

**ANNUAL REVENUE
REQUIREMENT
(Revised)
&
TARIFF APPLICATION**

FY 2009-10



**Uttar Pradesh Power Transmission Corporation
Limited
LUCKNOW**

1. Annual Revenue Requirement: FY 2009-10

The Annual Revenue Requirement of the U.P. Power Transmission Corporation Limited for FY2009-10 was submitted vide letter No: 715/RAU/ARR&Tariff/2009-10 dated 30th July, 2009. The commission vide letter No: UPERC/D(SKS)/ARR/Tariff/09-10 dated 01.09.2009 issued deficiency note on this ARR & sought clarification/additional data on some issues. Licensee vide letter No: 961/RAU/ARR&Tariff/2009-10 dated 8th Oct, 2009 clarified the issues and also submitted True up for FY2007-08, FY2008-09 & revised estimates for FY2009-10.

UPERC vide their letter UPERC/Secy/Dir(T)/09-1045 dated :14th Oct.2009 directed the Licensees for a Presentation on ARR /Tariff for FY 2009-10. In compliance to the Commission directive the Licensees made a Presentation before the Commission on 23rd October. The issues pertaining to the queries on ARR/Tariff petition were clarified to the Commission during presentation. However the Commission again sought some more clarification vide its letter dated 23.10.2009 and directed to resubmit the ARR & Tariff Petition in respect of UPPTCL comprising of revised data and details of said True Up.

In compliance of Commission directives ARR & Tariff Petition of UPPTCL comprising of revised/ modified data and details is being submitted as under.

1.1. Employee Cost:

The data for employee cost as provided in Original petition at Table 5-2 has been revised and given in the following table. This variation is due to the fact that Establishment expenditure was estimated on the basis of projections of fresh recruitment of 2000 employees which did not materialize. The allocation made for UPPTCL out of UPPCL was assumed to be higher than the actual incidence.

Details (Rs.Cr)	FY 2007-08	FY 2008-09	FY 2009-10
	Unaudited	Estimated	Projected
Basic Salaries	119.18	124.72	199.74
Overtime	0.00	0.00	0.00
Dearness Allowance	47.85	62.01	43.94
Other allowances	7.94	8.34	15.98
Bonus / Ex-gratia	2.68	3.22	4.06
Medical expenses re-imbursement	4.13	5.45	6.04
Leave travel assistance	0.00	0.00	0.02
Interim Relief/ Other	1.28	1.87	0.00
Earned leave encashment	4.97	7.02	14.21
Leave Salary contribution	0.00	0.00	0.00
Payment under workmen's compensation Act	0.04	0.11	0.40
Staff welfare expenses	0.49	0.59	0.94
Employers Contribution for Pension & Gratuity	29.24	31.61	46.49
Employee Costs (before charge to capital)	217.81	244.94	331.83
Less expenses capitalized	75.40	87.70	96.23
Net employee cost	142.41	157.24	235.60

1.2. Administration and General (A&G) Expenses:

The A&G expenses has been provided in the original petition at table No:5-3 which has been revised as below. The variation in A&G expenses did occur due to the variation in actual capital investment made against the projected capital investment. The actual capital investment and the expansion in business network were very low against the envisaged capital investment plan in the ARR.

Details (Rs.Cr)	FY 2007-08	FY 2008-09	FY 2009-10
	Unaudited	Estimated	Projected
Rent, Rates & Taxes	0.40	0.59	0.62
Insurance	0.09	0.05	0.06
Telephone,Postage&Telegrams,Telex charges	1.51	1.80	1.91
Legal charges	0.88	1.01	1.07
Audit fees	0.10	0.34	0.36
Consultancy charges	0.13	0.31	0.33
Technical fees and professional charges	0.62	0.11	0.11
Conveyance and traveling	3.91	4.11	4.36
Regulatory expenses	-	-	-
Electricity Charges	1.37	1.84	1.95
Other expenses	7.56	5.06	5.36
Total	16.56	15.22	16.13
Capitalized	4.30	5.00	3.07
Net	12.27	10.22	13.07

1.3. Investment Plan:

The capital investment Plan which has been provided in original petition at table 5-4, has been revised. This revision as already intimated in reply of deficiency note was due to the fact that the projected investment plan of Rs 2545.45 Crs was based on the schemes planned. However in view of the slow progress made up to August 2009, the plan has been revised & provided in table below. The reason for slow progress is mainly due to non availability of Govt Guarantee for obtaining the counterpart funds from FIs. Further some of the scheme could not be taken up in view of the original plan (which did not materialized) to implement these schemes on PPP model. Further Actual capital investment during the financial years 2007-08 and 2008-09 was Rs 729.27 crs and Rs 850.94 crs respectively as against the envisaged capital investment plan of Rs 1016 crs and Rs 1192 crs respectively. This variation from the envisaged capital investment occurred due to certain policy issues as well as non-availability of government guarantee for drawl of financial institutional loans. This adversely affected the creation of assets due to which the depreciation and interest and finance charges had lower incidence than the approved levels.

Particulars (Rs Crs)	FY2009-10
Loan	372.16
Equity	304.50
Deposit work	116.67
Total	793.32

1.4. Repair and Maintenance (R&M) Expenses

The R&M expenses has been provided in original petition at table 5-7 which has been revised as below due to the variation in investment & capital formation .

Details (Rs.Cr)	FY 2007-08	FY 2008-09	FY 2009-10
	Unaudited	Estimated	Projected
Plant & Machinery	54.13	56.22	62.96
Building	4.50	4.61	5.17
Civil works	0.06	0.01	0.01
Other Expenses			
Lines, Cable Network, etc	5.79	7.23	8.10
Vehicles			
Furniture & Fixtures	0.00	0.01	0.01
Office equipment	0.01	0.02	0.02
Total	64.49	68.10	76.27

1.5. Depreciation Expense:

The actual investment in previous years could not be materialized due to the reason already stated above consequently depreciation has been revised .The actual depreciation for FY 2007-08 & FY 2008-09 is Rs214.17 crs and Rs 166.24 crs respectively, and hence depreciation expense for FY2009-10 has been estimated as Rs 173.55 Crs.

1.6. Interest and Financing costs:

The interest & financing Cost which has been provided at Table 5-8 in the original petition has been revised as follows:

Particulars (Rs Cr)	FY 2007-08	FY 2008-09	FY 2009-10
	Unaudited	Estimated	Projected
GoUP Loan	16.67	16.67	14.96
N C R	3.73	3.08	2.87
PFC UPPCL	116.27	111.95	117.37
I.D.B.I. Loan	0.06	0.00	0.00
REC	24.46	52.33	65.48
Hudco	37.43	25.83	15.46
Gross Interest Cost	198.62	209.86	216.14
IDC	37.46	50.65	59.08
Net Interest Cost	161.16	159.21	157.06
Finance Charges			
Other Interest and Finance Charges	9.60	5.92	20.21
Total Finance Charges	9.60	5.92	20.21
Total Interest and Finance Charges	170.76	165.13	177.27

1.7. Interest on Working Capital:

The interest on working capital/OD/ CC for FY 2007-08 is Rs 15.39 crs. Further for FY2008-09& FY2009-10 as already intimated in reply of deficiency note that no working capital loan has been taken.

1.8. Other Income:

Revised table for other income is given below:

Details (Rs.Cr)	FY 2007-08	FY 2008-09	FY 2009-10
	Unaudited	Estimated	Projected
Share of Income from the other businesses of	-	-	-
Interest on loan to Staff	0.02	0.02	0.36
Income from Investments	0.25	-	1.63
Revenue from surcharges for late payment	-	-	-
Any other Income	10.36	23.37	17.88
Total Non- tariff Income	10.63	23.39	19.87

1.9. Reasonable return/ Return on Equity:

In view of the huge gap in the recovery of cost of supply at the DisComs' level, UPPTCL is of the view that return on equity would only result in accumulation of receivables. As such during discussions with the government at various levels it has been deliberated that UPPTCL should not seek any return on equity for the financial years 2007-08 and 2008-09. UPPTCL proposes to charge return on equity @ 2% for the financial year 2009-10.

Particulars (Rs Crs)	FY 2007-08	FY 2008-09	FY 2009-10
Regulatory Equity at the beginning of the year	1,842.97	1,947.74	2,062.30
Capitalised Assets during the year	349.22	381.89	583.33
Equity portion of expenditure on Capitalised Assets	104.77	114.57	175.00
Regulatory Equity at the end of the year	1,947.74	2,062.30	2,237.30
Return Computation			
Return on Regulatory Equity at the beginning of the year	-	-	41.25
Return on Equity portion of capital expenditure on Capitalised Assets	-	-	1.75
Total Return on Regulatory Equity	-	-	43.00

1.10. Annual Revenue Requirement:

The revised ARR & Tariff Petition for UP Power Transmission Corporation is summarised with revised estimates as below from the expenses and allowances described in previous sections & also intimated in True Up through deficiency note reply.

Details (Rs.Crore)	FY 2007-08 Unaudited	FY 2008-09 Estimated	FY 2009-10 Projected
Employee Costs (net of capitalization)	142.41	157.24	235.60
A&G Costs	12.27	10.22	13.07
Repair & Maintenance Expense	64.49	68.10	76.27
Depreciation	214.17	166.24	173.55
Interest & Finance Charges	186.14	165.13	177.27
Less Other Income	(10.63)	(23.39)	(19.87)
Return on Equity	-	-	43.00
Debits, Write-offs and any other items	27.27	46.20	47.58
Annual Revenue Requirement	636.12	589.75	746.46

1.11. True up Summary:

As discussed in previous section, summary table of true up for FY2007-08, FY2008-09 & revised Estimate for FY 2009-10 is provided in following table:

Particulars (Rs Crs)	FY 2007-08 - UPPTCL			FY 2008-09 - UPPTCL			FY 2009-10 - UPPTCL	
	Petition	Actuals	T/O Approved	Petition	Actuals	T/O Approved	Petition	Revised Estimates
Estt (Gross)	301.74	217.81	286.73	355.93	244.94	316.99	411.18	331.83
Capitalisation	87.51	75.40	83.15	103.22	87.70	91.93	119.24	96.23
Estt (Net)	214.24	142.41	203.58	252.71	157.24	225.06	291.94	235.60
A&G (Gross)	29.68	16.56	29.24	31.17	15.22	32.32	34.17	16.13
Capitalisation	5.64	4.30	5.55	5.92	5.00	6.14	6.49	3.07
A&G (Net)	24.04	12.27	23.68	25.25	10.22	26.18	27.68	13.07
R&M	69.86	64.49	60.45	86.58	68.10	66.83	111.96	76.27
Depreciation	245.40	214.17	270.80	308.80	166.24	325.65	327.19	173.55
Interest & Finance Charges	191.81	186.14	202.25	267.80	165.13	243.77	225.60	177.27
Provisions for Bad & Doubtful Debts		25.09			45.31			47.58
Others		2.18			0.89			
RoE	283.59		278.24	345.30		321.96	355.40	43.00
Sub-Total	1028.93	646.75	1039.00	1286.44	613.13	1209.45	1339.77	766.33
Less: Other Incomes	13.62	10.63	13.61	14.32	23.39	14.33	19.87	19.87
Annual Revenue Requirement	1015.32	636.12	1025.39	1272.11	589.75	1195.12	1319.90	746.46
Energy Supplied to DisComs	53026	51493	53607	55064	52779	55411	54345	54345
Wheeling Rate per unit	0.19	0.12	0.19	0.23	0.11	0.22	0.24	0.14

2. Proposed Transmission Tariff:

Based on the Revised Transmission ARR as discussed in previous section, Transmission Tariff has been computed as below:

Details (Rs.Crore)	FY2008-09 Estimated	FY2009-10 Proposed
UPPTCL ARR (Rs Cr)	589.75	746.46
Total energy delivered(MU)	52779	54345
Transmission Tariff (Rs/ kWh)	0.112	0.137

3. SLDC Charges:

Revised SLDC charges have been computed in line with the rationale provided in original ARR. Following table provide Break up of SLDC charges:

Particulars (Rs Cr)	FY2008-09 Estimated	FY2009-10 Proposed
Employee Costs	5.02	7.52
A&G Costs	0.20	0.22
Repair & Maintenance Expense	0.29	0.29
Subtotal	5.51	8.03
Depreciation	3.89	4.29
Interest & Finance Charges	3.86	4.38
Less Other Income	(0.55)	(0.49)
Return on Equity	0.00	1.06
Debits, Write-offs and any other items	1.08	1.18
Total SLDC ARR	13.78	18.44

PRAAYER:

The petitioner prays that the Commission may be pleased to:

- a. Admit the Annual Revenue Requirement and Tariff Petition.
- b. Approve the Annual Revenue Requirement & Tariff for financial year 2009-10 and True up for FY2007-08&FY2008-09.
- c. Allow the petitioner to add/change / alter / modify this application at a future date.
- d. Issue order or direction which the commission may deem fit.