

**BEFORE THE HIMACHAL PRADESH ELECTRICITY REGULATORY
COMMISSION, SHIMLA**

Filing No.: 175/2020

Petition No-

IN THE MATTER OF

FILING OF THE PETITION FOR TRUE UP FOR THE PERIOD FY 2014-15 TO FY 2018-19 OF HIMACHAL PRADESH POWER TRANSMISSION CORPORATION LIMITED (HPPTCL) UNDER SECTION 62 READ WITH SECTION 86 OF THE ELECTRICITY ACT, 2003 (ACT NO. 36 OF 2003) AND HIMACHAL PRADESH ELECTRICITY REGULATORY COMMISSION (TERMS AND CONDITIONS FOR DETERMINATION OF TRANSMISSION TARIFF) REGULATIONS, 2011 AND SUBSEQUENT AMENDMENTS TO THE TARIFF REGULATIONS CARRIED THEREAFTER.

AND IN THE MATTER OF

HIMACHAL PRADESH POWER TRANSMISSION CORPORATION LIMITED,
HIMFED BHAWAN, PANJARI, SHIMLA-171005.

.....PETITIONER

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DATED: 23/01/2021
SHIMLA

FILED BY


DGM (C&M)

HPPTCL, Shimla-171005.

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AND IN THE MATTER OF

HIMACHAL PRADESH POWER TRANSMISSION CORPORATION LIMITED, HIMFED
BHAWAN, PANJARI, BELOW OLD MLA QUARTER, SHIMLA -171005

PETITIONER

Reply on behalf on the Petitioner to the Queries raised by the Hon'ble Commission vide letter dated 16.01.2021

Respectfully Showeth:

1. That the Petitioner has filed the above titled Petition for True Up for the period FY 2014-15 to FY 2018-19.
2. That vide letter dated 16.01.2021 the Hon'ble Commission has raised certain observations/shortcomings i.e., data gaps which need to be replied by the Petitioner.
3. That the Petitioner do hereby humbly submit the point wise reply to the data gaps raised by the Hon'ble Commission as under:

ATTESTED

RANJITHAKUR

Advocate cum Notary Public
Nova Cottage, Dhingra Estate
Bhawan, Panjari Shimla

1) True-Up of FY 2014-15 and FY 2015-16

The Commission in its Mid-term Review Order dated October 6, 2017 has already approved the True up of FY 2014-15 & FY 2015-16. However, it is observed that the trueing up for all five years of the Control Period without providing any justification in this regard has been filed. It is required to provide justification for filing of true up for FY 2014-15 and FY 2015-16 which has been already done based on audited accounts in the Mid-term Review Order.

Reply: It is respectfully submitted that the Petitioner has requested for true up for the entire period from FY 2014-15 to FY 2018-19 in terms of Regulation 39 of the HPERC MYT Regulations, 2011 which requires filing of comprehensive true up petition, majorly on account of the recent communication from GoHP with regard to consideration of liability corresponding to the assets re-vested in HPPTCL vide File No. MPP-A(3)-1/2001-V dated 18.08.2020. GoHP vide the above letter had communicated that Finance Department has agreed to consider 30% of the gross value of transferred assets as equity and directed to revise the paid up capital of HPPTCL accordingly.

Government has approved enhancement of authorized share capital of Company from Rs 300 Crore to Rs 350 Crores through its letter no. MPP-C(10)-1/2013 dated 07.03.2019 and same has also been approved in 40th BOD meeting held on 28.11.2018. Further share capital has been enhanced to Rs 500 Crores. Correspondences regarding enhancement of share capital and its approval from BOD are attached as **Annexure-A**.

In line with the above, the Petitioner has sought Return on Equity and interest on normative loan corresponding to the liability for the third Control Period. Further, the Petitioner has also claimed the revised O&M expenses in line with the approach adopted in filing the MYT Petition for fourth Control Period. Hon'ble Commission is therefore requested to consider the above grounds and carry out final true up for the aforesaid Control Period.

2) Annual Accounts

It is required to submit the Annual Reports of HPPTCL for each year and copy of annual accounts from FY 2014-15 and FY 2018-19 in MS Excel format

Reply: Annual Audited Accounts for each year of the third Control Period i.e., from FY 2014-15 to FY 2018-19 in excel format are provided in the CD attached along with this compliance report as **Annexure-B**.

3) Copy of Invoices

It is required to provide the copy of the Invoices raised by HPPTCL towards transmission charges for long-term transmission customers for the third Control Period and reconcile with the revenue considered in the Petition and the annual accounts.

Reply: Copy of the Invoices raised by HPPTCL towards transmission charges for long-term transmission customers for the third Control Period along with summary of the invoices are enclosed as **Annexure-C**. Details with regard to reconciliation of the invoices with the revenue considered in the Audited Annual Accounts are provided in the following Table:

ATTESTED

RANITHAKUR

Advocate cum Notary Public
Nova Cottage, Dhingra Estate
Bilgauganj Shimla



Table 1 Reconciliation of Revenue for the period FY 2014-15 to FY 2018-19

(Amount in Rs. Crore)			
Year	Revenue from LTTC's	Revenue Recorded in Audited Accounts	Reasons for variation in the amount
FY 2014-15	3.45	3.45	-
FY 2015-16	3.47	3.47	-
FY 2016-17	3.32	7.07	The Petitioner has wrongly booked Rs. 2.46 Crore corresponding to Short Term Income under the head "Transmission charges old lines". Further, the Petitioner has also made excess booking of Rs. 1.29 Crore corresponding to Transmission charges as per CERC Order dated 16.05.2016 in Petition No. 119/TT/2014
FY 2017-18	5.93	6.16	The excess booking of Rs. 0.23 Crore was on account of Revenue gap approved for the Control Period FY 2011-12 to FY 2013-14 in the MTR Order dated 6.10.2017.
FY 2018-19	6.04	6.04	-

In view of the above, the Petitioner requests the Hon'ble Commission to consider the Revenue for FY 2016-17 as Rs. 3.32 Crore instead of Rs. 7.07 Crore as submitted in the True up Petition.

4) Transfer of Assets

It is required to provide details of the relevant correspondence done/received from GoHP with respect transfer of assets to HPPTCL. The following letters as referred to in the Petition have to be provided in addition to any other correspondences:

- (i) Letter No. HPSEBL/CE(ES)/AU-4/2010/6220-25, dated September 6, 2010
- (ii) Letter No. 8648-53 dated November 19, 2010
- (iii) Letter No. HPSEBL/F&A/A&R-55/R&M works/2014-15-1024-25 dated October 27, 2014

Reply: Copies of all the correspondences done with/received from GoHP with respect to transfer of assets to HPPTCL are enclosed as **Annexure-D**.

5) Operation and Maintenance Expenses (O&M)

- (i) It is required to furnish the detailed calculation of Employee, R&M and A&G expenses submitted for each year in the true-up petition (in excel file)

Reply: Detailed calculation of Employee, R&M and A&G expenses as submitted for each year of the third Control Period in the Petition in Excel format are provided in the CD attached along with this compliance report as **Annexure-E**. With regard to R&M expenses, it is submitted that the O&M charges as paid to HPSEBL and recorded in audited accounts have been considered after adjusting the O&M charges paid with the O&M charges paid towards inter-state lines.

- (ii) In the MYT Order for HPPTCL for the Control Period FY15-FY19, the Commission had stated the following.

“.....

4.4.25 Further, the Commission directs the Petitioner to mutually devise on an appropriate methodology for determination of O&M charges towards maintenance of existing transmission lines by HPSEBL. The Commission advised the Petitioner and HPSEBL to arrive on reasonable O&M charges based on the actual O&M expense of HPSEBL towards such high voltage lines. This methodology along with the computed O&M charges is required to be submitted to the Commission within 3 months of issuance of this Order for approval.....”

In this regard, it is required to submit the methodology finalized with HPSEBL for making payments towards O&M of transmission lines. It is also required to furnish the supporting documents for the same along with the details of O&M charges paid to HPSEBL, for each transmission asset, each year for the third Control Period

Reply: It is submitted that the matter for deciding methodology for determination of O&M charges to HPSEBL was taken up and sincere efforts were made. However, the same could not be finalized. Correspondences with regard to the discussions held for this purpose are enclosed as **Annexure-F**.

With regard to the basis of payments made, it is submitted that for the year's FY 2014-15 and FY 2015-16, the expenses towards O&M of lines to be paid to HPSEBL were decided mutually based on meeting held on 20.10.2016 and 21.10.2016. For FY 2016-17, considering that the claimed O&M expenses are on higher side, O&M expenses as approved by Hon'ble HPERC and Hon'ble CERC for FY 2016-17 were paid to HPSEBL. For 2017-18 and FY 2018-19, the expenses towards O&M of lines were paid based on actual bills raised by HPSEBL. It is further submitted that the payment towards O&M charges to HPSEBL was not made in cash and instead, were adjusted from amount payable by HPPTCL to HPSEBL as per MOM dated 06.12.2017. Details of amount passed for payment for each year are enclosed as **Annexure-G**.

- (iii) In the Mid-term Review Order, the Commission has already trued-up employee cost, A&G cost and R&M cost based on the submission and audited accounts. However, the revised numbers against each component without providing any rationale has been submitted. In this regard, it is required to provide the following:

(a) Proper reasoning for truing-up of similar years for which the exercise has already been undertaken based on audited accounts.

(b) Reasoning for truing-up of O&M expenses which as per regulations is a controllable parameter and is not subject to trued-up based on actual

Reply: It is respectfully submitted that the Petitioner has requested for true up of employee and A&G expenses for the third Control Period based on the actuals considering the allocation of 50% of the total expenses towards intra state assets as there is no such formal bifurcation among the employees of inter and intra state assets.

(c) Details with respect to corporate level employee expense are required to be submitted for the third Control Period.

Reply: Details of corporate level employee expense for the period FY 2014-15 to FY 2018-19 are enclosed as **Annexure-H**.

ATTESTED

RANITHAKI.P

Advocate cum Nodal Public
Nave Cottage, Durgam Estate
Baleahalli, Bengaluru

- (v) Number of opening, addition, retirement, closing employees for each year is required to be provided.

Reply: Details of the employees as sought by the Hon'ble Commission for the period FY 2014-15 to FY 2018-19 are provided below for Regular, Contractual and Outsourced employees: .

Table 2 Details of Regular employees for the period FY 2014-15 to FY 2018-19

Particulars	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19
Opening number of employees	115	113	111	118	84
Add: Addition	00	00	07	0	20
Less: Retirement/transfer	02	02	0	34	4
Closing number of employees	113	111	118	84	100

Table 3 Details of Contractual employees for the period FY 2014-15 to FY 2018-19

Particulars	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19
Opening number of employees	00	0	0	12	89
Add: Addition	00	0	12	77	09
Less: Retirement/transfer	00	0	0	0	0
Closing number of employees	00	0	12	89	98

Table 4 Details of Outsourced employees for the period FY 2014-15 to FY 2018-19

Particulars	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19
Opening number of employees	0	16	25	36	46
Add: Addition	16	09	11	10	34
Less: Retirement/transfer	0	0	0	0	0
Closing number of employees	16	25	36	46	80

- (vi) Break up of A&G expense at corporate and Field level to be provided along with STU related expense.

Reply: Break up of A&G Expenses incurred at Corporate and field level along with STU expense for the period FY 2014-15 to FY 2018-19 are enclosed as Annexure-I .

- (vii) It is required to provide details of expenses paid to HPSEBL for maintenance of each of the intra-state transmission line during the third Control Period. Also, details of booking of these expenses in the accounts may be detailed/ reconciled.

Reply: The copies of the expenses paid to HPSEBL for maintenance of each of the intra-state transmission line during the period FY 2014-15 to FY 2018-19 are enclosed in the Annexure-J as referred in reply to 5(ii) above. With regard to the booking of the expenses in the Annual Accounts, it is submitted that the expenses as paid to HPSEBL are booked

in the Annual Accounts and are reflected in the Schedules named 'Other Office and Administrative Expenditure' for the period FY 2014-15 to FY 2016-17 and 'Operating Expenses' for the period FY 2017-18 and FY 2018-19.

6) Interest on Loan

- (i) **It is required to submit the basis of considering INR 7.05 Cr as opening loan for FY 2014-15 and furnish supporting documents with respect to the loan liability transferred as part of the transfer scheme.**

Reply: It is respectfully submitted that the Petitioner, in the Petitioner vide Paras 2.4.2 to Para 2.4.6 of the Petition has already made submissions with regard to the basis for considering the opening loan of Rs. 7.04 Crore for the year FY 2014-15. However, the Petitioner would like to re-iterate that the opening loan of Rs. 7.04 Crore for the year FY 2014-15 has been considered after deducting the normative loan corresponding to the assets revested in HPPITCL by GoHP with the depreciation for the period from transfer of assets till FY 2013-14 calculated in line with the methodology adopted by the Hon'ble Commission. It is submitted that the liability against such assets were transferred in FY 2014-15 and therefore the Petitioner seeks servicing of the same. It is further submitted that depriving the Petitioner of both interest on loan and return on equity and treating the assets transferred as though they are funded through grant is not prudent and therefore the Petitioner humbly prays before the Hon'ble Commission to kindly approve the same.

- (ii) **In the Mid-term Review Order, the Commission had approved the interest charges as per your submission. Further, no review was filed with regard to treatment of interest cost. The change in submission is required to be substantiated with proper documents.**

Reply: It is respectfully submitted that the Petitioner during the proceedings for Mid-Term Review Order has not claimed any interest on loan for the period FY 2014-15 to FY 2018-19, however, has claimed return on equity on the amount Rs. 19.54 Crore corresponding to the entire value of assets revested in HPPITCL by GoHP which was not allowed by the Hon'ble Commission. Simultaneous to the MTR proceedings, the Petitioner was constantly pursuing the matter of consideration of liabilities with respect to the assets transferred vide its various communications. Accordingly, the Petitioner has not considered any review of the matter with regard to treatment of interest cost as the same is subject to true-up. Further, in the current Petition, upon attaining the confirmation from GoHP vide File No. MPP-A(3)-1/2001-V dated 18.08.2020, the Petitioner has considered 30% of the gross value of the assets transferred as equity and the rest as normative loan and claimed interest on loan and return on equity for the period FY 2014-15 to FY 2018-19.

Copies of the communication made with or received from GoHP in this regard are enclosed as **Annexure -K**.

The Petitioner humbly requests that as there have been considerable new developments and new facts have emerged lately, the Petitioner has sought the above relief from the Hon'ble Commission.

ATTESTED

RAMTHAKUR

Advocate cum Notary Public
Nova Cottage, Dhingra Estate
Bileauganj Shimla



7) Return on equity

- (i) It is required to submit the details of correspondences received from GoHP with reference to re-vesting of assets in HPPTCL (File No. MPP-A(3)-1/2001-V dated August 18,2020).

Reply: The Copies of the correspondences received from GoHP with reference to re-vesting of assets in HPPTCL enclosed as Annexure-K .

- (ii) The information with respect to the 15 lines transferred from HPSEBL to the HPPTCL was sought multiple times during the processing of previous petition and tariff filings. The original funding details of the fifteen lines transferred from HPSEBL to HPPTCL may be submitted along with the supporting documents for determining the original funding (grants, debt, equity) of the said assets transferred to the petitioner.

Reply: It is respectfully submitted that the Petitioner made sincere efforts to provide the information regarding original funding of the fifteen lines transferred from HPSEBL. As the information were to be provided by HPSEBL, the Petitioner had little control over the same. However, as submitted in Para 2.6.5 to Para 2.6.9 of the Petition, the Petitioner with suitable precedencies of Hon'ble CERC, Hon'ble UERC has demonstrated that information with regard to original funding of the assets is irrelevant as the tariff sought here is not in terms of the original cost of the assets, funding, cost of funds etc., instead the same is on the basis of assets and liabilities transferred in terms of Transfer Scheme which specifically transferred assets worth assets worth Rs. 61.22 Crore (Rs. 102.63 Crore net of Rs. 41.41 Crore accumulated depreciation) for which corresponding liability of HPPTCL has also increased by Rs. 61.22 Crore. Out of this Rs. 61.22 Crore, Inter-State Transmission lines amounts to Rs. 46.94 Crore and therefore balance assets towards existing 12 Intra-State system is Rs. 14.28 Crore. Further, with regard to the re-vesting of assets in HPPTCL, GoHP vide File No. MPP-A(3)-1/2001-V dated 18.08.2020 communicated that Finance Department of GoHP has directed that 30% of the gross value of transferred assets should be considered as equity and paid up capital of HPPTCL to be revised accordingly in terms of Clause 4 of the Transfer Scheme. Hon'ble Commission is therefore humbly requested to consider the submissions of the Petitioner and allow the servicing of the liabilities transferred to the Petitioner by GoHP.

8) Income Tax

- (i) Details of the Income tax for each year of the Control Period is required to be furnished along with allocation between intra-state and inter-state.

Reply: It is respectfully submitted that, as submitted in Section 2.7 of the Petition, the Petitioner has paid Income tax only for FY 2014-15 to FY 2016-17 and has not paid any income tax for the rest of the Control Period i.e., FY 2017-18 to FY 2018-19 as the Petitioner has been incurring considerable losses. Details of income tax for each year of Control period is enclosed as Annexure-L. With regard to allocation of the income tax paid between inter-state and intra-state assets, the Petitioner submits that the total tax liability is towards STU and transmission charges income for which the profit and loss account has been prepared while the other income has been adjusted against CWIP expenditure as Pre-Operative Expenditure Statement.

ATTESTED

RANITHAKUR

Accredited cum Notary Public
Nova Cottage, Dhiragra E,
Bicteesgani Shimla

- (ii) Copy of Income tax assessment for each year of the third Control Period to be provided.

Reply: Copy of the income tax assessment for the assessment years FY 2015-16 to FY 2017-18 are enclosed as **Annexure-M**. The income tax assessment for FY 2017-18 and FY 2018-19 is pending.

- (iii) Any income tax refund or adjustment undertaken in subsequent years needs to be clarified.

Reply: It is submitted that income tax adjustment has been done and the details regarding the same have been enclosed as **Annexure-N**.

9) Depreciation

It is required to furnish the detailed calculation of Depreciation submitted for each year in the true-up petition.

Reply: Detailed calculation of Depreciation for each year of the period FY 2014-15 to FY 2018-19 has already been provided in the Tariff Formats submitted along with the Petition. However, the same are once again enclosed as enclosed as **Annexure-O**.

10) Non-Tariff Income

It is required to furnish details of items such as 'Interest on Book Deposits' and 'Interest on ADB loan Imprest' reflected in the Schedule 2.20- Miscellaneous Income of the Annual accounts and why the same has been adjusted against expenses pertaining to pre-construction period.

Reply: With regard to the adjustment of the items recorded in the Schedule of Miscellaneous Income, it is submitted that the interest amount on account of the equity received from GoHP and loan from other agencies viz. ADB, REC etc., received for various projects which are under construction is adjusted in pre-operative expenditure statement of concerned years. The details of the items such as 'Interest on Book Deposits' and 'Interest on ADB loan Interest' reflected in the Schedule for Miscellaneous Income of the Annual accounts are enclosed as **Annexure-P**.

11) Revenue

- (i) It is required to provide the comparison of revenue approved vis-à-vis actual revenue (as per audited accounts) recovered for each year of third Control Period from long-term consumers.

Reply: Comparison of the revenue approved vis-à-vis actual revenue recovered (as per audited accounts) for the period FY 2014-15 to FY 2018-19 is as follows:

S. No	Particular	Revenue Approved vide MTR Order dated 06.10.2017 (Rs. Crore)	Actual Revenue (As per Audited Accounts) (Rs. Crore)
1	FY 2014-15	6.03	3.45
2	FY 2015-16	5.72	3.47
3	FY 2016-17	5.78	7.07
4	FY 2017-18	5.93	6.16
5	FY 2018-19	6.04	6.04

(ii) The Commission in the Order for Mid-term Review had computed a surplus of Rs. 14.29 Cr. which was required to be refunded to HPSEBL. It is required to provide details with respect to the same:

Reply: It is respectfully submitted that the surplus amount of Rs 14.29 Crore has been adjusted as per Minutes of Meeting held between HPPTCL and HPSEBL on 06.12.2017 and same is mentioned under point no. 14 of Annexure-A of Minutes of Meeting. The Minutes of Meeting held on 06.12.2017 is enclosed as **Annexure-Q**.

12) Transmission Loss

It is required to furnish the actual transmission loss for each year of MYT Control Period

Reply: As substations are maintained by HPSEBL, reliable data in respect of actual Transmission losses cannot be provided. However HPPTCL has done communication with HPSEBL regarding providing of Transmission losses of HPPTCL owned Transmission lines.

13) Performance Parameters

It is required to furnish information relating to availability of transmission system, transformer failure rate, etc. for each year of the third Control Period

Reply: Details related to the availability of transmission system, transformer failure rate for the period FY 2014-15 to FY 2018-19 are enclosed as **Annexure-R**.

ATTESTED
P. V. THAKUR
Notary Public
Nova Cottage, Daringa Estate
Bilegaon, Shimla





BEFORE HIMACHAL PRADESH ELECTRICITY REGULATORY COMMISSION, SHIMLA



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AND IN THE MATTER OF:

HIMACHAL PRADESH POWER TRANSMISSION CORPORATION LIMITED, HIMFED BHAWAN, PANJARI, SHIMLA-171005.

.....PETITIONER

Affidavit verifying the Petition

I, Room Singh Thakur, son of Shri Mangat Ram aged 46 years, presently working as a Dy. General Manager (C&M), Himachal Pradesh Power Transmission Corporation Limited, Shimla, do hereby solemnly affirm and declare as under:

- 1. That I am duly authorized to file this Compliance Report and swear in the affidavit therein.
2. That the Reply to data gaps has been prepared and drafted at my instance and under my instructions. The contents of the Data Gaps are true and correct to the best of my personal knowledge based on official record and the advice received. No part of it is false and nothing material has been concealed there from.

That the Petitioner further declares that this affidavit of mine is true and correct to the best of my personal knowledge, no part of it is false and nothing material has been concealed there from.

ATTESTED
Rajni Thakur
Advocate cum Notary Public
Nova Cottage, Chingra Bazaar
Bilegaugani Shimla

Identified by

Certified that the above/overleaf who was declared by me on solemnly sworn on this 23rd day of Feb 2021 at Shimla in the District Shimla by Shri Room Singh Thakur Identified by Shri Lalit Kumar who is personally known to me, the contents of the affidavit are duly read and explain the dependent in vernacular who admit the contents thereof to be true

Deponent

DEPT (C&M)
HPPTCL, Tufkandi, Shimla-5

Room Singh Thakur
23/2/2021