

**Order on Transmission Tariff
for
Power Transmission Corporation
of Uttarakhand Ltd.
for
2007-08 and 2008-09**

18th March 2008

UTTARAKHAND ELECTRICITY REGULATORY COMMISSION

**1st Floor of Institution of Engineers (I) Building
Near ISBT Majra, Dehradun – 248006**

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Before
UTTARAKHAND ELECTRICITY REGULATORY COMMISSION

Petition No.: 03 of 2007

In the Matter of:

Determination of transmission tariff for the Financial Years 2007-08 and 2008-09 for the intra-state transmission system of Power Transmission Corporation of Uttarakhand Ltd. (PTCUL), the sole transmission licensee in the State.

AND

In the Matter of:

Power Transmission Corporation of Uttarakhand Ltd.
7 B, Vasant Vihar Enclave, Street No. 1, DehradunPetitioner

Coram

Shri V.J.Talwar	Chairman
Shri V.K.Khanna	Member

Date of Order: 18th March 2008

This Order relates to Petition no. 03/2007 (hereinafter referred to as "Petition"), for determination of transmission tariff of Power Transmission Corporation of Uttarakhand Ltd. (hereinafter referred to as "PTCUL" or "Petitioner"), for 2007-08 and

suo-moto proceedings for determination of transmission tariff of PTCUL for 2008-09 under section 62(1)(b) of the Electricity Act, 2003 read with Regulation 56 of Uttaranchal Electricity Regulatory Commission (Conduct of Business) Regulations, 2004, admitted on October 25, 2007. For sake of convenience, this order is divided into following 5 sections

1. Background and Procedural History
2. Petitioner's Submissions
3. Stakeholders' Responses
4. Commission's Approach
5. Scrutiny and Findings

1. Background & Procedural History

Power Transmission Corporation of Uttarakhand Ltd. (PTCUL) is a company wholly owned by the State Government and engaged in the business of transmission of power in the State since 01.06.2004 through its intra-state transmission network operating mainly at voltages 66 kV and above. At present, the sole beneficiary of the transmission system of PTCUL is another Government company namely Uttarakhand Power Corporation Ltd. (hereinafter referred to as "UPCL" or "Distribution Licensee"), the sole distribution and supply licensee in the State. Through a notification dated 31.05.2004, the Government of Uttarakhand vested all the transmission assets of UPCL into PTCUL. The said notification gives the provisional opening values of the assets and liabilities vested with PTCUL as on 01.06.2004 based on the values as on 31.03.2003 shown in UPCL's accounts. Tariff for transmission of electricity through PTCUL's network is required to be determined by this Commission as per section 62(1)(b) of the Electricity Act, 2003 (hereinafter referred to as "Act").

The Commission has notified the following Regulations, which specify tariff setting principles, norms and procedure of tariff setting:

- UERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2004 (hereinafter referred to as "Regulations").
- UERC (Conduct of Business) Regulations, 2004

The Commission issued its previous Tariff Order on July 12, 2006 on the Petition filed by PTCUL for Determination of Transmission Tariff for the year 2006-07.

PTCUL filed its Annual Revenue Requirement and Tariff application for 2007-08 on March 02, 2007 which had numerous deficiencies and was returned on March 23, 2007. The same Petition was re-submitted by PTCUL on May 24, 2007 with replies to certain queries. The Commission vide its letter No. 238/UERC/07 dated June 11, 2007 asked the Petitioner to provide additional information and clarify the position on certain key issues. The Petitioner was asked to submit reply to the Commission's queries within one week's time. In reply to the same, PTCUL submitted some information through its letter no. 1595/MD/PTCUL/UERC dated August 2, 2007.

The information submitted by the Petitioner on August 2, 2007 was again incomplete and the Commission vide its letter no. 502/UERC/07 dated 27.08.2007 asked the Petitioner to remove the deficiencies including submission of the soft copies of the ARR application, provisional balance sheet for 2006-07, sanction letters of financial institutions for various capital projects undertaken by PTCUL.

The Petitioner submitted the critical information required for admission of the application on September 20, 2007. The application was taken on record and admitted as Petition no 03/2007 for further processing on October 25, 2007 and the proposals were notified by the Petitioner in leading newspapers on November 06, 2007 for inviting responses from the stakeholders by November 30, 2007 (copy of notice is enclosed at **Annexure 1**).

The Petitioner also submitted its proposals for truing up of ARR's for the financial year 2004-05, 2005-06 and 2006-07 on March 5, 2008 which have also been considered alongwith the present proceedings.

Copies of the summary of the proposals were also sent to members of the Advisory Committee and the details were made available at Commission's office, its website as well as in the Petitioner's offices.

In accordance with the provisions of Regulation 56(4) of UERC (Conduct of Business) Regulations, 2004 every Licensee is required to submit its Petition for determination of ARR and Tariff for ensuing year by 30th November of each year. While the ARR and Tariff Determination for 2007-08 was under process, the Commission directed the Petitioner to file its Petition for ARR and Tariff Determination for 2008-09 by December 31, 2007. However, the Petitioner did not submit its Petition for ARR and Tariff Determination for 2008-09 even after extension of due date till December 31, 2007. Considering that in case the Petitioner submits its Petition for ARR and Tariff Determination for 2008-09 after issuance of Order on ARR and Tariff Determination for 2007-08, it may lead to revision in tariff again after a short span of 2-3 months which would give rise to uncertainties in the minds of the consumers, the Commission initiated the *suo-moto* proceedings for Determination of PTCUL's ARR and Transmission Tariff for 2008-09 on the basis of information filed by the Petitioner which had been updated

upto September 2007. The public notice inviting comments on *suo-moto* proceedings for ARR and Tariff determination for 2008-09 was published in leading newspapers on January 9, 2008 (copy of notice enclosed at **Annexure-2**) and responses were invited till January 28, 2008.

The Commission received only 2 responses in writing on PTCUL's ARR and Tariff Petition for 2007-08 and *suo-moto* proceedings for 2008-09. The list of respondents who submitted their objections are enclosed at **Annexure-3**.

The Commission held common public hearings on Determination of Generation Tariff, Transmission Tariff and Retail Supply Tariff for 2007-08 and 2008-09 with a view to give adequate opportunity of personal hearing to the objectors in which hearing was held not only on the representations/comments received but an opportunity was also given for open hearing to all the participants, irrespective of whether they had submitted written objections/comments on the tariff application or not at the following places in the State:

Table 1.1: Public Hearing Schedule

Sl.	Place	Date of public hearing
1.	Srinagar	10.01.2008
2.	Almora	16.01.2008
3.	Haldwani	17.01.2008
4.	Ramnagar	19.01.2008
5.	Roorkee	21.01.2008
6.	Dehradun	22.01.2008

The responses received by the Commission were sent to the Petitioner for comments. All the issues raised by stakeholders and the Petitioner's comments on responses are detailed in Section 3 of this Order. All the issues raised by the stakeholders and the Petitioner's comments have been kept in view by the Commission while examining the proposals.

In the meanwhile, based on the information submitted by PTCUL on September 20, 2007, the Commission found that for analyzing the Tariff application submitted by PTCUL additional information was required and there were certain data gaps which were required to be corrected by the Petitioner. In this context, the Commission advised the Petitioner to submit additional information and issued letter no. 718/UERC/07 dated 25.10.2007 which covered the following information/data to be submitted by the

Petitioner:

- Inconsistencies in Figures for Operations & Maintenance (O&M) cost and Non-Tariff Income to be reconciled
- Copy of Provisional Accounts for 2006-07
- Actual Employee, Administrative and General (A&G) and Repairs and Maintenance (R&M) expenses for the first six months of 2007-08 (April to September 2007)
- Actual Scheme-wise Capital Expenditure during first six months of 2007-08 (April to September 2007)
- Preparedness to execute the balance Capital works during 2007-08 in terms of Orders placed and funds tied-up
- Grade-wise number of employees as on March 31, 2007 and September 30, 2007 alongwith break-up of new employees added during the period April to September 2007
- Copy of GoU Rules for Employer's contribution towards Pension & Gratuity and Leave encashment
- Break-up of actual income from Miscellaneous Receipts in 2005-06 and 2006-07
- Actual Transmission loss for last 3 years and for the period April to September 2007

The first technical Validation Session was held with the Petitioner on 30.11.2007. During the Technical Validation session clarifications were sought from the Petitioner on certain issues and it was also advised to submit information on certain other issues which could provide more insight into the Petitioner's Transmission Business. The additional information asked from the Petitioner during this session were as follows:

- Data inconsistency in O&M expenses and Non-tariff income to be rectified
- O&M Expenses Separately for Lines and Bays (Sub-stations)
- Actual O&M Expenses for April to September 2007

- Number of Employees till October 2007 and corresponding employee cost and employees likely to be joining from November 2007 to March 2008 and corresponding employee cost
- Capitalisation of O&M Expenses
- Break-up of actual income from Miscellaneous Receipts
- Revised actual figures of transmission losses considering the energy received at PTCUL receiving end
- Actual Scheme-wise Capital Expenditure during first six months of 2007-08 (April to September 2007) and monthly progress report
- Project-wise Details of Assets Capitalisation
- Preparedness to execute the balance Capital works during 2007-08 in terms of Orders placed and funds tied-up
- Interest capitalised for 2006-07 and for first six months of 2007-08
- Details of loans, interest and repayment computations corresponding to assets capitalised during 2004-05, 2005-06, 2006-07 and during first six months of 2007-08
- Detailed note on the interest during construction for the two major loans from the State Government NABARD (National Bank for Rural Development) and REC (Rural Electrification Corporation) which is not capitalised as per terms of loans
- Detailed note on the reasons for cost over-run of projects under the old REC scheme and actual funding of cost over-runs as the same has not been funded by REC

In response to the queries raised during first technical validation session, PTCUL vide its letter no. 2432/PTCUL/MD/UERC dated December 17, 2007 submitted replies to some of the queries raised by the Commission.

The second round of technical session was held with PTCUL on December 18, 2007 in which Commission emphasized on certain key issues for analysis of the Tariff

Petition as follows:

- Details of R&M expenses separately for lines and bays (Sub-stations)
- Year-wise details of Assets capitalised under different schemes (NABARD, REC-old, REC-new) for 2004-05, 2005-06 and 2006-07 alongwith means of finance details (Loan and equity details)
- Details of interest amount separately for Capitalised and ongoing schemes for NABARD, REC old and REC new schemes and the interest amount chargeable to revenue account and capital account as per the assets capitalised for 2005-06, 2006-07 and 2007-08
- Breakup of cost as per Detailed Project Report (DPR) & actual cost under different schemes alongwith funding details of revised cost
- Copy of latest accounting policies as approved by the Board.

PTCUL replied to the queries raised in the Second Technical Validation Session vide its letter no. 674/PTCUL/MD/R2 dated February 04, 2008. Detailed discussion on each of these submissions is given in subsequent Sections.

2. Petitioner's Submissions

The Petitioner in its Petition has proposed the Annual Transmission Charges (ATC) of Rs. 155.93 Crore for 2007-08 on the basis of the contracted/allocated capacity handled by it. The Petitioner also submitted the revised estimates for the Annual Revenue Requirement (ARR) for 2006-07 as Rs. 69.03 Crore against the approved ARR of Rs. 42.98 Crore for 2006-07. The Petitioner, accordingly, claimed a revenue deficit of Rs. 26.06 Crore for 2006-07 and Rs. 112.95 Crore for 2007-08. The Petitioner has proposed to carry forward the revenue shortfall of Rs. 26.06 Crore for 2006-07 as Regulatory Asset with carrying cost at applicable short-term interest rate of 10.75% per annum, until the Commission permits the same in transmission charges. The Petitioner as regard to revenue deficit of Rs. 26.06 Crore for 2006-07 has further submitted that alternatively, the Commission may consider providing this additional amount to be recovered in part or full in the ARR for 2007-08.

Main features of the Petitioner's submissions in the Petition are summarized hereafter.

2.1 Fixed Assets, Capital Expenditure and Depreciation

The Petitioner has taken the assets finalized in the provisional balance sheet for 2005-06 as the opening value of assets for the 2006-07. Ignoring the Commission's findings on the asset base finalized in the Order dated April 25, 2005. The Petitioner has added the capital projects under NABARD, REC Old, REC New schemes, State Industrial Development Corporation of Uttarakhand Ltd. (SIDCUL) Deposit works and Civil works already commissioned in 2006-07 and proposed to be commissioned during 2006-07 and the 2007-08 in the corresponding years. The Table below shows the value of asset block submitted by the Petitioner:

Table 2.1: Proposed Gross Fixed Assets (Rs. Lakh)

S. No.	Assets Group	2005-06 (Actuals)				2006-07 (Estimated)		2007-08 (Projected)	
		At the beginning of the year	Additions during the year	Adjustments during the year	At the end of the year	Additions during the year	At the end of the year	Additions during the year	At the end of the year
1	Land & Rights	458.65	0.05	0.00	458.70	0.00	458.70	0.00	458.70
2	Buildings	3328.83	0.35	0.00	3329.18	0.00	3329.18	1000.00	4329.18
3	Hydraulic Works	5.37	0.00	0.00	5.37	0.00	5.37	0.00	5.37
4	Other Civil works	158.86	0.00	0.00	158.86	0.00	158.86	812.00	970.86
5	Plant & Machinery	18056.10	2403.34	110.37	20349.07	28666.68	49015.75	17295.71	66311.46
6	Lines & Cable Network	5492.04	458.45	0.00	5950.49	15744.26	21694.75	27253.90	48948.65
7	Vehicles	81.46	7.90	0.00	89.36	0.00	89.36	0.00	89.36
8	Furniture & Fixtures	5.11	19.30	0.00	24.41	0.00	24.41	0.00	24.41
9	Office Equipment	3.97	13.68	0.00	17.65	0.00	17.65	0.00	17.65
	Total	27590.38	2903.06	110.37	30383.06	44410.94	74794.00	46361.61	121155.61

The Petitioner submitted that Depreciation has been computed as per the rates specified in UERC (Terms and Conditions of Transmission Tariff) Regulations, 2004 and for calculation of Depreciation for 2007-08, these rates have been applied on the closing balance of the assets of 2006-07. The Table below shows the depreciation for 2006-07 and 2007-08:

Table 2.2: Proposed Depreciation (Rs. Lakh)

S. No.	Item	Rate of depreciation (%)	2006-07		2007-08	
			Depreciation during the Year	Cumulative Dep. at the end of year	Depreciation during the Year	Cumulative Dep. at the end of year
1	Land and Rights	0.00%	0.00	0.00	0.00	0.00
2	Buildings	3.60%	119.85	1131.79	119.85	1251.64
3	Hydraulic Works	3.60%	0.19	1.02	0.19	1.22
4	Other Civil works	1.80%	2.86	6.86	2.86	9.72
5	Plant & Machinery	3.60%	732.57	7064.62	1764.57	8829.18
6	Lines & Cable Network	2.57%	152.93	3682.50	557.55	4240.05
7	Vehicles	18.00%	16.08	101.59	16.08	117.68
8	Furniture & Fixtures	6.00%	1.46	2.95	1.46	4.41
9	Office Equipment	6.00%	1.06	2.62	1.06	3.67
	Total		1027.00	11993.94	2463.63	14457.57

Hence, the Depreciation proposed by the Petitioner for 2007-08 is Rs. 2464 Lakh.

2.2 Interest & Other Finance Charges

In the Tariff Order for 2005-06, the Commission had approved the Interest and Finance Charges in total for UPCL and PTCUL and allowed the same to be recovered by UPCL. The interest allowed for 2006-07 was Rs. 11.74 Crore as against Rs. 9.66 Crore

now being claimed by the Petitioner. The Petitioner has estimated Interest and Finance charges as Rs. 5199.71 Lakh for 2007-08 on the basis of long term liabilities identified in the Provisional Accounts for 2005-06 and also on the basis of fresh loans drawn till September 2006 and projected loans to be drawn over the remaining period of 2006-07 and during 2007-08 under the Old REC, NABARD and New REC schemes. The Table below shows the Interest and Finance Charges proposed by the Petitioner.

Table 2.3: Proposed Interest & Finance Charges for 2007-08 (Rs. Lakh)

S.no	Source	Opening balance	Receipts	Repayments	Closing Balance	Rate of Interest	Interest
		Rs. Lakh	Rs. Lakh	Rs. Lakh	Rs. Lakh	%	Rs. Lakh
1	Old REC Scheme	13365.35	14124.85	924.34	26565.87	9.75%	1946.65
2	New REC Scheme	12501.70	9706.26	0.00	22207.96	10.25%	1778.87
3	NABARD Scheme	22368.19	1421.34	797.99	22991.54	6.5%	1474.19
	Total						5199.71

2.3 Return on Equity

The Petitioner submitted that the Provisional Transfer Scheme provides for asset base of Rs. 26551.11 Lakh as on 01.06.2004 against secured loans of Rs. 7669.71 which leaves a balance amount of Rs. 18881.40 Lakh as unidentified liability. The Petitioner submitted that its Board has recommended that this unaccounted liability should be identified as GoU's equity contribution and State Government may be issued shares in lieu of this contribution.

The Petitioner is claiming RoE for 2007-08 on the basis of contribution made by Government of Uttarakhand (GoU) in the assets capitalised up to 31.03.2006 since transfer date i.e. 01.06.2004 and on the assets that are likely to be capitalized during the year 2006-07. The provisional accounts for 2004-05 and 2005-06 have been taken as basis for identification of actual assets capitalised during these years. PTCUL submitted that GoU has made regular counterpart equity contributions against capital expenditure under old REC and NABARD Schemes over 2004-05, 2005-06 and 2006-07. Apart from capital works which are funded from the financial institutions, PTCUL has also undertaken system strengthening works and other civil works completely by its resources. The equity contribution considered for the asset capitalisation under various schemes is given below:

Table 2.4: GoU Contribution towards Equity (%age)

S.No.	Heads	Equity Contribution (%)
1	Old REC Scheme	16%
2	New REC Scheme	0%
3	NABARD Scheme	22%
4	APDRP	0%
5	Deposit Works	0%
6	System Strengthening Work Other than Schemes	100%
7	Other Works	100%
8	Kumbh Works	0%

The Table below shows the Equity and Return on Equity estimated by the Petitioner for 2006-07 and projected for 2007-08:

Table 2.5: Proposed Return on Equity (Rs. Lakh)

S.No	Item	2006-07 (Estimated)		2007-08 (Estimated)
		Opening Equity Invested in Assets	Additions	Opening Equity Invested in Assets
1	Old REC Scheme	526.34	76.43	602.76
2	New REC Scheme	0.00	0.00	0.00
3	NABARD Scheme	68.96	6357.15	6426.11
4	Others			
4(a)	APDRP	0.00	0.00	0.00
4(b)	Deposit Works			
4(c)	System Strengthening Work Other than Schemes	26.15	0.00	26.15
4(d)	Other Works	38.68	0.00	38.68
	Total share holders funds	660.13	6433.58	7093.71
5	Rate of return			14%
6	Total return on equity	92.42		993.12

Thus, the Return on Equity has been estimated by the Petitioner for 2007-08 as Rs. 993.12 Lakh.

2.4 Operation & Maintenance (O&M) expenses

The Operation & Maintenance (O&M) expenses comprise of Employee expenses, Administrative & General (A&G) expenses and Repairs and Maintenance (R&M) expenses. Petitioner submissions with respect to each of these elements of O&M expenses are given below.

2.4.1 Employee Expenses

The Petitioner submitted that it plans to implement the new Organization Structure by March 31, 2008 which has already been approved by the Board of Directors

and, hence, the employee expenses have been estimated on the basis of following two parts:

- ? Employee cost for existing 707 employees for 2007-08
- ? Additional employee cost with the implementation of new organization structure.

Employee cost for existing employees

The Petitioner has assumed an increase of 4% in the salary component of employee expenses (basic salary and Dearness Pay) over the estimated salary for 2006-07. As regards Dearness Allowance (DA), the Petitioner submitted that as per the GoU rules, DA is paid to employees as a fixed percentage of the Basic salary and Dearness Pay (DP) and DA is normally hiked twice a year by about 4% in the months of June and January. The Petitioner has considered the DA rate of 33% for April to July 2007, 37% for July to December 2007 and 41% for January to March 2008. The expenses under the heads employer's contribution towards Pension & Gratuity are computed as 19.08% of the Basic Salary, DP and DA as per GoU rules and the Employer's contribution towards leave encashment is computed as 11% of Basic Salary and DP for 2007-08. The employee expenses under other heads have been escalated on normative basis by 4% per annum.

Additional employee cost with the implementation of new organisation structure

For estimating the cost of additional employees, the Petitioner has divided the different heads of employee expenses under two broad categories:

- ? Employee expenses which can be linked to the Pay scale Grades under the heads such as salaries, Dearness Allowance, Employer's Contribution towards pension and Gratuity, Employer's contribution towards leave encashment and Bonus. These expenses have been estimated by considering the increase in number of employees in different pay scale grades.
- ? Employee expenses which cannot be linked to Pay scale Grades under heads such as Other Allowances, Medical Expenses Reimbursement, Employer's contribution towards Employees Provident Fund (EPF) and other cost. These expenses have been estimated by considering the increase in total number of

employees on pro-rata basis.

The following Table shows the summary of employee expenses estimated for 2006-07 and projected for 2007-08:

Table 2.6: Proposed Employee Expenses (Rs. Lakh)

S.No.	Item	2005-06 (Actuals)	2006-07 (Estimated for Existing Employees)	2007-08 (Projected for Existing Employees)	2007-08 (Employee Cost for Additional Manpower)	2007-08 (Total Employee Cost)
1	Salaries	905.63	941.85	979.53	883.80	1,863.33
2	Dearness Allowance	207.09	273.14	284.06	326.71	610.77
3	Other allowances	70.49	73.31	76.24	66.21	142.45
4	Bonus / exgratia	14.86	15.46	16.08	11.69	27.77
5	Medical expenses reimbursement	5.50	5.72	5.94	5.16	11.11
6	Employer's Contribution towards leave encashment	119.90	133.65	138.99	133.16	272.15
7	Payment under Workmen's Compensation Act	0.25	0.26	0.27	0.26	0.53
8	Other Cost	43.18	44.90	46.70	40.56	87.25
9	Employer's contribution towards pension & gratuity & leave encashment	186.51	240.57	250.19	230.97	481.16
10	Employer's contribution towards EPF	25.48	26.50	27.56	23.93	51.49
	Gross Employee cost	1,578.87	1,755.35	1,825.56	1,722.45	3,548.01
	Less: Capitalisation	67.10	0.00	0.00	0.00	0.00
	Net Charge to Revenue	1,511.77	1,755.35	1,825.56	1,722.45	3,548.01

2.4.2 Administrative & General (A&G) expenses

The Petitioner has estimated the A&G expenses separately for existing employees and existing divisions and for new employees and divisions likely to be added during 2007-08. For estimating the A&G expenses for existing employees and existing divisions, the Petitioner submitted that expenditure under heads such as Rents, Rates & Taxes, Insurance, Telephone, postage & Telegrams, Conveyance & Traveling, Electricity & Water Charges and Printing & Stationery are estimated by considering an escalation of 4% per annum. However, the expenditure under remaining heads i.e. Legal charges/registration fees, audit fees, consultancy fees, advertisement and training cannot be estimated on the basis of actual expenditure incurred in previous years and

are linked to business and commercial activities during the year.

For additional employees and new divisions, the Petitioner has estimated the increase in A&G expenses on proportionate basis considering the number of additional employees and additional divisions.

The following Table shows the summary of A & G expenses estimated for 2006-07 and projected for 2007-08:

Table 2.7: Proposed A&G Expenses (Rs. Lakh)

S.No.	Item	2005-06 (Actuals)	2006-07 (Estimates)	2007-08 (Existing Empl. & Divisions)	2007-08 (Increase Due to Addl. Employees)	2007-08 (Increase Due to Addl. Divisions)	2007-08 (Total)
1	Rent, Rates & Taxes	14.33	14.90	15.50	0.00	6.46	21.96
2	Insurance	0.69	0.72	0.75	0.00	0.31	1.06
3	Telephone postage & Telegrams	20.13	20.94	21.77	18.91	0.00	40.68
4	Legal Charges/ Registration Fees	10.71	2.00	2.50	0.00	0.00	2.50
5	Audit Fees	0.60	1.00	2.00	0.00	0.00	2.00
6	Consultancy Charges	5.29	20.00	25.00	0.00	0.00	25.00
7	License Fee	290.91	270.7	276.98	0.00	0.00	276.98
8	Conveyance & Traveling	57.29	59.58	61.96	53.81	0.00	115.78
9	Electricity & water charges	1.11	1.15	1.20	0.00	0.50	1.70
10	Printing & Stationery	11.08	11.52	11.98	10.41	0.00	22.39
11	Advertisement	10.12	20.00	25.00	0.00	0.00	25.00
12	Training Expenses	0.00	0.00	23.57	20.47	0.00	44.03
13	Other expenses	69.48	72.26	75.15	0.00	0.00	75.15
	Total expenses	491.74	494.80	543.36	103.60	7.27	654.23

2.4.3 Repairs & Maintenance (R&M) Expenses

The Petitioner has estimated R&M expenses for 2007-08 under two heads i.e. Routine R&M expenses and Special R&M Expenses. As regards routine R&M expenses, the Petitioner submitted that due to significant proposed additions in its transmission system during 2006-07 and 2007-08, routine R&M expenses during the current and ensuing year would be higher than the previous year and these expenses have been estimated at division level. PTCUL also plans to undertake Special R&M exercise for its old assets for improving the redundancy and reliability of its transmission system. The summary of R&M expenses proposed is given in Table below:

Table 2.& Proposed R&M Expenses (Rs. Lakh)

S.No.	Item	2005-06 (Actuals)	2006-07 (Apr 06-Aug 06, Actuals)	2006-07 (Estimated)	2007-08 (Projected)
1	Plant & Machinery	399.87	140.50	337.20	514.06
2	Buildings	41.96	13.60	32.65	49.77
3	Civil Works	22.04	6.59	15.82	24.11
4	Hydraulic Works	0.00	0.00	0.00	0.00
5	Lines & Cable Network	87.56	62.88	150.91	230.06
6	Vehicles	2.36	18.40	44.16	67.33
7	Furniture & Fixtures	0.04	0.00	0.00	0.00
8	Office equipment	0.20	0.67	1.60	2.44
9	Others	0.00	0.00	0.00	0.00
10(a)	Special R&M Works , Substations	0.00	0.00	0.00	1137.64
10(b)	Special R&M Works , Lines	0.00	0.00	0.00	60.63
	Total expenses	554.02	242.64	582.33	2086.04

2.4.4 Total Operation & Maintenance (O&M) Expenses

The total O&M expenses estimated by the Petitioner for 2006-07 and 2007-08 are tabulated below:

Table 2.9: Proposed Operations & Maintenance (O&M) Expenses (Rs. Lakh)

S.No	Particulars	2005-06 (Actuals)	2006-07 (Estimated)	2007-08 (Projected)
1	Employee Cost	1,511.77	1,755.35	3,548.01
2	Administrative & General Expenses	491.74	494.80	654.23
3	Repairs & Maintenance Expenses	554.02	582.33	2086.04
Total		2,557.54	2,832.48	6,288.28

The total O&M expenses projected by the Petitioner for 2007-08 are Rs. 6288.28 Lakh. PTCUL further submitted that they have also estimated the O&M expenses based on Central Electricity Regulatory Commission (CERC) norms for O&M expenses on per ckt-km and per bay basis, which work out to Rs. 9649 Lakh as against claim of Rs. 6288.28 Lakh only for 2007-08.

2.5 Interest on Working Capital

The Petitioner has computed the Interest on Working Capital for 2007-08 as per Regulations, which cover the following:

- ? O&M Expenses for 1 month
- ? Cost of spares at the rate of 1% of historical cost
- ? 2 months of receivables

Accordingly, applying the interest rate of 10.75% (SBI short-term PLR rate) on

the estimated working capital requirement, which works out as Rs. 3870.82 Lakh, the Petitioner has estimated interest on working capital to be Rs. 416.11 Lakh for 2007-08. The Table below shows the interest on working capital estimated for 2006-07 and projected for the 2007-08 by the Petitioner:

Table 2.10: Proposed Working Capital and Interest on Working Capital (Rs. Lakh)

S.No	Item	2005-06 (Actuals)	2006-07 (Estimated)	2007-08 (Projected)
1	O & M Expenses for 1 month	213.13	236.04	524.02
2	Spare (1% of historical cost)	275.90	303.83	747.94
3	Receivable (2 months)	767.15	1150.64	2598.86
	Total Working Capital	1256.18	1690.51	3870.82
4	Working Capital Interest Rate (%)	10.25%	10.75%	10.75%
5	Working Capital Interest	128.76	181.73	416.11

2.6 Provision for Contingency Reserve

The Petitioner submitted that it faces unforeseen situations due to a substantial portion of its transmission network spread across the difficult hilly terrain. Such unforeseen situations faced by PTCUL and expenditure incurred on the same leads to shortage of funds due to thin revenues. The Petitioner, has therefore, requested the Commission to allow a contingency reserve of Rs. 300 Lakh as part of ARR for 2007-08 to meet such unforeseen requirements.

2.7 Non-Tariff Income

The Petitioner has assumed the Non-Tariff income for 2007-08 equivalent to actual non-tariff income of Rs. 67.60 lakh as per the provisional accounts for 2005-06.

2.8 Transmission Losses

The Petitioner has proposed transmission losses at 4.5% for 2007-08.

2.9 Annual Revenue Requirement (ARR) & Proposed Tariff

The Aggregate Revenue Requirement of PTCUL as estimated for 2006-07 and estimated for 2007-08 is tabulated below:

Table 2.11: Proposed Annual Revenue Requirement (Rs. Lakh)

S. No	Item	2005-06 (Actuals)	2006-07 (Estimated)	2007-08 (Projected)
1	Depreciation	929.26	1027.00	2463.63
2	Advance Against Depreciation	0.00	0.00	0.00
3	Employee cost	1511.77	1755.35	3548.01
4	A & G Expenses	491.74	494.80	654.23
5	R&M expenses	554.02	582.33	2086.04
6	Interest on Long Term Loans	1250.79	2837.84	5199.71
7	Interest on Working Capital	128.76	181.73	416.11
8	Gross Expenditure	4866.35	6879.05	14367.73
9	Less Expense capitalization			
10	Employee cost capitalized	67.10		
11	Net Expenditure	4799.25	6879.05	14367.73
12	Add Special Appropriations			
13	Provision for Contingency Reserve			300.00
14	Total net expenditure with provisions	4799.25	6879.05	14667.73
15	Add: Return on Equity	59.91	92.42	993.12
16	Less: Non Tariff Income	67.60	67.60	67.60
17	Annual Revenue Requirement (ARR)	4791.56	6903.87	15593.25

PTCUL has proposed the Transmission charges for 2007-08 on the basis of contracted/allocated capacity handled by it. Assuming a capacity of 1792 MW to be handled by the Transmission system, the transmission tariff based on projected ARR of Rs. 15593.25 Lakh worked out by the Petitioner is Rs. 72.51/kW/month of contracted/allocated capacity. The Petitioner submitted that the Tariff proposed is less than intra-state transmission tariff in many States such as Maharashtra, Gujarat, Madhya Pradesh and Rajasthan.

Assuming the energy transferred through its network to be about 6400 MU for 2007-08, on the basis of estimated ARR for 2007-08, the transmission tariff in terms of paise per unit proposed by the Petitioner works out to 24.36 paise per unit.

PTCUL in its Petition has further proposed that the transmission charges payable by a short-term open access customer shall be 1/4th of the charges applicable to long term customers in accordance with the principles approved by CERC for the Central Sector. PTCUL submitted that the realization of charges from Short-term customers shall be reduced against corresponding charges of UPCL on a quarterly basis.

3. Stakeholders' Responses

The Commission has received a total of two objections/suggestions on the proposal of PTCUL. Details of respondents who have submitted these responses are given in **Annexure-3** and the respondents who appeared in the public hearings are enclosed in **Annexure-4**. The Commission has obtained comments from PTCUL on the responses received from the stakeholders. The responses have been clubbed issue-wise and are summarized below. These issues have also been duly considered while analyzing the factors impacting the tariff determination in the subsequent Sections of this Order.

3.1 Annual Revenue Requirement

Industries Association of Uttarakhand suggested that PTCUL while filing the ARR Petition for 2007-08 have not acted in a manner that is responsible enough and has ignored acting in the interest of public. The overall attempt in the Petition is on increasing the tariff without sufficient basis and even without considering the fact that this will ultimately lead to increase in cost to the consumers.

3.1.1 Petitioner's Comments

The Petitioner submitted that there has been a quantum increase in Transmission capacity and length of transmission lines of PTCUL during the last 3 years. The transformation capacity which was 2467.5 MVA on 31.03.2005 is estimated to increase to 4782.5 MVA up to 31.03.2008 showing a rise of 94%. The transmission lines in PTCUL network are estimated to increase from 1626 ckt-km on 31.03.2005 to 2548 ckt-km on 31.03.2008 showing a rise of 57%. Thus, the responsibilities and subsequently revenue requirement of PTCUL to operate and maintain a large system have also increased in accordance with the need and growth of the system.

3.2 Employee Cost

Industries Association of Uttarakhand has submitted that the massive increase in Employee cost of the utility as much as 100% during single year is not justifiable. PTCUL should refer to the advice given to UPCL by the Commission for getting the manpower study done which will help in systematically determining the manpower requirement

both in terms of numbers as well as the mix.

3.2.1 *Petitioner's Comments*

The Petitioner submitted that for an independent and proper manpower study, PTCUL had engaged Sri A.I. Bunet who is the former Director of Power Grid Corporation of India Limited (PGCIL) and the subject matter specialist. The scope and objective of this assignment/study was to prepare the organizational structure on the pattern of PGCIL, which is a pioneering organisation in the field of transmission. Mr. Bunet submitted his report to PTCUL and considering his report and subsequent discussions, a two level organisational structure (corporate level and field level) was formulated for PTCUL, which was also approved by its Board of Directors. Subsequently, the organisation structure was forwarded to Government of Uttarakhand for approval and after due consideration GoU approved the organisation structure of 1226 employees on 27.12.2007. The Petitioner has submitted that it is facing acute shortage of manpower and due to this it is finding difficult to carry out operations & maintenance, Human Resource Development and other corporate works effectively. Moreover, substantial system capacity addition during the last three years has aggravated the need for organizational strengthening. The Petitioner further submitted that the increase in employee cost has been proposed considering the increase in transformation capacity by around 94% and increase in line length by around 57%.

3.3 *Repairs and Maintenance Expenses*

Industries Association of Uttarakhand submitted that PTCUL has proposed to increase the R&M expenses for 2007-08 by 400% over the expenses approved by the Commission for 2006-07. The reason as given by PTCUL for such increase in cost is that it is undertaking special R&M exercise to improve the redundancy and reliability of its transmission system. The objector suggested that any unplanned expenditure of very high amount booked in one year will put the tariff to cyclic ups and downs and, hence, if any such expenditure is deemed necessary then only the same should be capitalised.

3.3.1 *Petitioner's Comments*

The Petitioner has submitted that the expenditure of Rs. 2086.04 lakh has been proposed under the head of R&M expenses out of which Rs. 887.77 lakh is proposed

towards routine R&M work and Rs. 1198.27 lakh is for Special R&M works. The expenditure on special R&M work has been proposed to strengthen and renovate old sub-stations and lines, few of which are reported to be thirty year's old. The special R&M works proposed are planned works and are considered necessary for overhauling and modernization of transmission network. The proposed routine R&M expenses are directly linked to size of the transmission network, which is to be operated and maintained. In order to keep the break down to minimum, it is essential that PTCUL has enough funds which could assure that the transmission system is operated and maintained in an efficient and reliable manner.

3.4 Depreciation, Interest on Loan & RoE

Industries Association of Uttarakhand has pointed out that PTCUL is undertaking massive project work and this expenditure has been shown based on future requirements keeping in view the massive generation projects coming in the State of Uttarakhand. It will not be advisable to load the present consumers with such projects for future requirements. The objector has suggested that a mechanism should be established through which the present consumers are not burdened with such projects planned for the future. The objector also added that such capital expenditure should be first approved by the Commission and depreciation and RoE should only be allowed from the year in which any capital project is completed and the benefit of such capital expenditure starts accruing. It is observed from the details of the Petition that Depreciation and RoE are claimed in the year of such capital expenditure.

All India Consumers Council has submitted its views on the issue of depreciation. Depreciation has been doubled in the Petition whereas it is usually considered that there should be a very less quantum of depreciation in Transmission lines and stations. Moreover, it has been observed that interest on long term loans are going high and in reference to the same the Commission should recommend to the Government to pay back some of the loans so that interest does not go on mounting every year. It appears from the submissions made that PTCUL is availing huge amount of loans. The objector suggested that there should be some check introduced to stop these ever increasing loans and the same policy should be followed in case of working capital loans too.

3.4.1 *Petitioner's Comments*

The Petitioner submitted that it has to plan and execute the new projects to facilitate the requirement of industries and all other categories of consumers of the State. It has emphasized that no capital expenditure for evacuation of power from future generation projects has been claimed to be recovered in the ARR that has been filed.

The Petitioner submitted that it is raising loans from various agencies like REC, NABARD etc. to meet its capital expenditure for new projects and will like to emphasize that to cater to the increasing load growth, system strengthening, addition of new capacity it is necessary for the Petitioner to carry out these works as per the need and for overall benefit of the consumers of the State. PTCUL further submitted that expenses have been claimed in the ARR Petition as per the provisions of Regulations.

3.5 Provision of Contingency Reserve

All India Consumers Council submitted that if loans are raised for everything then where is the necessity of the contingency reserve.

3.5.1 *Petitioner's Comments*

The Petitioner submitted that contingencies requirements being projected are for unforeseen situations like break-downs due to natural calamities and other emergency situations. Due to break-down in transmission system a large number of consumers get affected and, hence, it becomes imperative on the part of the Petitioner company to restore the supply of electricity within minimum possible time. The Petitioner therefore should have readily available sufficient funds to meet out such emergencies and hence the claim of contingencies reserve.

3.6 Transmission losses

Industries association of Uttarakhand suggested that Transmission losses as proposed by PTCUL for 2007-08 are very high. The objector has requested the Commission to validate the transmission losses proposed by the Petitioner.

3.6.1 *Petitioner's Comments*

PTCUL submitted that the actual Transmission losses for PTCUL system as submitted to the Commission in response to their queries for the last three years are in

the range of 1.74% to 2.41%. Due to an inadvertent error the losses in PTCUL system for 2007-08 have been earlier stated as 4.5%.

3.7 Operation and Maintenance (O&M) Expenses

All India Consumers Council submitted that there is practically no variation between the O&M expenses approved for the year 2006-07 by the Commission and estimates of PTCUL but surprisingly these expenses have been increased by almost three times for 2007-08, which needs thorough examination and requested that such an increase should not be allowed.

3.7.1 Petitioner's Comments

The Petitioner submitted that the estimated O&M expenses comprise of (a) Employee Cost (b) Administrative & General expenses (c) Repairs and Maintenance expenses. All these expenses are directly related to the size of the transmission network which is to be maintained and operated by PTCUL. Keeping these things in view, the O&M expenses have been proposed by PTCUL for 2007-08. In order to keep the breakdown to the minimum, it is essential for PTCUL to have enough funds which could assure that the transmission system could be operated and maintained in efficient and reliable manner.

3.8 Views of Advisory Committee

During the Advisory Committee meeting held on January 22, 2008, the members made the following suggestions:

- ? Increase in employee cost should be allowed after proper manpower planning is carried out by PTCUL as per Commission's directions in previous Tariff Orders
- ? Repairs and Maintenance (R&M) expense estimated by the Petitioner are on higher side (almost 400% higher than the previous years actual) and the same should be allowed subject to prudence check by the Commission
- ? Depreciation rates should be considered as allowed by the Commission in the previous Orders
- ? Contingency Reserve of Rs. 3 Crore estimated by the Petitioner is on higher side

- ? Transmission Losses of 4.5% are on much higher side and should be considered as 2.5%

3.9 Commission's views

The Commission has considered all the above responses and Petitioner's comments on the same while taking a view on each of these issues and while analysing the Petitioner's Annual Revenue Requirement in Section 4 and Section 5 of the Order.

4. Commission's Approach

As per statutory requirements, determination of transmission tariff by the Commission is to be done in accordance with the Uttaranchal Electricity Regulatory Commission (Terms & Conditions for Determination of Transmission Tariff) Regulations, 2004 (Regulations) issued under section 181 of the Act. In framing these Regulations, the Commission was required to be guided by the principles and methodologies specified by the Central Electricity Regulatory Commission (CERC) through its relevant regulations, the National Electricity Policy and the Tariff Policy issued by the Central Government. The Commission has, therefore, ensured that its Regulations are in conformity with the CERC Regulations. Further, the principles incorporated in Commission's Regulations also abide by and meet the requirements of the National Electricity Policy and National Tariff Policy issued by the Central Government.

The Commission's approach for the exercise of transmission tariff determination having already been defined in its Regulations, the Commission for the present exercise proposes to and is indeed obliged to abide by them. During the tariff determination exercise for previous years, some inevitable relaxations with respect to Regulations were allowed in the past years orders and reasons for doing so were clearly spelt out in the Commission's Orders. These relaxations will have to be continued as long as the reasons for making such relaxations continue to persist.

The Commission has analyzed the proposals and information provided by the Petitioner in its Petition as well as the information submitted subsequently including actual figures of 2006-07 and for first six months of 2007-08, i.e., for the period April to September 2007 alongwith response of stakeholders and estimated expenditure under different heads to arrive at the Annual Revenue Requirement for 2007-08 and 2008-09 in accordance with the Regulations. In addition, the Commission has considered Petitioner's truing up proposals for 2004-05, 2005-06 and 2006-07 and its impact in 2007-08.

4.1 Capital Cost

The original cost of the Petitioner's capital assets is important as it determines crucial cost elements like depreciation and normative O&M expenditure. The assets transferred to the Petitioner were originally created by the erstwhile Uttar Pradesh State Electricity Board (UPSEB), then transferred to the successor transmission and distribution company of Uttar Pradesh i.e. Uttar Pradesh Power Corporation Limited (UPPCL), then on creation of the Uttaranchal State to the new State's transmission and distribution company namely Uttaranchal Power Corporation Limited (UPCL) and on its division finally to PTCUL, the Petitioner Company. For tariff determination, what is relevant is the original cost of acquisition/creation of such assets and not the values that may have been assigned to them during each such transfer. The original cost of these assets is not known and they have been given different values at the time of each such transfer. Their value as per the transfer scheme notified by UP Government at the time of unbundling of UPSEB is substantially different from the value agreed to between the concerned companies for the purposes of their transfer from UPPCL to UPCL. The Commission in its earlier Tariff Orders has already detailed upon the approach followed for considering the value of Gross Fixed Assets (GFA). As the transfer scheme is yet to be finalized, the Commission continues with the approach adopted in previous Orders with respect to opening GFA of PTCUL. Upon finalization of transfer scheme, the Commission may consider the opening value of assets transferred to PTCUL as per transfer scheme subject to prudence check.

4.2 Capitalisation of new assets

For determining capital related expenditure, in the last tariff Order the Commission had accepted and taken into account the actual cost of the completed works or its cost as approved by the financial institutions whichever is less as the approach ensures that the cost of inefficiencies and avoidable overruns in a project are placed on the Petitioner and not passed on to the consumers through tariff. However, PTCUL has now submitted that for most of the Capital Schemes, the revised costs have either been approved or are under consideration for approval by the financial institutions. The Petitioner was asked to certify that mandatory clearance of Electrical Inspector for works claimed for capitalization had been obtained before putting these works to use. As the

Petitioner has failed to certify the same, the Commission has provisionally accepted the scheme-wise revised cost details submitted by the Petitioner subject to the condition that requisite certificates in prescribed formats shall be provided and cost revisions shall be got approved by the Commission before next filing and the same has been discussed in detail in Section 5.

Further, the Commission in para no 4.2 of its Order dated July 12, 2006 for 2006-07 considered the actual asset capitalisation and not the projected asset capitalisation. The relevant extract of the Order is given below:

“For determining capital related expenditure, in the last tariff Order the Commission had accepted and taken into account Petitioner’s projections for commissioning and capitalisation of new assets. It has been noticed that this approach is being misused and there is wide gap between the value of assets projected to be capitalized and the value actually capitalized. Over-projection on this account results in inflating capital related costs and in turn the current tariffs. Therefore, the Commission is accepting only the capital cost of assets actually commissioned and capitalised and ignoring the value of assets projected for capitalisation. Further, additions in value of capital assets, if any, will be taken into account in the next tariff determination exercise with such truing up of related costs as may be warranted by facts of each such case.”

The Commission during the current ARR and tariff determination process obtained the details of scheme-wise assets capitalized and completed during each of the year from 2004-05 till 2006-07. As the Commission is also determining the tariff for 2008-09, the Commission directed PTCUL to submit the details of projects completed and capitalized during nine months of 2007-08 i.e. April to December 2007 and the projected asset capitalisation during January to March 2008 alongwith progress made in respect of schemes projected to be capitalized. PTCUL submitted these details to the Commission. The Commission has considered the actual asset capitalisation till 2006-07 for estimating the capital related expenses for 2007-08. For estimating the capital related expenses for 2008-09, the Commission has considered the actual asset capitalisation during the period April to December 2007 and projected asset capitalisation during January to March 2008 based on the actual progress made against such schemes till December 2007. No projected capitalisation has been considered in 2008-09 for reasons given above. The

Commission has analysed the scheme-wise details as elaborated in Section 5 of the Order.

4.3 Interest during Construction

As a well settled principle, interest on loans for a project is treated as capital expenditure and is added to the cost of the project till the project is ready for use and is capitalised, whereafter interest is treated as revenue expenditure. Accounting Standard - 16 on Borrowing Cost also states that:

“Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalised as part of the cost of that asset.”

Accordingly, the cost of a project includes interest during construction and is normally financed by the concerned Financial Institution. This ensures that if no moratorium is available for payment of interest, the borrower does not face hardship as the interest during construction period is already included in the project cost and funded.

During the previous year Tariff Order, as the details of computation of Interest During Construction (IDC) were not submitted by the Petitioner, the Commission made an exception and allowed interest paid during construction period by way of cost and directed the Petitioner that on commissioning of the project, the Petitioner shall capitalise all such interest payments and simultaneously reduce this amount from that year's revenue expenditure.

The Commission directed PTCUL to submit the details of scheme-wise Interest during Construction (IDC) and consider the same as part of revised capital expenditure. The Petitioner in its submission dated February 4, 2008 submitted the details of project-wise IDC for projects under REC and NABARD schemes considering the date of capitalization of assets as per provisional accounts. In subsequent submissions dated March 5, 2008, PTCUL submitted that in the provisional accounts, the assets have been capitalized on the last day of the financial year in which the assets have been energized/put to use and in the audited accounts the assets shall be capitalized from the date of energization/put to use. The Petitioner, therefore, revised the IDC computations considering the date of capitalization as the date of energization.

The Commission has considered the project-wise IDC computations submitted by the Petitioner vide its submission dated February 4, 2008 in accordance with the capitalization of assets as per provisional accounts. In case the policy with respect to date of capitalization in books of accounts is changed in the audited accounts, the Commission will consider the same in truing up upon finalization of audited accounts. The revised capital cost considered by the Commission for assets capitalisation includes IDC and, hence, there is no need to allow this IDC as expenditure. Therefore, the Commission has not allowed Interest during Construction as expense while estimating the ARR for 2007-08 and 2008-09 as well as for truing up of past interest expenses.

4.4 Depreciation

The principles to be followed for calculating the depreciation and the rates applicable for it have already been spelt out in the Commission's Regulations. An important feature of these Regulations is that while calculating the value of capital assets, any subsidy or grant received for this purpose is to be deducted from the value of the Asset. The Commission proposes to abide by and follow the Regulations on the subject and exclude the assets received by way of grants/subsidies etc. for the purposes of estimating depreciation to be allowed as part of Annual Revenue Requirement.

4.5 O&M Expenses

O&M expenses comprise of expenditure on staff, administration and repairs and maintenance etc. The Commission is determining the combined O&M expenditure and refraining from sub-dividing it amongst individual heads as required by the Regulations.

Regulations require that O&M expenses for projects which have been in operation for more than 5 years in 2003-04 be derived from the actual expenses of these years based on audited balance sheets and after prudence check by the Commission. PTCUL is a new company but the assets had been in operation for more than 5 years in 2003-04. During this period, their operations had been with UPSEB, UPPCL and then UPCL, each one of them being the combined utility of transmission and distribution functions, proper apportionment of O&M expenses of transmission operations for these years was not available. Therefore, while determining the Petitioner's transmission tariff

for the year 2005-06, the Commission had departed from the relevant Regulations and determined the O&M expenses for 2005-06 based on actuals for 2004-05. The Commission in its Tariff Order for 2006-07 had escalated the O&M expenses allowed for 2005-06 in accordance with the provisions of the Regulations.

In this Petition, the Petitioner has sought further relaxations/deviations from the above approach. The Commission has taken a view on these after examining them and on merits of each case in Section which follows.

5. Scrutiny & Findings

5.1 Value of Opening Assets and Additional Capitalisation

The Petitioner has considered the assets finalized as per the provisional balance sheet of PTCUL for 2005-06 which have been taken as the opening balance for 2006-07. The Commission has already dealt with the issue of opening value of GFA as on 31.03.2003 in the Tariff Order dated 25.04.2005 wherein it has fixed the opening GFA transferred to PTCUL based on total asset base of Rs. 508 Crore for UPCL as on November 9, 2001 instead of provisional value of Rs. 1058.18 Crore taken by UPCL in its accounts. Accordingly, the value of old transmission assets transferred to Petitioner from transmission assets of UPPCL are taken at Rs. 123.75 Crore instead of Rs. 225.15 Crore shown in UPCL's accounts. There is no reason to revisit this issue as the transfer scheme is yet to be finalized. Accordingly, the Commission has considered opening balance of GFA for 2004-05 as submitted by Petitioner in truing up details, which was based on this approach.

The Commission during the technical sessions directed PTCUL to submit the details of scheme-wise assets capitalized and completed during each of the year from 2004-05 to 2006-07, during first nine months of 2007-08 i.e. April to December 2007 and the projected asset capitalisation during January to March 2008. The Petitioner vide its additional submission dated December 17, 2007 submitted the financial and physical progress of projects under different schemes like REC-Old, NABARD and New-REC scheme which have already been capitalized during 2003-04, 2004-05, 2005-06 and 2006-07 and are projected to be capitalized during the subsequent years.

The analysis of assets capitalization, original approved cost of the scheme, revised cost including IDC and the expenditure incurred till date as submitted by PTCUL is discussed below:

5.1.1 REC-Old Schemes

The Petitioner has submitted a letter from REC, which states that the Original Cost of Old REC Scheme was Rs. 165.75 Crore out of which it sanctioned a loan of Rs. 139.43 Crore. The Government of Uttarakhand has been contributing its share in the form of equity with a Debt:Equity Ratio of 84:16. The Petitioner has, however, claimed

revised estimated Cost of the REC-old scheme, which works out to Rs. 355.28 Crore (including IDC).

PTCUL in its subsequent submission outlined the reasons for cost variation in Old REC scheme and mentioned that the Board of Directors of PTCUL has approved the revised cost. PTCUL further submitted that it has approached REC for approval of revised project cost and REC's reply is awaited in the matter. Based on the details submitted by PTCUL, the Commission observed that the variation in cost in some of the schemes is due to change in scope of work. Further, the original project cost of REC-Old schemes was the cost excluding IDC, while the revised project cost includes IDC component also. The Commission, in the absence of REC's approval for the revised project cost, has considered the actual expenditure incurred by PTCUL for the assets capitalized till 2006-07 on provisional basis. The Commission may consider the revised project cost as approved by REC under the truing up exercise subject to prudence check and prior approval of cost escalation (and its financing) by the Commission.

The following Table shows the original cost, revised cost and expenditure upto date corresponding to the assets capitalized amounting to Rs. 49.53 Crore till the end of 2006-07 under REC-old Scheme:

Table 5.1: Capital Outlay and Expenditure under REC's Old Scheme (Rs. Crore)

Year	Original Cost	Revised Cost	Expenditure upto date
Projects Capitalised in 2003-04	23.52	22.38	22.39
Projects Capitalised in 2004-05	3.94	3.85	3.39
Projects Capitalised in 2005-06	13.28	18.72	18.72
Projects Capitalised in 2006-07	3.56	4.27	5.03
Total capitalisation till 2006-07	44.30	49.22	49.53
Ongoing Projects	98.33	306.06	153.74
Projects deleted from Original Scheme	23.12	0.00	0.00
Total	165.75	355.28	203.28

PTCUL has projected that remaining Rs. 306.06 Crore of capital expenditure will be capitalised till March 2008. The details of these projects and the extent of their completion till December 2007, is shown in the Table below:

Table 5.2: REC Old Scheme –Ongoing Projects (Rs. Crore)

Scheme	Revised Cost	Progress till Dec 07
Construction of 220 kV Single Circuit Maneri Bhali-II to Rishikesh Line (3 rd Circuit)	77.68	76%
Construction of 132 kV Substation-Satpuli	19.39	40%
Construction of 132 kV Substations Srinagar-Satpuli-Kotdwar line	88.54	71%
Construction of 132 kV Substation Simli	10.75	75%
Construction of 132 kV Double Circuit Srinagar-Simli Line	108.60	55%
Construction of Bay at 220 kV Substation Rishikesh for 220 kV Maneri Bhali Stage-2	1.10	65%
Total	306.06	

Considering the physical progress till December 2007, these projects are unlikely to be completed by March 2008. The Commission has therefore, not considered the capitalisation of these assets for estimating the capital expenses related components of ARR for 2008-09 and has only considered the actual assets completed till December 2007. In case, any of these projects are capitalized before March 31, 2008, the Commission would consider the same in the next tariff determination exercise along with truing up of capital related expenses.

The Commission would like to point out here that the partially completed 3rd Circuit of Maneri Bhali-II Rishikesh line is the crucial link for evacuation of power from MB-II Project which has already been synchronised with the grid. With the onset of summers in April, non-availability of this link would prove to be a bottleneck for evacuation from both stages of Maneri Bhali and any loss of generation at Maneri Bhali would cost dearly to State consumers particularly when UPCL has committed to return the banked energy to RETL/BRPL from April to September 2008. **The Petitioner is hereby directed to accelerate the construction work of this line so as to ensure that the same is available for evacuation by the end of April 2008.**

5.1.2 NABARD Scheme

The Original Cost of projects under NABARD Scheme was Rs. 225.93 Crore. Out of this, NABARD sanctioned a loan of Rs. 176.45 Crore. The revised estimated Cost of these projects is Rs. 304.85 Crore and the expenditure incurred till December 2007 is Rs. 306.36 Crore (including IDC). PTCUL, in its subsequent submissions, explained the reasons for cost variation under NABARD funded projects and mentioned that

NABARD has already approved the revised costs. The revised loan approved by NABARD is Rs. 245.55 Crore.

The following Table shows the original cost, revised cost and expenditure upto December 2007 under NABARD Scheme:

Table 5.3: Revised Cost and Expenditure under NABARD Scheme (Rs. Crore)

Year	Original Cost	Revised Cost	Exp. Incl IDC
Projects Capitalised in 2005-06	11.83	15.32	12.57
Projects Capitalised in 2006-07	170.93	267.11	267.30
2007-08 (Completed till Dec 07)	11.87	22.42	26.48
Total	194.63	304.85	306.36

Having satisfied that NABARD has already sanctioned the projects with revised capital outlay, the Commission has considered the actual expenditure incurred by PTCUL till December 07 for the assets capitalized under NABARD Projects.

5.1.3 REC New Scheme

The following Table shows the original cost, revised cost and expenditure upto December 2007 under REC-New Scheme:

Table 5.4 REC-New Scheme Details (Rs. Crore)

Year	Original Cost	Revised Cost	Exp. Till Date
Capitalisation in 2006-07	14.79	17.01	16.08
Capitalisation in 2007-08 - Actually completed	20.54	19.49	17.70
Capitalised in 2007-08 likely to be Capitalised (95% progress)	19.81	17.67	13.29
Total	55.13	54.17	47.06

The Commission has considered the actual expenditure incurred by PTCUL for the assets capitalized under REC-New Scheme till December 2007. Considering the physical progress of projects proposed to be capitalized by PTCUL during 2007-08, the Commission has considered only those projects in which the progress made is 95% or more for estimating the capital related expense of ARR for 2008-09. In case, the value of actual asset capitalization during 2007-08 is found to be more than the value considered by the Commission, the Commission would consider the same in the next tariff determination exercise with truing up of capital related expenses.

5.1.4 Other Works

Apart from the assets capitalised under REC financed old and new Schemes as well as NABARD Scheme, the Petitioner has submitted the details of year-wise actual asset capitalisation from 2003-04 to 2006-07 for other works which mainly constitute of APDRP works, SIDCUL Deposit works and system strengthening works. The Commission has considered the actual asset capitalisation for other works as submitted by PTCUL.

5.1.5 GFA including Additional Capitalisation

Considering the asset capitalisation under various schemes, the year-wise PTCUL's GFA including the value of works capitalized as considered by the Commission is given in the table below:

Table 5.5: GFA including Additional Capitalization (Rs. Crore)

S.No.	Particulars	2004-05	2005-06	2006-07	2007-08
1	Opening Value	146.14	159.32	199.31	558.56
2	Additions in the year				
i	REC Old Schemes	3.39	18.72	5.03	0.00
ii	NABARD Schemes	0.00	12.57	267.30	26.48
iii	REC New Schemes	0.00	0.00	16.08	30.99
v	Other Schemes				
	Grants etc	0.68	0.00	0.00	0.00
	SIDCUL Deposit Works	0.95	7.73	73.51	0.00
	APDRP	6.60	1.42	0.00	0.00
	Other than Schemes	1.59	0.65	0.00	0.00
	Total Additions during the year	13.21	41.10	361.92	57.47
3	Less Deletions during the year	0.03	1.10	2.67	0.00
4	Closing Value of Assets	159.32	199.31	558.56	616.03

The opening value of the GFA for 2007-08 considered by the Commission works out to Rs. 558.56 Crore against Rs. 747.94 Crore claimed by the Petitioner. The opening GFA for 2008-09 as considered by the Commission works out to Rs. 616.03 Crore.

5.2 Financing of Capital Assets

Regulation 15(5) of UERC on financing of projects, stipulates that:

“(5) (a) In case of all projects, debt-equity ratio as on the date of commercial operation shall be 70:30 for determination of tariff. Where equity employed is more than 30%, the amount of equity for the purpose of tariff shall be limited to 30% and the balance amount shall be considered as the normative loan.

Provided that in case of the projects where actual equity employed is less than 30%, the actual debt and equity shall be considered for determination of tariff.

(b) The debt and equity amounts arrived at in accordance with clause (a) shall be used for calculating interest on loan, return on equity, Advance Against Depreciation and Foreign Exchange Rate Variation.”

The value of capital cost, which is to be considered for calculating depreciation, is defined in Regulation 18(1)(a) as follows:

“The value base for the purpose of depreciation shall be the historical cost, excluding capital Subsidy/grant, of the asset capitalized.”

The Petitioner in its additional submissions submitted the revised means of funding details for assets capitalised under different schemes and the same has been considered by the Commission. The Table below shows the means of financing for different schemes:

Table 5.6: Means of Finance for Additional Capitalisation

Scheme	Grants/ Contributions	Loan	Equity	Total
REC Old Scheme		84%	16%	100%
NABARD Scheme		81%	19%	100%
Other Works (Normative)		70%	30%	100%
REC New Scheme		100%		100%
Deposit Works	100%			100%
APDRP	90%	10%		100%

Based on the above, financing of assets till March 31, 2008 is given below:

Table 5.7: Financing of Assets 2004-05 to 2005-06 (Rs. Crore)

S.No.	Particulars	2004-05					2005-06				
		Cap. Res.	Grant	Loan	Equity	Total	Cap. Res.	Grant	Loan	Equity	Total
1	Opening Value	123.75	0.00	18.80	3.58	146.14	123.72	7.57	23.43	4.60	159.32
2	Additions in the year										
i	REC Old Schemes	0.00	0.00	2.85	0.54	3.39	0.00	0.00	15.73	3.00	18.72
ii	NABARD Schemes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10.13	2.44	12.57
iii	REC New Schemes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
iv	ADB Schemes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
v	Other Schemes Grants etc	0.00	0.68	0.00	0.00	0.68	0.00	0.00	0.00	0.00	0.00
	SIDCUL Deposit Works	0.00	0.95	0.00	0.00	0.95	0.00	7.73	0.00	0.00	7.73
	APDRP	0.00	5.94	0.66	0.00	6.60	0.00	1.28	0.14	0.00	1.42
	Other than Schemes	0.00	0.00	1.11	0.48	1.59	0.00	0.00	0.45	0.19	0.65
	Total Additions during the year	0.00	7.57	4.62	1.02	13.21	0.00	9.01	26.46	5.63	41.10
3	Less Deletions during the year	0.03	0.00	0.00	0.00	0.03	1.10	0.00	0.00	0.00	1.10
4	Closing Value	123.72	7.57	23.43	4.60	159.32	122.62	16.58	49.88	10.23	199.31

Table 5.7: (Contd.): Financing of Assets 2006-07 to 2007-08 (Rs. Crore)

S. No.	Particulars	2006-07					2007-08				
		Cap. Res.	Grant	Loan	Equity	Total	Cap. Res.	Grant	Loan	Equity	Total
1	Opening Value	122.62	16.58	49.88	10.23	199.31	119.95	90.09	285.59	62.93	558.56
2	Additions in the year	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
i	REC Old Schemes	0.00	0.00	4.23	0.81	5.03	0.00	0.00	0.00	0.00	0.00
ii	NABARD Schemes	0.00	0.00	215.40	51.90	267.30	0.00	0.00	21.34	5.14	26.48
iii	REC New Schemes	0.00	0.00	16.08	0.00	16.08	0.00	0.00	30.99	0.00	30.99
iv	ADB Schemes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
v	Other Schemes										
	Grants etc	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	SIDCUL Deposit Works	0.00	73.51	0.00	0.00	73.51	0.00	0.00	0.00	0.00	0.00
	APDRP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Other than Schemes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total Additions during the year	0.00	73.51	235.71	52.70	361.92	0.00	0.00	52.33	5.14	57.47
3	Less Deletions during the year	2.67	0.00	0.00	0.00	2.67	0.00	0.00	0.00	0.00	0.00
4	Closing Value	119.95	90.09	285.59	62.93	558.56	119.95	90.09	337.92	68.08	616.03

5.3 Interest on Loans

In the tariff order for 2006-07, the Commission allowed the interest on actual loans received and utilized either in capitalised assets or in capital work in progress as

the Petitioner had not tied up any arrangement for financing of interest during construction. The interest allowed for 2006-07 was Rs. 11.74 Crore as against Rs. 9.66 Crore now claimed by the Petitioner.

The Commission obtained the details of actual interest expenses for 2006-07 from PTCUL, the actual Interest charged to revenue during 2006-07 in the provisional accounts was Rs. 4.14 Crore as against interest of Rs. 11.74 Crore approved by the Commission.

For the ensuing year, the Petitioner has claimed interest of Rs. 51.99 Crore on the basis of long term liabilities identified in the provisional accounts for 2005-06 and fresh loans drawn in the current financial year and projected over the remaining part of 2006-07 and 2007-08 under the Old REC, NABARD and New REC schemes.

In this regard, Regulation 17(1) stipulates that:

“Interest on loan capital shall be computed loan-wise including on loans arrived at in the manner indicated in regulation 15(5)”.

The Commission has worked out the Interest and Finance Charges considering the loan amount corresponding to assets capitalised in each year based on approved means of finance. The repayment of loans for working out the interest for REC and NABARD loans has been considered as per the details provided by the Petitioner. For normative loans considered for funding of other Schemes, the Commission has considered a normative repayment of 10 years. As regards the interest rates for REC and NABARD loans, the Commission has considered the average interest rates based on interest rate applicable on various loan trenches as estimated by the Petitioner. For normative loan, the Commission has considered the interest rate equivalent to the weighted average interest rate on other long term loans for that particular year. The interest rates thus considered by the Commission are as follows:

- ? REC Old Scheme: 9.75%
- ? NABARD Scheme: 6.50%
- ? REC New Scheme: 10.25%
- ? Other Normative Schemes: 7.28% for 2007 -08 and 7.38% for 2008-09

The details of the Interest and Finance charges for various loans are shown in the table below:

Table 5.8: Interest Charges for REC-Old Scheme (Rs. Crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Opening Balance	18.80	19.77	33.33	33.82	29.66
Loan Drawl as per MoF	2.85	15.73	4.23	0.00	0.00
Repayment	1.88	2.17	3.74	4.16	4.16
Closing Balance	19.77	33.33	33.82	29.66	25.50
Average Loan	19.29	26.55	33.58	31.74	27.58
Interest Rate	9.75%	9.75%	9.75%	9.75%	9.75%
Interest	1.88	2.59	3.27	3.09	2.69

Table 5.9: Interest Charges for NABARD Scheme (Rs. Crore)

Particulars	2006-07	2007-08	2008-09
Opening Balance	0.00	213.29	224.87
Loan Drawl as per MoF	215.40	21.34	0.00
Repayment	2.12	9.76	9.76
Closing Balance	213.29	224.87	215.12
Average Loan	106.64	219.08	219.99
Interest Rate	6.50%	6.50%	6.50%
Interest	6.93	14.24	14.30

Table 5.10: Interest Charges for REC-New Scheme (Rs. Crore)

Particulars	2006-07	2007-08	2008-09
Opening Balance	0.00	16.08	47.06
Loan Drawl as per MoF	16.08	30.99	0.00
Repayment	0.00	0.00	4.71
Closing Balance	16.08	47.06	42.36
Average Loan	8.04	31.57	44.71
Interest Rate		10.25%	10.25%
Interest		3.24	4.58

Table 5.11: Interest Charges for Other than Normative Loans (Rs. Crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Opening Balance	0.00	1.60	1.95	1.72	1.48
Loan Drawl as per MoF	1.77	0.60	0.00	0.00	0.00
Repayment	0.18	0.24	0.24	0.24	0.24
Closing Balance	1.60	1.95	1.72	1.48	1.24
Interest Rate				7.28%	7.38%
Interest				0.12	0.10

The summary of Interest Charges for 2007-08 and 2008-09 as approved by the Commission are shown in the Table below:

Table 5.12: Interest and Finance Charges Approved by the Commission (Rs. Crore)

Scheme	2007-08	2008-09
REC Old Schemes	3.09	2.69
NABARD Schemes	14.24	14.30
REC-New Schemes	3.24	4.58
Other than Schemes-Normative Loans for Schemes Capitalised till 2006-07	0.12	0.10
Total	20.69	21.67

5.4 Depreciation

Regulation 18 of the UERC (Terms & Conditions for Determination of Transmission Tariff) Regulations, 2004 stipulates as follows:

“(1) For the purpose of tariff, depreciation shall be computed in the following manner, namely:

(a) The value base for the purpose of depreciation shall be the historical cost, excluding capital subsidy/grant, of the asset capitalised.

(b) Depreciation shall be calculated annually based on straight line method over the useful life of the asset and at the rates prescribed in Appendix I to these regulations.

The residual life of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the historical capital cost of the asset. Land is not a depreciable asset and its cost shall be excluded from the capital cost while computing 90% of the historical cost of the asset. The historical capital cost of the asset shall include additional capitalisation on account of Foreign Exchange Rate Variation up to 31.3.2004 already allowed by the Central or State Government/Commission.

(c) Depreciation shall be chargeable from the first year of operation. In case of operation of the asset for part of the year, depreciation shall be charged on pro-rata basis.”

The Petitioner has computed depreciation on the rates provided for in the Regulations and for the year 2007-08 depreciation rates have been applied on the closing balance of fixed assets in 2006-07.

In absence of information regarding categorization of capital assets as per the categories specified in the Regulations and age profile of the assets, the Commission in

its Tariff Order for 2006-07 had allowed depreciation at a weighted average rate of 3.40% as proposed by the Petitioner. The Commission in para 5.2.5 of its Tariff Order for 2006-07 had directed the Petitioner to prepare and maintain fixed assets registers (FAR). The direction given by the Commission in this regard is reproduced below:

“The Petitioner is hereby directed to prepare and maintain fixed assets registers so as to be able to clearly define assets in the classes specified in the Regulations alongwith their respective ages and to present correct picture of assets in the next filing, failing which the Commission will have no choice but to totally disallow Petitioner’s claims in this regard.”

During the technical validations sessions, the Petitioner informed that the work on preparing the Fixed Asset Register has been awarded to the external agency (Chartered Accountant Firm) and the work is expected to be completed by March 31, 2008. The Petitioner in its subsequent submissions mentioned that the Fixed Asset Register will be submitted to the Commission by April 2008. **The Commission directs the Petitioner to file FAR within 3 months.**

In accordance with the provisions of the Regulations, the Depreciation has been computed at weighted average rate of 3.77% on the Depreciable GFA at the beginning of the year as per asset classification provided by the Petitioner. The depreciation computed on the depreciable GFA for 2007-08 and 2008-09 is shown in the Table below:

Table 5.13: Depreciation for 2007-08 & 2008-09 approved by the Commission (Rs. Crore)

Particulars	2007-08				2008-09			
	Opening GFA	Grants	Depreciable GFA	Depreciation	Opening GFA	Grants	Depreciable GFA	Depreciation
1. Old Assets	119.95	0.00	119.95	4.52	119.95	0.00	119.95	4.52
2. (i) REC old Schemes	49.53	0.00	49.53	1.87	49.53	0.00	49.53	1.87
(ii) NABARD Scheme	279.87	0.00	279.87	10.55	306.36	0.00	306.36	11.55
(iii) REC new Scheme	16.08	0.00	16.08	0.61	47.06	0.00	47.06	1.77
(iv) ADB Scheme	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(v) Other Schemes Grants etc.	0.68	0.68	0.00	0.00	0.68	0.68	0.00	0.00
SIDCUL Deposit Works	82.19	82.19	0.00	0.00	82.19	82.19	0.00	0.00
APDRP	8.02	7.22	0.80	0.03	8.02	7.22	0.80	0.03
Other than Schemes (normative loan)	2.24	0.00	2.24	0.08	2.24	0.00	2.24	0.08
3. Total	558.56	90.09	468.48	17.66	616.03	90.09	525.95	19.83

5.5 Return on Equity

The Petitioner has claimed the Return on Equity (RoE) on the contribution made by GoU in the assets capitalised upto 31.03.2006 since the date of transfer and assets estimated to be capitalised under different schemes during 2006-07. Considering return on equity of 14% the Petitioner has proposed the Return on equity as Rs. 9.93 Crore for 2007-08.

As per UERC (Terms & Conditions for determination of Transmission Tariff) Regulations, 2004 –

“Return on equity shall be computed on the equity determined from the projects capitalised under different schemes on basis of financing ratio defined for different schemes for Debt and Equity portion”.

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. Any investment from PDF is in a way consumers' 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 consumers. The Commission has, therefore, decided not to provide any return on equity utilized for creation of assets funded out of PDF. However, RoE on normative equity of Rs. 0.67 Crore for other than Schemes has been allowed, which works out to Rs. 0.09 Crore.

5.6 Operation and Maintenance (O&M) expenses

The Commission in its tariff order for 2006-07 had approved the O&M expenses of Rs. 28.27 Crore for 2006-07.

The Petitioner has estimated the O&M expenses on the basis of expenses under heads of Employee cost, Repairs and Maintenance (R&M) cost and Administrative and General (A&G) cost. The Petitioner has not followed the relevant provisions of the

Regulations for computation of Operations and Maintenance (O&M) expenses. During the technical validation sessions, the Commission also asked the Petitioner to submit the O&M expenses capitalised as per Provisional Accounts of 2006-07 and a detailed note on policy adopted for capitalisation of these expenses. In response, the Petitioner submitted that at present there are common O&M and Project divisions and, hence, the O&M expenses could not be apportioned on projects and suitable method of capitalisation of O&M expenses could not be adopted. **The Commission directs the Petitioner to evolve a system of allocating the O&M expense to revenue and capital head and submit the details to the Commission within 3 months from the date of this Order.**

The Commission also obtained the details of actual O&M expenses for 2006-07, actual O&M expenses during first six months of 2007-08 i.e. April to September 2007 and revised estimates of O&M expenses for 2007-08 considering the employees recruited during the period April to September 2007 and likely to be recruited during the period October 2007 to March 2008.

In response, the Petitioner submitted that the actual O&M expenses during 2006-07 as per provisional accounts are Rs. 30.56 Crore (including Regulatory Expense of Rs. 2.57 Crore) which are slightly higher than the O&M expenses of Rs. 28.27 Crore approved by the Commission for 2006-07. The actual O&M expenses during first six months of 2007-08 i.e. April to September 2007 are Rs. 17.08 Crore. The revised estimates of O&M expenses for 2007-08 as submitted by the Petitioner are Rs. 48.63 Crore as against the original estimate of Rs. 62.88 Crore in the Petition.

The Commission is of the view that if actual Employee expenses, which is a part O&M expenses are not allowed, other crucial element of O&M expenses viz., Repairs & Maintenance (R&M) works will suffer as the Petitioner will not be able to control Government wage structure based Employee expenses, which in turn will affect the performance of PTCUL. Accordingly, in relaxation to the Regulations, the Commission has considered the actual O&M expenses of Rs. 28.59 Crore (excluding Regulatory Fee as the same has been allowed by the Commission separately) for 2006-07 as base expenses and allowed an escalation of 4% p.a. for estimating the O&M expenses for 2007-08 and 2008-09. For new assets, O&M expenses have been considered as 1.5% of Capital Cost escalated at 4% from year of the commissioning of the assets in accordance with the

Regulations. Regulatory Fees has been allowed separately as proposed by the Petitioner.

Recognising that during 2008-09, employee expenses may go up substantially due to expected salary revision etc., the Commission, in addition to O&M expenses computed in accordance with the Regulations has made in addition a lump sum provision of Rs. 3 Crore to bear the impact of expected pay revisions on provisional basis. The Commission would carry out the truing up of actual O&M expenses subject to prudence check in the next year tariff exercise. The O&M expenses approved for 2007-08 and 2008-09, are given in the following Tables:

Table 5.14: Approved O&M expenses for 2007-08 (Rs. Crore)

Particulars	2007-08	Remarks
O&M expenses for existing assets	29.73	Gross expenses of Rs. 28.59 crore in 2006-07 escalated @ 4%
For assets added during 2006-07	5.65	1.5% of asset added in 2006-07 and escalated @4%
Regulatory fee	2.67	As proposed
Total O&M expenses	38.05	

Table 5.15: Approved O&M expenses for 2008-09 (Rs. Crore)

Particulars	2008-09
O&M Expenses for Assets added upto 2006-07	36.79
For Assets added during 2007-08	0.90
Regulatory Fee	2.67
Impact of Pay Revision	3.00
Total	43.36

As regards Special R&M expenses, the Petitioner submitted that it plans to undertake Special R&M exercise for its old assets for improving the redundancy and reliability of its transmission system. The special R&M works envisaged by the Petitioner are of capital nature and the entire cost of such capital works can not be allowed as revenue expenses in one year. The Petitioner is advised to make detailed schemes and arrange long term financing for funding of the schemes. The Commission would allow the capital related expenses subject to prior approval of such schemes as per conditions of license. The Commission has accordingly not considered the increase in Employee expenses on account of new recruitments and special R&M expenses separately. Further, the O&M expenses of Rs. 38.05 approved by the Commission for

2007-08 appears more than reasonable considering the actual O&M expenses of Rs. 17.08 Crore only during first half of the year.

5.6.1 Normative O&M Expenses

The Petitioner stated that the O&M expenses computed as per CERC norms considering the estimated number of bays and transmission lines at the end of 2007-08 works out to Rs. 96.49 Crore as against the claim of Rs. 62.88 Crore for 2007-08. The Petitioner raised this issue during the ARR and Tariff process for 2006-07 and the Commission in its Order for 2006-07 analysed this issue and mentioned that the norms prescribed by CERC cannot be automatically applied to PTCUL. The Commission further opined that CERC's approach in evolving such norms can be adopted for State Transmission system also and the Commission would like to develop such norms as early as possible.

The Commission directed the Petitioner to start maintaining its O&M expenses, separately for lines and bays (sub-stations) necessarily voltage-wise and preferably line-wise, sub-station wise and based on that work out and propose such norms for Commission's approval, preferably well before the next tariff determination.

The Petitioner has not complied with the Commission's directions and inspite of repeated reminders, the Petitioner could not submit the O&M expenses separately for lines and bays. The Commission re-iterates its earlier stand that CERC norms in toto cannot be applied to State Transmission system due to numerous reasons elaborated in Tariff Order for 2006-07. **The Commission, therefore, once again directs the Petitioner to start maintaining its O&M expenses, separately for lines and bays (sub-stations) necessarily voltage-wise and preferably line-wise, sub-station wise and based on that work out and propose such norms for Commission's approval, latest by September 30, 2008.**

5.7 Interest on working Capital

Regulation 21 of UERC (Terms & Conditions for determination of Transmission Tariff) Regulations, 2004 states that interest on Working Capital should be calculated as under:

“Working Capital shall cover:

- a) *Operation and Maintenance expenses for one month;*
- b) *Maintenance spares @ 1% of the historical cost escalated @ 6% per annum from the date of commercial operation (in case of PTCUL’s transmission system transferred from UPPCL, historical cost shall be the cost as on the date of unbundling of UPSEB to be escalated @ 6% p.a. thereafter), and*
- c) *Receivables equivalent to two months of transmission charges calculated on target availability level.*

(2) Rate of interest on working capital shall be on normative basis and shall be equal to the short-term Prime Lending Rate of State Bank of India as on 1.4.2004 or on 1st April of the year in which the project or part thereof, as the case may be, is declared under commercial operation, whichever is later. The interest on working capital shall be payable on normative basis notwithstanding that the transmission licensee has not taken working capital loan from any outside agency.”

In accordance with the provisions of the Regulations, the Petitioner has estimated Working Capital requirement for 2007-08 as Rs. 38.70 Crore and considering the working capital interest rate of 10.75% (SBI short term PLR rate), the interest on working capital estimated by the Petitioner for 2007-08 is Rs. 4.16 Crore.

5.7.1 One Month O&M Expenses

The annual O&M expenses approved by the Commission are Rs. 38.05 Crore and Rs. 43.36 Crore for 2007-08 and 2008-09 respectively. Based on approved O&M expenses, one month’s O&M expense works out to Rs. 3.17 Crore and Rs 3.61 Crore for 2007-08 and 2008-09 respectively, has been considered by the Commission for working out working capital requirement.

5.7.2 Maintenance Spares

The Commission has considered the maintenance spares on the basis of the relevant Regulations on the historical cost as well as on the additional capitalisation, which works out to Rs. 5.31 Crore and Rs. 5.63 Crore for 2007-08 and 2008-09 respectively.

5.7.3 Receivables

The Commission has approved the receivables for two months based on the approved Annual Transmission Charges which works out to Rs. 13 Crore and Rs. 14.45 Crore for 2007-08 and 2008-09 respectively.

The Commission has, thus, allowed Rs. 2.20 Crore and Rs. 2.43 Crore as interest on working capital of Rs. 21.49 Crore and Rs. 23.70 Crore respectively for 2007-08 and 2008-09 considering an interest rate of 10.25% in accordance with the Regulations. The interest on working capital approved by the Commission is shown in the Table below:

Table 5.16: Interest on Working Capital (Rs. Crore)

Particulars	2007-08	2008-09
O&M expenses	3.17	3.61
Maintenance Spares	5.31	5.63
Receivables	13.00	14.45
Net Working Capital	21.49	23.70
Rate of Interest on Working Capital	10.25%	10.25%
Interest on Working Capital	2.20	2.43

5.8 Contingency Reserve

The expenses allowed by the Commission in accordance with the Regulations are based on past trends of expenses which also includes contingent expenses. The Regulations also do not stipulate any contingency reserve to be created separately. Thus, the Commission has not made any provision towards contingency reserve. The Commission shall, however, allow the actual expenses subject to prudence check during truing up exercise.

5.9 Non-Tariff Income

The Petitioner has submitted the non-tariff income for 2007-08 as Rs. 0.68 Crore which is as per the provisional accounts for 2005-06. The Commission has considered the non-tariff income for 2007-08 and 2008-09 as projected by the Petitioner for 2007-08.

5.10 Annual Transmission Charges (ATC) for 2007-08 & 2008-09

Based on the above analysis, the Commission is allowing a sum of Rs. 78.02 Crore as the ATC for 2007-08 and Rs. 86.71 Crore as the ATC for 2008-09. The component-wise break up of the same as proposed by Petitioner for 2007-08 and as

approved by the Commission for 2007-08 and 2008-09 is given in the Table below:

Table 5.17: Annual Transmission Charges (Rs. Crore)

Particulars	2007-08		2008-09
	Proposed by PTCUL	Approved	Approved
Employee cost	35.48	38.05	43.36
A&G expenses	6.54		
R&M expenses	20.86		
Total O&M Expenses	62.88	38.05	43.36
Interest charges	52.00	20.69	21.67
Depreciation	24.64	17.66	19.83
Interest on Working Capital	4.16	2.20	2.43
Sub-total gross expenditure	143.68	78.60	87.29
Provision for Contingency Reserve	3.00		
Net Expenditure	146.68	78.60	87.29
Return on Equity	9.93	0.09	0.09
Less: Non-Tariff Income	0.68	0.68	0.68
Annual Transmission Charges	155.93	78.02	86.71

5.11 Truing up for Previous Years

The Petitioner has submitted a Supplementary Petition dated March 5, 2008 for provisional truing up of ARRs for Financial Years 2004-05, 2005-06 and 2006-07 based on provisional accounts for these years. Since this Petition has been filed very recently, the Commission has not fully scrutinized the claims made by the Petitioner. However, since the Petitioner itself has requested for a provisional truing up, the Commission is carrying out the same with the condition that final truing up would be carried out after finalisation of audited accounts subject to prudence check.

5.11.1 Operation and Maintenance (O&M) Expenses

Following Table shows the expenses claimed under various heads of O&M expenses and those approved by the Commission in its previous Tariff Orders:

Table 5.18: O&M Expenses from 2004-05 to 2006-07 (Rs. Crore)

Particulars	2004-05		2005-06		2006-07	
	Approved	Claimed by PTCUL	Approved	Claimed by PTCUL	Approved	Claimed by PTCUL
Employee Expenses	14.52	12.83	15.59	15.79	28.27	17.17
A&G Expenses	1.66	1.04	4.04	4.92		5.80
R&M Expenses	3.83	5.84	5.4	5.54		8.30
Gross O&M Expenses	20.01	19.71	25.03	26.25	28.27	31.27
Expenses Capitalised	3.18	0.55	3.58	0.67	0.00	0.73
Net O&M Expenses	16.83	19.16	21.45	25.58	28.27	30.54

The Petitioner has submitted that O&M expenses are in excess of approved O&M expenses by Rs. 8.73 Crore for the period 2004-05 to 2006-07. One of the reasons advanced for this increase is that PTCUL being a new company, its A&G expenses were higher due to creation of separate corporate office with attendant facilities. Similarly, Repairs and Maintenance expenses were also made as per requirement to ensure availability of the system. The license fees actually paid was higher by Rs. 0.62 Crore as compared to fees approved in the ARRs. The salaries of the employees transferred to PTCUL have to be paid on actual basis and this expense is uncontrollable.

The above Table shows that the gross O&M expenses approved were Rs. 73.31 Crore, while the actual gross O&M expenses have been Rs. 77.23 Crore i.e. Rs. 3.92 Crore higher than the approved level. As the increase in gross expenses is not substantial and the reasons advanced for this increase appear to be reasonable, the Commission allows the claimed gross O&M expenses. Since the capitalisation of O&M expenses approved by the Commission was a projected expense subject to correction on the basis of actuals, the total O&M expense capitalisation of Rs. 6.76 Crore considered by the Commission is being replaced by actual O&M expenses capitalised of Rs. 1.95 Crore. This has further increased the net O&M expenses by Rs. 4.81 Crore.

5.11.2 Capital Related Expenses

As the Commission has approved the interest on capitalised assets, the same has been worked out from the values of capitalised loans derived for previous years as detailed out in Para 5.3. Similarly, no return on equity has been considered for assets

other than Schemes as elaborated in Para 5.5. As regards depreciation, the Petitioner has computed the depreciation in accordance with the approach adopted by the Commission in previous Orders for Depreciable GFA and accordingly the Commission allows the depreciation claimed by the Petitioner for 2004-05 to 2006-07.

The Commission has considered actual non-tariff income and estimated the interest on working capital for each year as per Regulations. The summary of ARR approved in Original Orders, ARR claimed by the Petitioner and the ARR provisionally allowed by the Commission after truing up is given in following Table:

Table 5.19: Summary of Truing up for 2004-05 to 2006-07 (Rs. Crore)

Particulars	2004-05			2005-06			2006-07		
	Approved	Actuals claimed by PTCUL	Allowed after truing up	Approved	Actuals claimed by PTCUL	Allowed after truing up	Approved	Actuals claimed by PTCUL	Allowed after truing up
Net O&M Expenses	16.83	19.16	19.16	21.45	25.58	25.58	28.27	30.54	30.54
Interest Charges net of capitalisation	0.00	1.75	1.96	0.00	2.42	2.76	11.74	10.37	10.33
Depreciation	7.44	8.23	8.23	8.66	4.78	4.78	1.61	5.75	5.75
Interest on Working Capital	0.00	0.70	0.74	0.95	0.96	0.87	1.22	1.24	1.61
Total Expenses	24.27	29.84	30.09	31.06	33.74	33.99	42.84	47.90	48.23
Return of Equity	0.00	0.40	0.00	0.00	0.54	0.07	0.42	1.26	0.09
Less Non Tariff Income	0.28	0.55	0.55	0.29	0.68	0.68	0.29	0.35	0.35
ARR	23.99	29.69	29.54	30.77	33.60	33.38	42.97	48.81	47.98
Deficit/ (Surplus)		5.70	5.55		2.83	2.61		5.84	5.01

The total impact of truing up of ARR for 2004-05 to 2006-07 works out to a deficit of Rs. 13.17 Crore which has been allowed as part of 2007-08 Annual Transmission Charges. **Thus, the total Annual Transmission Charges for 2007-08 including truing up impact works out to Rs. 91.19 Crore.**

5.12 Transmission Losses

The Petitioner in its Petition estimated the Transmission losses of 4.5% for 2007-08 at the levels assumed in the past. In the subsequent submissions, the Petitioner has submitted the actual transmission losses as under:

2004-05: 2.33%

2005-06: 2.41%

2006-07: 1.74%

The direction given by the Commission in the previous year Tariff Order for 2006-07 in para no 5.1.1 is given below:

“The Petitioner is hereby directed to devise and develop, in consultation with the beneficiary, a suitable infrastructure and mechanism, for collection and collation of information required for calculation of actual auxiliary consumption in substations, voltage-wise losses in various parts and availability, in accordance with the Regulations and submit a report thereon within a period of six months from this Order.”

The Commission would like to point out that the Petitioner has not complied with the direction and not submitted any information in this regard. **The Commission reiterates its direction given in previous Tariff Order and the Petitioner should submit the report within a period of three months from this Order.**

5.13 Target Availability

Regulation 13 stipulates 98% target availability for the AC system operated by the transmission licensee. As per the Regulations, the Petitioner is entitled to full recovery of Annual Transmission Charges only if it achieves target availability of 98% for its AC system and in case the Availability is less than 98%, the recovery of ATC gets reduced on pro-rata basis. The Petitioner had not provided any historical information or projection for availability.

UPCL, the beneficiary, having not raised any objection in this regard, the Commission approves the recovery of full Annual Transmission Charges at availability of 98%. In the event of actual availability during the year being found less than 98%, the Annual Transmission Charges would be reduced proportionately in accordance with the Regulations.

5.14 SLDC Charges

The Commission in its Tariff Order for 2006-07 directed the Petitioner to maintain separate data for expense incurred in the operation of SLDC both of capital

and revenue nature and present the same separately in the next tariff exercise.

The Petitioner in its Petition submitted that it has planned to set up SLDC in the current year itself and the scheme involving setting up of the SLDC and the associated works is one of twenty two schemes being proposed in as part of New REC scheme, the Petitioner has earmarked capital expenditure of Rs. 20 Crore during 2006-07 and Rs. 31.92 Crore during 2007-08 for this purpose. The Petitioner has not submitted any detail of revenue expenditure for SLDC. As the Commission allows the capital related costs of capital expenditure after capitalisation of assets and the Petitioner has not submitted any detail of revenue expenditure for SLDC, the Commission is not in a position to specify the SLDC charges in this Order. The Petitioner shall file a separate Petition with estimated revenue expenditure on SLDC for determination of SLDC charges. Till then the AFC approved in this Order shall be considered to be inclusive of SLDC charges.

5.15 Short Term Open Access Transmission Charges

The issue of determination of the transmission charges applicable to short term open access customers shall be taken up separately.

5.16 Recovery of Annual Transmission Charge

Having considered the submissions made by PTCUL, the response of the stakeholders in context of Petitioner's proposals for ARR and under the relevant provisions of the Electricity Act, 2003 and Regulations of the Commission, the Commission hereby approves that:

- ? **Power Transmission Corporation of Uttarakhand Ltd., the transmission licensee in the State will be entitled to recover Annual Transmission Charges of Rs. 91.19 Crore for 2007-08 from its beneficiaries in accordance with the provisions of the Regulations. The Annual Transmission Charges approved for 2007-08 will be applicable with effect from April 1, 2007 to March 31, 2008. UPCL being the sole beneficiary at present, this amount shall be paid by UPCL to PTCUL** Considering that allowing recovery of entire approved charges in excess of existing charges in one go may cause severe cash problems for UPCL, the Commission is not permitting recovery of arrears immediately. Accordingly, the Commission decides that the payment of approved charges in excess of

existing charges shall be made by UPCL to PTCUL in equal monthly installments from first day of the month following the date of issue of this order till 31.03.2009. The payments, however, shall be subject to adjustment, if any other beneficiary (including long term open access customer) has started/starts using the Petitioner's system within this financial year. In that case, the charges recoverable from the new beneficiary(ies) including long term open access customers shall be refunded to UPCL within one month after close of the financial year.

- ? **Power Transmission Corporation of Uttarakhand Ltd., the transmission licensee in the State will be entitled to recover annual charge of Rs. 86.71 Crore for 2008-09 from its beneficiaries in accordance with the provisions of the Regulations. The Annual Transmission Charges approved for 2008-09 will be applicable with effect from April 1, 2008.** UPCL being the sole beneficiary at present, this amount shall be paid by UPCL to PTCUL in equal monthly installments till 31.03.2009. These payments, however, shall be subject to adjustment, if any, other beneficiary (including long term open access customer) starts using the Petitioner's system within this financial year. In that case, the charges recoverable from the new beneficiary (ies) including long term open access customers shall be refunded to UPCL within one month of close of the financial year.
- ? The tariff approved for 2008-09 shall continue to be applicable till it is replaced by another Order by the Commission from the date specified in that Order.

Sd/-
(V.K. Khanna)
Member

Sd/-
(V.J. Talwar)
Chairman

6. Annexures

6.1 Annexure 1: Public Notice published by PTCUL

Power Transmission Corporation of Uttarakhand Ltd.
(A. Govt. of Uttarakhand Undertaking)
7-B, Vasant Vihar Enclave, Street No.-1, Dehradun- 248001. Phone: 91-135-2762472, 2762473 Fax: 91-135-2762460

PUBLIC NOTICE
PTCUL's PETITION FOR APPROVAL OF ARR AND PROPOSED TRANSMISSION CHARGES FOR 2007-08


Power Transmission Corporation of Uttarakhand Limited (PTCUL), a Transmission licensee in the State of Uttarakhand has filed a petition before the Hon'ble Uttarakhand Electricity Regulatory Commission (UERC) for approval of its Annual Revenue Requirement (A.R.R.) & Tariff Proposal for the Financial Year 2007-08. In this Petition, PTCUL has not only proposed an ARR of Rs. 15,593.25 lakh but also an estimated ARR of Rs. 6,903.87 lakh for 2006-07 to be tried up with reference to the approved ARR of Rs.4,298.00 lakh. The shortfall of Rs. 2,605.87 lakh for 2006-07 has proposed to be carried forward as Regulatory Asset with carrying cost until Hon'ble Commission allows the same as pass through in tariff. The salient features of the petition are given thereunder:

S. No.	Particulars	As approved by Commission for 2006-07	As estimated by PTCUL for 2006-07	As proposed by PTCUL for 2007-08
1	O&M Expenses	2,827.00	2,832.48	6,288.28
2	Depreciation	161.00	1,027.00	2,463.63
3	Advance Against Depreciation	0.00	0.00	0.00
4	Interest on Long Term Loans	1,174.00	2,837.84	5,199.71
5	Interest on Working Capital	122.00	181.73	416.11
6	Return on Equity	42.00	92.42	993.12
7	Provision for Contingency Reserve	0.00	0.00	300.00
8	Gross Expenditure	4,326.00	6,971.47	15,660.85
	<i>Less: Expense capitalization</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
9	Net Expenditure	4,326.00	6,971.47	15,660.85
10	<i>Less: Non Tariff Income</i>	<i>29.00</i>	<i>67.60</i>	<i>67.60</i>
11	Annual Revenue Requirement (ARR)	4,298.00	6,903.87	15,593.25

- Detailed proposals as submitted by PTCUL can be seen free of cost on any working day at the Commission's Office or at the office of Managing Director, Power Transmission Corporation of Uttarakhand Limited, 7B, Lane No. 1, Vasant Vihar Enclave, Dehradun. Relevant extracts can also be obtained from the above mentioned office of the Petitioner.
- Contents of the Petition filed by PTCUL are also available at the website of the Commission (www.uerc.in) and at the website of PTCUL (www.ptcul.org).
- Responses/suggestions, if any, are sought from all the consumers and other stakeholders on the above proposals. Responses may be sent to the Secretary, Uttarakhand Electricity Regulatory Commission, Institution of Engineers (India), 1st floor, Near ISBT, Majra, Dehradun (Uttarakhand) (Phone: 0135-2641119, Fax: 0135-2643755) either in person, or by post or through e-mail to uttaranchalerc@rediffmail.com as a statement of objections or comments with copies of the documents and evidence in support thereof so as to reach the Secretary by the 30th November 2007.

Managing Director

6.2 Annexure 2: Public Notice for Suo-Moto Proceedings for 2008-09



UTTARAKHAND ELECTRICITY REGULATORY COMMISSION
 Institution of Engineers (I) Building, 1st Floor, Near ISBT, Majra, Dehradun
 Telefax: 0135-2641119 Website: www.uerc.in E-mail: uerc@indiatimes.com

PUBLIC NOTICE

SUO-MOTO PROCEEDINGS FOR DETERMINATION OF PTCUL'S ARR FOR 2008-09

In terms of Regulation 56 (4) of Uttarakhand Electricity Regulatory Commission (Conduct of Business) Regulations, 2004, every transmission licensee in the State is required to file its Annual Revenue Requirement (ARR) and Tariff Proposals for ensuing financial year before 30th November of each year. However, the transmission licensee in the State, namely Power Transmission Corporation of Uttarakhand Ltd. (PTCUL), failed to file its ARR for the 2008-09 by the stipulated date. Even after extension of due date to 31st December 2007, no such proposals have been received by Commission. In fact, the proposals for 2007-08 were also inordinately delayed and their processing is presently underway alongwith Uttarakhand Power Corporation's (UPCL's) retail tariff proposals for 2007-08, on which PTCUL's ARR has direct bearing. Considering that waiting further for submission of ARR for 2008-09 by the Licensee would amount to determining of tariff for 2007-08 now and again after a short span of 02 to 03 months for 2008-09. Frequent revision of tariff in short span would not only be irritating but give rise to the uncertainties in the mind of consumers and should be avoided.

In order to avoid any confusion and uncertainty, the Commission has decided to initiate suo-moto proceedings for determination of ARR and Retail Tariffs for electricity consumers for 2008-09 on the basis of information filed by licensee for 2007-08, which in most cases has been updated upto September 2007. In any case even if the licensee had filed its proposals for 2008-09 within time there would not have been any additional/ substantial inputs. Hence, the Commission has also decided to merge the suo-moto proceedings for 2008-09 with the current proceedings for 2007-08.

Public Notice inviting comments on Petition filed for 2007-08 was issued by PTCUL earlier and public hearings on the same are scheduled to be held at different places in the State during this month. A summary of information filed by PTCUL is presented below:

S. No.	Particulars	FY 2006-07			FY 2007-08		
		Approved by Commission	Estimated by PTCUL in Original Petition	Actual As per Provisional Balance Sheet	Projected by PTCUL in Original Petition	Projected by PTCUL (Revised)	Actual Expense for six month
	Expenditure						
1	Employee cost	28.28	17.55	17.17	35.48	21.22	9.16
2	A&G expenses		4.95	5.80	6.54	6.54	4.30
3	R&M expenses		5.82	8.30	20.86	20.86	3.63
4	Interest charges	11.74	28.38	19.50	52.00	52.00	15.45
5	Depreciation	1.61	10.27	21.52	24.64	24.64	*
6	Advance Against Depreciation	0.00	0.00	0.00	0.00	0.00	0.00
7	Interest on Working Capital	1.22	1.82		4.16	4.16	0.00
8	Reasonable Return	0.42	0.92				*
	Sub-total gross expenditure	43.27	69.71	72.29	143.68	129.42	32.54
9	Less: expenses capitalized	0.00	0.00	0.73	0.00	0.00	*
10	Employee cost Capitalized	0.00	0.00	0.73	0.00	0.00	*
11	Interest Capitalized	0.00	0.00		0.00	0.00	*
12	A&G expenses Capitalized	0.00	0.00		0.00	0.00	*
13	Provision for Contingency Reserve				3.00	3.00	*
	Net Expenditure	43.27	69.71	71.57	146.68	132.42	32.54
14	Add: Reasonable Return			0.00	9.93	9.93	*
15	Less: Non-Tariff Income	0.29	0.68	0.35	0.68	0.68	-
	Aggregate Revenue Requirement(ARR)	42.98	69.04	71.22	155.93	141.67	32.54

*Adjustments for these are carried out at year end

Notice is hereby given to all stakeholders including consumers to send their views/ suggestions on these Suo-moto proceedings to the undersigned latest by 28.01.2008.

Advt. 28/07-08 Secretary

6.3 Annexure 3: List of Respondents

SL. No.	Name	Designation	Organization	Address
1	Shri K.G. Behl, Brig (Retd.)	President	All India Consumers Council, Uttaranchal	8-A, Nemi Road, Dehradun
2	Shri Pankaj Gupta	President	Industries Association of Uttarakhand	C/o Satya Industries, Mohabbewala Indl. Area, Dehradun

6.4 Annexure 4: List of Participants in Public Hearings

List of Participants in Hearing at Almora on 16.01.2008

SL. No.	Name	Designation	Organization	Address
1.	Mr. Prakash Chandra Joshi			Ex. Chairman, Municipal Board, Malla Joshi Khola, Almora
2.	Shri Shyam Lal	District President	Prantiya Udhog Vyapar Pratinidhi Mandal,	Kutchery Bazar, Almora
3.	Shri Bhupendra Joshi			117, Upper Gali, Jakhan Devi, Almora
4.	Shri Nand Kishor Valmiki			Rajpur Balmiki Basti, Joshikhola, Almora
5.	Shri Hem Chandra Shah			Lala Bazar, Almora
6.	Shri Kaushal Kishor Saxena			Srishti, Ranidhara Road, Almora
7.	Shri Trilochan Joshi			Ranidhara Road, Almora
8.	Shri Sanjay Kandpal			Kandpal Bhawan, Talli Joshikhola, Almora
9.	Shri B.D. Chabdai			Ranidhara Road, Almora
10.	Ms. Neha Rana			D/o. S.S. Rana, Rana Bhawan, N.T.D. Almora
11.	Shri Satish Upadhyay			Dughal Khola, Almora
12.	Shri Umesh Kandpal			Jakhan Devi, Almora

List of Participants in Hearing at Haldwani on 17.01.2008

SL. No.	Name	Designation	Organization	Address
1.	Smt. Neela Arya	Principal	Kanya Purva Madhyamik (Govt.) Vidhyalaya,	Tulsinagar, Haldwani
2.	Shri Krishna Singh Kalakoti			Lohariasal (Malla), P.O. Katgharia, Haldwani
3.	Shri Jai Bhagwan Agarwal		M/s. Kashi Vishwanath Steels Ltd.	Narain Nagar Industrial Estate, Bazpur Road, Kashipur-244713
4.	Shri P.S. Parihar		M/s. Shivangi Craft Ltd.	5 th Km. Stone, Ramnagar Road, Kahsipur
5.	Shri Y.S. Malik		Galwalia Ispat Udyog Ltd.	Narain Nagar Industrial Estate, Bazpur Road, Kashipur, U.S. Nagar
6.	Shri Naveen Chandra Verma	Prantiya Adhyaksha,	Devbhoomi Udhog Vyapar Mandal, Uttarakhand	Sharda Market, Haldwani
7.	Capt. M.S. Bhandari			LIG-280, Awas Vikas Colony, Haldwani

SL. No.	Name	Designation	Organization	Address
8.	Shri Keshab Datt Paleriya			Vill.-Gaujajali Bichli, Bareilly Road, Haldwani
9.	Shri Bhupal Singh Jantwal			Shishu Bharti School, Suyal colony, Bareilly Road, Haldwani
10.	Shri Vinod Km. Jayswal			6/608, Talla Garakhpur, Haldwani
11.	Shri Kashmiri Lal Sahni			3/453, Govindpura, Haldwani
12.	Shri Manoj Kr. Gupta	Sanyakta Mantri	Vyapar Mandal, Haldwani	Multali Garden, Haldwani
13.	Shri Deewan Singh Negi			Navodaya Colony, Damuadhoonga, Panchakki, Haldwani
14.	Shri Ramnath Shah	Member	Lok Seva Samiti	Gram - Damuadhoonga, Haldwani
15.	Shri A.S. Thathola			Bhawani Bhawan, Tikononia, Haldwani
16.	Shri T.D. Loshali			Vill.-Phattabangar, Goraparav, Haldwani
17.	Shri R.K. Sharma		M/s. Century Pulp & Paper	Lalkuan, Nainital
18.	Shri M.P. Shrivastava		M/s. Century Pulp & Paper	Lalkuan, Nainital
19.	Shri Pukhraj Kushwaha		M/s. Khatima Fibers Ltd.	UPSIDC Industrial Area, Khatema-262308
20.	Shri G.D. Punera			Gaujajali Bichni, Bareilly Road, Haldwani
21.	Lt. Col. B.D. Kandpal (Retd.)			MIG-64, Avas Vikas Colony, Haldwani
22.	Shri Rajeev Agarwal			Amar Bartan Bhandar, Haldwani
23.	Shri Darbara Singh	President	KGCCI	Chamber House, Industrial Estate, Bazpur Road, Kashipur, U.S. Nagar
24.	Shri Ashok Bansal		M/s. Rudrapur Solvents	Vill. & P.O.- Lalpur, Udham Singh Nagar
25.	Shri C.K. Arora	General Secretary	KGCCI	Chamber House, Industrial Estate, Bazpur Road, Kashipur, U.S. Nagar
26.	Shri M.S. Fartyal			Adarsh Nagar, Gali No. 2, Talli Bamori, Kaladhoongi Road, Haldwani.
27.	Shri Gurucharan Singh			Bartan Bazar, Haldwani
28.	Shri Digamber Verma			Patel Chowk, Haldwani
29.	Shri Sanjay Singh Rajput			Patel Chowk, Haldwani
30.	Shri Om Prakash			Gupta Aata Chakki, Mangalparao, Haldwani
31.	Dr. Pramod	Vice-President	Prantiya Uhyog Vyapar Mandal	Haldwani
32.	Shri Shamsher Singh Kohil			Guru Govind Pura, Haldwani
33.	Babulal Gupta			Shankar Traders, Karkhana Bazar, Haldwani
34.	Shri N.B. Guruvant			Amravati Colony, Malli Bamori, Haldwani

SL. No.	Name	Designation	Organization	Address
35.	Shri Virendra Km. Gupta	Koshadhyaksha	Vyapar Mandal	Virendra Iron & Steel Works, Nawabi Road, Kulyalpur, Haldwani
36.	Shri D.S. Khattri			S.K. Puram, Kusumkhera, Haldwani
37.	Shri D.S. Negi			Uttaranchal Colony, Kusumkhera, Haldwani
38.	Shri Vipin Tyagi		M/s. B.S.T. Textile Mills Pvt. Ltd.	Plot No. 9, Sector-9, SIDCUL, Pantnagar, Rudrapur
39.	Shri P.K. Mishra		M/s. B.S.T. Textile Mills Pvt. Ltd.	Plot No. 9, Sector-9, SIDCUL, Pantnagar, Rudrapur
40.	Shri J.C. Tiwari		M/s. Escorts Ltd.	SIDCUL, Rudrapur
41.	Shri Vinod Vyas		M/s. Endurance Tech. Pvt. Ltd.	SIDCUL, Rudrapur

List of Participants in Hearing at Ramnagar on 19.01.2008

SL. No.	Name	Designation	Organization	Address
1.	Shri Balkar Ji "Fauji" Ex. Asstt. Commandent	Distt. Chairman	Bhartiya Kisan Union, Kashipur	Office-Bhartiya Kissan Union, Kashipur
2.	Shri Jeet Singh			Dhakia No. 92, P.O. Dhakia-1, Kashipur
3.	Shri Sohan Singh			Ram Shyam Colony, Gali No. 1, Ramnagar Road, Kashipur
4.	Shri Satnam Singh	Pradesh Upadhyaksha	Bhartiya Kisan Union (Uttarakhand)	Chanakpur Farm, Kashipur
5.	Shri Ashok Kumar			Baaz Market, Ramnagar, Nainital
6.	Shri Chandra Mohan Pant			Khalsa Street, Near Gaur Sabha, Kashipur
7.	Shri Satya Veer Sharma	Pradesh Mahamantri	Uttarakhand Pradesh Kisan Congress	97/3, Purana Awas Vikas Chauraha, Kashipur
8.	Shri Teeka Singh Saini	President	Sanyukta Kisan Sangharsh Samiti	33- Katoratal, Kashipur
9.	Shri Balvinder Singh			Biraha Farm, Bazpur
10.	Shri Karam Singh			Ramraz Farm, Bazpur
11.	Shri Madan Mohan Pandey		Jan Kalyan Awam Sudhar Samiti	C/o Khajan General Store, Bharatpuri, Ramnagar, Nainital
12.	Shri L.M. Tiwari			Gas Godam Road, Ramnagar, Nainital
13.	Smt. Bhawna Bhatt			Mohalla Edgah Road Khatadi, Ramnagar, Nainital
14.	Shri Ramkumar Agarwal		M/s. U mashakti Steels (P) Ltd.	Bazpur
15.	Shri Manoj Km. Chugh		M/s. Wings Commercial Co. Ltd.	C-1&C-2, UPSIDC Indl. Area, Pipalia, Bazpur
16.	Shri Sanjeev Jindal		M/s. Uttaranchal Ispat Ltd.	Bazpur Road, Kashipur, U.S. Nagar

SL. No.	Name	Designation	Organization	Address
17.	Shri Shamad Kumar		M/s. Manokamna Steel Pvt. Ltd.	Station Node Kashipur, U.S. Nagar
18.	Shri Prateek Agarwal		M/s. Sun Shine Industries	Station Node Kashipur, U.S. Nagar
19.	Shri Naveen Chandra Papne			Vipin Vihar, Uttari Khatari, Kotdwar Road, Ramnagar
20.	Shri Anand Agarwal		M/s. Shree Tribhuvan Ispta (P) Ltd.	Bazpur
21.	Shri Anil Agarwal "Khulasa"	Pradesh Sachiv	Udyog Vyapar Mandal	Nanda Line, Bambagher, Ramnagar, Nainital
22.	Smt. Mohini Devi			W/o Late Pratap, Gularghati, Ramnagar
23.	Shri Narendra Sharma	Nagar Mahamantri, BJP		Lakhanpur, Ramnagar, Distt.- Nainital
24.	Smt. Dayarani,			R/o-Devichaur, Garjia Mandir Road, Ramnagar, Distt.- Nainital.

List of Participants in Hearing at Roorkee on 21.01.2008

SL. No.	Name	Designation	Organization	Address
1.	Shri Pawan Agarwal	Vice President	Uttarakhand Steel Manufactures Association	C/o Sidhbali Steels Ltd., Kotdwar
2.	Shri Subhash Kukreti	Director	M/s. Kukreti Steel Ltd.	Jashodarpur Industrial Area, Kotdwar
3.	Shri S.N. Bansal		M/s. Amrit Varsha Udyog Ltd.	Jashodarpur Industrial Area, Kotdwar
4.	Shri Deepak Poddar		M/s. Poddar Alloys Ltd.	Jashodarpur Industrial Area, Kotdwar
5.	Shri Rajesh Rathi		M/s. Bhagya Shree Steels	Jashodarpur Industrial Area, Kotdwar
6.	Shri Kurban Ahmed			263/27, Purana Mohalla, Tehsil Roorkee, Roorkee
7.	Shri Mam Chand Tyagi			Gram Tashipur, Roorkee
8.	Chaudhry Katar Singh	President	Bhartiya Kisan Union	Gram Sultanpur Sabatwali, Jhabreda, Hardwar
9.	Shri Sher Singh			Gram Delna, Block-Roorkee, Roorkee
10.	Shri Tejpal Singh			Majri, Roorkee
11.	Shri Ravi Prakash	President	Roorkee Small Scale Industries Association	C-58/1, New Adarsh Nagar, Roorkee
12.	Shri Mukesh Sharma	Secretary	Roorkee Small Scale Industries Association	M/s. Atma Ram Sharma & Sons, D-4, Industrial Estate, Roorkee
13.	Shri Israr Ahmed			Band Road, Roorkee
14.	Shri Moin Khan			Roorkee

SL. No.	Name	Designation	Organization	Address
15.	Shri Sanjay Chaudhry	Jiladhyaksha	Bhartiya Kisan Union	Gram Nagla Salaru, P.O. Gurukul, Narsan, Hardwar
16.	Shri B.P. Chaudhry			D-1, Industrial Estate, Roorkee
17.	Shri Harjeet Singh		Air Liquid North India Pv.t Ltd.	Manglore, Roorkee
18.	Shri A.K. Sharma		Air Liquid North India Pv.t Ltd.	Manglore, Roorkee
19.	Shri Virendra Singh			Gram Katwed, Laldhang, Hardwar
20.	Shri Om Prakash Arya			Vaungla, Hardwar
21.	Shri Naved Ahmed			Badhedi Rajputana, Roorkee, Hardwar
22.	Shri R.P. Chauhan			Shivaji Colony, P.O. Mizapnagar, Roorkee
23.	Shri Mohd. Anis			Mahmoodpur, Tehsil Roorkee, Piran Kaliyar
24.	Dr. Narayan Das Gupta		Jan Chetna Sangthan-Roorkee	35- Rajputana, Roorkee
25.	Shri Subodh Kapoor			Tehsil Roorkee, Hardwar
26.	Shri Vijendra Verma			Roorkee
27.	Shri Anis Gaud			S/o Muhammad Hanif, Vill.-Lathar Devashekh, P.O. Ikbapur, Hardwar
28.	Shri Naresh Gupta			6/6 Chandra Puri, Roorkee
29.	Shri Raj Singh		Devbhoomi Dharmshala	NarSingh Bhawan, Upper Road, Hardwar
30.	Shri Kailash Sharma		Devbhoomi Dharmshala	NarSingh Bhawan, Upper Road, Hardwar
31.	Shri Dushyant		FCI (P) Ltd	52-C, Sector-63, Noida
32.	Shri Tehram Ahmed			Roorkee

List of Participants in Hearing at Dehradun on 23.01.2008

SL. No.	Name	Designation	Organization	Address
1.	Shri Rajiv Agarwal	Sr. Vice President	Industries Association of Uttarakhand	Mohabbewala Industrial Area, Dehradun
2.	Shri Pankaj Gupta	President	Industries Association of Uttarakhand	Mohabbewala Industrial Area, Dehradun
3.	Shri Hemant Kumar	Secretary	Industries Association of Uttarakhand	Mohabbewala Industrial Area, Dehradun
4.	Shri Ashish Srivastava	Sr. Electrical Engineer	Northern Railway	New Delhi
5.	Shri Anil Goel	State General Secretary	Prantiya Udyog Vyapar Pratinidhi Mandal	13-Gandhi Road, Dehradun
6.	Shri Chatar Singh		State Project Office, Sarva Shiksha Abhiyan	Shiksha Sankul, Mayur Vihar, Shastradhara, Dehradun
7.	Shri Vinod Misra		State Project Office, Sarva Shiksha Abhiyan	Shiksha Sankul, Mayur Vihar, Shastradhara, Dehradun
8.	Shri Ambrish Bisht		State Project Office, Sarva Shiksha Abhiyan	Shiksha Sankul, Mayur Vihar, Shastradhara, Dehradun

SL. No.	Name	Designation	Organization	Address
9.	Shri Yogesh Tyagi		M/s. Gold Plus Glass Industry	Gold Plus Estate, Vill.-Thithola, Pargana Manglaur, Tehsil Roorkee, Hardwar
10.	Shri S.S. Saxena		M/s. Gold Plus Glass Industry	Gold Plus Estate, Vill.-Thithola, Pargana Manglaur, Tehsil Roorkee, Hardwar
11.	Shri Khursheet Ahmed Siddiqui			Preeti Enclave, Majra, Dehradun
12.	Shri Naval		Flex Foods Ltd.	Lal Tappar Industrial Area, Resham Majri, haridwar Road, Dehradun
13.	Shri D.P. Pandey			101/9, Dharampur, Dehradun
14.	Shri Gulshan Rai		Shri Ganesh Roller Flour Mills	Mohabbewala Industrial Area, Subhash Nagar, Dehradun
15.	Shri Vishwa Mitra			36, Panchsheel Park, Chakrata Road, Dehradun
16.	Shri Rishi Saxena		Kumar Oxygen Ltd	Rampur Road, Rudrapur, U.S. Nagar
17.	Shri S.P. Kochhar		Uttaranchal Hotels & Restaurant Association, Hotel Madhuban	Rajpur Road, Derhadun
18.	Shri A.K. Gandhi		Uttaranchal Hotels & Restaurant Association, Hotel Madhuban	Rajpur Road, Derhadun
19.	Shri R.B. Lal		IDPL	Virbhadra, Rishikesh
20.	Shri P.M. Gupta		IDPL	Virbhadra, Rishikesh
21.	Shri R.C. Rastogi		IDPL	Virbhadra, Rishikesh
22.	Shri Rakesh Aggarwal		CII	Northern Region, 30/1, Rajpur Road, Dehradun
23.	Shri Pradeep Dutta		CII	11, Chandar Road, Dalanwala, Dehradun
24.	Shri D.R. Semwal		Phool Chand Nari Shilp Mandir, Girls Inter College	Chakrata Road, Near Bindal Bridge, Dehradun
25.	Shri Kewal Ram			92-B, MDDA Colony, Indira Nagar, Dehradun
26.	Shri Om Prakash			MIG-171, Indirapuram, Dehradun
27.	Shri Ramesh Mangain	Sr. Clerk	Rampyari Arya Samaj Inter College	Dehradun
28.	Shri Devesh Pant	Retd. Dy. GM, UPPCL		16-A, Kalidas Road, Dehradun
29.	Shri J.S. Rawat			335/4, Vijay Park Extension, Dehradun
30.	Shri Ram Baboo			8-A, Kaulagarh, Dehradun