

HIGHLIGHTS OF
ANNUAL REVENUE REQUIREMENT (ARR)
&
Tariff Petition
FOR
FINANCIAL YEAR: 2007-08

POWER TRANSMISSION CORPORATION OF UTTARANCHAL LIMITED

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A1: SUMMARY OF REVISED ARR FOR FY 2006-07

Sl. No.	Particulars (Rs. Lakhs)	FY 06 (Actuals)	FY-07 (Revised Estimates)	Approved ARR (FY 07)
1	Depreciation	929.26	1027.00	161.00
2	Advance Against Depreciation			
3	Employee cost	1511.77	1755.35	2827.00
4	A & G Expenses	491.74	494.80	
5	R&M expenses	554.02	582.33	
6	Interest on Long Term Loans	1250.79	2837.84	1174.00
7	Interest on Working Capital	128.76	181.73	122.00
8	Gross Expenditure	4866.35	6879.05	4284.00
<i>Less</i>	<i>Expense capitalization</i>			
9	Employee cost capitalized	67.10		
10	Interest capitalized			
11	A&G expenses capitalized			
12	Net Expenditure	4799.25	6879.05	4284.00
<i>Add</i>	<i>Special Appropriations</i>			
13	Provision for Bad & Doubtful debts			
14	Provision for Contingency Reserve			
15	Other Expenses			
16	Total net expenditure with provisions	4799.25	6879.05	4284.00

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17	<i>Add: Return on Equity</i>	59.91	92.42	42.00
18	<i>Add: Income Tax Provisions</i>			
19	<i>Less: Non Tariff Income</i>	67.60	67.60	29.00
20	<i>Less: Government Subsidy/ Grant</i>			
21	Annual Revenue Requirement (ARR)	4791.56	6903.87	4298.00

A2: SUMMARY OF PROPOSED ARR FOR FY 2007-08

Sl. No.	Particulars (Rs. Lakhs)	FY-07 (Revised Estimates)	FY – 08 (Projected)
1	Depreciation	1027.00	2463.63
2	Advance Against Depreciation		
3	Employee cost	1755.35	3548.01
4	A & G Expenses	481.80	654.23
5	R&M expenses		
5(a)	Routine R&M Expenses	582.33	887.77
5(b)	Special R&M Expenses		1198.27
6	Interest on Long Term Loans	2837.84	5199.71
7	Interest on Working Capital	181.73	416.11
8	Gross Expenditure	6879.05	14367.73
<i>Less</i>	<i>Expense capitalization</i>		
9	Employee cost capitalized		
10	Interest capitalized		
11	A&G expenses capitalized		
12	Net Expenditure	6879.05	14367.73
<i>Add</i>	<i>Special Appropriations</i>		
13	Provision for Bad & Doubtful debts		
14	Provision for Contingency Reserve		300.00

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15	Other Expenses		
16	Total net expenditure with provisions	6879.05	14667.73
17	<i>Add: Return on Equity</i>	92.42	993.12
18	<i>Add: Income Tax Provisions</i>		
19	<i>Less: Non Tariff Income</i>	67.60	67.60
20	<i>Less: Government Subsidy/ Grant</i>		
21	Annual Revenue Requirement (ARR)	6903.87	15593.25

SALIENT FEATURES OF ARR APPLICATION & TARIFF PROPOSAL

- 2.1 PTCUL's operations are set to take a quantum leap from FY 2007-08 onwards on account of huge increase in its transmission capacity being planned during FY 2006-07 and FY 2007-08 as detailed in the following Table:

Table 1 : Growth in PTCUL's Transmission Capacity

Details of PTCUL's Transmission System	As on 31.03.2005 (Actual)	As on 31.03.2007 (Estimated)	As on 31.03.2008 (Estimated)	% Increase (from FY 05 to FY 08)
Number of Substations	21	32	34	62
Transformation Capacity (MVA)	2467.5	4232.5	4782.5	94
Transmission Lines (Ckt Kms)	1626	2054	2548	57

A3: FIXED ASSETS, CAPITAL EXPENDITURE AND DEPRECIATION

- 3.1 Assets finalized as per the provisional balance sheet of PTCUL for FY 2005-06 are considered the opening balance for FY 2006-07. Provisional Transfer Scheme between UPCL & PTCUL has been used to prepare PTCUL's Provisional Balance Sheet for FY 2004-05; which in turn has been used for preparing the Provisional Balance Sheet for FY 2005-06.

- 3.2 Detailed Capital Expenditure Plans have been drawn up for the Current Year and Ensuing Year under the different debt funded capital works schemes (Old REC, NABARD and New REC Scheme), Deposit Works and other Civil Works to be taken by PTCUL by utilizing GoU equity funds and internal resources.
- 3.3 Depreciation has been computed on the rates provided for in UERC Tariff Regulations, 2004 and for the Ensuing Year has been applied on the closing balance of different blocks of Fixed Assets in FY06-07. The depreciation charge for FY07-08 is accordingly estimated at Rs. 2464.00 lakhs.

A4: INTEREST & FINANCE CHARGES

- 4.1 PTCUL's provisional accounts for FY 2005-06 provide for Long-term liabilities of Rs.44685.52 lakhs. These include secured loans of Rs.208253.86 lakhs which pertain to transmission projects clearly identified against Old REC and NABARD Schemes. The remaining liability of Rs. 18881.40 lakhs pertain to the difference of assets and liabilities as per the Provisional Transfer Scheme.
- 4.2 On the basis of long-term liabilities identified in the provisional accounts for FY05-06 and fresh loans drawn in the Current Financial Year and projected over the remainder of the Current Financial Year and the Ensuing Financial Year under the Old REC, NABARD and the New REC Schemes; the interest charges have been estimated at Rs. 5199.71 lakhs for FY 2007-08.

A5: OPERATION & MAINTENANCE EXPENSE

- 5.1 PTCUL has estimated the Operation & Maintenance Expenses for FY 2007-08 in three parts –
- (a) Employee Costs
 - (b) Administrative and General Expenses
 - (c) Repairs and Maintenance Expenses

(A) Employee Costs

5.2 PTCUL has proposed in the Tariff Petition that it plans to implement the new Organisation Structure by 31.03.2007 which has already been approved by the Board of Directors on 09.03.2006 and 14.08.2006. In view of the same , employee cost for FY 2007-08 has been computed in two parts :

- (a) Employee Cost for existing 707 employees (as on 30.11.06) which has been estimated to be Rs.1825.56 lakhs for the Ensuing Year.
- (b) Additional Employee Cost with the new Organisation Structure has been estimated to be Rs. 1722.45 lakhs.

(B) Administrative & General (A&G) Expenses

5.3 PTCUL has estimated A&G expenses for FY 2007-08 under three categories which have been aggregated to arrive at the total A&G Expense for FY 2007-08 :

- (a) Expenditure for existing employees and divisions which has been estimated to be Rs.526.36 lakhs.
- (b) A&G Expenditure for additional 614 employees which has been estimated to Rs.103.60 lakhs.
- (c) A&G Expenditure for the new divisions likely to be opened during FY 2007-08 which has been estimated to be Rs.7.27 lakhs

(C) Repairs & Maintenance (R&M) Expenses

5.4 PTCUL has estimated that it will incur Repairs & Maintenance Expenses during FY 2007-08 under the following two broad categories :

- (a) Routine Repairs & Maintenance Expenses: PTCUL has estimated that following significant capacity additions to its transmission system during FY 2007 and FY 2008; the Routine R&M Expenses which PTCUL would incur during the

Current and the Ensuing Financial Year would be higher than the previous years. For FY 2007-08, PTCUL has estimated the Routine R&M Expenses to be Rs.887.77 lakhs.

- (b) Special Repairs & Maintenance Expenses : PTCUL has proposed that it plans to undertake a Special Repair & Maintenance Exercise over a period of three years starting the Ensuing Year i.e. FY 2007-08 for its older and ageing assets with the aim of improving the redundancy and reliability of its transmission system. It has proposed to spend Rs. 2086.04 lakhs on this account during FY 2007-08.

A6: INTEREST ON WORKING CAPITAL

- 6.1 As per the Regulations, Working Capital Requirement for FY 2007-08 works out to be Rs.3870.82 lakhs. Interest on Working Capital is applied at the rate of 10.75 % (SBI short term PLR rate, in accordance with UERC Regulations) and gives an Interest of Working Capital of Rs.416.11 lakhs for FY 07-08.

A7: NON TARIFF INCOME

- 7.1 Non-tariff income as the provisional accounts for FY 2005 -06 is Rs.66.70 lakhs. This has been assumed to be the same in the Revised Estimates for FY 2006-07 and Proposed Estimates for FY 2007-08.

A8: RETURN ON EQUITY (ROE)

- 8.1 PTCUL has submitted that pending finalisation of the PTCUL transfer scheme, equity of PTCUL has not been ascertained by GoU. On finalisation of the capital structure, as part of the finalized Transfer Scheme, PTCUL will apply before UERC for claiming Return on Equity on the transfer value of equity funds.
- 8.2 In the current application, PTCUL has claimed RoE as a part of the ARR for FY 2007-08 only on the contribution made by GoU in the following assets :
- (a) Assets capitalised up to 31.03.06 since the date of transfer, i.e. 01.04.2004 (Source : PTCUL's provisional accounts for FY 2004-05 and FY 2005-06)

(b) Assets likely to be capitalised during FY 2006-07.

8.3 Considering the actual equity contribution by GoU in the above mentioned assets, the RoE to be allowed as part of ARR for FY 2007-08 works out to be Rs.993.12 lakhs.

A9: PROVISION FOR CONTINGENCY REQUIREMENTS

9.1 PTCUL has apprised the Honourable Commission of the unforeseen situations that it often faces, many times owing to the fact that a substantial portion of its transmission network is spread across the difficult hilly terrain. In such, PTCUL which has very thin revenues is often faced with shortage of funds to meet such urgent requirements. In the context of these submissions, PTCUL has requested the Honourable Commission to allow an amount of Rs.300.00 lakhs as part of ARR for FY 2007-08 to meet the contingency requirements.

A10: PTCUL'S PROPOSAL FOR PROVISION OF A TRUING MECHANISM

10.1 PTCUL has requested the Honourable Commission to take into account the rationale presented in this tariff petition while estimating the O&M expenses for FY 2007-08 and on that basis allow the same as the part of ARR for FY 2007-08. After the completion of the Ensuing Year, PTCUL has proposed to approach the Honourable Commission with the audited expenses incurred by it under this head during FY 2007-08. PTCUL has acknowledged that it would be then well under the purview of the Honourable Commission to recover any expenditure allowed earlier or allow any additional expenditure in consonance with the actual expenses incurred visa vis the expenditure allowed as part of ARR for FY 2007-08.

A11: TARIFF PROPOSAL FOR PTCUL FOR FY 2007-08

11.1 PTCUL has proposed the transmission charges on the basis of contracted/ allocated capacity handled by PTCUL. Assuming the total generation capacity to be handled by PTCUL from different sources (State Sector, CGS Share & IPPs) during FY 2007-08 to be 1,792 MW; the applicable transmission tariff works out Rs.72.51/kW/month of contracted/allocated capacity.