

Before

## UTTARAKHAND ELECTRICITY REGULATORY COMMISSION

**In the Matter of:**

Approval of Capital Investment under Para 11 of the Transmission Licence [Licence No. 1 of 2003].

**In the Matter of:**

Power Transmission Corporation of Uttarakhand Limited

Applicant

**AND**

**In the Matter of:**

Application No. 580/PTCUL/MD/UERC dated 17.04.2012 for approval of PS (EHV) **REC-VI** filed by Power Transmission Corporation of Uttarakhand Limited.

**Coram**

**Shri Jag Mohan Lal    Chairman**

**Shri C. S. Sharma    Member**

**Date of Order: December 04, 2012**

**ORDER**

The Petitioner, Power Transmission Corporation of Uttarakhand limited (PTCUL) has sought approval for proposed capital investment vide their Application No. 580/PTCUL/MD/UERC dated 17.04.2012 under Para 11 of Transmission Licence [Licence No. 1 of 2003].

2. The proposed work comprises of Construction of (2x25 MVA) - 220/33 kV Sub-station at Piran Kaliyar and associated LILO work of 220 kV S/C Roshnabad (Haridwar)- Puhana line at this Sub-station. The capital cost structure of proposed scheme is presented below:

**Table 1: Details of Capital Cost structure under REC-VI Scheme**

<b>Particulars</b>	<b>Proposal sent to REC (as per DPR) (Rs. Crore)</b>	<b>Considered by REC (Rs. Crore)</b>
Construction of (2x25 MVA) - 220/33 kV Sub-station at Piran Kaliyar and LILO of 220 kV S/C Roshnabad (Haridwar)- Puhana line at 220/33 kV Sub-station Piran Kaliyar	49.79	34.64
<b>Total</b>	<b>49.79</b>	<b>34.64</b>
Debt (70% of above)	34.85	24.25
Equity (30% of above)	14.94	-

3. The Petitioner has also submitted details of the cost which have not been considered by REC while sanctioning loan assistance, which are mainly 20% quantity variation, 3% contingency, IDC, Government Guarantee fee. Further, for cost of establishment etc., crop compensation, forest clearance, the financial institution has considered lesser cost compared to that proposed by PTCUL.
4. The Petitioner has submitted a copy of the extract of the Minutes of the Meeting dated 22.11.2011 wherein the Petitioner's Board has approved Corporation's proposal for these schemes to be funded through 70% loan assistance by REC and balance through equity to be funded by GoU.
5. On preliminary examination of the DPR, the Commission has observed that the sanction letter including terms and condition of the loan assistance by REC had not been submitted along with the DPR. Accordingly, the Petitioner was asked to submit the same vide Commission letter No. UERC/Petition No. 7 of 2012/496 dated 14.06.2012. The Petitioner has submitted the loan sanction letter of REC-VI vide their letter No. 1258/MD/PTCUL/UERC dated 16.07.2012.
6. On analysis of the Petition, the Commission has observed that against the capital cost of Rs. 49.79 Crore (including IDC) submitted by PTCUL, REC has considered capital cost of Rs. 34.64 Crore only and accordingly, a loan assistance of Rs. 24.25 Crore against the debt requirement proposed by PTCUL of Rs. 34.85 Crore has been sanctioned by the financial institution. Thus, there is a shortfall of Rs. 10.60 Crore in terms of debt funding. Further, PTCUL has claimed that the equity component amounting to Rs. 14.94 Crore shall be funded by GoU. However, the Petitioner has not provided any documentary evidence in support of State Government's commitment for funding of this amount.

7. The above shortcomings in terms of shortfall in capital cost funding were intimated to the Petitioner vide Commission's letter dated 07.08.2012. Thereupon, PTCUL submitted its reply on 24.08.2012. With regard to shortfall in debt funding PTCUL has submitted a copy of REC's letter dated 09.05.2012 vide which the financial institution has informed PTCUL that the sanctioned loan assistance was on the cost considered by REC which did not include cost towards quantity variation, contingency, cost of establishment etc., IDC and Government guarantee fees. However, the financial institution informed PTCUL to go ahead with the execution of the proposed scheme and the actual cost of award/execution of the schemes may be intimated to them at the appropriate time later on, for any revision in its sanctioned loan assistance to PTCUL.

With regard to funding of the equity portion, PTCUL has informed that GoU has already made provision @ 30% of the proposed capital cost in the State Budget for the FY 2012-13. A copy of the budget extract for FY 2012-13 has been submitted by the Petitioner. However, no letter from the Government or any such documentary evidence entailing Government's commitment towards equity funding is submitted by the Petitioner.

8. The Petitioner has proposed REC's loan assistance at the rates prevailing on the date of each disbursement. The rate prevailing at the date of sanction was as under :

<b>Option I</b>	<b>Option II</b>
Effective interest rate with reset after every 3 years	Effective interest rate with reset after 10 years
13.00%	13.25%

9. As per the REC's sanction letter, tenure of the loan is 13 years and the Petitioner would pay interest on the loan at the above applicable rate of interest for the entire period of 13 years from the date of release of first installment. However, with regard to repayment of principal there is a moratorium period of 3 years from the 15<sup>th</sup> day of the month of the disbursement of first installment of the loan.

10. The Petitioner has confirmed that the substation work and the associated LILO work proposed under this EHV project for assistance under P:SI (Transmission) Category through REC has not been financed or tied up for financial assistance from any other source or lending organization and, thus, there is no duplicate financing for the proposed works.

11. The need for this investment have been assessed by the Petitioner based on the prospective load growth of the area.
12. The Petitioner from the load flow studies has concluded that the proposed 220/33 kV S/s at Piran Kaliyar S/s is technically feasible as the loading of all 132 kV and 220 kV lines was found to be normal under various N-1 contingencies.
13. Based on the above submission of the Petitioner, the Commission has no objection to the Petitioner going ahead with this capital investment subject to fulfillment of the following conditions:
  - (a) All the loan conditions as may be laid down by REC in their detailed sanction letter are strictly complied with. However, the Petitioner is directed to explore the possibility of swapping this loan with cheaper debt option available in the market.
  - (b) The Petitioner shall, as and when the need arises, submit details specifying funding arrangement for the balance debt over and above that sanctioned by REC.
  - (c) The Petitioner shall, within one month of the Order, submit letter from the State Government or any such documentary evidence in support of its claim for equity funding agreed by the State Government or any other source in respect of the proposed scheme. The Petitioner must endeavour to shorten the period of completion of project.
  - (d) After completion of the projects within the scheme, the time line of which has been fixed as 36 months, the Petitioner shall submit the completed cost and financing of the scheme.
  - (e) The cost of servicing project cost shall be allowed in the Annual Revenue Requirement of the Petitioner after the assets are capitalised and subject to prudence check of cost incurred.

**(C.S. Sharma)**  
Member

**(Jag Mohan Lal)**  
Chairman