) 132 kV D/C Srinagar-Simli Line	122.15	64.69	57.46
2	132 kV S/s Simli	13.07	12.71	0.36
3	REC (II)LILO 132 kV Rishikesh-Srinagar Line at 132 kV Substation Srinagar-II	1.52	-	0.55
4	REC (II) LILO of 132 kV Pithoragarh-Almora line for 220 kV Pithoragarh (PGCIL) Substation	2.79	-	2.79
5	REC (IV) 220 kV LILO line for Dehradun (LILO of 220 kV Khodri-Rishikesh Line)	1.13	-	2.88
6	REC (XII) 220 kV D/C twin Zebra line from 400 kV S/s PGCIL, Dehradun to 220 kV S/s PTCUL, Dehradun	11.62	10.24	1.38
7	REC (IV)132 kV Dhalipur- Purkul LILO Line for Dehradun	3.71	3.46	0.25
8	REC(IV) 132 kV Kulhal - Mazra LILO Line at Dehradun	3.35	3.10	0.25
9	REC (SI) Installation of 220/33 kV 50 MVA Transformer and construction of 3 No. 33 kV bay at 220 kV SIDCUL S/s Haridwar	0.17	-	0.17
Total				**66.09**

The Petitioner's submissions in respect of allowance of disallowed capital cost in respect of each of the above projects is presented below.

1. 132 kV D/C Srinagar-Simli Line

The Petitioner had claimed the capital expenditure of Rs. 122.15 Crore (in Form 9.5) and capitalisation of Rs. 122.72 Crore in FY 2016-17, which included additional capitalisation during the year amounting to Rs. 22.24 Crore. However, the Commission had only allowed Rs. 64.69 Crore,citing delay in completion of the project. The Petitioner in various replies submitted in response to the Commission's queries had submitted the detailed reasons for cost overrun, including a chronological order of events for obtaining the forest clearance. The line passes through difficult hilly terrain of three districts namely Pauri, Rudraprayag and Chamoli and consequently, about 22 nos. of Forester, 8 nos. of Rangers of Forest Department and 12 nos. of Patwari, 8 nos. of Tehsildars of Revenue Department were involved in joint inspection, a precursor to preparation of case for grant of forest clearance. Despite repeated follow-ups, there was delay in joint inspection by the employees of these departments, which lead to delay in preparation of forest case. The forestclearance could only be obtained in June 2013. It is pertinent to note that all activities leading to forest clearance were taken in parallel by the Petitioner and not sequentially as can be observed from the sequence of activities submitted already before the Commission. In view of the above, the kind attention of the Hon'ble UERC is drawn to the judgement of CERC in Petition No. 79/MP/2014 in the matter of Jabalpur Transmission Company Vs others dated October 16, 2015 wherein the time overrun in the completion of the Project due to Forest Clearance has been considered as Force Majeure. The relevant extract of the order is stipulated as below:-

"*In our view, the petitioner was prevented from discharging its obligations under the TSA on account of delay in grant of Forest Clearance is covered under force Majeure in the TSA.*" Further, due to natural disaster in June, 2013 in Rudraprayagand Chamoli Districts, tree cutting work could not be started by the Forest

Department due to deployment of officers for flood relief work. The tree cutting work was completed in March 2016.

Further, due to severe Right of Way (RoW) problems by the villagers/concerned landowners, construction work was interrupted. The route of Line passes through very difficult hilly terrain and most of the tower locations are about 3 to 5 km away from road site, which caused delay in tree cutting. Difficult hilly terrain with hard rocks caused substantial increase in time taken to construct tower foundations. As submitted before Commission, these events are beyond the control of Petitioner.

The Petitioner had claimed a hard cost of Rs. 104.35, against which the Commission allowed only Rs. 60.85 Crore. The hard cost allowed by the Commission against the amount claimed by the Petitioner inshown in the table below.

Table 4: Hard Cost of 132 kV Srinagar-Simli Line approved by the Commission (INR Crore)

Particulars	Claimed by Petitioner	Approved by Commission Tariff order dated March 21, 2018
Preliminary works	28.49	22.21
Supply	15.03	10.47
Erection, Testing & Commissioning	26.67	16.56
Price Variation on Supply & ETC	20.29	5.41
Taxes & Duties	3.86	2.50
Overheads	10.01	3.70
Total	**104.35**	**60.85**

The Commission had partially disallowed the amounts expensed by the Petitioner under the heads of NPV, compensatory afforestation and plantation of small variety trees (preliminary works)by limiting the compensation rates to those applicable in the year 2008, even though the forest clearance was awarded in 2013 with no delay on part of the Petitioner.

The original LoA for Supply and erection, testing and commissioning of Rs. 22.52 Crore in the year 2005 was revised to Rs. 37.07 Crore in the year 2011. The Commission in its Tariff Order dated March 21, 2018 had stipulated that"*The Commission does not find it appropriate to consider the revised of Rs. 37.07 Crore as such price has not been discovered through competitive means more so when the original LoA provided for quantity variation to the extent of 20% of the original ordering cost.*" It is pertinent to note that the initial survey was not proper as the same was carried out prior to the formation of PTCUL and the line was proposed to be constructed in the plains. A proper survey was carried out subsequently which included hilly terrain, which necessitated variation in quantity including more nos. of 'C' type towers required due to hilly terrain. Consequently, the price of original LoA was changed as per the rates applicable in 2011, after prior approval of BoD. Thus, the revised cost of Rs. 37.07 Crore is justified. Further, the LOA provided for 20% price variation on the contract price onaccount of variation in quantity and as per the applicable rates on the date of completion of the project. Therefore, the claim of the Petitioner for price variation of Rs 41.70 Crore is well within the permissible limit and should be allowed, whereas the Hon'ble UERC has considered price variation of 20% on the original ordering cost of Rs 22.52 Crore.

The Commission limited the price variation to Rs. 5.41 Crore against actual price variation of Rs. 20.29 Crore, stating that"*the Petitioner vide the second amendment to the LoA, provided that price variation shall be allowable till the actual Completion time*". Here, it is important to note that the actual completion date was linked to forest clearance and complete felling of trees lying on the way of the said line, which as explained above was beyond the control of Petitioner. Accordingly, it is not prudent to limit the price variation. The Commission had also partially disallowed taxes and duties paid by the Petitioner and overheads, citing time delays in the project, even though the Petitioner has explained that the reasons for delay were beyond the control of the Petitioner. In view of the facts and justifications mentioned as above, it is humbly requested to the Commission to consider the hard cost of 132kV Srinagar-Simli Line as claimed by the Petitioner in true up of FY 2016-17. In addition, considering the fact the delay was not on part on the Petitioner, it is requested that the Commission may allow complete expenses towards IDC.

As regards to the disallowance of major portion of capital cost of the said line is considered, judgement of Hon'ble APTEL in appeal no. 72 of 2010 in the matter of Maharashtra Power Generation Company Vs MERC others may be referred to. The relevant para is stipulated as below:-

"*Subject to prudence check by the Commission,the actual expenditure incurred on completion of the project shall form basis for determination of the original cost of the project.The original cost of the project shall be determined based on the approved Capital Expenditure actually incurred up to the date of Commissioning of the generating station and shall include capitalized spares subject to following ceiling norms as a percentage of the cost as on the cut-off date...*"

Thus, the capital cost shall be on the basis of actual expenditure incurred on completion of the project, subject to prudence check by the State Commission. There is no dispute on the capital cost incurred, what is disputed is the cost which has been disallowed mainly due to time overrun. It is humbly reiterated that the cost approved by the Hon'ble UERC for the said line was Rs 89.51Crore in their Tariff Order dated April 5, 2016 which was also intimated to the Hon'ble Commission earlier while filing ARR/Tariff Petition for FY 2013-14 to FY 2015-16 and vide letter No. 1756/MD/PTCUL dated November 14, 2011 in response to the information required by the Expert Committee for validation of Capital Investment Schemes of PTCUL. The Expert Committee had given go through to execute the work of line as per revised DPR of Rs.89.51crores. The Hon'ble Commission has ignored this fact and changed stand while carrying out the prudence check of the Capital Expenditure incurred in said line. On similar lines of the above-referred judgement, the approved cost of the said line was Rs 89.51 Crore, which is actually the Hard Cost, and prudence check should be done on the cost escalation beyond this value of approved Hard Cost due to time over run.

It is submitted before the Commission that if the cost of the line which has already been incurred by the Petitioner is not allowed, it will become very difficult for the Petitioner to function and discharge its duties. The delay in execution of project and variation in cost was beyond the control of the Petitioner. All the necessarydetails in this regard have been furnished before the Commission. An appeal in said matter has been filed by the Petitioner in Hon'ble APTEL in appeal no. 247 of 2018. However, the Petitioner humbly submits before the Commission that the present Petition is without prejudice to the rights and contentions of the Petitioner in the aforesaid cases pending before the Hon'ble APTEL and requests the Hon'ble Commission to allow the complete cost claimed by the Petitioner, considering the facts presented above and details submitted already to the Commission. Further,it is submitted that the methodology adopted by the Hon'ble Commission to disallow the hard cost, overhead expenses and IDC despite submitting the proof that the delay was not intentional and beyond the control of the Petitioner.It is humbly submitted that that due to this methodology the financial health of the Petitionercompany would suffer thereby having a major impact on the credit ratings of the company,which in effect may cause a default in repayment of loans or may increase the burden of interest on term loan.Both of these will directly affect the tariff, which would result in cost of services becoming dearer for the consumers.

2. 132 kV S/s Simli

The Petitioner had claimed the capitalisation of Rs. 13.07 Crore for 132 kV S/s Simli in true-up Petition for FY 2016-17. The project was completed in FY 2011-12. The Commission while carrying out the final true-up for FY 2011-12 had not allowed the capitalisation of 132 kV S/s Simli as the associated transmission line, i.e. 132 kV Srinagar-Simli Line was not complete and hence, the 132 kV S/s Simli, although completed was not put to use. Since, the associated Line was completed only in FY 2016-17, the Commission decided to consider the project for capitalization. However, the Commission in Tariff Order dated March 21, 2018 did not allow complete IDC for the project, citing delay in completion and limited the approved capital cost to the 'allowable cost' of Rs. 12.71 Croreas approved by the Commission in its Tariff Order dated April 11, 2015 on final true-up for FY 2011-12 as against Rs. 13.07 Crore claimed by the Petitioner.As explained above, the reason for delay were beyond the control of Petitioner and hence the IDC may be allowed based on actuals in accordance with Hon'ble ATE's judgement in MSPGCL vs. MERC & others in appeal no 72 of 2010. Further, it is submitted before the Commission that if the cost of the line which has already been incurred by the Petitioner is not allowed, it will become very difficult for the Petitioner to function and discharge its duties. Accordingly, the Petitioner prays to the Commission to allow the cost disallowed in the last Tariff order, along with true up of FY 2017-18.

3. LILO 132 kV Rishikesh-Srinagar Line at 132 kV Substation Srinagar-II

The Commission while carrying out the truing up for FY 2011-12 had allowed Rs. 0.96 Crore against the said project. Further, Petitioner had claimed Rs. 1.78 towards the said project in true up Petition for FY 2015-16, against which the Commission had allowed only Rs. 0.27 Crore. While disallowing the cost in Tariff Order dated March 29, 2018, the Commission has stated that – "*The Petitioner has not submitted details of cost overrun in the prescribed format in accordance with the regulations and from the justifications submitted for the cost overrun by the Petitioner is not satisfactory. Hence, the cost has been restricted to the approved cost*."

However, the Petitioner had provided detailed reasoning for cost overrun in the projects as below:

"*Initially a 132/33 kV Srinagar II S/s was proposed in Srinagar area and DPR of line was prepared accordingly. After revised system requirement 132/33 kV S/s Srinagar-II was cancelled and a 400/220/132 kV S/s Srinagar was proposed and orientation of 132 kV Switchyard layout was changed accordingly. The route of line is required to be finalized as per orientation of 400/220/132 kV S/s Srinagar. After finalization of layout of 400/220/132 kV S/s Srinagar and orientation of gantry of 132 kV switchyard of S/s, route of line was finalised.*"

Considering the facts presented above and details provided in the form 9.5, the Petitioner prays to the Commission to allow the additional cost of Rs. 0.55 Crore (Rs. 1.78 Crore – 1.23 Crore). The Petitioner submits that if the cost of the line that has already been incurred by the Petitioner is not allowed, it will become very difficult for the Petitioner to function and discharge its duties. Further, such disallowance of prudent cost incurred by the Petitioner may cause a default in repayment of loans or may increase the burden of interest on term loan. Both of these will directly affect the company and its ability to invest in future projects and as well as the Consumers in the State. The Petitioner prays to the Commission to take cognizance of the facts presented before it and allow the cost disallowed to the Petitioner in the last Tariff Order, along with the true up of FY 2017-18.

4. LILO of 132 kV Pithoragarh-Almora line for 220 kV Pithoragarh (PGCIL) Substation

The Hon'ble Commission in its Tariff Order for FY 2018-19 had disallowed the additional capitalisation claimed by the Petitioner on following grounds:

"*The Commission had given its detailed reasoning for disallowing the additional capitalisation of LILO of 132 kV Almora-Pithoragarh Line for 220 kV S/s Pithoragarh (PGCIL) in the final true-up of FY 2015-16. Further, the Commission, taking cognizance of the submission of the Petitioner in Review Petition, had reviewed the capital cost of the asset and had approved Rs. 1.57 Crore on account of price variation vide Review Order dated 11.07.2016. Accordingly, the Commission does not find it prudent to allow the additional capitalisation of Rs. 2.79 Crore claimed by the Petitioner in FY 2016-17.*"

The detailed reasons for cost variation along with the supporting documents have already been submitted to the Hon'ble Commission in the review Petition dated April 5, 2016.

The Petitioner vide its submission dated January 20, 2016 had furnished the reasons for the delay of the project, which were attributable to: i) Severe Right of Way problem; ii) Re-routing of line due to ROW problems. The Petitioner had further submitted that the consequent to the District Magistrate letter dated August 13, 2010 directing it for shifting/re-routing of line after a joint meeting of all the stakeholders and consequently the resurvey work was conducted and the alternate route was adopted. The fresh forest clearance was granted vide letter dated April 15, 2011. After the grant of forest clearance, the land transfer was informed for the said line vide letter dated February 29, 2012. Accordingly, the Petitioner submitted that the delay and resulting increase in cost due to price variation was not attributable to any reason within the reasonable control of PTCUL.

It is submitted to the Hon'ble Commission that such a disallowance has a recurring impact that is accumulating every year in terms of disallowed GFA and thus it is severely impacting the financial health of the Petitioner.

The Petitioner thus humbly prays to the Hon'ble Commission to allow the Capitalisation that was earlier disallowed (Rs 2.79 Crore).

An appeal in said matter has been filed by the Petitioner in Hon'ble APTEL in appeal no. 247 of 2018. However, the Petitioner humbly submits before the Commission that the present Petition is without prejudice to the rights and contentions of the Petitioner in the aforesaid case pending before the Hon'ble APTEL and requests the Hon'ble Commission to allow the complete cost claimed by the Petitioner, considering the facts presented above and details submitted already to the Commission. Further, it is submitted that the methodology adopted by the Hon'ble Commission to disallow the hard cost, overhead expenses and IDC despite submitting the proof that the delay was not intentional and beyond the control of the Petitioner. It is humbly submitted that that due to this methodology the financial health of the Petitionercompany would suffer thereby having a major impact on the credit ratings of the company, which in effect may cause a default in repayment of loans or may increase the burden of interest on term loan. Both of these will directly affect the tariff, which would result in cost of services becoming dearer for the consumers.

5. 220 kV LILO line for Dehradun (LILO of 220 kV Khodri-Rishikesh Line)

The Petitioner in true up of FY 2013-14 had claimed a capitalization of Rs. 2.71 Crore against which the Commission had only allowed Rs. 1.75 Crore, limiting the capitalization to approved cost. Further, the Petitioner had claimed Rs. 0.79 Crore in true up of FY 2014-15, which was disallowed by the Commission. In true up of FY 2015-16, the Petitioner had claimed Rs. 1.13 Crore towards additional capitalization, which was also disallowed by the Commission. The Petitioner had again claimed the same along with true up of FY 2016-17. However, the Commission had disallowed the same in Tariff Order dated March 21, 2018 stating that – "*While issuing the Investment Approval vide Order dated November 24, 2011 the Commission had directed the Petitioner to submit the complete cost and financing of the said works. Further, the Project was completed in FY 2013-14, however, no compliance to the said order was done. Accordingly, the Commission does not find it prudent to allow the additional capitalisation of Rs. 1.13 Crore in FY 2016-17 that was disallowed in the final true-up for FY 2015-16.*"

The Petitioner is submitting the required information in respect of the project along with this Petition, including Form 9.5, providing details of completed cost. Accordingly, the Petitioner requests the Commission to allow the claimed capitalization towards the said project.

6. 220 kV D/C twin Zebra line from 400 kV S/s PGCIL, Dehradun to 220 kV S/s PTCUL, Dehradun

The Commission while approving the cost of said project in true-up of FY 2016-17 in Tariff order dated March 21, 2018 partially disallowed overheads, citing delay in completion of project. Further, the Commission allowed IDC only corresponding to the scheduled completion time of the project. It is submitted before Commission that it is pertinent to allow hard cost incurred by the Petitioner in construction of the project. If the cost of the line that has already been incurred by the Petitioner is not allowed, it will become very difficult for the Petitioner to function and discharge its duties.Further, such disallowance of prudent cost incurred by the Petitioner may cause a default in repayment of loans or may increase the burden of interest on term loan. Both of these will directly affect the company and its ability to invest in future projects and as well as the Consumers in the State. Further, the cost of the project is well within the approved cost of Rs. 15.12 Crore (investment approval dated February 28, 2014). Accordingly, the Petitioner prays to the Commission to allow the cost disallowed in the last Tariff order, along with true up of FY 2017-18. Further, it is submitted that the methodology adopted by the Hon'ble Commission to disallow the hard cost, overhead expenses and IDC despite submitting the proof that the delay was not intentional and beyond the control of the Petitioner. It is humbly submitted that that due to this methodology the financial health of the Petitionercompany would suffer thereby having a major impact on the credit ratings of the company, which in effect may cause a default in repayment of loans or may increase the burden of interest on term loan. Both of these will directly affect the tariff, which would result in cost of services becoming dearer for the consumers.

7. 132 kV Dhalipur- Purkul LILO Line for Dehradun

The Commission while approving the cost of said project in true-up of FY 2016-17 in Tariff order dated March 21, 2018 partially disallowed overheads, citing delay in completion of project . Further, the Commission allowed IDC only corresponding to the scheduled completion time of the project. The Petitioner had provided detailed reasoning to the Commission for delay in the project.

The DPR for the line was prepared taking into consideration of land for construction of Substation at Selaqui. However, the proposal of land at Selaqui was cancelled and new land for construction of substation was proposed in Jhajra. The preliminary walk over survey was carried out by it in the month of April 2010 for floating tender for construction of the line. As per walk over survey, length of LILO of 132 kV Dhalipur-Purkul line was estimated 2.45 km. with nine towers. The work of the line could only be commenced in year 2013 since, during the intervening period, heavy residential & commercial/institutional construction development took place in the area, because of which the earlier proposed corridor was not available for the construction of the line. Further, the Petitioner had to realign the said line for resolving severe RoW problems in another under-construction 220 kV LILO of Khodri-Rishikesh Line at 220 kV S/s Dehradun passing nearby, increasing total towers on said line to 11 nos. The firm started construction work of above line as per approved profile but the local Villagers stopped the work. They also approached Hon'ble Chief Minister for shifting of the line from proposed route and suggested alternate route. The Petitioner further submitted that as per consent of villagers and to resolve RoW issues, the line route was changed and the line length increased to 2.654 km with 12 nos. of towers, of which6 nos. towers were falling in river bed, which required extra concreting and M.S. bars for reinforcement.

The above events, which were beyond the control of Petitioner led to increase in cost of the line as well delay the project. Thus, attributing the delay to the Petitioner and disallowing the hard cost and IDC would not be prudent under these circumstances. Accordingly, IDC may be allowed based on actuals in accordance with Hon’ble ATE’s judgement in MSPGCL vs. MERC & others in appeal no 72 of 2010 The Petitioner submits that if the cost of the line that has already been incurred by the Petitioner is not allowed, it will become very difficult for the Petitioner to function and discharge its duties. Further, such disallowance of prudent cost incurred by the Petitioner may cause a default in repayment of loans or may increase the burden of interest on term loan. Both of these will directly affect the company and its ability to invest in future projects and as well as the Consumers in the State. The Petitioner prays to the Commission to take cognizance of the facts presented before it and allow the cost disallowed to the Petitioner in the last Tariff Order, along with the true up of FY 2017-18.

8. 132 kV Kulhal - Mazra LILO Line at Dehradun

The Petitioner had claimed the additional capitalisation of Rs. 3.35 Crore in FY 2016-17, which was inclusive of the amount of Rs. 2.06 Crore disallowed by the Commission in the final true up for FY 2015-16 and additional capitalisation of Rs. 1.29 Crore in FY 2016-17. The additional capitalisation of Rs. 1.29 Crore claimed in FY 2016-17 was towards the civil works of wire mesh protection for preventing the towers from falling into the riverbed.

It may be noted that the Petitioner vide letter 1692/Dir. (Projects)/PTCUL/ARR dated 30.08.2017 submitted the detailed reasons of cost overrun to the Hon’ble Commission, including Form 9.5. Subsequently, taking cognizance of letter no. UERC/7/CL/378/2017-18/992 of the Hon’ble UERC, dated 11/09/2017, the Petitioner has also submitted the required details of the said project vide letter no. 1829/Dir/ (Projects)/PTCUL/ARR dated 27/09/2017. However, the Commission partially disallowed the capital cost and allowed Rs. 3.10 Crore in the last Tariff Order dated March 21, 2018, against Rs. 3.35 Crore claimed by the Petitioner, without providing any workings in relation to the same.

The Petitioner submits that if the cost of the line that has already been incurred by the Petitioner is not allowed, it will become very difficult for the Petitioner to function and discharge its duties. Further, such disallowance of prudent cost incurred by the Petitioner may cause a default in repayment of loans or may increase the burden of interest on term loan. Both of these will directly affect the company and its ability to invest in future projects and as well as the Consumers in the State. The Petitioner prays to the Commission to take cognizance of the facts presented before it and allow the cost disallowed to the Petitioner in the last Tariff Order, along with the true up of FY 2017-18.

9. ***Installation of 220/33 kV 50 MVA Transformer and construction of 3 No. 33 kV bay at 220 kV SIDCUL S/s Haridwar***

The Commission in Tariff order dated March 21, 2018 had not allowed Rs. 0.17 Crore in respect of the said project as the amount was towards part capitalization, which is not allowed by the Commission. Accordingly, the Petitioner prays to the Commission to allow the amount claimed by the Petitioner in true up of FY 2016-17, along with true up of FY 2017-18. The necessary details are being submitted in formats along with the Petition for perusal of the Commission.

Gross Fixed Assets proposed for FY 2017-18

The closing GFA as approved by the Commission for FY 2016-17 has been considered as opening GFA for FY 2017-18. In accordance with the capitalization proposed for FY 2017-18, closing GFA considered for true up of FY 2017-18 is shown in table below.

Table 5: Opening and Closing GFA for true-up of FY 2017-18 (Figures in INR Crore)*

S.No.	Particulars	Approved in MYT Order dt. April 21, 2016	Approved in TO dt. March 21, 2018	Actual
1	Opening GFA for FY 2017-18	1,378.09	1,239.73	1,239.73
2	Addition during the FY 2017-18	137.82	44.79	94.41
3	Deletion during the FY 2017-18	-	-	0.003
4	Claim against disallowance in Tariff Order for FY 2018-19 (True-up of FY 2016-17)	-	-	66.09
5	Less: UITP asset addition (ADB)	-	-	3.40
6	Closing GFA	1,515.91	1,284.52	1,396.82

* Subject to finalization of Transfer Scheme

2.3. Operation and Maintenance Expenses

The Regulation 62(2) of UERC MYT Regulations, 2015 provides the components of O&M expenses:

"The O&M expenses for the nth year and also for the year immediately preceding the Control Period, i.e. FY 2015-16, shall be approved based on the formula given below:-

O&Mn = R&Mn + EMPn + A&Gn

Where –

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

Further, the Regulation 62(3) provides the methodology for computation of each of the above components as below:

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

EMPn = (EMPn-1) x (1+Gn) x (1+CPIinflation)

R&Mn = K x (GFAn-1) x (1+WPIinflation) and

A&Gn = (A&Gn-1) x (1+WPIinflation) + Provision

Where -

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

Provided that in case of a transmission licensee is governed by Government pay structure, the Commission may consider allowing a separate provision in Employee expenses towards the impact of VIIth Pay Commission."

2.3.1. Employee Expenses

As provided in the UERC MYT Regulations, 2015, the employee expenses for nth year of the Control Period are calculated as follows:

EMPn = (EMPn-1) x (1+Gn) x (1+CPIinflation)

The table below provides the Consumer Price Index for previous years:

Table 6: Consumer Price Index Inflation

Financial Year	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Average	Inflation
FY 2013-14	106	107	109	111	112	114	115	116	115	114	114	114	112.20	
FY 2014-15	115	116	117	119	120	120	120	120	119	120	120	120	118.85	5.93%
FY 2015-16	121	122	123	124	125	125	126	127	126	126	126	126	124.68	4.91%
FY 2016-17	127	129	130	131	131	131	131	131	130	130	131	131	130.33	4.52%
Average														**5.12%**

Thus, it can be observed that average increase in inflation over past three years from FY 2014-15 to FY 2016-17 has been 5.12%.

Considering the grade wise employee recruitment plan for FY 2017-18 (submitted in Form 8.1 with Petition), the Growth Factor for number of employees has been calculated in the table below.

Table 7: Growth Factor (Gn) for FY 2017-18

S.No.	Particulars	FY2016-17	FY 2017-18
1	Opening no .of Employees	798	775

S.No.	Particulars	FY2016-17	FY 2017-18
2	Employees recruited	1	5
3	Retirement	24	37
4	Closing no. of Employees	775	743
5	**Growth Factor (Gn)**		**0.00%**

Since, there has been no increase in number of employees in FY 2017-18 over FY 2016-17, the Growth Factor for the year has been considered 0%.

The Seventh Pay Commission was implemented w.e.f. January 1, 2016 and the salaries were raised to the level of Seventh Pay Commission w.e.f. December 1, 2017. For calculating the impact of increased salaries on account of Seventh Pay Commission, the difference between total salary paid out for months of Nov'17 (Sixth Pay Commission) and Sep'18 (Seventh Pay Commission) was multiplied by 4 (for months of Dec'17 to Mar'18). Further, arrears paid in FY 2017-18 (as discussed in section 4.3.1) has been added to calculate the total impact of Seventh Pay Commission for FY 2017-18.

The 'EMPn-1' and the capitalization rate has been considered as the same approved by the Commission in Tariff Order for revised ARR of FY 2017-18 dated March 29, 2017. Further, the impact of Seventh Pay Commission has been added to compute the total employee expenses for FY 2017-18.

The computations for the employee expenses for FY 2017-18 are shown in the table below.

Table 8: Employee expenses claimed for FY 2017-18 (INR Crore)

S.No	Particular	FY 2017-18 as per TO Mar 29, 2017	Claimed for FY 2017-18
1	EMPn-1	89.80	89.80
2	Gn	28.43%	0.00%
3	CPIinflation	7.21%	5.12%
4	EMPn = (EMPn-1) x (1+Gn) x (1+CPIinflation)	123.65	94.40
5	Capitalization rate	11.44%	11.44%
6	Less: Employee Expenses capitalized	14.15	10.80
7	Net Employee Expenses	109.50	83.60
8	Impact of Seventh Pay Commission	-	9.37
9	**Total Employee expenses**	**109.50**	**92.97**

The Petitioner prays to the Commission to allow the employee expenses claimed by it for FY 2017-18.

2.3.2. Repair and Maintenance Expenses

As provided in the UERC MYT Regulations, 2015, the Repair and Maintenance expenses for nth year of the Control Period are calculated as follows:

R&Mn = K x (GFAn-1) x (1+WPIinflation)

The table below provides the Wholesale Price Index (WPI) for previous years:

Table 9: Wholesale Price Index Inflation

Particular	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	Average

Particular	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	Average
WPI	106.9	112.5	113.9	109.7	111.6	114.9	**1.00%#**
Inflation growth		5.20%	1.26%	-3.65%	1.73%	2.92%	

Average of FY 2014-15, FY 2015-16 (considering –ve value as zero) and FY 2016-17

It can be observed that the WPI inflation was positive in past years except FY 2015-16. Thus, it has been considered as zero for calculation of average inflation in past three years. Accordingly, the average WPI inflation for last three years (FY 2014-15 to FY 2016-17) was 1.00%.

'R&Mn-1' is the closing value of GFA for last year i.e. FY 2016-17. Accordingly, the same has been considered as approved by the Commission in Tariff Order for true up of FY 2016-17 dated March 21, 2018.

The value of K Factor has been has been arrived at by considering the average of ratio of actual R&M expenses and approved GFA for immediately preceding three years (FY 2014-15 to FY 2016-17).

Table 10: K Factor for FY 2017-18

Particulars	2015-16	2016-17	2017-18
Opening GFA	960.50	1008.23	1111.12
Actual R&M Expenses	16.57	21.82	23.94
K Factor	1.73%	2.16%	2.15%
3 year average K Factor			**2.01%**

Accordingly, the value of K Factor has been considered as 2.01%.

Considering the above factors, the R&M expenses claimed for FY 2017-18 are as provided in the table below.

Table 11: R&M expenses claimed for FY 2017-18 (INR Crore)

S.No.	Particular	Approved in MYT Order dt. April 21, 2016	Approved in TO dt. March 29, 2017	Claimed for FY 2017-18
1	**R&M Expenses**	25.69	23.32	25.23

The Petitioner prays to the Commission to allow the R&M claimed by it for FY 2017-18.

2.3.3. Administrative and General Expenses

As provided in the UERC MYT Regulations, 2015, the Administrative and General expenses for nth year of the Control Period are calculated as follows:

A&Gn = (A&Gn-1) x (1+WPIinflation) + Provision

The table below provides the Wholesale Price Index (WPI) for previous years:

Table 12: Wholesale Price Index Inflation

Particular	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	Average
WPI	106.9	112.5	113.9	109.7	111.6	114.9	**1.00%#**
Inflation growth		5.20%	1.26%	-3.65%	1.73%	2.92%	

Average of FY 2014-15 and FY 2016-17

It can be observed that the WPI inflation was positive in past years except FY 2015-16. Thus, it can be considered an outlier and hence has been excluded for calculation of average inflation in past three years. Accordingly, the average WPI inflation for last three years (FY 2014-15 to FY 2016-17) was 1.00%.

'A&Gn-1' and the capitalization rate has been considered as the same approved by the Commission in Tariff Order for revised ARR of FY 2017-18 dated March 29, 2017. Accordingly, the A&G expenses claimed for FY 2017-18 is shown in the table below.

Table 13: A&G expenses claimed for FY 2017-18 (INR Crore)

S.No	Particular	FY 2017-18 as per TO Mar 29, 2017	Claimed for FY 2017-18
1	A&Gn-1	10.86	10.86
3	WPIinflation	1.83%	1.00%
4	Gross A&G Expenses	11.06	10.97
5	Capitalization rate	11.91%	11.91%
6	Less: A&G Expenses capitalized	1.32	1.31
7	Net A&G Expenses	9.74	9.66
8	Provision	-	-
9	A&Gn	9.74	9.66
10	License and Other Fee	2.20	2.72
11	Total A&G Expenses	11.94	12.39

However, the actual A&G expenses for FY 2017-18 were Rs. 23.13 Crore. The Petitioner prays to the Commission to allow the actual A&G expenses incurred by it in FY 2017-18.

2.3.4. Operation and Maintenance Expenses

The total O&M expenses claimed for FY 2017-18 are shown in the table below.

S.No.	Particular	Approved as per MYT Order dt. April 5, 2016	Approved as per TO dt. March 29, 2017	Expenses claimed for FY 2017-18
1	Net Employee Expenses	86.30	109.48	83.60
2	Impact of Seventh Pay Commission	17.26	-	9.37
3	Total Employee Expenses	**103.56**	**109.48**	**92.97**
4	R&M Expenses	25.69	23.32	25.23
5	A&G Expenses	15.18	11.94	12.39
6	**Total**	**144.43**	**144.74**	**130.58**

Since O&M expenses are a controllable parameter as per UERC MYT Regulations, 2015, the gain or loss with regard to the same is shared with the consumers. The gain/losson account of difference between claimed and actual O&M expense and sharing of the same is shown in below:

Table 14: Sharing of gain/loss on account of O&M Expenses for FY 2017-18 (INR Crore)

S.No.	Particular	Actual net O&M expenses - excluding UITP (A)	Expenses claimed for FY 2017-18 (B)	Aggregate gain/ (loss) (C=B-A)	Rebate in tariff/ (recovery through tariff) (D=1/3xC)	O&M Expenses claimed for FY 2017-18 (E=B-D)
1	Net Employee Expenses	63.75	83.60	19.85	6.62	76.98
2	Impact of Seventh Pay Commission	9.37	9.37	-	-	9.37
3	**Total Employee Expenses**	**73.13**	**92.97**	**19.85**	**6.62**	**86.36**
4	R&M Expenses	35.01	25.23	(9.79)	(3.26)	28.49
5	A&G Expenses	22.65	12.39	(10.26)	(3.42)	15.81
6	**Total**	**130.79**	**130.58**	**(0.21)**	**(0.07)**	**130.65**

The Hon'ble Commission is requested to approve the sharing of the gain/lossand O&M expenses for FY 2017-18 as per the table above, computed in accordance with the UERC MYT Regulations, 2015.

2.4. Interest on Loan

For computation of interest and finance charges, the closing balance of loans for FY 2016-17 as approved by the Commission in its Tariff Order for true up of FY 2016-17 dated March 21, 2018 has been considered as the opening loan balance for FY 2017-18. The loan addition has been considered as 70% of the capitalization during the year as per the funding plan for various schemes. As per the MYT Regulations 2015, the loan repayment has been considered equal to the depreciation for FY 2017-18. The interest cost for FY 2017-18 has been computed considering the weighted average interest of 11.41% on the gross loans as per the audited accounts. The weightage average interest rate has been calculated by dividing the total interest expenses (including IDC) by average of opening and closing loan for the year. The Loan MIS for FY 2017-18 has been submitted as **Annexure-V** of this Petition. The computation of interest charges for FY 2017-18 is provided in the table below.

Table 15: Interest charges for FY 2017-18 (INR Crore)

S.No.	Particular	Approved as per MYT Order dt. April 5, 2016	Approved as per TO dt. March 29, 2017	Claimed for FY 2017-18
1	Net Normative Loan - Opening	538.04	480.24	446.73
2	Normative loan addition on account of capitalization in FY 2016-17	-	-	46.26
3	Increase or Decrease during the year	96.47	96.47	54.03
4	Less: Repayment of Normative Loan during the year#	69.17	64.34	62.57
5	Net Normative Loan - Closing	565.34	512.37	484.45
6	Average Normative Loan	551.69	496.31	465.59

S.No.	Particular	Approved as per MYT Order dt. April 5, 2016	Approved as per TO dt. March 29, 2017	Claimed for FY 2017-18
7	Weighted Average Rate of Interest on Actual Loan on Annual Basis	12.13%	10.34%	11.41%
8	**Interest on Normative Loan**	**66.92**	**51.32**	**53.10**

The Petitioner prays to the Hon'ble Commission to allow the interest expenses claimed by the Petitioner for FY 2017-18.

2.5. Income Tax

The UERC MYT Regulations, 2015 provide for recovery of actual income tax paid at the time of truing up of the respective year. Accordingly, the Petitioner requests the Hon'ble Commission to approve INR 5.30 Crore in respect of actual income tax paid for the year FY 2017-18. The supporting documents in the form of ITR V form/Tax acknowledgement is attached as **Annexure-VI** for the perusal of the Commission.

Table 16: Income Tax for FY 2017-18 (INR Crore)

S.No.	Particular	FY 2017-18
1	Income tax	5.30

2.6. Return on Equity

The computation of Return on Equity (RoE) has been undertaken as per the stipulations of UERC MYT Regulations, 2015 for the true up. A return on equity of 15.50% has been considered as per the provisions of the UERC MYT Regulations, 2015. The closing equity approved in true up of FY 2016-17 has been considered as opening equity for FY 2017-18. The equity addition has been considered as 30% of the capitalization during the year as per the funding plan for various schemes. The table below shows the computation of return on equity for true up for FY 2017-18.

Table 17: Return on Equity for FY 2017-18 (INR Crore)

S.No.	Particular	Approved as per MYT Order dt. April 5, 2016	Approved as per TO dt. March 29, 2017	Claimed for FY 2017-18
1	Equity at the beginning of the year	277.87	256.44	234.80
2	Addition in Equity	41.35	41.35	23.16
3	Normative addition on account of capitalization in FY 2016-17	-	-	19.83
4	Closing Equity	319.22	297.79	277.78
5	Average Equity during the year	298.55	277.12	256.29
7	Eligible equity for return	131.33	144.36	256.29
8	Rate of Return on Equity	15.50%	15.50%	15.50%
9	**Return on Equity**	**20.36**	**22.38**	**39.73**

In the past Tariff Orders, the Hon'ble Commission has not allowed Return on Equity on entire equity base approved by the Commission in the respective Tariff Orders. The Return on Equity was disallowed to the extent of equity contributed by the Government of Uttarakhand from Power Development Fund, considering that the Power Development Fund was realized from the consumers in form of a cess.

The Hon'ble Appellate Tribunal of Electricity (ATE) in judgement dated May 15, 2015 in R.P. No. 2 of 2015 in appeal No. 163 of 2015 had issued directions to allow the RoE on the amount invested by the State Government, if the amount has not been provided as grant. The relevant extract from the judgement is reproduced below:

*"The Tribunal has upheld the findings of the State Commission in the impugned order but has not given any finding relating to disallowance of ROE on the funds deployed by the State Government from PDF toward capital cost of the project. We feel that the findings of this Tribunal in Appeal no. 189 of 2005 will be applicable to the present case. If the State Commission has not provided the amount as a grant and has invested the amount as equity, **ROE has to be allowed as per the Regulations of the State Commission**. Accordingly this issue is decided in favour of the Petitioner."*

The Additional Secretary vide Letter No 337/I(2)/2011-04-(01)/84/2008 dated February 11, 2011conveyedthe directions of the Government of Uttarakhand to the Hon'ble Commission thatthe amount contributed by the Government from PDF fund is from the Consolidated fund of the state. Accordingly, the letter asked the Commission to consider the amount as equity and allow the Return on Equity on the said amount to the Petitioner.The same has been submitted has **Annexure-XV** along with this Petition. In view of the same, the Petitioner submits to the Hon'ble Commission that the Return on Equity be allowed on the equity contribution of Government of Uttarakhand. The disallowance is not only restricting the internal surplus generation but also adversely affecting the financial position of the Petitioner and the consequent development of transmission assets. Therefore, PTCUL humbly requests the Hon'ble Commission to consider the proposal with regard to Return on Equity as submitted in this Petition.

2.7. Depreciation

The depreciation has been calculated at rates specified in theUERC MYT Regulations, 2015. The opening GFA for FY 2017-18 has been considered equal to closing GFA approved by the Commission in true up of FY 2016-17 in Tariff Order dated March 21, 2018. The opening GFA for FY 2017-18 has been apportioned between various asset categories in ratio of actual assets in books of the Petitioner. The cumulative value of assets created out of consumer contribution, grants and subsidies has been deducted from the opening GFA to compute the GFA eligible for depreciation. The closing GFA has been determined by adding capitalization in the year, net of consumer contribution, grants and subsidies. The depreciation expense has been calculated on average GFA during the year. The proposed depreciation expenses for truing-up ofFY 2017-18has been shown in the table below.

Table 18: Depreciation expense for FY 2017-18 (INR Crore)

Particular of Asset	Depreciation Rate (%)	Opening GFA (eligible for depreciation)	Addition during the year (net of deposit work & grants)	Amount capitalized in FY 2016-17	Withdrawals during the year	Closing GFA (eligible for depreciation)	Average GFA	Depreciation
Land (Owned)	0.00%	4.59	-	-	-	4.59	4.59	-
Land (Lease Rights)	3.34%	22.85	7.66	-	-	30.50	26.68	0.89
Buildings	3.34%	54.95	6.35	-	-	61.29	58.12	1.94
Hydraulic Works	5.28%	2.62	-	-	-	2.62	2.62	0.14
Other Civil Works	3.34%	8.57	0.14	-	-	8.71	8.64	0.29
Plant & Machinery	5.28%	560.67	42.74	66.09	-	669.49	615.08	32.48

Particular of Asset	Depreciation Rate (%)	Opening GFA (eligible for depreciation)	Addition during the year (net of deposit work & grants)	Amount capitalized in FY 2016-17	Withdrawals during the year	Closing GFA (eligible for depreciation)	Average GFA	Depreciation
Lines & Cable Network	5.28%	489.39	19.07	-	-	508.45	498.92	26.34
Vehicles	9.50%	0.86	0.12	-	-	0.98	0.92	0.09
Furniture and Fixtures	6.33%	2.17	0.64	-	-	2.81	2.49	0.16
Office Equipment	6.33%	1.42	0.20	-	0.0031	1.62	1.52	0.10
Computers & IT Equipment	15.00%	0.89	0.28	-	-	1.17	1.03	0.16
Total		**1,148.97**	**77.18**	**66.09**	**0.0031**	**1,292.24**	**1,220.61**	**62.57**

The Petitioner prays to the Commission to allow the depreciation expense claimed for true up of FY 2017-18 as shown in the above table.

2.8. Interest on Working Capital

The Petitioner has considered working capital base as per Regulation 33(1)(b) of UERC MYT Regulations, 2015 as below:

"In case of hydro power generating stations and transmission system and SLDC, the working capital shall cover:

(i) Operation and maintenance expenses for one month;

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

(iii) Receivables equivalent to two months of the annual fixed charges."

Further, the interest rate on normative working capital loans has been considered in accordance with the Regulation 33 of the UERC MYT Regulations, 2015 - "*Rate of interest on working capital shall be on normative basis and shall be equal to the State Bank Advance Rate (SBAR) of State Bank of India as on the date on which the application for determination of tariff is made*".

Accordingly, the rate of interest is considered as the State Bank of India Benchmark Prime Lending Rate as on July 1, 2018. The screenshot of SBI website is being submitted as **Annexure-XIII** for reference of the Commission in this regard.The table below depicts Interest on Working Capital for FY 2017-18.

Table 19: Interest on Working Capital for FY 2017-18 (INR Crore)

S.No.	Particular	Approved as per MYT Order dt. April 5, 2016	Approved as per TO dt. March 29, 2017	FY 2017-18 True-up
1	O & M expenses - 1 month	12.04	12.06	10.89
2	Spares (15% of O&M Expenses)	21.66	21.71	19.60
3	Receivables - 2 months	49.34	39.61	42.15
4	**Total Working Capital**	**83.04**	**73.38**	**72.63**

S.No.	Particular	Approved as per MYT Order dt. April 5, 2016	Approved as per TO dt. March 29, 2017	FY 2017-18 True-up
5	Normative Interest Rate (%)	14.05%	14.05%	13.70%
6	**Normative Interest on Working Capital**	**11.67**	**10.31**	**9.95**

As per the Regulations 12(6)(f) of the UERC MYT Regulations, 2015, the variations in working capital requirements is considered as a controllable factor. Since, no interest has been actually paid by the Petitioner on account of working capital loans, the sharing of the expenses has been proposed in accordance with the UERC MYT Regulations, 2015.

Table 20: Sharing of gain/loss on account of Interest on Working Capital for FY 2017-18 (INR Crore)

S.No.	Particular	Actual	Trued-up	Aggregate gain/ (loss)	Rebate in Tariff / (recovery through tariff)	Considered in ARR
1	Interest on Working Capital	0.00	9.95	9.95	3.32	6.63

2.9. Non-Tariff Income

The non-tariff income for FY 2017-18 has been considered as per audited accounts. The Petitioner submits that the interest expenses may not be considered as non-tariff income since the interest income is derived on surplus on which the carrying cost is already charged from the Petitioner. Accordingly, a non-tariff income of Rs. 8.48 Crore has been considered for true up of FY 2017-18. The Hon'ble Commission is requested to approve the same.

2.10. Revenue from Short-term Open Access

The revenue from short-term open access (PTCUL's share) amounting to INR 6.24 Crore as per audited account has been deducted from the revenue requirement for FY 2017-18.

2.11. Sharing of Incentive due to higher Availability

As per the Regulations 12(6)(e) of the UERC MYT Regulations, 2015, the variations in performance parameters (i.e. Availability) is considered as a controllable factor. Accordingly, as per mechanism of sharing of gains and losses specified in the UERC MYT Regulations, 2015, one-third of the incentive earned by the Petitioner due to higher availability as per audited accounts of FY 2017-18 has been deducted from the revenue requirement for FY 2017-18.

Table 21: Sharing of gain/loss on account of incentive for higher Availability (INR Crore)

S.No.	Particular	Actual	Trued-up	Aggregate gain/ (loss)	Rebate in Tariff / (recovery through tariff)
1	Gain on Efficiency in Performance Parameter (Availability)	0.00	2.02	2.02	0.67

2.12. Revenue from Natural ISTS lines

The revenue from Natural ISTS lines has been deducted from ARR of FY 2017-18 in accordance with Petitioner's submission in section 5 of this Petition. The Petitioner prays to the Commission to consider the same.

2.13. Trued up ARR for FY 2017-18

Based on the parameters discussed above, the trued up ARR for FY 2017-18 is shown in the table below:

Table 22: True-up for ARR of FY 2017-18 (INR Crore)

S.No.	Particular	Approved as per MYT Order dt. April 5, 2016	Approved as per TO dt. March 29, 2017	Claimed for FY 2017-18
1	O&M Expenses			
1.1	*Employee expenses*	103.56	109.48	86.36
1.2	*R&M expenses*	25.69	23.32	28.49
1.3	*A&G expenses*	15.18	11.94	15.81
2	**Total O&M expenses**	**144.43**	**144.74**	**130.65**
3	Interest on Loan	66.92	51.34	53.10
4	Return on Equity	20.36	22.38	39.73
5	Income Tax	-	-	5.30
6	Depreciation	69.17	64.34	62.57
7	Interest on Working Capital	11.67	10.31	6.63
8	**Total ARR**	**312.55**	**293.11**	**297.99**
9	Add: True-up of previous year including carrying cost	-	(29.70)	(29.70)
10	**Total ARR**	**312.55**	**263.41**	**268.29**
11	Less: Non-tariff Income	2.80	6.74	8.48
12	Less: Income from Open Access Charges	-	3.89	6.24
13	Less: Sharing of Incentive due to higher availability	-	-	0.67
14	**Net ARR (including SLDC)**	**309.75**	**252.78**	**252.89**

2.14. Revenue Surplus/Gap and Carrying Cost

Based on true up of FY 2017-18, the revenue gap/surplus along with carrying cost to be adjusted in ATC of FY 2019-20 is shown in the table below. However, no carrying cost has been considered on amount deducted from ARR on account of revenue from Natural ISTS Lines.

Table 23: Revenue gap/surplus for FY 2017-18 to be adjusted in FY 2019-20 (INR Crore)

S.No.	Particular	FY 2017-18
1	Net ARR (including SLDC)	252.89

2	ATC approved in the Tariff Order dt. March 29,2017 (including SLDC Charges)	252.78
3	Revenue Gap/(Surplus)	0.11
4	Less: Revenue from Natural ISTS Lines	20.93
5	Cumulative Gap/(Surplus) (including carrying cost in gap/surplus)	(20.82)
6	Cumulative Gap/(Surplus) with carrying cost (excl carrying cost on ISTS revenue) to be carried over to FY 2019-20	(20.80)

Table 24: Carrying cost on revenue gap/surplus for FY 2017-18 (INR Crore)

S.No.	Particulars	FY 2017-18	FY 2018-19
1	Opening Gap/(Surplus)	-	0.12
2	Addition	0.11	-
3	Closing Gap/(Surplus)	0.11	0.12
4	Average Gap/(Surplus)	0.05	0.12
5	Interest rate	13.70%	13.70%
6	Carrying cost	0.01	0.02
7	**Cumulative Gap/(Surplus)**	**0.12**	**0.13**

3. Annual Performance Review of FY 2018-19

3.1. Background

PTCUL is required to file an Annual Performance Review (APR) in line with Regulation 12(2) of the UERC MYT Regulations, 2015. The Clause (3) of Regulation 12 of MYT Regulations, 2015 states that:

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

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

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

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

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

Accordingly, PTCUL is filing for an Annual Performance Review of FY 2018-19. In this section, PTCUL has proposed revisedestimates for components of ARR for FY 2018-19, considering the performance of first six months of FY 2018-19. However, it is submitted that the figures stated here for first six month are currently provisional and subject to change.

3.2. Capital Expenditure and Capitalization

In the MYT Order dated April 5, 2016 for the current Control Period, the Hon'ble Commission had approved the Business Plan and ARR for three years of the Control Period. Based on detailed analysis of the submission made by PTCUL in the Business Plan, the Hon'ble Commission had approved capital expenditure as well as the capitalization for each year of the Control Period. Further, in Tariff Order dated March 21, 2018, the Commission had approved revised figures for capitalization for FY 2018-19, considering the projects likely to be commissioned in the year as well projects not considered by the Commission for FY 2017-18.

During the first six of the current financial years, PTCUL has capitalized assets to the tune of Rs. 109.11. The details of same are presented in the table below:

Table 25: Capitalization in first half of FY 2018-19 (INR Crore)

S.No.	Name of the Scheme	Scheme	Amount capitalized till Sep'18	Total amount proposed to be capitalized in FY 2018-19	Date of Completion
Projects other than deposit work/grant					
1	220kV GIS S/s IIP Harrawala Dehradun	PFC	51.65	56.91	04/08/2018

S.No.	Name of the Scheme	Scheme	Amount capitalized till Sep'18	Total amount proposed to be capitalized in FY 2018-19	Date of Completion
2	LILO of 220kV Rishikesh - Jhajra Line at 220kV S/s IIP Harrawala	PFC	0.30	0.33	04/08/2018
3	(System strengthing of 132 kV Substation Kichha and) ampacity increment of 132 kvPantnagar-rudrapur circuit by replacing existing ACSR panther conductor with high capacity ACCC Casablanca conductor	RCRM-9796	5.90	7.61	19/05/2018
4	Construction of (2x25 MVA) 220/33 kV S/s at PiranKaliyar	REC VI	37.46	37.60	15/10/2018
5	LILO of 220 kV D/C Roorkee (PGCIL) Puhana – Roshanabad Line at 220 kV S/s Piran- Kaliyar (Imlikhera)	REC VI	10.28	10.31	23/09/2018
6	Augmentation of Transformer capacity from 80MVA(2x40MVA) to 100MVA (2x40MVA+1x20MVA) at 132 kV S/S Rudrapur	Others	2.43	0.55	19/06/2018
7	Construction of 01 No. 132 kV T.B.C. Bay & associated work at 132/33 kV S/s Rudrapur	Others	0.35	0.48	19/06/2018
8	Work of Construction of Bondary Wall	Others	0.12	0.12	26/05/2018
9	Work of making new drain wall around 315MVA T/F at 400 kV S/s Kashipur	Others	0.12	0.12	08/05/2018
Sub-Total			**108.60**	**114.02**	
Projects carried out through deposit work/grant					
10	Renovation & Upgradation of protection system of 220 kVRishikesh	PSDF (Grant)	1.10	1.10	23/04/2018
11	Renovation & Upgradation of protection system of 220 kVPantnagar	PSDF (Grant)	0.27	0.27	03/04/2018
12	Renovation & Upgradation of Protection System of 132kV S/s Majra	PSDF (Grant)	1.01	1.01	21/05/2018
13	Renovation & Upgradation of Protection System of 132kVPurkul	PSDF (Grant)	0.46	0.46	21/05/2018
14	Renovation & Upgradation of Protection System of 400kVRishikesh	PSDF (Grant)	0.84	0.84	06/04/2018
15	33 kVGhantaghar bay at 132 kV S/s Bindal Dehradun	Deposit	0.21	0.21	21/05/2018
16	Miscellaneous	Others	(3.39)	(3.39)	2018-19
Sub-Total			**0.50**	**0.50**	
Total			**109.11**	**114.52**	

The provisional and unaudited accounts for first half of FY 2018-19, along with Monthly Trial Balance is being submitted as **Annexure-VII**and **Annexure-VIII** with this Petition. The electrical inspector certificate for the completed projects is being submitted in **Annexure-IX** for perusal of the Commission. The Letter of Award/Agreement/Internal approval for the completed projects in FY 2018-19 is being submitted as **Annexure X**. The amount being claimed as capitalization for the current year is as per Form 9.5 submitted along with the Petition.

Further, considering the status of ongoing projects, the Petitioner expects to complete the following projects by end of FY 2018-19.

Table 26: Proposed Capitalization in second half of FY 2018-19 (INR Crore)

S.No.	Name of the Scheme	Scheme	Amount proposed to be capitalized	Expected Date of Completion
1	Construction of 132 kV GIS S/s Bageshwar with 6x5 MVA 132/33 kV Transformer Capacity (Revised DPR under REC-II Scheme)	REC II	57.40	31/01/2019
2	132 kV Single Circuit Line on Double Circuit Tower from Ranikhet to Bageshwar	REC II	46.00	31/01/2019
3	Construction of 220/33 kV Substation at Jafarpur (Capacity -2×50 MVA)	PFC	30.88	31/12/2018
4	Construction of LILO of 220 kVKashipur-Pantnagar line at proposed 220 kV substation at Jafarpur	PFC	5.85	31/12/2018
5	Balance work of Diversion of 220 kVRishikesh-Dharasu&Chamba-Dharasu Transmission Line in THDC Transmission Line	PFC09303026	1.84	31/03/2019
6	(Construction of 132 kV overhead line from 220 kV S/s SIDCUL, Haridwar to 132 kV S/s Jwalapur and construction of 132 kV bays at both ends) A.) Construction of 132 kV Bays at both ends	REC9025	2.10	31/03/2019
7	Shifting of 132 kV lines in Dev SanskritiVishvavidyalaya Campus for Shri Ved Mata Gayatri Trust ShantikunjHaridwar	Others	3.25	31/03/2019
8	Construction of 132 kV LILO of Bhagwanpur-Chudiyala at PiranKaliyar	REC9218	8.00	31/03/2019
9	Supply and Erection of 4 no. 132kV D/C 'B' & 01 No. 132kV D/C 'C' type towers at 132kVRoorkee-Laksar line & 132kV RKE-MNG Line	Others	0.77	31/03/2019
10	Extension of 220 kV S/s (S/s) PiranKaliyar	REC9218	9.18	31/10/2018
11	132 kV S/C link line between 132 kV S/s Purkul and Bindal	REC IV	5.96	31/03/2019
12	Augmentation of 220 kV S/s Jhajhra from 2x40 MVA to 2x80 MVA	REC9665	6.34	31/03/2019

S.No.	Name of the Scheme	Scheme	Amount proposed to be capitalized	Expected Date of Completion
13	Augmentation of 220 kV Substation SIDCUL Haridwar from 2x80 MVA (132/33 kV)+1x50 MVA (220/33 kV) to 2x80 MVA (132/33 kV)+1x50 MVA (220/33 kV)+1x25 MVA (220/33 kV) and Construction of 01 No.of 220 kV T/F Bay, 01 N0. 33 kV T/F Bay & 02 N0. of 33 kV feeder Bay	REC8851	2.96	31/03/2019
14	Installation of 10 MVAR Cap. Bank at 132 kV S/S Manglore	Others	0.26	20/10/2018
Total			**180.79**	

The amount being claimed as capitalization for the current year is as per Form 9.5 submitted along with the Petition. Based on the above details, the revised estimates for capitalization in FY 2018-19 is presented in the table below.

Table 27: Proposed capitalization in FY 2018-19 (INR Crore)

Particular	Approved in MYT Order dt. April 5, 2016	Approved in TO dt. March 21, 2018	Actual (till Sept)	Revised estimate for FY 2018-19
Capitalization	151.71	419.73	108.60	294.81

Based on the proposed capitalization during FY 2018-19 and the closing GFA for FY 2017-18 as per proposed true-up for FY 2017-18, the revised GFA for FY 2018-19 is shown in the table below.

Table 28: Proposed GFA for FY 2018-19 (INR Crore)

S.No.	Particulars	Approved in MYT Order dt. April 21, 2016	Approved in TO dt. March 21, 2018	FY 2018-19
1	Opening GFA for FY 2018-19	1,515.91	1,284.52	1,396.10
2	Addition during the FY 2018-19	151.71	419.73	294.81
3	Deletion during the FY 2018-19	-	-	-
4	Closing GFA	1,667.62	1,704.25	1,691.63

3.3. Operation and Maintenance Expenditure

The Regulation 62(2) of UERC MYT Regulations, 2015 provides the components of O&M expenses:

"The O&M expenses for the nth year and also for the year immediately preceding the Control Period, i.e. FY 2015-16, shall be approved based on the formula given below:-

O&Mn = R&Mn + EMPn + A&Gn

Where –

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

- *A&Gn – Administrative and General Costs for the nth year;"*

Further, the Regulation 62(3) provides the methodology for computation of each of the above components as below:

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

EMPn = (EMPn-1) x (1+Gn) x (1+CPIinflation)

R&Mn = K x (GFAn-1) x (1+WPIinflation) and

A&Gn = (A&Gn-1) x (1+WPIinflation) + Provision

Where -

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

Provided that in case of a transmission licensee is governed by Government pay structure, the Commission may consider allowing a separate provision in Employee expenses towards the impact of VIIth Pay Commission."

3.3.1. Employee Expenses

As provided in the UERC MYT Regulations, 2015, the employee expenses for nth year of the Control Period are calculated as follows:

EMPn = (EMPn-1) x (1+Gn) x (1+CPIinflation)

The table below provides the Consumer Price Index for last 3 years:

Table 29: Consumer Price Index Inflation

Financial Year	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Average	Inflation
FY 2014-15	115	116	117	119	120	120	120	120	119	120	120	120	118.85	
FY 2015-16	121	122	123	124	125	125	126	127	126	126	126	126	124.68	4.91%

Financial Year	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Average	Inflation
FY 2016-17	127	129	130	131	131	131	131	131	130	130	131	131	130.33	4.52%
FY 2017-18	131	131	132	134	135	135	136	138	137	137	136	137	135.00	3.59%
Average														**4.34%**

Thus, it can be observed that average increase in inflation over past three years has been 4.34%.

The Petitioner has already recruited 52 employees in first half of FY 2018-19. The Petitioner plans to add another 213 employees in the second half of FY 2018-19. The status of recruitment proposed for second half of the year is shown in the table below.

Table 30: Status of proposed recruitment in second half of FY 2018-19

S.No	Designation	No of Posts	Status
1	Junior Engineer (E&M)	92	Written examination has been conducted by UKSSSC. The matter is pending before Hon'ble High Court of Uttarakhand, Nanital. The posts are likely to be filled in the current financial year subject to decision of Hon'ble High Court/GoU.
2	Junior Engineer (IT)	7	After written examination, results have been declared. Successful candidates have filed a writ petition before Hon'ble High Court of Uttarakhand, Nanital. However, request has been made to GoU, Energy Department for granting permission for appointment of JE (Civil) and JE (IT). The posts are likely to be filled in the current year subject to approval of GoU.
3	Junior Engineer (Civil)	24	
4	Technician Grade-II (Elec.)	80	Written examination has been conducted by UKSSC. The matter is pending before Hon'ble High Court of Uttarakhand, Nanital. The posts are likely to be filled in the current financial year subject to decision of Hon'ble High Court/GoU.
5	Steno	10	Examination is yet to be conducted by UKSSSC. The posts are likely to be filled in the current year subject to approval of GoU.
6	**Total**	**213**	

Considering the grade wise employee recruitment plan for FY 2018-19 (submitted in Form 8.1 with Petition), the Growth Factorfor FY 2018-19 has been calculated in the table below:

Table 31: Growth Factor (Gn) for FY 2018-19

S.No.	Particulars	FY2017-18	FY2018-19 (Apr-Sep)	FY2018-19 (Oct-Mar)	FY2018-19
1	Opening no .of Employees	775	743	777	743
2	Employees recruited	5	52	213	265
3	Retirement	37	18	5	23
4	Closing no. of Employees	743	777	985	985
5	**Growth Factor (Gn)**				**32.57%**

The Seventh Pay Commission was implemented w.e.f. January 1, 2016 and the salaries were raised to the level of Seventh Pay Commission w.e.f. December 1, 2017. For calculating the impact of increased salaries on account of Seventh Pay Commission, the difference between total salary paid out for months of Nov'17 (Sixth Pay Commission) and Sep'18 (Seventh Pay Commission) was multiplied by 12 (for months of Apr'18 to Mar'19).

Further, arrears paid in FY 2018-19 (as discussed in section 4.3.1) has been added to calculate the total impact of Seventh Pay Commission for FY 2018-19.

Considering the methodology adopted by the Commission in Tariff Order dated March 21, 2018 for projecting revised estimates for FY 2018-19, the Petitioner has escalated the employee expenses approved for FY 2016-17 with CPI inflation for FY 2016-17 and FY 2017-18 and multiplied the same by Growth Factor proposed for FY 2018-19 to arrive at revised estimates of employee expenses. Further, the impact of Seventh Pay Commission has been added to compute the revised estimate for FY 2018-19 as shown in the table below.

Table 32: Revised Estimates for employee expenses for FY 2018-19 (INR Crore)

S.No.	Particular	Approved in MYT Order dt. April 21, 2016	Approved in TO dt. March 21, 2018	Employee expense in FY 2018-19 (Apr-Sep)	Revised estimates for FY 2018-19
1	Net Employee Expenses	95.76	88.27	40.91	92.10
2	Impact of Seventh Pay Commission	19.15	18.72		15.59
3	**Total Employee Expenses**	**114.91**	**106.99**	**40.91**	**107.69**

3.3.2. Repair and Maintenance Expenses

As provided in the UERC MYT Regulations, 2015, the repair and maintenance expenses for nth year of the Control Period are calculated as follows:

R&Mn = K x (GFAn-1) x (1+WPIinflation)

The table below provides the Wholesale Price Index (WPI) for previous years:

Table 33: Wholesale Price Index Inflation

Particular	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	Average
WPI	106.9	112.5	113.9	109.7	111.6	114.9	
Inflation growth		5.20%	1.26%	-3.65%	1.73%	2.92%	**2.33%#**

Average of FY 2016-17 and FY 2017-18

It can be observed that the WPI inflation was positive in past years except FY 2015-16. Thus, it can be considered an outlier and hence has been excluded for calculation of average inflation in past three years. Accordingly, the average WPI inflation for last three years (FY 2015-16 to FY 217-18) was 2.33%.

'GFAn-1' is the closing value of GFA for last year i.e. FY 2017-18 (i.e. the opening value for FY 2018-19). Accordingly, the same has been considered as derived in section 2.2 of this Petition.

The value of K Factor has been has been arrived at by considering the average of ratio of actual R&M expenses and approved opening GFA for immediately preceding three years (FY 2015-16 to FY 2017-18).

Table 34: K Factor for FY 2018-19

Particulars	2015-16	2016-17	2017-18
Opening GFA	1008.23	1111.12	1239.74
Actual R&M Expenses	21.82	23.94	35.45
K Factor	2.16%	2.15%	2.86%
3 year average K Factor			**2.39%**

Accordingly, the value of K Factor has been considered as 2.39%.

The revised estimates for R&M expenses for FY 2018-19 has been shown in the table below.

Table 35: Revised estimates for R&M expenses for FY 2018-19 (INR Crore)

S.No.	Particular	Approved in MYT Order dt. April 21, 2016	Approved in TO dt. March 21, 2018	R&M expenses in FY 2018-19 (Apr-Sep)	Revised estimates for FY 2018-19
1	**R&M Expenses**	**28.26**	**23.05**	**11.65**	**34.20**

3.3.3. Administrative & General Expenses

The Hon'ble Commission had approved the A&G expenses for FY 2018-19 in MYT Order dated April 21, 2016 and thereafter in Tariff Order dated March 21, 2018. Subsequently, the Petitioner submitted the estimate of A&G expenses for FY 2018-19 before Commission vide letter no. 2389/Dire. (Projects)/PTCUL/UERC dated September 26, 2018. The expenses were estimated as Rs. 30 Crore, which includes License Fee of Rs. 8.35 Crore paid to the Commission, security expenditure of Rs. 9.50 Crore and Rs. 12.15 Crore on other heads. The same has been considered as A&G expenses for FY 2018-19, along with the statutory fee for ARR Petition and investment approvals to be paid to the Commission in the year.

Accordingly, the Petitioner prays to the Commission to approve Rs. 30.21Crore towards A&G expenses for FY 2018-19.

Table 36: Revised estimates for A&G expenses for FY 2018-19 (INR Crore)

S.No.	Particular	Approved in MYT Order dt. April 21, 2016	Approved in TO dt. March 21, 2018	R&M expenses in FY 2018-19 (Apr-Sep)	Revised estimates for FY 2018-19
1	**A&G Expenses**	**15.97**	**16.09**	**14.99**	**30.21**

3.3.4. Operation and Maintenance Expenses

Considering the submissions of the Petitioner in the preceding sections, the revised estimates for O&M expenses for FY 2018-19 is shown in the table below.

Table 37: Revised estimates for O&M expenses for FY 2018-19 (INR Crore)

S.No.	Particular	Approved in MYT Order dt. April 21, 2016	Approved in TO dt. March 21, 2018	O&M Expenses in FY 2018-19 (Apr-Sep)	Revised estimates for FY 2018-19
1	Net Employee Expenses	95.76	88.27		92.10
2	Impact of Seventh Pay Commission	19.15	18.72		15.59
3	Total Employee Expenses	**114.91**	**106.99**	**40.91**	**107.69**
4	R&M Expenses	28.26	23.05	11.65	34.20
5	A&G Expenses	15.97	16.09	14.99	30.21
6	**Total**	**159.14**	**146.13**	**67.55**	**172.10**

The Petitioner prays to the Commission to approve the revised estimate for O&Mexpenses for FY 2018-19, as proposed in the table above.

3.4. Interest on Loan

For computation of interest on long-term loans, the closing balance of loans for FY 2017-18 as computed in section 2.4 of this Petition has been considered as the opening loan balance for FY 2018-19. The loan addition has been considered as 70% of the proposed capitalization during the year as per the funding plan for various schemes. As per the UERC MYT Regulations 2015, the loan re-payment has been considered equal to the depreciation for FY 2018-19. The interest cost for FY 2018-19 has been considered as weighted average interest of 11.41% for FY 2017-18. The weightage average interest rate has been calculated by dividing the total interest expenses as per audited accounts for FY 2017-18 (including IDC) by average of opening and closing loan for the year FY 2017-18. The Loan MIS for FY 2017-18 has been submitted as **Annexure-V** of this Petition.The computation of interest charges is provided in the table below.

Table 38: Revised estimates for Interest expenses for FY 2018-19 (INR Crore)

S.No.	Particular	Approved as per MYT Order dt. April 5, 2016	Approved as per TO dt. March 21, 2018	Revised estimates for FY 2018-19
1	Net Normative Loan - Opening	565.34	419.16	484.45
2	Increase or Decrease during the year	106.20	293.81	203.64
3	Less: Repayment of Normative Loan during the year	76.80	71.15	73.69
4	Net Normative Loan - Closing	594.74	641.82	614.40
5	Average Normative Loan	580.04	530.49	549.42
6	Weighted Average Rate of Interest	12.13%	10.08%	11.41%
7	**Interest on Normative Loan**	**70.36**	**53.47**	**62.66**

The Petitioner prays to the Commission to approve the revised estimate for interest expense for FY 2018-19, as proposed in the table above.

3.5. Return on Equity

The computation of Return on Equity (RoE) has been undertaken as per the stipulations of UERC MYT Regulations, 2015. A return on equity of 15.50% has been considered as per the provisions of the UERC MYT Regulations, 2015. The closing equity for FY 2017-18 computed in section 2.6 of the Petition has been considered as the opening equity for FY 2018-19. The equity addition has been considered as 30% of the proposed capitalization during the year as per the funding plan for various schemes. The table below shows the computation of Return on Equity for FY 2018-19.

Table 39: Return on Equity for FY 2018-19 (INR Crore)

S.No.	Particular	Approved as per MYT Order dt. April 5, 2016	Approved as per TO dt. March 21, 2018	Revised estimates for FY 2018-19
1	Equity at the beginning of the year	319.22	248.24	277.78
2	Addition in Equity	45.51	125.92	87.28
4	Closing Equity	364.73	374.16	365.06
5	Average Equity during the year	341.98	311.20	321.42

S.No.	Particular	Approved as per MYT Order dt. April 5, 2016	Approved as per TO dt. March 21, 2018	Revised estimates for FY 2018-19
7	Eligible equity for return	172.67	130.03	321.42
8	Rate of Return on Equity	15.50%	15.50%	15.50%
9	**Return on Equity**	**26.76**	**20.15**	**49.82**

The Petitioner prays to the Commission to allow the Return on Equity for FY 2018-19 as computed in the table above.

In the past Tariff Orders, the Hon'ble Commission has not allowed Return on Equity on entire equity base approved by the Commission in the respective Tariff Orders. The Return on Equity was disallowed to the extent of equity contributed by the Government of Uttarakhand from Power Development Fund, considering that the Power Development Fund was realized from the consumers in form of a cess.

The Hon'ble Appellate Tribunal of Electricity (ATE) in judgement dated May 15, 2015 in R.P. No. 2 of 2015 in appeal No. 163 of 2015 had issued directions to allow the RoE on the amount invested by the State Government, if the amount has not been provided as grant. The relevant extract from the judgement is reproduced below:

*"The Tribunal has upheld the findings of the State Commission in the impugned order but has not given any finding relating to disallowance of ROE on the funds deployed by the State Government from PDF toward capital cost of the project. We feel that the findings of this Tribunal in Appeal no. 189 of 2005 will be applicable to the present case. If the State Commission has not provided the amount as a grant and has invested the amount as equity, **ROE has to be allowed as per the Regulations of the State Commission**. Accordingly this issue is decided in favour of the Petitioner."*

The Additional Secretary vide Letter No 337/I(2)/2011-04-(01)/84/2008 dated February 11, 2011 conveyedthe directions of the Government of Uttarakhand to the Hon'ble Commission thatthe amount contributed by the Government from PDF fund is from the Consolidated fund of the state. Accordingly, the letter asked the Commission to consider the amount as equity and allow the Return on Equity on the said amount to the Petitioner.The same has been submitted has **Annexure-XV** along with this Petition. In view of the same, the Petitioner submits to the Hon'ble Commission that the Return on Equity be allowed on the equity contribution of Government of Uttarakhand. The disallowance is not only restricting the internal surplus generation but also adversely affecting the financial position of the Petitioner and the consequent development of transmission assets. Therefore, PTCUL humbly requests the Hon'ble Commission to consider the proposal with regard to Return on Equity as submitted in this Petition.

3.6. Depreciation

The depreciation has been calculated at the rates specified in theUERC MYT Regulations, 2015. The closing GFA eligible for depreciation for FY 2017-18 has been considered as opening GFA eligible for depreciation for FY 2018-19. The closing GFA has been determined by adding capitalization in the year, net of consumer contribution, grants and subsidies. The depreciation expense has been calculated on average GFA during the year. The revised estimates for depreciation expense for FY 2018-19 has been presented in the table below.

Table 40: Revised estimates for depreciation expenses for FY 2018-19 (INR Crore)

Particular of Asset	Depreciation Rate (%)	Opening GFA (eligible for depreciation)	Addition during the year (net of deposit work & grants)	Closing GFA (eligible for depreciation)	Average GFA	Revised estimates for FY 2018-19
Land (Owned)	0.00%	4.59	1.05	5.64	5.11	-
Land (Lease	3.34%	30.50	6.96	37.46	33.98	1.14

Particular of Asset	Deprecia tion Rate (%)	Opening GFA (eligible for depreciation)	Addition during the year (net of deposit work & grants)	Closing GFA (eligible for depreciation)	Average GFA	Revised estimates for FY 2018-19
Rights)						
Buildings	3.34%	61.29	13.98	75.28	68.29	2.28
Hydraulic Works	5.28%	2.62	0.60	3.21	2.91	0.15
Other Civil Works	3.34%	8.71	1.99	10.69	9.70	0.32
Plant & Machinery	5.28%	669.49	148.85	818.34	743.92	39.28
Lines & Cable Network	5.28%	508.45	116.00	624.45	566.45	29.91
Vehicles	9.50%	0.98	0.22	1.20	1.09	0.10
Furniture and Fixtures	6.33%	2.81	0.64	3.45	3.13	0.20
Office Equipment	6.33%	1.62	0.37	1.99	1.81	0.11
Computers & IT Equipment	15.00%	1.17	0.27	1.44	1.31	0.20
Total		**1,292.24**	**290.92**	**1,583.16**	**1,437.70**	**73.69**

The Petitioner prays to the Commission to approve the revised estimate ofdepreciation expense for FY 2018-19, as proposed in the table above.

3.7. Interest on Working Capital

The Petitioner has considered working capital baseas per Regulation 33(1)(b) of UERC MYT Regulations, 2015 as below:

"In case of hydro power generating stations and transmission system and SLDC, the working capital shall cover:

(i) Operation and maintenance expenses for one month;

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

(iii) Receivables equivalent to two months of the annual fixed charges."

Further, the interest rate on normative working capital loans has been considered in accordance with the Regulation 33 of the UERC MYT Regulations, 2015 - "*Rate of interest on working capital shall be on normative basis and shall be equal to the State Bank Advance Rate (SBAR) of State Bank of India as on the date on which the application for determination of tariff is made*".

Accordingly, the rate of interest has considered as the State Bank of India Benchmark Prime Lending Rate as on July 1, 2018. The screenshot of SBI website is being submitted as **Annexure-XIII** for reference of the Commission in this regard. The table below depicts the revised estimate for Interest on Working Capital for FY 2018-19.

Table 41: Revised estimate for interest on working capital (INR Crore)

S.No.	Particular	Approved as per MYT Order dt. April 5, 2016	Approved as per TO dt. March 21, 2018	Interest on working capital FY 2018-19
1	O & M expenses - 1 month	13.26	12.18	14.34
2	Spares (15% of O&M Expenses)	23.87	21.92	25.82
3	Receivables - 2 months	53.90	32.08	44.50
4	**Total Working Capital**	**91.03**	**66.18**	**84.66**
5	Normative Interest Rate (%)	14.05%	13.70%	13.70%
6	**Normative Interest on Working Capital**	**12.79**	**9.07**	**11.60**

3.8. Non-Tariff Income

The non-tariff income has been estimated to increase by 5% from the non-tariff income forFY 2017-18 (excluding interest on income tax refund) as determined in the true up. Hence, the Petitioner prays that the non-tariff income of Rs 3.57Crorebe approved by the Hon'ble Commission.

3.9. Revenue from Short-term Open Access

The income from open access (PTCUL's share) for first half of FY 2018-19 was Rs. 1.03 Crore, which includes Rs. 0.24 Crore income from medium-term open access. The same has been refunded to UPCL along with income from medium-term open access in FY 2017-18 inbill raised to UPCL for Apr'18. Accordingly, the income from short-term open access is to be considered as Rs. 0.79 Crore for first half of FY 2018-19. Considering that the year-on-year revenue from short-term open access has declined considerably during first half of FY 2018-19, the actual revenue for previous years has not been used to project the revenue from short-term open access for FY 2018-19. The revenue for second half of FY 2018-19 has considered being same as that of first half of the year. Accordingly, the income from short-term open access has been considered as Rs. 1.57 Crore for FY 2018-19. The month wise break-up of income from medium term open access has been provided as **Annexure-XI**.

3.10. Revenue from Medium-term Open Access

The income from medium-term open access (PTCUL's share) for FY 2017-18 and first half of FY 2018-19 was Rs. 0.75 Crore and Rs. 0.24 Crore respectively. The total income from medium-term open access for the said period (Rs. 0.9963 Crore) has been reflected in accounts for first half of FY 2018-19. Against the same, an amount of Rs. 0.9959 was deducted from bill raised on UPCL for Apr'18 in accordance with the Commission's directive in Tariff Order dated March 21, 2018. The difference between income and refund is on account of late payment surcharge recovered from medium-term open access consumer, which has been retained by the Petitioner. Accordingly, amount of Rs. 0.9959 Crore is claimed as expense for FY 2018-19. The month wise break-up of income from medium term open access has been provided as **Annexure-XI**.

3.11. Revenue from Natural ISTS lines

The revenue from Natural ISTS lines has been deducted from proposed revised estimate of ARR of FY 2018-19 in accordance with Petitioner's submission in section 5 of this Petition. The Petitioner prays to the Commission to consider the same.

3.12. Aggregate Revenue Requirement for FY 2018-19

As per the parameters discussed above, the revised estimate for aggregate revenue requirement of PTCUL for FY 2018-19 is summarized in the table below.

Table 42: Approved and Revised Estimate for ARR for FY 2018-19 (INR Crore)

S.No.	Particular	Approved as per MYT Order dt. April 5, 2016	Approved as per TO dt. March 21, 2018	FY 2018-19
1	O&M Expenses			
1.1	*Employee expenses*	114.91	106.99	107.69
1.2	*R&M expenses*	28.26	23.05	34.20
1.3	*A&G expenses*	15.97	16.09	30.21
2	**Total O&M expenses**	**159.14**	**146.13**	**172.10**
3	Interest on Loan	70.36	53.47	62.66
4	Return on Equity	26.76	20.15	49.82
5	Income Tax	-	-	-
6	Depreciation	76.80	71.15	73.69
7	Interest on Working Capital	12.79	9.07	11.60
8	**Total ARR**	**345.85**	**299.97**	**369.87**
9	Add: Medium Term Open Access Charges refunded to UPCL			1.00
10	Add: True-up of previous year including carrying cost	-	(83.43)	(83.43)
11	**Total ARR**	**345.85**	**216.54**	**287.44**
12	Less: Non-tariff Income	2.94	4.41	3.57
13	Less: Income from Short-term Open Access Charges	-	2.84	1.57
14	Less: SLDC Charges	19.51	16.84	15.28
15	**ARR (excluding SLDC)**	**323.40**	**192.45**	**267.02**
16	Less: Revenue from Natural ISTS Lines			20.93
17	**Net ARR**			**246.09**

The Petitioner requests the Hon'ble Commission to approve the revised Aggregate Revenue Requirement of PTCUL for FY 2018-19 as estimated in the table above.

4. Aggregate Revenue Requirement for the Control Period from FY 2019-20 to FY 2021-22

4.1. MYT Framework

The Uttarakhand Electricity Regulatory Commission had specified UERC (Terms & Conditions for Determination of Tariff) Regulations, 2004 separately for Generation, Transmission and Distribution Businesses, which were initially valid for a period of 5 years uptoMay 13, 2009. Subsequently, the applicability of these Regulations were extended until April 30, 2012. Considering the provisions in the Tariff Policy, the Commission replaced the separate Regulations for Generation, Transmission and Distribution with comprehensive MYT Regulations - UERC (Terms and Conditions for Determination of Tariff) Regulations, 2011, having separate sections for Generation, Transmission, Distribution and SLDC for first Control Period of three years staring from April 1, 2013 to March 31, 2016. Thereafter, the Commission specified the UERC (Terms and Conditions for Determination of Tariff) Regulations, 2015 for second Control Period of three financial years from April 1, 2016 to March 31, 2019.

On September 14, 2018, the Commission notified the UERC (Terms and Conditions for Determination of Tariff) Regulations, 2018 for the three-yearControl Period beginning April 1, 2019. The Regulation 4 of the UERC MYT Regulations, 2018states that:

"***4. Multi-year Framework***

The Multiyear tariff framework shall be based on the following:-

a) Business plan submitted by the applicant for the entire control period for the approval of the Commission prior to the beginning of the control period;

b) Applicant's forecast of expected ARR for each year of the control period, based on reasonable assumptions and financial & operational principles/parameters laid down under these Regulations submitted alongwith the MYT petition for determination of Aggregate Revenue Requirement and Tariffs for first year of the control period;

….."

Further, the Regulation 57 of UERC MYT Regulations, 2018 provide that:

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

Aggregate Revenue Requirement, is the sum of:

(a) Operation and maintenance expenses;

(b) Lease Charges;

(c) Interest and Finance Charges on loan capital;

(d) Return on equity capital;

(e) Income-tax;

(f) Depreciation;

(g) Interest on working capital and deposits from Transmission System Users; andAnnual Transmission Charges of Transmission Licensee = Aggregate Revenue Requirement, as above,

Minus:

(h) Non-Tariff Income;

(i) Short-Term Open Access Charges and

(j) Income from Other Business to the extent specified in these Regulations."

Accordingly, the Petitioner is submitting projections of aggregate revenue requirement for each year of the Control period from FY 2019-20 to FY 2021-22 in line with the methodology defined in the UERC MYT Regulations, 2018.

In the subsequent sections of this Petition, the Petitioner has outlined the broad details of the capital expenditure proposed to be undertaken during the Control Period in line with the Business Plan submitted to the Commission for approval. Further, PTCUL has projected the aggregate revenue requirement for each year of the Control Period, considering the audited annual accounts of FY 2017-18 and past years. Further, the approach and assumptions adopted by PTCUL for projection of each parameter is detailed in respective section below.

4.2. Capital expenditure for the Control Period

As submitted in the Business Plan for FY 2019-10 to FY 2021-22 for approval of the Commission, PTCUL is in the process of strengthening its Transmission System to meet the load growth requirement of Uttarakhand and evacuation of power from existing as well as upcoming generating stations.The details of various schemes proposed to be undertaken in the next Control Period has been submitted in the Business Plan Petition. In accordance with the same, the year wise phasing of the capital expenditure and corresponding capitalization during the Control Period FY 2019-20 to FY 2021-22 is provided in the table below.

Table 43: Capital expenditure and capitalization for Control Period (INR Crore)

S.No.	Particular	FY 2019-20	FY 2020-21	FY 2021-22	Total
1	Capital Expenditure				
2	Capitalization	508.50	410.69	878.92	1,798.10

Based on the proposed capitalization during each year of the Control Period, the opening and closing GFA for each year from FY 2019-20 to FY 2021-22 is shown in the table below.

Table 44: GFA for each year of Control Period from FY 2019-20 to FY 2021-22 (INR Crore)

S.No.	Particulars	FY 2019-20	FY 2020-21	FY 2021-22
1	Opening GFA for year	1,691.63	2,200.13	2,610.82
2	Addition during the year	508.50	410.69	878.92
3	Deletion during the year	-	-	-
4	Closing GFA	2,200.13	2,610.82	3,489.74

4.3. Operation and Maintenance Expenses

The Regulation 62(2) of UERC MYT Regulations, 2018 providesthe components of O&M expenses:

"The O&M expenses for the nth year and also for the year immediately preceding the Control Period, i.e. FY 2017-18, shall be approved based on the formula given below:-

O&Mn = R&Mn + EMPn + A&Gn

Where –

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

Further, the Regulation 62(3) provides the methodology for computation of each of the above components as below:

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

EMPn = (EMPn-1) x (1+Gn) x (1+CPIinflation)

R&Mn = K x (GFAn-1) x (1+WPIinflation) and

A&Gn = (A&Gn-1) x (1+WPIinflation) + Provision

Where -

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

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

Accordingly, the Petitioner has projected the O&M expenses for the Control Period.

4.3.1. Employee Expenses

As provided in the UERC MYT Regulations, 2018, the employee expenses for nth year of the Control Period are calculated as follows:

EMPn = (EMPn-1) x (1+Gn) x (1+CPIinflation)

The table below provides the Consumer Price Index for last few years and the average inflation growth.

Table 45: Consumer Price Index Inflation

Financial Year	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Average	Inflation
FY 2013-14	106	107	109	111	112	114	115	116	115	114	114	114	112.20	
FY 2014-15	115	116	117	119	120	120	120	120	119	120	120	120	118.85	5.93%
FY 2015-16	121	122	123	124	125	125	126	127	126	126	126	126	124.68	4.91%
FY 2016-17	127	129	130	131	131	131	131	131	130	130	131	131	130.33	4.52%
FY 2017-18	131	131	132	134	135	135	136	138	137	137	136	137	135.00	3.59%
Average (FY 2014-15 to FY 2016-17)														**5.12%**
Average (FY 2015-16 to FY 2017-18)														**4.34%**

In order to compute 'EMPn-1', the Petitioner has averaged the 'adjusted' employee expenses net of capitalization for FY 2015-16 to FY 2017-18 to arrive at the employee expenses for the median year FY 2016-17. Thereafter, the employee expenses, thus arrived for FY 2016-17 have been escalated by the CPI inflation for past three years (5.12%) and growth factor for FY 2017-18 and FY 2018-19 to arrive at 'EMPn-1', employee expenses for FY 2018-19. The 'adjustment' has been carried out in order to bring the employee expenses for FY 2015-16 to FY 2017-18 at par with Seventh Pay Commission salary levels. The Seventh Pay Commission was implemented w.e.f. January 1, 2016 and the salaries were raised to the level of Seventh Pay Commission w.e.f. December 1, 2017. Arrears were paid out to employees for last quarter of FY 2015-16, FY 2016-17 and first 8 months of FY 2017-18 from Dec'17 to Sep'18. Accordingly, adjustment has been made in employee of past 3 years as shown in the table below.

Table 46: Adjustment in employee expenses for past years for Seventh Pay Commission (INR Crore)

S.No.	Particular	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
1	Arrear due	0.98	5.77	4.87	-
2	Period	Jan'16 to Mar'16	Apr'16 to Mar'17	Apr'17 to Nov'18	-
3	Arrear paid	-	-	6.04	5.58
4	Adjustment for Seventh Pay Commission	3.92*	5.77	(1.17)	-

* Rs. 0.98 Cr has assumed to be impact for each quarter and accordingly impact for whole year is calculated

In accordance with the UERC MYT Regulations, 2018, the Gn (Growth Factor) is considered for computation of the employee expenses. The Petitioner in its submissions in the Business Plan for the third Control Period from FY 2019-20 to FY 2021-22 has submitted the HR Plan. Based on the same, the Petitioner has computed the Growth Factor as shown in the table below.

Table 47: Growth Factor (Gn) for Control Period from FY 2019-20 to FY 2021-22

Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Opening no. of Employees	743	985	1144	1166
Employees recruited	265	173	31	93
Retirement	23	14	9	11
Closing No. of Employees	985	1144	1166	1248
Gn		**16.14%**	**1.92%**	**7.03%**

Considering the above, the projected employee expenses for the Control Period are as shown in the table below.

Table 48: Employee expenses for Control Period from FY 2019-20 to FY 2021-22 (INR Crore)

Particular	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
EMPn-1		87.51	107.07	110.74
Gn		16.14%	1.92%	7.03%
CPI inflation		4.34%	4.34%	4.34%
Employee Expenses (EMPn) = (EMPn-1)x (1+Gn) x (1+CPIinflation)	**100.79**	**122.14**	**129.90**	**145.07**

4.3.2. Repair and Maintenance Expenses

As provided the UERC MYT Regulations, 2018, the repair and maintenance expenses for nth year of the Control Period are calculated as follows:

R&Mn = K x (GFAn-1) x (1+WPIinflation)

The table below provides the Wholesale Price Index (WPI) for past years:

Table 49: Wholesale Price Index Inflation

Particular	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	Average
WPI	106.9	112.5	113.9	109.7	111.6	114.9	
Inflation growth		5.20%	1.26%	-3.65%	1.73%	2.92%	**2.33%#**

Average of FY 2016-17 and FY 2017-18

Thus, it can be observed that the average inflation works out to be 2.33%. Since inflation was negative in FY 2015-16, the same has been excluded for calculating the average.

For calculation of K factor, the Petitioner has taken the average of opening GFA and actual R&M expenses for period from FY 2015-16 to FY 2017-18. The calculations have been shown in the table below.

Table 50: K Factor the Control Period

S.No.	Particulars	FY 2015-16	FY 2016-17	FY 2017-18
1	Opening GFA	1008.23	1111.12	1239.74
2	Actual R&M Expenses	21.82	23.94	35.45
3	K Factor	2.16%	2.15%	2.86%
4	**3 year average K factor**			**2.39%**

Accordingly, the K-factor works out to be 2.39% for the Control Period.

Considering the above factors, the proposed R&M expenses for the Control Period from FY 2019-20 to FY 2020-21 are shown in table below.

Table 51: Repair & Maintenance Expenses for Control Period (INR Crore)

S.No.	Particular	FY 2019-20	FY 2020-21	FY 2021-22
1	Opening GFA	1,691.63	2,200.13	2,610.82
2	K-Factor	2.39%	2.39%	2.39%
3	WPI Inflation	2.33%	2.33%	2.33%

S.No.	Particular	FY 2019-20	FY 2020-21	FY 2021-22
4	**R&M Expenses**	**41.42**	**53.87**	**63.92**

4.3.3. Administrative and General Expenses

As provided in the UERC MYT Regulations, 2018, the administrative and general expenses for nth year of the Control Period are calculated as follows:

A&Gn = (A&Gn-1) x (1+WPIinflation) + Provision

The table below provides the Wholesale Price Index (WPI) for past years:

Table 52: Wholesale Price Index Inflation

Particular	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	Average
WPI	106.9	112.5	113.9	109.7	111.6	114.9	
Inflation growth		5.20%	1.26%	-3.65%	1.73%	2.92%	**2.33%#**

Average of FY 2016-17 and FY 2017-18

Since, inflation for FY 2015-16 was negative; it has not been taken into consideration for calculation of average inflation.

The Commission had approved the A&G expenses for FY 2018-19 in MYT Order dated April 21, 2016 and thereafter in Tariff Order dated March 21, 2018. Subsequently, the Petitioner submitted the estimate of A&G expenses for FY 2018-19 before Commission vide letter no. 2389/Dire. (Projects)/PTCUL/UERC dated September 26, 2018. The expenses were estimated as Rs. 30 Crore, which includes License Fee of Rs. 8.35 Crore paid to the Commission, security expenditure of Rs. 9.50 Crore and Rs. 12.15 Crore on other heads. Accordingly, the same, net of license fee has been considered as 'A&Gn-1'. The 'A&Gn-1'has beenescalateded by WPI Inflation to arrive at expenses for each year of the Control Period. Further, the license and other fee to be paid to the Commission has been added to arrive at total A&G expenses for each year of Control Period.

Considering the above factors, the proposed A&G expenses for the Control Period from FY 2019-20 to FY 2020-21 are shown in table below.

Table 53: Administrative & General Expenses for Control Period (INR Crore)

S.No.	Particular	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
1	WPI Inflation		2.33%	2.33%	2.33%
2	A&Gn-1 (except licensee fee, fee for approval of investment plan and Petition fee)	21.65	22.15	22.67	23.20
3	License fee, fee for approval of investment plan and Petition fee		8.31	9.30	10.46
5	**A&G Expenses**		**30.46**	**31.97**	**33.66**

4.3.4. Operation and Maintenance Expenses

Considering the submissions of the Petitioner in the preceding sections, the proposed O&M expenses for Control Period from FY 2019-20 to FY 2021-22 are shown in the table below.

Table 54: Operation and Maintenance Expenses for Control Period (INR Crore)

S.No.	Particular	FY 2019-20	FY 2020-21	FY 2021-22
1	Employee Expenses	122.14	129.90	145.07
2	R&M Expenses	41.42	53.87	63.92
3	A&G Expenses	30.46	31.97	33.66
4	**Total**	**194.03**	**215.73**	**242.65**

4.4. Interest on Loan

The closing loan balance for FY 2018-19 has been considered as opening loan balance for FY 2019-20.The loan addition for each year has been considered as 70% of the proposed capitalization during the respective year as per the funding plan for various schemes.The normative repayment for each year has been considered equal to the depreciation for that year.The interest cost for the Control Period has been considered as weighted average interest of 11.41% for FY 2017-18. The weightage average interest rate has been calculated by dividing the total interest expenses as per audited accounts for FY 2017-18 (including IDC) by average of opening and closing loan for the year FY 2017-18. The Loan MIS for FY 2017-18 has been submitted as **Annexure-V** of this Petition.

The interest on loan charges for the Control Period from FY 2019-20 to FY 2021-22 are projected in the table below:

Table 55: Interest charges for Control Period (INR Crores)

S.No.	Particular	FY 2019-20	FY 2020-21	FY 2021-22
1	Net Normative Loan - Opening	614.40	876.17	1,045.91
2	Increase or Decrease during the year	355.95	287.48	615.24
3	Less: Repayment of Normative Loan during the year	94.18	117.74	150.79
4	Net Normative Loan - Closing	876.17	1,045.91	1,510.36
5	Average Normative Loan	745.28	961.04	1,278.13
6	Weighted Average Rate of Interest	11.41%	11.41%	11.41%
7	**Interest on Normative Loan**	**85.00**	**109.61**	**145.77**

4.5. Return on Equity

The computation of Return on Equity (RoE) has been undertaken as per the stipulations of UERC MYT Regulations, 2018. A return on equity of 15.50% has been considered as per the provisions of the UERC MYT Regulations, 2018. The closing equity for FY 2018-19 has been considered as the opening equity for FY 2019-20. Further, the equity portion (30%) of the capitalization in each year of the Control Period has been considered as the equity addition in the respective years. The table below shows the computation of Return on Equity for the Control Period.

Table 56: Return on Equity for Control Period from FY 2019-20 to FY 2021-22 (INR Crore)

S.No.	Particular	FY 2019-20	FY 2020-21	FY 2021-22
1	Equity at the beginning of the year *	365.06	517.61	640.81
2	Addition in Equity	152.55	123.21	263.68
4	Closing Equity	517.61	640.81	904.49

S.No.	Particular	FY 2019-20	FY 2020-21	FY 2021-22
5	Average Equity during the year	441.33	579.21	772.65
7	Eligible equity for return	441.33	579.21	772.65
8	Rate of Return on Equity	15.50%	15.50%	15.50%
9	**Return on Equity**	**68.41**	**89.78**	**119.76**

* *Includes equity infused by GoU through PDF*

4.6. Return on equity on account of Power Development Fund

The issue of allowing Return on Equity on equity amount provided by Government of Uttarakhand through Power Development Fund has been raised in previous tariff petitions to the Commission. H0wever, the same was disallowed by the Hon'ble Commission in its Tariff Orders. The Petitioner has now raised the issue before the Commission through a separate Petition submitted to Commission vide letter no. 2666/Dir.(Projects)/PTCUL/UERC dated November 12, 2018. The brief facts of the case are presented below.

- PTCUL has been claiming Return on Equity on funds deployed by GoU out of PDF fund since 2004 but the same has not been considered by the Commission while issuing the Tariff Orders in the previous years. The Commission in its Tariff order had stipulated that:

  "The Petitioner clarified that the equity funds for REC and NABARD Schemes have been received from GoU from the Power Development fund (PDF). The PDF is created out of cess collected by GoU on generation from hydel generating Stations of UJVNL and this fund is utilized for funding of generation and transmission assets. Thus, this amount, in a way, is consumer's money and does not qualify for RoE etc. Further, this cess is included in UPCL's Power Purchase cost for purchase of power from UJVNL, and, hence, passed on to consumers. <u>Any investment from PDF is in a way consumer contribution and would not call for RoE, Depreciation etc. therefore, it would not be appropriate on the part of the Commission to allow return to Petitioner on funds provided by GoU out of money recovered from consumer</u>. The Commission has, therefore, decided not to provide any return on equity utilized for creation of assets funded out of PDF.

- In its MYT Petition for the Control Period FY 2013-14 to FY 2015-16, PTCUL had sought final truing up from FY 2004-05 to FY 2010-11 based on the audited accounts for the respective years. PTCUL had again requested the Commission to provide the Return on Equity on equity amount contributed by Government of Uttarakhand, which included amount contributed through PDF. However, the Commission continued the practice of not allowing equity on the fund contributed out of PDF.

- The Hon'ble APTEL in its Judgement dated May 15, 2015 in matter of RP No. 02 of 2015 in Appeal No. 163 of 2015 had ruled that

  "The Tribunal has upheld the findings of the State Commission in the impugned order but has not given any finding relating to disallowance of ROE on the funds deployed by the State Government from PDF towards capital cost of the project. We feel that the findings of this Tribunal in Appeal no. 189 of 2005 will be applicable to the present case. If the State Commission has not provided the amount as a grant and has invested the amount as equity, ROE has to be allowed as per the Regulations of the State Commission. Accordingly this issue is decided in favour of the Petitioner."

- Accordingly, PTCUL had claimed RoE on equity contribution from GoU through PDF since the FY 2004-05 to FY 2016-17 along-with the carrying cost amounting to Rs. 114.84 Crores in its MYT Petition for the Second Control Period FY2016-17 to FY2018-19. The Hon'ble Commission disallowed the same stating that:

"With regard to the reference of the Order dated May 15, 2015 of Hon'ble ATE in the matter of M/s BHPL and PTC, the Commission reiterates its views expressed at Para 5.3.3 of this Order that the aforesaid Order issued in R. P. No. 2 of 2015 in Appeal No. 163 of 2015 have been issued on a different matter and, accordingly, Return on Equity on the Government contribution from PDF has not been allowed for the past years till FY 2013-14. The Petitioner also submitted that the Order of Hon'ble ATE referred by the Petitioner has been stayed by the Hon'ble Supreme Court of India. Nevertheless, the Hon'ble ATE in its Order had nowhere directed the Commission to reopen the Commission's Orders for the Petitioner for the previous years. Hence, the Commission does not find the claim of the Petitioner in this regard as tenable."

- Subsequently, PTCUL filed a Review Petition dated May 5, 2016, against the Tariff Order issued by the Commission on approval of Business Plan and MYT Petition for FY 2016-17 to FY 2018-19 dated April 5, 2016 before the Commission, challenging the issue.
- The Petitioner submitted that there was an error apparent on record considering the facts recorded in the order of the Hon'ble APTEL and the finding therein because of which the reason of refusal has been against the record causing an error. PTCUL further submitted that the Commission had held that Hon'ble ATE in its Order had nowhere directed the Commission to reopen the Commission's Orders which showed that the Commission itself was considering the matter as per general principle and independently of the same, yet has refused to consider the law and the principle determined by the Hon'ble APTEL by stating that no specific directions were issued to the State Commission to re-open the Commission's order for previous years. PTCUL submitted that no specific directions are required for applying the law of land or the principles determined by the Hon'ble APTEL. Further, no such orders could have been passed in the said matter and the Commission should have considered the same independently as per the clarity given by the Hon'ble APTEL regarding grant of RoE in the said order.
- The Petitioner further submitted that in case the Commission was of the view that the matter was subject to adjudication before the Hon'ble Supreme Court of India and it was not proper to dwell upon the said issue, then in such case it was not proper to have kept the matter in abeyance and not to decide the matter till the decision of the Hon'ble Court but passing a specific and express Order on the issue thereby disallowing the ROE was an apparent error.
- Taking cognizance of the above points the Hon'ble Commission arrived at the opinion that deciding on the issue of Return on equity on PDF while the case is pending in the Supreme Court is barred under Section 11 of the Code of Civil Procedure, 1908 of the Code of Civil Procedure. Accordingly, the Commission also clarified that raising the issue again in the Commission while it is pending in the Hon'ble Supreme Court amounts to Res-Judicata and is not maintainable. The Commission conveyed that it would wait for the Apex Court's Orders on the issue and would decide accordingly. The relevant extract of the Order is reproduced below:

"However, during the hearing on admission of the Petition, the learned counsel of the Petitioner agreed with the view of the Commission to take a view on the issue of RoE on the PDF once the Hon'ble Supreme Court pass its judgment in this matter. Further, deciding on the issue of Return on equity on PDF while the case is pending in the Supreme Court is barred under Section 11 of the Code of Civil Procedure, 1908 of the Code of Civil Procedure. The Section is reproduced hereunder:

> *"No Court shall try any suit or issue in which the matter directly and substantially in issue has been directly and substantially in issue in a former suit between the same parties, or between parties under whom they or any of them claim, litigating under the same title, in a Court competent to try such subsequent suit or the suit in which such issue has been subsequently raised, and has been heard and finally decided by such Court."*

Accordingly, the Commission also clarifies that raising the issue again in the Commission while it is pending in the Hon'ble Supreme Court amounts to Res-Judicata and is not maintainable. The Commission would wait for the Apex Court's Orders on the issue and would decide accordingly."

- The Commission in its Tariff Order dated March 29, 2017 regarding approval of true up for FY 2015-16, Annual Performance Review for FY 2016-17 & ARR for FY 2017-18 had stated as below in respect of this issue:

  "The Commission has gone through the submissions of the Petitioner. The Commission has given its detailed reasons for not allowing the RoE on GoU contribution from PDF in its MYT Order dated April 5, 2016 as well as the Review Order dated July 11, 2016. The Petitioner has not taken recourse applicable to it on the Review Order of the Commission dated July 11, 2016. Hence, the Review Order of the Commission stands attained finality. The Commission finds that the Petitioner has not submitted any new material information that necessitates the revision of the Commission's decision on allowing RoE on GoU contribution from PDF. Hence, the Commission finds the prayer of the Petitioner in this regard as not tenable."

- The same Order was passed by the Commission in Tariff order dated March 21, 2018 on approval of true up for FY 2016-17, Annual Performance Review for FY 2017-18 & ARR for FY 2018-19.

It is pertinent to be highlighted before the Hon'ble Commission that the Petitioner is aggrieved by the contention of the Commission as stated above - "*The Petitioner has not taken recourse applicable to it on the Review Order of the Commission dated July 11, 2016. Hence, the Review Order of the Commission stands attained finality……*", that the Commission has decided the issue without waiting for judgement of the Apex Court.

Now, since the issuing of Judgement of Supreme Court dated May 10,2018 in the matter of Civil Appeal No. 2368-70, all the pending applications have been disposed off, including the amendment application filed by M/s BHPL against order dated May 15, 2015 in R.P No.2 of 2015 in Appeal No. 163 of 2015. Therefore, the above referred Order of Hon'ble APTEL holds and it is humbly requested to the Commission to pass a consequential order in this regard thereby allowing RoE of Rs. 246.67 Crore (including carrying cost) on funds deployed by GoU through PDF since 2004. The computation of the claim is made further in this section.

The Petitioner would like to submit that though the Hon'ble APTEL had issued the judgement in R.P. No. 2 of 2015 in Appeal No. 163 of 2015 in matter of Bhilangana III – Ghansali Line, the observations made by the Hon'ble ATE were generic in nature. The Hon'ble APTEL had laid down principles relating to allowance of RoE, which are equally applicable to the issue under consideration. The relevant extract of the said judgement is reproduced below:

"9… ii) Furthermore, as per the PDF Act, Cess referred to as 'Duty' are the funds collected by the Government for the purpose of the Act on the saleable energy generated from the existing and notified generating Hydro Power Plants of the generating company of the State of Uttaranchal which have been in Commercial operation for over ten years. It is pertinent to note, that the investment made in the project of the Appellant by GoU is not automatically provided for under the Act. The proceeds of the duty collected under the Act are credited to the Consolidated Fund of the State Government. As per the act, these funds remain under the control of the State Government and are utilized by the State Government in carrying out its functions or in the administration of the Act and / or any fund provided by the State Government for development of Hydro Power Projects, development of electricity evacuation System and extension of Transmission System etc. by the State Government or its agency. Therefore, the funds are utilized for Development of Hydro Power Projects in the State Sector, Development of electricity evacuation system and extension of Transmission System etc. and any other purpose which the State Government notifies in the official Gazette from time to time.

iii) Without prejudice, it is submitted that the amount credited in the said fund is from different sources as provided in section 6(2) above out of which funds collected as duty under section 3 are first credited to the consolidated fund of the State Government and the State Government may if the state assembly by appropriation so provides credit so proceeds to the fund after certain deduction as provided in the section 4 of the Act and further section 5 of the Act provides that the State Government after appropriation by State Assembly credit by way of grant, or loans such sum as Government may considered necessarily hence, the fund may comprises of proceeds under section 4 or section 5 or the sums realized by government in out its *function or in administration of the Act or the funds the State Government may provide for evacuation of electricity system and extension of transmission system, the duty collected under section 3 is only a part of the fund and all the sum in said fund is not recovered necessarily from the consumers further, as the duty collected is credited to state consolidated fund any deposit of the duty collected from the consumer would necessarily loose its character as a sum recovered from the consumer. Moreover, section 6(c) is independent of section 6(a) so all the funds for developing transmission would necessarily be credited to PDF fund but that does not imply that the same are under section 6(a). PTCUL is funded by GoU as its owner. PTCUL is entitled to RoE on its equity share capital under the regulation 20 of UERC (Terms & Conditions of Transmission Tariff) Regulation, 2004. The Regulation does not provide for any exemption in awarding RoE on the source of funding by the State Government."*

It is submitted that the principles laid down in the said judgement by Hon'ble ATE were general and cannot be confined only to relate a particular matter. The Hon'ble APTEL in the said order has categorically held that if the amount has been invested by GoU as equity then the RoE has to be allowed as per the Regulations of the State Commission. The Additional Secretary vide Letter No 337/I(2)/2011-04-(01)/84/2008 dated February 11, 2011 conveyedthe directions of the Government of Uttarakhand to the Hon'ble Commission thatthe amount contributed by the Government from PDF fund is from the Consolidated fund of the state. Accordingly, the letter asked the Commission to consider the amount as equity and allow the Return on Equity on the said amount to the Petitioner.The same has been submitted has **Annexure-XV** along with this Petition.

In light of general principle as laid down by Hon'ble APTEL, for grant of RoE, only consideration to be seen is the nature of investment made by the Government and not the source of fund. Thus, the principle applies in the instant issue as well, as the investment made by GoU is by way of equity and not as a grant, and therefore the Petitioner is entitled for RoE as claimed in the tariff Petition.

Further, it is pertinent to note here that the amount contributed by Government of Uttarakhandwas provided against various schemes as equity, as clearly provided in various 'Government Orders' issued by the Government. Also,the said amount received from GoU has been treated as equity in books of accounts, which have been audited by CAG.

PTCUL would also like to submit that in light above submissions, no specific directions are required for applying the law of land or the principles determined by the Hon'ble APTEL. Accordingly, the Commission should consider the same independently as per the clarity given by the Hon'ble APTEL regarding grant of RoE in RP No. 02 of 2015 in Appeal No. 163 of 2015 while considering retrospective effects for previous years as well.

The computation of Return on equity on these schemes is provided in tables below:

Table 57 : Details of Capitalisation as per Accounts of PTCUL (INR Crore)

Particular	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
Nabard Equity	-	-	69.14	93.12	27.87	42.89	12.17	49.42	1.67	1.14
REC Old Equity	3.21	18.86	-	4.61	-	0.02	45.27	64.03	8.98	54.20
REC IV	-	-	-	-	-	-	20.67	22.64	22.85	50.60

Table 58 : Equity Portion of the Schemes and Computation of RoE as per Regulations (INR Crore)

Particular	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
Nabard Equity @19%	-	-	13.14	17.69	5.30	8.15	2.31	9.39	0.32	0.22
REC Old Equity @18%	0.58	3.39	-	0.83	-	0.00	8.15	11.53	1.62	9.76
REC IV @30%	-	-	-	-	-	-	2.93*	6.79	6.86	15.18

Total Equity	0.58	3.39	13.14	18.52	5.30	8.15	13.39	27.71	8.79	25.15
Opening Equity	0	0.58	3.97	17.11	35.63	40.93	49.08	62.47	90.18	98.97
Rate of return	*14.00%*	*14.00%*	*14.00%*	*14.00%*	*14.00%*	*14.00%*	*14.00%*	*14.00%*	*14.00%*	*15.50%*
RoE	**-**	**0.08**	**0.56**	**2.40**	**4.99**	**5.73**	**6.87**	**8.75**	**12.63**	**15.34**

Further, PTCUL requests the Hon'ble Commission to approve appropriate carrying cost on the above computed return on equity as computed below:

Table 59: Return on Equity including Carrying cost (INR Crore)

Particulars	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Opening	0.00	0.09	0.68	3.30	9.00	16.19	25.36	37.97	57.13	82.03	113.22	146.66	190.81	216.95
Addition	0.08	0.56	2.40	4.99	5.73	6.87	8.75	12.63	15.34	18.03	16.38	22.00		
Closing	0.08	0.64	3.07	8.29	14.73	23.06	34.11	50.60	72.47	100.06	129.60	168.66	190.81	216.95
Rate for Carrying Cost	10.25%	10.25%	12.25%	12.25%	12.25%	11.75%	13.00%	14.75%	14.75%	14.45%	14.05%	14.05%	13.70%	13.70%
Carrying Cost	0.00	0.04	0.23	0.71	1.45	2.31	3.87	6.53	9.56	13.16	17.06	22.15	26.14	29.72
Closing bal including Carrying Cost	**0.09**	**0.68**	**3.30**	**9.00**	**16.19**	**25.36**	**37.97**	**57.13**	**82.03**	**113.22**	**146.66**	**190.81**	**216.95**	**246.67**

4.7. Return on Initial Equity corresponding to Value of Assets Vested in PTCUL

PTCUL was incorporated on May 27, 2004 as a separate company under Companies Act, 1956 and assigned separately the business of Transmission of Electricity and State Load Dispatch Centre (SLDC) function in the state of Uttarakhand. The scope of the business, Assets & Liabilities of the said entity and other incidental & consequential matters were laid down in the detailed transfer scheme notified by the Govt. of Uttarakhand vide notification No. 86/1/2004-06(3)/259/2003 dated May 31, 2004 and 87/1/2004-06(3)/259/2003 dated May 31, 2004. In balance sheet as on March 31, 2005, the variation in value of assets and liabilities taken over as on May 31, 2004 amounting to Rs. 188.81 Crore was considered as unsecured loan from State Government by the Company. A meeting was held between UPCL and PTCUL dated May 23, 2018 to finalize various issues pertaining to Transfer Scheme between UPCL and PTCUL. It was decided that the correct approach would be to show the balancing amount as "Capital Reserves" in accordance with the Transfer Scheme. Accordingly, an amount of Rs. 188.80 Crore was transferred from "Other Long Term Liability" to "Capital Reserves" account in accounts for FY 2017-18.

PTCUL had filed its Aggregate Revenue Requirement and Tariff for FY 2004-05 before the Commission on June 8, 2004. The Commission advised PTCUL to fileits ARR application at the timewhen Uttaranchal Power Corporation Limited files its ARR. Accordingly, PTCUL filed its ARR and Tariff proposals for FY 2004-05 & 2005-06 on January 15, 2005. The Commission in its Tariff Order issued on April 25, 2005 in the matter of the said Petition approved a GFA of Rs. 126.34 as on March 31, 2003 and Rs. 163.63 Crore as on March 31, 2005. However, no return on normative equity corresponding to the said amount was allowed in Tariff Order dated

April 25, 2005and the subsequent Tariff Orders. The Commission stated that since PTCUL has not invested any of its own funds for meeting any capital expenditure, the question of claiming return on the same does not arise.

If return is not allowed on the opening value of assets, it would amount to considering the value of assets owned by the company as zero, which is not the case in present context.It may be noted that in states, which have reorganized the electricity sector including Orissa, Andhra Pradesh, Rajasthan, Delhi, etc., book value of equities in successor undertakings was viewed in the context of the overall Financial Restructuring Plan for the sector and respective State Electricity Regulatory Commissions have permitted book values of equity in successor entities to qualify for earning return on equity.

In the state of Uttarakhand itself, the Commission has allowed return on equity to UJVNL, a sister concern of PTCUL, on opening value of assets, though no notification has been issued by the State Government, finalizing the value of assets or allocating of the capital reserves as equity or loan or grant. The Return on Equity on opening value of assets in being allowed to UJVNL for FY 2007-08 onward in line with the Hon'ble APTEL's direction in its judgement in Appeal No. 185 of 2005 dated September 14, 2006. Hon'ble Appellate Tribunal's observations/directions in the said judgement are as follows:

"23. ….The non-specification by the State Government as to the allocation of equity may be for ever so many reasons of State reorganisation or it may take some more time but that cannot be a ground for deprivation of return on the investment made in the generating stations, presently held by appellant, which was held by a larger State, now vested with the Government of Uttaranchal on re-organisation…."

24. The appellant had sought return on equity on 30% of the share capital based/GFA as valued by the Commission. The Commission has assessed the GFA and that being so, the Commission should have allowed RoE at least on that basis….."

….

26. The UP Electricity Regulatory Commission in its earlier proceedings, which is sincebeing followed by Uttaranchal Electricity Commission, has fixed the capital cost/GFA fornine hydro generating plants at Rs. 503.96 crores as seen from Table 5.9, Page 48 of the tarifforder. It is not only just but also appropriate to provide ROE on 30% on the said capital base,being normative equity. If such a portion of ROE on normative basis is not allowed, on thereasoning that the government has not issued a notification or allocation or fixed it either as equity or loan or subsidy or a grant, as already pointed out on a later date, this will not be possible for the Commission to put back the clock or reopen the matter and revise the tariff retrospectively and eventually liability has to be fastened on the new generation of consumers ultimately …….."

The Hon'ble APTEL has laid out general principles for allowing Return on Equity in the said judgement, which are equally applicable in the Petitioner's case. The vesting of assets has taken place consequent to provision of the Electricity Act, 2003 and it is the state, which own the assets throughout.The Commission has already assessed the GFA and that being so, the Commission should allow Return on normative equity corresponding to that GFA. Accordingly, pending finalization of transfer scheme, the Petitioner claims provisional Return on Equity on 30% of the GFA as on March 31, 2005 approved by the Commission, along with carrying cost. The computation for the same are shown in the table below.

Table 60: Return on initial equity corresponding to value of assets vested in PTCUL (INR Crore)

Particulars	**FY06**	**FY07**	**FY08**	**FY09**	**FY10**	**FY11**	**FY12**	**FY13**	**FY14**	FY15	FY16	FY17	FY 18	FY 19
Opening GFA	163.63	163.63	163.63	163.63	163.63	163.63	163.63	163.63	163.63	163.63	163.63	163.63	163.63	163.63
Equity @30%	49.09	49.09	49.09	49.09	49.09	49.09	49.09	49.09	49.09	49.09	49.09	49.09	49.09	49.09
Rate of Return	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	15.50%	15.50%	15.50%	15.50%	15.50%	15.50%	15.50%	15.50%
RoE	**6.87**	**6.87**	**6.87**	**6.87**	**6.87**	**6.87**	**7.61**	**7.61**	**7.61**	**7.61**	**7.61**	**7.61**	**7.61**	**7.61**

Table 61: Return on initial equity along with carrying cost (INR Crore)

Particulars	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY 18	FY 19
Opening	0.0	7.2	15.2	24.3	34.6	46.2	58.9	74.6	93.8	115.8	140.7	168.6	200.4	236.0
Addition	6.9	6.9	6.9	6.9	6.9	6.9	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6
Closing	6.9	14.1	22.1	31.2	41.5	53.0	66.5	82.2	101.4	123.4	148.3	176.2	208.0	243.6
Rate for Carrying Cost	10.25%	10.25%	12.25%	12.25%	12.25%	11.75%	13.00%	14.75%	14.75%	14.45%	14.05%	14.05%	13.70%	13.70%
Average	3.4	10.7	18.6	27.8	38.1	49.6	62.7	78.4	97.6	119.6	144.5	172.4	204.2	239.8
Carrying Cost	0.4	1.1	2.3	3.4	4.7	5.8	8.1	11.6	14.4	17.3	20.3	24.2	28.0	32.9
Closing bal including Carrying Cost	**7.2**	**15.2**	**24.3**	**34.6**	**46.2**	**58.9**	**74.6**	**93.8**	**115.8**	**140.7**	**168.6**	**200.4**	**236.0**	**276.5**

The Petitioner prays to the Commission to allow the Return on initial equity as claimed by the Petitioner. However, the final claim shall be made as and when the final transfer scheme is notified the by the Government.

4.8. Depreciation

The depreciation has been calculated at the rates prescribed by the UERC MYT Regulations, 2018. The closing GFA eligible for depreciation for FY 2018-19 has been considered as the opening GFA for FY 2019-20. Accordingly, the opening GFA for each subsequent year is considered as closing GFA of the preceding year. Further, the addition during each year of the Control Period has been appropriated in various asset classes in ratio of the closing GFA for FY 2017-18. The depreciation expense has been calculated by applying asset wise rate of depreciation provided in UERC MYT Regulations, 2018 on the average GFA for the year, as shown in the tables below.

Table 62: Depreciation expense for FY 2019-20 (INR Crore)

Particular of Asset	Depreciation Rate (%)	Opening GFA	Addition during the year	Closing GFA	Average GFA	Estimated Depreciation expense - FY 2019-20
Land (Owned)	0.00%	5.64	1.81	7.44	6.54	-
Land (Lease Rights)	3.34%	37.46	12.00	49.47	43.46	1.45
Buildings	3.34%	75.28	24.12	99.40	87.34	2.92
Hydraulic Works	5.28%	3.21	1.03	4.24	3.73	0.20
Other Civil Works	3.34%	10.69	3.43	14.12	12.41	0.41
Plant & Machinery	5.28%	818.34	263.45	1,081.79	950.06	50.16
Lines & Cable Network	5.28%	624.45	200.08	824.53	724.49	38.25
Vehicles	9.50%	1.20	0.39	1.59	1.40	0.13
Furniture and Fixtures	6.33%	3.45	1.10	4.55	4.00	0.25
Office Equipment	6.33%	1.99	0.64	2.63	2.31	0.15
Computers & IT	15.00%	1.44	0.46	1.91	1.67	0.25

Particular of Asset	Depreciation Rate (%)	Opening GFA	Addition during the year	Closing GFA	Average GFA	Estimated Depreciation expense - FY 2019-20
Equipment						
Total		**1,583.16**	**508.50**	**2,091.66**	**1,837.41**	**94.18**

Table 63: Depreciation expense for FY 2020-21 (INR Crore)

Particular of Asset	Depreciation Rate (%)	Opening GFA	Addition during the year	Closing GFA	Average GFA	Estimated Depreciation expense - FY 2020-21
Land (Owned)	0.00%	7.44	1.46	8.90	8.17	-
Land (Lease Rights)	3.34%	49.47	9.69	59.16	54.31	1.81
Buildings	3.34%	99.40	19.48	118.88	109.14	3.65
Hydraulic Works	5.28%	4.24	0.83	5.07	4.66	0.25
Other Civil Works	3.34%	14.12	2.77	16.89	15.50	0.52
Plant & Machinery	5.28%	1,081.79	212.77	1,294.56	1,188.17	62.74
Lines & Cable Network	5.28%	824.53	161.59	986.12	905.33	47.80
Vehicles	9.50%	1.59	0.31	1.90	1.75	0.17
Furniture and Fixtures	6.33%	4.55	0.89	5.44	5.00	0.32
Office Equipment	6.33%	2.63	0.52	3.14	2.89	0.18
Computers & IT Equipment	15.00%	1.91	0.37	2.28	2.09	0.31
Total		**2,091.66**	**410.69**	**2,502.34**	**2,297.00**	**117.74**

Table 64: Depreciation expense for FY 2021-22 (INR Crore)

Particular of Asset	Depreciation Rate (%)	Opening GFA	Addition during the year	Closing GFA	Average GFA	Estimated Depreciation expense - FY 2021-22
Land (Owned)	0.00%	8.90	3.12	12.02	10.46	-
Land (Lease Rights)	3.34%	59.16	20.75	79.91	69.53	2.32
Buildings	3.34%	118.88	41.69	160.56	139.72	4.67
Hydraulic Works	5.28%	5.07	1.78	6.85	5.96	0.31
Other Civil Works	3.34%	16.89	5.92	22.81	19.85	0.66
Plant & Machinery	5.28%	1,294.56	455.36	1,749.91	1,522.23	80.37
Lines & Cable Network	5.28%	986.12	345.83	1,331.95	1,159.03	61.20
Vehicles	9.50%	1.90	0.67	2.57	2.24	0.21

Particular of Asset	Depreciation Rate (%)	Opening GFA	Addition during the year	Closing GFA	Average GFA	Estimated Depreciation expense - FY 2021-22
Furniture and Fixtures	6.33%	5.44	1.91	7.35	6.40	0.41
Office Equipment	6.33%	3.14	1.10	4.25	3.70	0.23
Computers & IT Equipment	15.00%	2.28	0.80	3.08	2.68	0.40
Total		**2,502.34**	**878.92**	**3,381.26**	**2,941.80**	**150.79**

4.9. Interest on Working Capital

The Petitioner has considered working capital base as per Regulation 33(1)(b) of UERC MYT Regulations, 2018 as below:

"In case of hydro power generating stations and transmission system and SLDC, the working capital shall cover:

(i) Operation and maintenance expenses for one month;

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

(iii) Receivables equivalent to two months of the annual fixed charges."

Further, the interest rate on normative working capital loans has been considered in accordance with the Regulation 33 of the UERC MYT Regulations, 2018 - "*Rate of interest on working capital shall be on normative basis and shall be equal to the State Bank Advance Rate (SBAR) of State Bank of India as on the date on which the application for determination of tariff is made*".

Accordingly, the rate of interest has considered as the State Bank of India Benchmark Prime Lending Rate as on July 1, 2018. The screenshot of SBI website is being submitted as **Annexure-XIII** for reference of the Commission in this regard. The table below depicts Interest on Working Capital for Control Period from FY 2019-20 to FY 2021-22.

Table 65: Interest on working capital for Control Period (INR Crore)

S.No.	Particular	FY2019-20	FY2020-21	FY2021-22
1	O & M expenses - 1 month	16.17	17.98	20.22
2	Spares (15% of O&M Expenses)	29.10	32.36	36.40
3	Receivables - 2 months	67.51	86.61	107.32
4	**Total Working Capital**	**112.78**	**136.95**	**163.94**
5	Normative Interest Rate (%)	13.70%	13.70%	13.70%
6	**Normative Interest on Working Capital**	**15.45**	**18.76**	**22.46**

4.10. Non-Tariff Income

The non-tariff income has been estimated to increase by 5% for each year of the Control Period from the non-tariff income estimated for FY 2018-19. Accordingly, the non-tariff income for each year of the Control Period is proposed in the table below.

Table 66: Non-Tariff Income for Control Period (INR Crore)

Particular	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Total Non-Tariff Income	**3.57**	**3.75**	**3.94**	**4.13**

4.11. Revenue from Open Access

The revenue from Short-term open access has been estimated to increase by 5% for each year of the Control Period from the revenue from Short-term open access estimated for FY 2018-19. Accordingly, the revenue from short-term open access for each year of the Control Period is proposed in the table below.

Table 67: Income from Short-term open access for Control Period (INR Crore)

Particular	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Income from short-term open access	**1.57**	**1.65**	**1.73**	**1.82**

The Petitioner has not estimated any income from Medium-term open access for the Control Period.

4.12. Revenue from Natural ISTS lines

The revenue from Natural ISTS lines has been deducted from proposed of ARR of each year of the Control Period from FY 2019-20 to FY 2021-22 in accordance with Petitioner's submission in section 5 of this Petition. The Petitioner prays to the Commission to consider the same.

4.13. Aggregate Revenue Requirement for Control Period

As per the parameters discussed above, the aggregate revenue requirement for Control Period from FY 2019-20 to FY 2021-22 is summarized in the table below.

Table 68: ARR for FY 2019-20 to FY 2021-22 (INR Crore)

S.No.	Particular	FY2019-20	FY2020-21	FY2021-22
1	O&M Expenses			
1.1	*Employee expenses*	122.14	129.90	145.07
1.2	*R&M expenses*	41.42	53.87	63.92
1.3	*A&G expenses*	30.46	31.97	33.66
2	**Total O&M expenses**	**194.03**	**215.73**	**242.65**
3	Interest on Loan	85.00	109.61	145.77
4	Return on Equity	68.41	89.78	119.76
5	Depreciation	94.18	117.74	150.79
6	Interest on Working Capital	15.45	18.76	22.46
7	**Total ARR**	**457.06**	**551.62**	**681.43**
9	Add: Income from Medium Term Open Access Charges (to be refunded to UPCL)	-	-	-
10	Add: True-up of previous year including carrying cost	(20.80)	-	-
11	**Total ARR**	**436.26**	**551.62**	**681.43**
12	Less: Non-tariff Income	3.75	3.94	4.13

S.No.	Particular	FY2019-20	FY2020-21	FY2021-22
13	Less: Income from Short-term Open Access Charges	1.65	1.73	1.82
14	Less: SLDC Charges	25.83	26.28	31.53
15	**ARR (excluding SLDC)**	**405.03**	**519.67**	**643.94**
16	Less: Revenue from Natural ISTS Lines	20.93	20.93	20.93
17	**Net ARR**	**384.10**	**498.74**	**623.01**
18	Provision for RoE on initial equity	276.46		
19	Provision for RoE on equity contributed by GoU through PDF	246.67		

5. Revenue from Natural ISTS Lines

The Central Commission vide its Order dated December 11, 2015 in Petition no. 215/TT/2013 has approved a total ATC Rs. 69.60 Crore for FY 2011-12, FY 2012-13 and FY 2013-14 for three natural ISTS lines, i.e. “400 kV S/C Roorkee-Muzafarnagar”, “400 kV S/C Kashipur – Moradabad” and “220 kV S/C Panthnagar – Baikanthpur (Bareilly)” of PTCUL. Further, the Petitioner filed a Petition before CERC - 221/TT/2017 dated October 17, 2017 for determination of Annual Transmission Charges for FY 2014-15 to FY 2018-19.Since, the Tariff Order in matter of said Petition was issued by CERC on June 22, 2018, the tariff for FY 2014-15, FY 2015-16, FY 2016-17 and FY 2017-18 was recovered from PGCIL considering the ARR approved by the CERC for FY 2013-14 in Tariff order dated December 11, 2015, along with ARR for FY 2011-12 to FY 2013-14. The total amount recovered from PGCIL until March 31, 2018 was Rs. 169.18 Crore, net of rebate allowed by PGCIL to DICs, against Rs. 105.52 Crore dueconsidering the ARR approved in Tariff Order dated December 11, 2015 for FY 2011-12 to FY 2013-14 and Tariff Order dated June 22, 2018 for FY 2014-15 to FY 2017-18. The details of amount received from PGCIL for period from October 11, 2017 to March 31, 2018 was submitted to the Commission vide letter no. 252/CE(C&R)/PTCUL/ dated April 23, 2018.

A meeting was held between PTCUL and CTU on August 20, 2018 for joint reconciliation of ISTS charges disbursed by CTU to PTCUL in FY 2017-18. It was agreed that PTCUL would refund an amount of Rs. 64.52 Crore to CTU due to difference between provisional claim and the YTC approved by the CERC in respect of three natural inter-state lines for Tariff Block of FY 2014-15 to FY 2018-19. The said amount was refunded to CTU vide UTR number PUNBR52018103014162039 dated October 30, 2018. It may be noted that the difference between the liabilities shown in audited accounts for PTCUL for FY 2017-18 towards PGCIL (Rs. 63.66 Crores) and the amount refunded to PGCIL (Rs. 64.52 Crores) is on account of rebate allowed by PGCIL on excess amount recovered by PTCUL.

In accordance with the Tariff Order issued by CERC, the amount received by PGCIL against ARR of three natural inter-state lines is to be adjusted against the ARR approved by the State Commission. Accordingly, an amount of Rs. 104.66 Crore (Rs. 169.18 Crore – Rs. 64.52 Crore) be adjusted against the ARR of PTCUL approved by the Commission. However, adjustment of an amount of said quantum in one single year would result in serious cash flow issues for the company. Accordingly, the Petitioner requests to the Commission to allow adjustment over five years from FY 2017-18to FY 2021-22, resulting in an adjustment of Rs. 20.93 Crore in ARR of five years from FY 2017-18 to FY 2021-22.

6. ARR for the Control Period FY 2019-20 to FY 2021-22 in respect of Bhilangana III (Ghuttu)- Ghansali line

6.1. Capitalisation and GFA

The actual expenditure of 220 kV Bhilangana-III – Ghansali Line was Rs. 21.80 Crore against the Commission approved cost of Rs. 21.91 Crore. The Commission in its Order dated April 29, 2013 had held as under:

"It is apparent that only one circuit has been energised and put to use. Taking cognizance of the provisions of the Tariff regulations that any capital expenditure towards creation of an asset is deem fit for capitalization only if that asset is put to use, therefore, the Commission has decided to allow cost of servicing/ARR on only 50% of the capital cost incurred by the Petitioner towards the construction of the 220 kV D/C Bhilangana – IIIGhansali line which shall be recovered from the generator namely Bhilangana-III SHP, the only beneficiary as of now, subject to pro-rata recovery of this cost from other generators as and when they are commissioned and connected with this line.:"

Accordingly, GFA base has been considered as Rs. 10.90 Crore, as approved by the Commission in its Order dated May 6, 2013. The Petitioner also prays the Commission to allow for filing of the revised tariff on charging of the second circuit of this line.

6.2. Means of Finance

The Petitioner has considered debt:equity ratio as 70:30 which is the approved means of finance for REC IV Scheme. Accordingly, opening debt and equity has been considered as Rs. 7.63 Crore and Rs. 3.27 Crore respectively.

6.3. Depreciation

The Petitioner has considered average depreciation rate of 5.28% for determining the depreciation for each year of the Control Period, which works out to be Rs. 0.58 Crore for each year of the Control Period.

6.4. Interest on Loan

The closing loan for FY 2018-19 approved in Tariff order dated March 29, 2017 has been considered as opening loan for FY 2019-20.The repayment has been considered equal to depreciation for the year in accordance withUERC MYT Regulations, 2018. The Petitioner has claimed interest based on the interest rate for REC-IV scheme of 10.83% FY 2017-18. The same has been calculated considering the total interest paid under REC-IV scheme (including IDC) and average of opening and closing loan balance for the scheme. The table below shows the interest charges claimed for each year of the Control Period.

Table 69: Interest on Loan for Bhilangana III (Ghuttu)- Ghansali line for FY 2019-20 to FY 2021-22 (INR Crore)

S.No.	Particular	FY 2019-20	FY 2020-21	FY 2021-22
1	Net Normative Loan - Opening	3.42	2.84	2.27
2	Increase or Decrease during the year	-	-	-
3	Less: Repayment of Normative Loan during the year	0.58	0.58	0.58

S.No.	Particular	FY 2019-20	FY 2020-21	FY 2021-22
4	Net Normative Loan - Closing	2.84	2.27	1.69
5	Average Normative Loan	3.13	2.56	1.98
6	Weighted Average Rate of Interest on Actual Loan on Annual Basis	10.83%	10.83%	10.83%
7	**Interest on Normative Loan**	**0.34**	**0.28**	**0.21**

6.5. Return on Equity

The opening equity considered by the Commission in Tariff order dated May 6, 2013 has been considered as opening equity for calculation of Return on Equity. The rate of return has been considered as 15.5% in accordance with UERC MYT Regulations, 2018. The table below shows the calculation of Return on Equity for each year of the Control Period.

Table 70: Return on Equity for Bhilangana III (Ghuttu)- Ghansali line for FY 2019-20 to FY 2021-22 (INR Crore)

S.No.	Particular	FY 2019-20	FY 2020-21	FY 2021-22
1	Equity at the beginning of the year *	3.27	3.27	3.27
2	Addition in Equity	-	-	-
4	Closing Equity*	3.27	3.27	3.27
5	Average Equity during the year	3.27	3.27	3.27
7	Eligible equity for return	3.27	3.27	3.27
8	Rate of Return on Equity	15.50%	15.50%	15.50%
9	**Return on Equity**	**0.51**	**0.51**	**0.51**

** Includes equity infused by GoU through PDF*

In the past Tariff Orders, the Hon'ble Commission has not allowed Return on Equity on entire equity base approved by the Commission in the respective Tariff Order. The Return on Equity was disallowed to the extent of equity contributed by the Government of Uttarakhand from Power Development Fund, considering that the Power Development Fund was realized from the consumers in form of a cess.

The Hon'ble Appellate Tribunal of Electricity (ATE) in judgement dated May 15, 2015 in R.P. No. 2 of 2015 in appeal No. 163 of 2015 had issued directions to allow the RoE on the amount invested by the State Government, if the amount has not been provided as grant. The relevant extract from the judgement is reproduced below:

*"The Tribunal has upheld the findings of the State Commission in the impugned order but has not given any finding relating to disallowance of ROE on the funds deployed by the State Government from PDF toward capital cost of the project. We feel that the findings of this Tribunal in Appeal no. 189 of 2005 will be applicable to the present case. If the State Commission has not provided the amount as a grant and has invested the amount as equity, **ROE has to be allowed as per the Regulations of the State Commission**. Accordingly this issue is decided in favour of the Petitioner."*

Consequently, the Commission had allowed the Return on Equity on the 30% of capitalization amount approved for the project for period from FY 2016-17 to FY 2018-19 in Tariff Order dated March 29, 2017. However, no relief was provided to the Petitioner for past years from FY 2011-12 to FY 2015-16. In view of the same, the Petitioner submits to the Hon'ble Commission that the Return on Equity be allowed on the equity contribution of Government of Uttarakhand for period from FY 2011-12 to FY 2015-16. The disallowance is not only restricting the internal surplus generation but also adversely affecting the financial position of the

Petitioner. Therefore, PTCUL humbly requests the Hon'ble Commission to consider the proposal with regard to Return on Equity as submitted in this Petition. The computation for the Return on Equity along with carrying cost is provided in the table below.

Table 71: Return on Equity for Bhilangana III-Ghansali Line for FY 2011-12 to FY 2015-16 (INR Crore)

S.No.	Particular	FY12	Fy13	FY14	FY15	FY16
1	Eligible equity for return	3.27	3.27	3.27	3.27	3.27
2	Rate of Return on Equity	15.50%	15.50%	15.50%	15.50%	15.50%
3	Return on Equity	0.51	0.51	0.51	0.51	0.51

Table 72: Return on Equity including Carrying cost for Bhilangana III - Ghansali Line(INR Crore)

S.No.	Particular	FY12	Fy13	FY14	FY15	FY16	FY17	FY18	FY19
1	Opening Balance	-	0.54	1.16	1.88	2.69	3.62	4.12	4.69
2	Addition	0.51	0.51	0.51	0.51	0.51	-	-	-
3	Closing balance	0.51	1.05	1.67	2.39	3.20	3.62	4.12	4.69
4	Average Balance	0.25	0.79	1.42	2.13	2.95	3.62	4.12	4.69
5	Carrying cost rate	13.00 %	14.75 %	14.75 %	14.45 %	14.05 %	14.05 %	13.70 %	13.70 %
6	Carrying cost	0.03	0.12	0.21	0.31	0.41	0.51	0.56	0.64
7	**Total Closing balance incl. carrying cost**	**0.54**	**1.16**	**1.88**	**2.69**	**3.62**	**4.12**	**4.69**	**5.33**

6.6. Operation & Maintenance (O&M) expenses

In accordance with methodology adopted by the Commission in Tariff Order dated March 29, 2017, the O&M expenses for the Control Period have been projected considering the O&M expenses approved by the Commission for FY 2018-19 as base expenses for FY 2019-20 to FY 2021-22. While, projecting the expenses, inflation has been considered based on past 3 years' CPI and WPI data (55% WPI inflation and 45% CPI inflation), which works out to be 3.23%. The table below shows the O&M expenses proposed for the Control Period.

Table 73: O&M Expenses for Bhilangana III (Ghuttu)- Ghansali line for FY 2019-20 to FY 2021-22 (INR Crore)

S.No.	Particular	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
1	O&M Expenses	0.25	0.26	0.27	0.28

6.7. Interest on Working Capital

The Petitioner has considered working capital base as per Regulation 33(1)(b) of UERC MYT Regulations, 2015 as below:

"In case of hydro power generating stations and transmission system and SLDC, the working capital shall cover:

(i) Operation and maintenance expenses for one month;

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

(iii) Receivables equivalent to two months of the annual fixed charges."

Further, the interest rate on normative working capital loans has been considered in accordance with the Regulation 33 of the UERC MYT Regulations, 2018:

"*Rate of interest on working capital shall be on normative basis and shall be equal to the State Bank Advance Rate (SBAR) of State Bank of India as on the date on which the application for determination of tariff is made*".

Accordingly, the rate of interest has been considered as the State Bank of India Benchmark Prime Lending Rate as on July 1, 2018. The screenshot of SBI website is being submitted as **Annexure-XIII** for reference of the Commission in this regard. The table below depicts Interest on Working Capital for Control Period from FY 2019-20 to FY 2021-22.

Table 74: Interest on Working Capital for Bhilangana III (Ghuttu)- Ghansali line for FY 2019-20 to FY 2021-22 (INR Crore)

S.No.	Particular	FY 2019-20	FY 2020-21	FY 2021-22
1	O & M expenses - 1 month	0.02	0.02	0.02
2	Spares (15% of O&M Expenses)	0.04	0.04	0.04
3	Receivables - 2 months	0.24	0.23	0.22
4	**Total Working Capital**	**0.31**	**0.30**	**0.28**
5	Normative Interest Rate (%)	13.70%	13.70%	13.70%
6	**Normative Interest on Working Capital**	**0.04**	**0.04**	**0.04**

6.8. Annual Transmission Charges (ATC) of 220 kV D/C Bhilangana-III – Ghansali Line

Based on the parameters discussed in the above paragraphs, the Projected Aggregate Revenue Requirement (ARR) of 200kV D/C Bhilangana-II-Ghansali Line for each year of FY 2019-20 to FY 2021-22 is provided in table below:

S.No.	Particular	FY 2019-20	FY 2020-21	FY 2021-22
1	O&M Expenses	0.27	0.28	0.28
3	Interest on Loan	0.34	0.28	0.21
4	Return on Equity	0.51	0.51	0.51
5	Depreciation	0.58	0.58	0.58
6	Interest on Working Capital	0.04	0.04	0.04
7	**ARR**	**1.46**	**1.40**	**1.30**
8	Less: Non-tariff Income	-	-	-
9	Add: True up of previous years including carrying cost	5.33	-	-
10	**Net ARR**	**6.79**	**1.40**	**1.30**

7. Compliance of Directives

The Commission had issued several directives to PTCUL in Tariff order for True up for FY 2016-17, Annual Performance Review for FY 2017-18 and ARR for FY 2018-19 dated March 21, 2018. The below table shows the status of compliance to the directives.

Table 75: Compliance to directives issued in Tariff order dated March 21, 2018

Directive No.	Issue	Directive	Status of Compliance
5.1.1	Electrical Inspector Certificate	*The Petitioner is further directed to submit the Electrical Inspector Certificates for all the assets claimed for capitalisation during the respective year with proper cross referencing as part of the Petition.*	The electrical inspector certificates for all completed projects claimed for capitalization are being submitted to the Hon'ble Commission along with this Petition. The certificates have been cross-referenced as required by the Hon'ble Commission.
5.1.2	Capital cost of transferred assets	*The Commission directs the Petitioner to get the Transfer Scheme finalised and submit the same to the Commission along with its Petition for Annual Performance Review of FY 2018-19.*	It is humbly submitted to the Hon'ble Commission that various meetings and correspondence have been done between UPCL & PTCUL regarding Transfer Scheme. A Draft policy has also been submitted to UPCL for finalization. UPCL has informed that the Transfer scheme between UPCL & PTCUL shall be finalized only after the finalization of Transfer Scheme between UPPCL (UP Govt.) and UPCL (Uttarakhand Govt.)
5.1.3	SLDC Charges	*The Commission directs PTCUL to submit a final compliance report on ring fencing of SLDC while filing the Annual Performance Review for FY 2018-19.*	The Hon'ble Commission was apprised of the progress in this regard vide letter no letter No. 1800/HR&Adm./PTCUL/G-10 dt.September 9, 2018. In 63rd Board meeting, the Board had given directions to approach advisors for strengthening of SLDC and its ring fencing, preferably PGCIL/POSOCO ex-employees. As per the directions of Board in 63rd BoD Meeting a team of officers from SLDC & HR visited SLDC, Lucknow and POSOCO, New Delhi to gather information on functional requirements of SLDC and study the manpower requirements for same. On the basis of above inputs, the manpower structure of SLDC is being reframed with specific focus on emerging role of SLDC as market operator and the structure shall be again put up before PTCUL BoD for necessary approval. It was also submitted that the six-member committee formed for Ring Fencing of SLDC was re-constituted due to retirement of Shri A.K. Sharma, Director (Projects), PTCUL and transfer of Shri Amit Kumar Singh, Executive

			Engineer, PTCUL. A meeting was of the said committee was held on October 5, 2018. The discussions in the said meeting included necessity of ring fencing, approach being followed in other states and actions required for ring fencing of SLDC. As an initial step towards Ring Fencing of SLDC the space for the officials of SLDC (existing and proposed) is being searched within the building of PTCUL. Considering that, the matter involves a policy decision and various aspects of Ring Fencing viz. building, site, finance, staff structure etc. have to be taken consideration, a time extension was sought from Commission in this regard.
5.1.4	Capitalisation of partially completed schemes	*The Commission cautions the Petitioner to mend its affairs and ensure that all the information required to be submitted in accordance with the Tariff Regulations is furnished along with its Tariff Petitions for the ensuing years.*	The details as required by the Hon'ble Commission are being submitted in the requisite formats for the perusal of the Hon'ble Commission.
5.1.5	Additional Capitalisation beyond the cutoff date	*The Petitioner is directed to submit the justification of claiming any additional capitalisation in accordance with the Regulations for FY 2017-18 onwards in the Petition, failing which any claim of the Petitioner towards the additional capitalisation will not be allowed.* *The Commission directs the Petitioner to make realistic estimates of the project cost while approaching the Commission for Investment Approval.*	The detailed justification for additional capitalization is being submitted in **Form 9.8** as part of the Petition for the perusal of the Hon'ble Commission.
5.1.7	Frequent Grid Failures	*The Commission directs PTCUL to submit report on the major incident, if any, occurring in future in accordance with Clause 10 of the License no. 1 of 2003.*	The details of any major incident are shared with the Hon'ble Commission on a regular basis. The latest replypertaining to power failure in Garhwal Region (Srinagar dt. June 1, 2018 and June 22, 2018 and Dehradun dt. July 11, 2018) was submitted to the Commission vide letter No. 1634/ Dir.(Projects)/ PTCUL/ UERC dt. July 18, 2018 along with the remedial measures undertaken by PTCUL.
5.1.8	Transmission System Availability	*The Commission directs the Petitioner to submit the Availability of its AC System along with the SLDC Certification for the same, during every truing up exercise.*	The certificate for availability from SLDC for FY 2016-17 was submitted to the Commission vide letter No. 232/CE(C&R)/PTCUL/ dt.April 12, 2018. The certificate for availability from SLDC for FY 2017-18 is being submitted along with the MYT Petition

			as Annexure-XIV.
5.1.9	Submission of Completed Cost	*The Commission once again directs the Petitioner to ensure timely submission of the completed cost of the project alongwith the scheduled CoD, actual date of commissioning and actual IDC incurred within 30 days of CoD of the projects/works failing which the Commission would be constrained to restrict the executed cost of the project equal to the approved cost and no true up of any cost/time overrun would be allowed. Further, with regard to capitalization during FY 2017-18, the Petitioner is directed to submit projectwise above mentioned details alongwith duly filled Form 9.5 prescribed in the UERC Tariff Regulations, 2015 having instances of time over run and/or cost over run within 30 days from the date of issue of Order.*	It is submitted to the Hon'ble Commission that the said information has already been submitted vide Letter No. 1292/ Dir.(Projects)/PTCUL/ARR dt. June 6, 2018. Further information was submitted vide letter no. 1918/Dir. (Projects)/PTCUL/ARR dated August 9, 2018. Vide letter no. 963/Dir.(Projects)/PTCUL/ARR dt. May 8, 2017, the Petitioner had requested the Commission to allow a time of three months for submission of Form 9.5 in view of reasons enlisted in the said letter. Accordingly, it is requested that a time of 90 days may be allowed for submission of Form 9.5 in respect of completed projects.
5.1.10	Submission of consistent information in proper format	*The Commission directs the Petitioner to be consistent in the information to be submitted before the Commission otherwise the Commission shall take it as a deliberate attempt by the Petitioner to mislead the Commission and take action, accordingly, in accordance with the provisions of the Act.*	The details as required by the Hon'ble Commission are being submitted in the requisite formats for the perusal of the Hon'ble Commission.
5.1.11	Separate accounting of Open Access Charges	*The Petitioner is hereby directed that the transmission charges recovered from short term open access customers shall be shown separately as a separate head of income in the ARR/Tariff filings for subsequent years. Further, the Petitioner is also directed to refund the transmission charges collected from long term/medium term open access customers to UPCL and show this amount as a separate expense head in its ARR/Tariff filings from next year onwards rather than reducing it from its revenue.*	The directive of the Commission is being complied with. The transmission charges recovered from Short-term, Medium-term and Long-term Open Access charges are being shown separately in PTCUL's books of accounts and financial statements. The transmission charges received from Medium-term Open Access consumers in FY 2017-18 and FY 2018-19 (till Apr'18) have been refunded to UPCL in bill raised in Apr'18 and the amount is shown as a separate expense head in ARR. In addition, the transmission charges recovered from Short-termOpen Access consumers have been shown separately as a separate head of income in the ARR. April'18 bill raised to UPCL has been attached as **AnnexureXII (A)**.
5.1.12	Estimates of Project Cost for Investment	*The Commission directs the Petitioner to make realistic estimates of the project cost while*	The estimates of project cost are prepared by the DPR and Costing wing of PTCUL. It is ensured that the estimates are prudent and

	Approvals	*approaching the Commission for Investment Approval.*	realistic. It shall be ensured that the said directive of the Commission is complied with, while submitting Investment Approval for all future projects.
5.1.15	Uniformity in Loan balances and interest in audited accounts and Loan MIS	*The Petitioner is directed to ensure consistency in the loan balances and the interest amount as per the audited accounts vis-à-vis its Loan MIS in all its tariff petitions in future*	The loan balance and interest amount in the audited accounts and MIS for FY 2017-18 are consistent. The relevant details of loan repayment and interest amount paid as per the audited accounts is being submitted in Form 15.1 and Form 15.2 along with the Petition. Further, both audited accounts and loan MIS for FY 2017-18 are being submitted with the Petition.
5.1.16	ATC of Natural ISTS lines of PTCUL	*In this regard, the Petitioner is directed to pursue the matter with CERC and claim the tariff along with the carrying cost on the same. The Petitioner in this regard is required to submit quarterly progress report before the Commission and also book it separately in its accounts as and when, it receives the amount.*	The information pertaining to amount received from PGCIL in respect of three Natural ISTS lines from October 11, 2017 to March 31, 2018 was submitted to the Commission videletter No. 252/CE(C&R)/PTCUL/ dt. April 23, 2018. It was also submitted that PTCUL has separately booked the ISTS charges for the fund received from PGCIL in its books of accounts. The books of accounts are being submitted along with the Petition for perusal of the Commission. It is intimated that the excess amount received by PTCUL has been refunded to the PoC account of CTU vide UTR No. PUNBR52018103014162039 on October 30, 2018.
5.1.17	Incentive paid to the employees	*The Petitioner is directed to maintain separate details for the same and submit to the Commission the amount relating to the same every year in its Petition.*	The directive is being complied with and the relevant details of incentive amount along with other employee cost details are being submitted as Format 8.1.
5.2.1	Hiring of taxies vis-à-vis entitled reimbursement	*On the other issues regarding, prima facie, high cost of hiring of taxies vis-à-vis entitled reimbursement as per GoU Order, the Commission directs PTCUL to submit the details of vehicles taken on hire including the process of hiring the same along with the details of employees to whom such vehicles have been allotted within one month of the date of Order. PTCUL's BoD is also directed to explore as to why Government G.O. regarding conveyance is not adopted by it and submit the report within 3 months of the date of Order so as to ensure savings in overall costs.*	The GO of the State Government no. 65/ IX-1/2013/215/2011 dated January 17, 2013 regarding hiring of vehicles was adopted after the approval of BoD vide OM No. 1024/HR &Admn/PTCUL/A-4 dated July 19, 2014. The details of vehicles taken on hire along with details of employees to whom the vehicles have been allotted were submitted to the Commission vide letter 837/ Dir.(Projects)/PTCUL/ARR dated May 8, 2018.

5.2.2	Employee expenses	*The Commission also directs the Petitioner to separately maintain the details of employee expenses for UITP & non-UITP projects.*	The Employee expenses of UITP & non-UITP are being maintained separately by PTCUL. The consolidated monthly trial balances for FY 2017-18 and FY 2018-19 (till Sep'18) for 400kV Srinagar project is being submitted as **Annexure XII (B)**.
5.2.3	R&M expenses	*However, the Petitioner is directed to separately maintain the details of R&M expenses for UITP & non-UITP projects.*	The R&M expenses of UITP & non-UITP are being maintained separately by PTCUL. The consolidated monthly trial balances for FY 2017-18 and FY 2018-19 (till Sep'18) for 400kV Srinagar project is being submitted as **Annexure XII (B)**.
5.2.4	A&G expenses	*The Commission directs the Petitioner to separately maintain the details of A&G expenses for UITP & non-UITP projects.*	The A&G expenses of UITP & non-UITP are being maintained separately by PTCUL. The consolidated monthly trial balances for FY 2017-18 and FY 2018-19 (till Sep'18) for 400kV Srinagar project is being submitted as **Annexure XII (B)**.
5.2.5	Separate details paid as arrears of VII Pay Commission	*However, the Petitioner is directed to maintain separate details of the amount paid as arrears to its employees on account of implementation of the recommendations of VII Pay Commission.*	The detail of arrears paid for 7th pay Commission have been maintained separately. The details of month wise arrears paid to employees is being submitted as **Annexure XII (C).**

8. Prayers

The Petitioner respectfully prays the Hon'ble Commission to:

1. Admit the accompanying MYT Petition;
2. Grant an expeditious hearing of the Petition;
3. Approve true-up of expenses and revenue for FY 2017-18 based on the audited accounts of the said year;
4. Approve Review of Aggregate Revenue Requirement for FY 2018-19;
5. Approve various controllable and uncontrollable parameters for the upcoming Control Period from FY 2019-20 to FY 2021-22 along with ARR for FY 2019-20;
6. Approve the Annual Revenue Requirement for the Control Period FY 2019-20 to FY 2021-22 for 220 kV DC Bhilangana III – Ghansali line along with true-up for previous years as detailed in this Petition for recovery of charges from generators utilizing intrastate lines for inter-state sale of energy;
7. Allow Return on Equity on equity contributed by the Government of Uttarakhand through PDF
8. Allow Return on initial equity corresponding to value of assets vested in PTCUL
9. Allow carrying cost on the revenue gap amount as per the computations and rates provided by the Petitioner;
10. Permit recovery of expenses understated/ not considered in this Petition subsequent to the submission of this Petition;
11. Condone any inadvertent omissions / errors / short comings and permit the applicant to add/change /modify / alter this Petition and make further submissions as may be required at later stages
12. Pass such Orders as Hon'ble Commission may deem fit and proper and necessary in the facts and circumstances of the case, to grant relief to the Petitioner.