

Before

UTTARAKHAND ELECTRICITY REGULATORY COMMISSION

In the Matter of:

Approval of Capital Investment under Para 11 of the Transmission and Bulk Supply License [License No. 1 of 2003].

In the Matter of:

Power Transmission Corporation of Uttarakhand Limited

Applicant

AND

In the Matter of:

Application No. 813/PTCUL/MD/UERC dated 18.05.2009 for approval of PS (EHV) **REC-V** filed by Power Transmission Corporation of Uttarakhand Limited

Coram

Shri Jag Mohan Lal Chairman

Date of Order: 12th December, 2011

ORDER

The Petitioner, PTCUL has submitted a proposal for capital investment vide their Application No. 813/PTCUL/MD/UERC dated 18.05.2009 to the Commission for approval under Para 11 of Transmission and Bulk Supply License [License No. 1 of 2003].

2. The investment proposal of the Petitioner comprises of substation works, both new and for augmentation, and the associated line works.
3. The Petitioner in its said proposal submitted the Detailed Project Report of REC-V, which involves a capital investment (including IDC) of Rs. 108.40 crore. This proposal had various deficiencies, lack of consistency and was found incomplete. The Petitioner was informed by the observations made on the proposals and asked to submit with the modifications rectifying all the deficiencies pointed out in the Commission's letter dated 29.05.2009.

4. The Petitioner further submitted its modified proposal vide letter no. 945/PTCUL/MD/UERC dated 03.07.2009 for REC-V with the estimated capital investment (including IDC) of Rs 177.49 crore . Funding of this capital cost has been proposed through 70% debt and 30% equity, which according to the Petitioner translates to Rs. 124.24 crore as debt component and balance amount as equity of Rs. 53.25crore. The investment of Rs 177.49 crore has been duly approved by the Petitioner’s Board.
5. During the course of proceedings, the Petitioner vide letter dated 01.04.2011 submitted revised cost estimates of the scheme without changing the number & nature of the projects within the scheme. Based on the aforesaid submission, the revised cost of the scheme works out to Rs. 150.69 crore which as per the Petitioner translates into Rs. 45.21 crore of the equity component and Rs. 105.48 crore of the debt component. However, against the above loan assistance proposed by the Petitioner, REC vide its letter no. REC/T&D/816 dated 09.09.2010 considered the cost under REC-V scheme as Rs.137.94 crore and accordingly, sanctioned a loan of Rs.96.56 crore. REC has also agreed to consider additional loan assistance upto the ceiling of 20% in case of any cost escalation of the scheme. Comparing the overall cost proposed by the Petitioner against the revised DPR of Rs.150.69 crore with the total cost considered by REC leaves a gap of Rs.12.75 crore. The revised cost estimate submitted by the Petitioner and the overall cost considered by the REC alongwith the capital structure comprising of debt & equity has been presented in the Table 1 given below:

Table 1: Details of projects proposed under REC-V Scheme

Sl. No.	Particulars	Revised proposal sent to REC (as per DPR)(Rs. Lakhs)	Considered by REC (Rs. Lakhs)
1	2 No. 132 kV Bay at 132 kV S/s Purkul & Bindal	210.08	201.92
2	220/132 kV S/s Mahuakheraganj	11987.46	11090.06
3	LILO of 132 kV Kashipur-Thakurdwara line at 220/132 kV S/s at Mahuakheraganj	454.99	386.40
4	220 kV DC line from 400 kV S/s Kashipur to 220 kV S/s Mahuakheraganj	1814.79	1537.24
5	2 No. 220 kV Bay at 400 kV S/s Kashipur	601.69	578.30
	Total	15069.01	13793.92
	Equity (30% of above)	4520.70	4138.18
	Debts (70% of above)	10548.31	9655.74

6. The Petitioner has proposed REC's loan assistance at the interest rates under each of the following options as given below:

Option I	Option II
Effective interest rate with reset after every 3 years	Effective interest rate with reset after 10 years
13.50%	14.00%

7. As per the REC's sanction letter, tenure of the loan is 13 years and the Petitioner would pay interest on the loan at the above applicable rate of interest for the entire period of 13 years from the date of release of first installment. However, with regard to repayment of principal there is a moratorium period of 3 years from the 15th day of the month of the disbursement of first installment of the loan.
8. In support of its claim for equity funding, the Petitioner has submitted true copy (duly certified by Company Secretary) of extract of the Minutes of the 23rd Board Meeting of PTCUL wherein the Petitioner's Board has approved Corporation's proposal to consider approval of 70:30 debt equity ratio for these schemes to be funded through 70% loan assistance by REC and balance amount as equity to be funded by GOU. Accordingly, the Petitioner's Board has considered equity funding to the tune of Rs. 53.25 crore which is 30% of the total project cost of Rs. 177.49 crore as per the DPR originally sent to REC for sanction. However, Petitioner has not been able to submit any letter from the Government or any such documentary evidence entailing Government's commitment towards equity funding for the above proposal.
9. The Petitioner has confirmed that the substation works and the associated transmission lines proposed under these EHV projects for assistance under P:SI (Transmission) Category through REC have not been financed or tied up for financial assistance from any other source or lending organization and, thus, there is no duplicate financing for the proposed works.
10. The need for this investment have been assessed by the Petitioner based on the prospective generation and load growth of the areas.
11. Based on the above submissions of the Petitioner, the Commission has no objection to the Petitioner going ahead with this capital investment estimated at Rs. 150.69 crore subject to fulfillment of the following conditions:

- a) All the loan conditions as may be laid down by REC in their detailed sanction letter are strictly complied with. However, the Petitioner is directed to explore the possibility of swapping this loan with cheaper debt option available in the market and accordingly submit details thereof to the Commission within three months of the Order.
- b) Since the overall costs considered by REC for the projects within the scheme as per Table 1 above works out to Rs. 137.94 crore against Rs. 150.69 crore estimated by the Petitioner in its revised submission for these projects, the Petitioner shall, within three month of the Order, submit its reply specifying funding arrangement for the balance cost which works to around Rs. 12.75 crore.
- c) The Petitioner shall, within one month of the Order, submit letter from Government or any such documentary evidence in support of its claim for equity funding agreed by the Government or any other source in respect of the proposed scheme.
- d) After completion of the projects within the scheme, the time line of which has been fixed as 30 months, the Petitioner shall submit the completed cost and financing of each of the works.
- e) The additional cost burden, if any, arising from or out of the cost or time over runs or variation in the scope of implementation of the project and shortfalls in the revenue estimates or on any other account shall not be reflected in the Annual Revenue Requirement of the licensee nor shall be allowed to be passed on to the consumers without specific approval of the Commission.

(Jag Mohan Lal)
Chairman